



Agency Board Meeting 29 April 2014

Board Report Number: SEPA 16/14

Audit Committee Membership

Summary:	As advised at the meeting held on 11 February 2014, new members of the Committee are required following the stepping down of four members from the Board at the end of 2013.
Risks:	N/A
Financial Implications:	N/A
Staffing Implications:	N/A
Environmental and Carbon Impact:	N/A
Purpose of the report:	For approval
Report Author:	Allan Reid, Clerk to the Board
Appendices:	Revised terms of reference of the Audit Committee

Audit Committee Membership

1. Introduction

- 1.1 As advised at the meeting held on 11 February 2014, new members of the Committee are required following the stepping down of four members from the Board at the end of 2013.
- 1.2 Due to the schedule of Audit Committee meetings for 2014 and in accordance with the Standing Order, agreement of the revised membership of the Audit Committee was sought from board members via correspondence.
- 1.3 According to the Standing Orders for Meetings of the Agency Board and Board Standing Committees, changes in terms of reference require to be approved by the Agency Board.

2. Membership of the Audit Committee

- 2.1 By correspondence, issued by the Clerk to the Board on 24 February 2014, the Agency Board agreed the membership of the Audit Committee as follows:

Richard Dixon
Bob Downes (Chair)
Nick Martin
Trisha McAuley
Bill McKelvey
Keith Nicholson

- 2.2 The revised terms of reference of the Audit Committee are attached at appendix 1.

3. Recommendations

- 3.1 The Board is asked to **note** the membership of the Audit Committee, as approved via correspondence.
- 3.2 The Board is asked to **approve** the revised terms of reference.

Allan Reid
4 April 2014

SCOTTISH ENVIRONMENT PROTECTION AGENCY**AUDIT COMMITTEE:
TERMS OF REFERENCE & REMIT****1. Establishment of Committees**

- 1.1 Committees are established by SEPA in accordance with powers granted under Schedule 6 of the Environment Act 1995. Committee business is conducted in accordance with the SEPA Standing Orders which were approved by the Agency Board on 12 February 2013.

2. Purpose of the Committee

- 2.1 The Audit Committee will monitor and review risk, control and corporate governance. It will operate independently and report to the Agency Board.
- 2.2 Meetings of the Committee and its work programme will complement the conduct of internal and external audit and the process of preparation and approval of the annual accounts.

3. Membership of the Committee

- 3.1 The Committee shall comprise six non executive members of the Agency Board (including the Chair of the Committee).
- 3.2 The Chair and members of the Committee shall be appointed by the Agency Board.
- 3.3 The membership of the Committee will be reviewed every two years by the Agency Board and new members appointed or existing members re-appointed, other than the Chair, who shall be appointed for a four year period. There is no limit on the length of time a member may serve on the Audit Committee, subject to remaining a non executive member of the Agency Board and being re-appointed to the Committee by the Agency Board.
- 3.4 A periodic assessment of the required skills of members of the Committee will be made by the Chairman and, if required, a request will be made to the Agency Board for the provision of relevant training and development.

4. Attendance at the Committee

- 4.1 The Chair of the Agency Board (who is not a member of the Committee) and any other non-executive of the Agency Board, who is not a member of the Committee may attend meetings of the Committee but shall have no vote.
- 4.2 The Chief Executive, the Executive Director for Science and Strategy Portfolio (or nominee, designated with the approval of the Chief Executive) will normally attend meetings of the Committee.
- 4.3 The Internal Auditors and External Auditors may attend all meetings of the Committee. In addition, they may contact the Chair of the Committee at any time to express specific concerns identified during audit work.
- 4.4 The Committee may invite the attendance of any individual or organisation that can be of assistance to it in fulfilling its functions.

5. Functions and duties of the Committee

The Committee has delegated authority from the Agency Board to undertake or commission work necessary to enable it to fulfil its purpose, or to take what advice (including external legal advice) it considers necessary to discharge its duties.

The Committee will:

Internal Control and advice to the Board

- 5.1 Make regular reports and a formal annual report to the Board.
- 5.2 Act on behalf of the Board in overseeing the work of the Standards Officer.
- 5.3 Review and advise the Board on its compliance with corporate governance requirements and good practice guidance.

Internal Audit

- 5.4 Advise the Board on the selection, appointment or re-appointment and remuneration of the Internal Audit Service provider.
- 5.5 Review the scope, efficiency and effectiveness of the work of internal audit.
- 5.6 Advise the Board of the Audit Committee's approval of the internal audit strategic and operational plans.
- 5.7 Consider the salient issues arising from the internal audit assignment reports, progress reports and management response thereto and monitor the management action on the implementation of agreed recommendations.

External Audit and Annual Financial Statements

- 5.8 Advise the Board on the remuneration of the external auditors.
- 5.9 Consider the annual financial statements and reviewing the appropriateness of the accounting policies adopted in their preparation and the statement of internal control.
- 5.10 Review the external audit strategy and plan.
- 5.11 Review the external auditor's annual report and management letter and monitoring action on the implementation of the agreed recommendations.

Risk Management

- 5.12 Establish and oversee a review process for evaluating the effectiveness of risk management arrangements to establish whether risk is being appropriately managed, adequately controlled and that there is appropriate evidence to support conclusions reached.
- 5.13 Receive an annual risk management review and advise the Board of the effectiveness of internal control systems, including controls specifically to prevent or detect fraud or other irregularities.
- 5.13 Provide the Board with an annual risk report.

Whistle-blowing

- 5.15 Receive reports from the Clerk to the Board on issues raised through the whistle-blowing policy and any outcomes and follow-up action.

Best Value

- 5.16 Oversee processes for securing the economical, efficient and effective use of resources.

Code of Conduct

- 5.17 Receive reports from the Standards Officer.
- 5.18 Oversee the register of members' interests.
- 5.19 Consider matters of misconduct of Agency Board members, reporting with recommendations to the Agency Board.

6. Quorum

- 6.1 The Quorum of the Committee shall be three of the six members eligible to vote.
- 6.2 If the quorum of any Committee meeting cannot be reached because of an absence approved by the Chairman of the Committee, in exceptional circumstances the Chairman may co-opt another non-executive member of the Board to the Committee on a meeting by meeting basis.

7. Conduct of Business and Administration of Meetings

- 7.1 The conduct of business shall be in accordance with the Standing Orders of the Agency Board.
- 7.2 The duties and authority of the Chairman shall be in accordance with that laid down in the Standing Orders of the Agency Board.
- 7.3 The Committee shall meet no fewer than four times each financial year to receive reports from the internal auditors, the external auditors and SEPA staff.
- 7.4 The Committee is entitled to meet privately without any non-members present for all or part of a meeting if they so decide.
- 7.5 SEPA will appoint a Clerk to the Committee who shall normally attend all meetings. The Clerk to the Committee may be supported by a minute taker.
- 7.6 The Chief Executive will identify and release any staff (including those who are required to attend) whose presence is necessary to enable the Committee to undertake its functions.

8. Board approval

- 8.1 The amended remit of the Committee was approved on 29 April 2014.

Chairman
SEPA Board