

APPENDIX A FOOD STANDARDS SCOTLAND BOARD AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Purpose

1. The Board has established an Audit and Risk Committee ('the ARC') as a Committee of the Board to support it and advise the Accountable Officer in their respective responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

Membership

2. The ARC is appointed by the Board. The ARC will include at least one member with recent and relevant financial and / or governance experience, and may include as a member an independent and external person who is not a member of the Food Standards Scotland Board. The ARC shall be composed of at least four non-executive Board members, or at least three non-executive members and one independent external member, where such a person is appointed. One of the non-executive members shall act as Chair. Non-executive ARC members will be appointed for terms no longer than to coincide with their terms of Board appointment. ARC terms will normally be for between two and four years, in order to manage succession and provide continuity.
3. The Chair of the ARC will be appointed from the membership of the ARC by the FSS Chair under delegated powers.
4. The ARC will be provided with a secretariat function by the FSS Board secretariat.

Rights

5. The ARC may:
 - co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
 - procure specialist ad-hoc advice at the expense of FSS, subject to budgets agreed by the Board or Accountable Officer.

Access

6. The Head of Audit Assurance, our Internal Auditors for corporate systems and the representative of External Audit will have free and confidential access to the Chair of the ARC.
7. The Chair of the ARC will have free and confidential access to the Chair and Chief Executive of FSS whenever appropriate.

Reporting

8. The ARC will formally report to the Board after each meeting.
9. A copy of the ARC minutes will be provided to the Board once agreed by the ARC .
10. The ARC will provide the Board with an Annual Report, outlining its work during the previous financial year.
11. The ARC will provide an assurance statement to the Board and the Accountable Officer for use in the Board's consideration of the Annual Report and Accounts. This statement will incorporate the consideration of the assurance reports of the Head of Audit Assurance and our Internal Auditors for corporate systems and the views expressed by the External Auditors.

Meetings

12. The procedures for meetings are:
 - the ARC will meet four times a year. The Chair of the ARC may convene additional meetings, as they deem necessary;
 - a minimum of three members of the ARC will be present for the meeting to be deemed quorate for decision-making;
 - ARC meetings will normally be attended by the Accountable Officer, the Director of Corporate Services, the Head of Audit Assurance, a representative of our Internal Auditors for corporate systems and the External Auditors;

- the ARC or Accountable Officer may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- the ARC may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- the members of the ARC will meet separately with each of the Head of Audit Assurance, our Internal Auditors for corporate systems and the External Auditors, annually in closed meetings where the efficacy of the processes, trust, co-operation and any other issues can be discussed and future action agreed; and
- the Board or Accountable Officer may ask the ARC to convene further meetings to discuss particular issues on which they want the Committee's advice.

Responsibilities

13. The ARC will advise the Board and Accountable Officer on:

- the strategic processes for risk, control and governance, including reviewing the risk profile and register and considering FSS's risk appetite, and advising on the practical effectiveness of the governance framework;
- the governance statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the judgements used in the producing the accounts, the adequacy of disclosures, the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the effectiveness of the design and operation of financial systems and levels of compliance with controls;
- the planned activity and results of both internal and external audit;

- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the resourcing and effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- (*where appropriate*) proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

14. The ARC will work with FSS's Senior Management Team to ensure that the Board can be confident that risk management processes, content, mitigating and recovery actions are appropriate and correctly resourced.

15. The ARC will also periodically review its own effectiveness, including performance, constitution and terms of reference, and report the results of that review to the Board and Accountable Officer, recommending any changes it considers necessary.

16. Annex A details the role/scope of the FSS Board, ARC and FBC committees to ensure no unintended overlap or gaps.

Information Requirements

17. For each meeting the ARC will be provided with:

- a report summarising any significant changes to the organisation's Corporate Risk Register and associated documents;
- a progress report from each of the Head of Audit Assurance and the Head of Internal Audit summarising:
 - a. work performed (and a comparison with work planned);
 - b. key issues emerging from Internal Audit work;
 - c. management response to audit recommendations, including action in response to issues identified and agreed;
 - d. significant changes to the audit plan;

- e. any resourcing issues affecting the delivery of Internal Audit objectives;
- a progress report from the External Audit representative summarising work done and emerging findings.

18. As and when appropriate the Committee will also be provided with:

- the risk management strategy;
- management assurance reports, and report on the management of major health and safety incidents, 'near misses' and lessons learned;
- external assurance and compliance reports in relation to FSS's activities;
- proposals for the procurement of the Internal Audit services;
- the Internal Audit Strategy and annual plans;
- the Annual Opinion and Report of the Head of Audit Assurance and Head of Internal Audit;
- customer satisfaction reports on the Internal Audit function;
- a summary of findings of every Internal Audit report;
- the draft annual report and accounts of the organisation;
- the draft governance statement;
- a report on any changes to accounting policies;
- External Audit's management letter/report;
- a report on any proposals to tender for audit.

19. The above lists are minimum requirements for the inputs which should be provided to the ARC. In some cases more may be provided.

ANNEX A

BOARD	ARC	FBC
<p>The Board will:</p> <ul style="list-style-type: none"> • Set the strategic direction for FSS within a framework of prudent and effective controls which enable risk to be assessed and managed; • Lay out FSS's standards and values and be responsible for ensuring that FSS's obligations to its stakeholders and the wider community are understood and met; • Approve the Corporate Plan; • Ensure that FSS achieves its statutory objectives to protect and improve public health and consumers' interests in relation to food; • Consider and advise on strategic risks; • Take decisions on key issues of principle and policy, including those on which advice is to be given to Ministers; • Appoint the Chief Executive in line with the relevant Civil Service rules and, through the Chair hold the Chief Executive accountable for FSS's performance; • Scrutinise the financial and other performance information relating to FSS and advise the Chief Executive in the discharge of the Accountable Officer responsibilities; • Approve the annual business plan and maintain oversight of major financial decisions in line with that plan; • It is the responsibility of the whole FSS Board to set the Board's risk appetite • Establish such committees as it sees fit. The terms of reference and reporting arrangements of such Committees will be agreed by the Board and reviewed annually; • Receive regular reports from Committees and approve recommendations of Board Committees (where powers are not delegated); • Approve Standing Orders for the Board and any Committees of the Board; and • Approve the Annual Report 	<p>The ARC will advise the Board and Accountable Officer on:</p> <ul style="list-style-type: none"> • the strategic processes for risk, control and governance, including reviewing the risk profile and register and considering FSS's risk appetite, and advising on the practical effectiveness of the governance framework; • the governance statement; • the accounting policies, the accounts, and the annual report of the organisation, including the judgements used in the producing the accounts, the adequacy of disclosures, the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors; • the effectiveness of the design and operation of financial systems and levels of compliance with controls; • the planned activity and results of both internal and external audit; • the adequacy of management response to issues identified by audit activity, including external audit's management letter/report; • the resourcing and effectiveness of the internal control environment; • the ARC is responsible for oversight of how the Board manages it's risk appetite throughout each year • assurances relating to the corporate governance requirements for the organisation; • (where appropriate) proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services; and • anti-fraud policies, whistle-blowing processes, and arrangements for special investigations. 	<p>The FBC will seek assurance of finance and business delivery on behalf of the Board to:</p> <ul style="list-style-type: none"> • support the Board in strategic oversight of the financial performance of the organisation; • oversee financial planning and annual budgets to support delivery of the FSS Strategy and Corporate Plan; • scrutinise the financial and other performance information relating to FSS; • review the annual budget allocation process undertaken by the Executive and consider associated strategic risks and issues arising as part of the budget allocation and refer appropriate strategic risks to the Board; • support the Board in strategic oversight of operational performance and staff resourcing including recruitment challenges, staff turnover and review of the Workforce Plan and the Staff Engagement Survey; and • give appropriate high-level oversight and advice on the in-year Corporate Plan