

**EXECUTIVE DIRECTOR SPONSOR: SARAH JANE HANNAH****AUDIT & RISK COMMITTEE (ARC)  
REVIEW OF TERMS OF REFERENCE****Purpose**

The Board to approve the ARC terms of reference attached as appendix 1 and the re-appointments of Michelle Wailes as ARC Chair and Rob McGregor as ARC Board member, respectively, for a two-year term ending on 30 June 2027, subject to receipt of Scottish Government confirmation of their re-appointments as Scottish Canals Board members for a further two-year term ending on 30 June 2027.

**Priority**

Routine.

**Background**

The ARC terms of reference are in line with the model as detailed in the current Scottish Government Audit and Assurance Committee Handbook (updated February 2023) applicable to Scottish Canals as a Non-Departmental Public Bodies (NDPB). This Handbook sets out the fundamental principles with explanatory good practice notes, relating to the role, membership and work of Audit and Assurance Committees in organisations to which the Scottish Public Finance Manual is directly applicable.

**Key Points for Noting****Re-appointment of ARC Chair/ARC Board Member**

The current terms of Michelle Wailes as ARC Chair and Rob McGregor as ARC Board member end on 30 June 2025 in line with their current terms as Scottish Canals Board members. In accordance with SG On Board guidance Michelle and Rob are both eligible and have both indicated their willingness to be reappointed to the

Scottish Canals Board for a further two years and are both willing to continue as ARC members.

The re-appointments of Michelle Wailes as ARC Chair and Rob McGregor as ARC Board member, respectively, for a two-year term ending on 30 June 2027 are recommended for Board approval, subject to receipt of Scottish Government confirmation of their re-appointments as Scottish Canals Board members for a further two-year term.

**Delegated Authority**

An additional term of reference (highlighted yellow in appendix 1 for ease of reference) has been included to allow nominated deputies from the Scottish Canals Board to represent the Scottish Canals Board ARC members at ARC meetings as an additional safeguard to ensure the ARC meetings are quorate.

**Corporate Considerations**

- Strategic Priorities: The ARC provides assurance that Scottish Canals is focused on ensuring alignment of its business activities with the strategic objectives as set out in the Corporate Plan 2023-28.
- Health & Safety: nothing to note.
- Risk/Risk Appetite: The ARC provides assurance that Scottish Canals is focused on strategically critical activities and corporate behaviours to mitigate risk.
- Legal: Nothing to note.
- Financial: Nothing to note.
- Human Resources: Nothing to note.
- Fair Work First: Nothing to note.
- Communication: The ARC terms of reference included in Scottish Canals' Governance Handbook on Scottish Canals' website for transparency.
- Community & Third Sector: Nothing to note.
- Commercial: Nothing to note.
- Asset: Nothing to note.
- Environment: Nothing to note.

**Conclusions and Recommendations**

The ARC recommend that the Board:

- approve the terms of reference for the Audit & Risk Committee in the format attached as appendix 1;

- approve the re-appointments of Michelle Wailes as ARC Chair and Rob McGregor as ARC Board member, respectively, for a two-year term ending on 30 June 2027, subject to receipt of Scottish Government confirmation of their re-appointments as Scottish Canals Board members for a further two-year term.
- delegate authority to the secretary to the Board of Scottish Canals to update the Committee members details as required following appointment/end of appointment term.

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**Date:** 06/03/2025

## **Appendix 1**

### **Audit & Risk Committee: Terms of Reference**

(As approved by the Board of Scottish Canals at a meeting held on xx 2025)

The Board has established an Audit & Risk Committee as a Committee of the Board to support in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

#### **Membership**

The number and composition of the membership of the Committee is approved by the Board of Scottish Canals. It comprises at least 4 members; at least two non-executive Board members, one of whom shall be Chair of the Committee, and up to two independent members appointed for up to 3 years (to be reviewed and reassessed upon completion of this term). In addition, a co-opted member may be appointed for a period not exceeding twelve months, unless the Board decides otherwise, to provide specialist skills, knowledge and experience.

The current members and terms of appointment are set out in the appendix.

The Committee will be provided with a secretariat function by the secretary to the Board of Scottish Canals.

#### **Reporting**

The Committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

The Committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

#### **Responsibilities**

The Committee will advise the Board and Accountable Officer on:

- the strategic processes for risk, control and governance and the governance statement.
- the accounting policies, the accounts, and the annual report of the organisation, including 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 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 effectiveness of the internal control environment.
- assurances relating to the corporate governance requirements for the organisation.
- proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services.
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- specific issues as directed by the Board and/or the Accountable Officer on which the Board and/or the Accountable Officer wants the Committee's advice.

The Audit & Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board.

### **Rights**

The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

### **Access**

The representatives of Internal Audit and External Audit will have free and confidential access to the Chair of the Committee.

### **Meetings**

The procedures for meetings are:

- the Committee will meet at least four times a year. The Chair of the Committee may convene additional meetings, as he/she deems necessary.
- A minimum of three members (with a Board member as Chair) will be present for the meeting to be deemed quorate.
- The Scottish Canals Board members appointed as ARC members may nominate a deputy from the Scottish Canals Board with delegated authority to represent them at ARC meetings in the event that either are unable to attend an ARC meeting.
- Committee meetings will normally be attended by the Accountable Officer, relevant Directors and a representative of Internal Audit and External Audit.
- the Committee may ask any other officials of the organisation to attend to assist it with its discussions on any matter.
- the Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of matters.
- the Board or Accountable Officer may ask the Committee to convene further meetings to discuss issues on which they want the Committee's advice.

### **Information requirements**

For each meeting the Committee will be provided with:

- a report summarising any significant changes to the organisation's Risk Register
- a progress report from the Internal Auditors summarising:
  - work performed (and a comparison with work planned).
  - key issues emerging from Internal Audit work.
  - management response to audit recommendations.
  - significant changes to the audit plan.
  - any resourcing issues affecting the delivery of Internal Audit objectives.
- a progress report from the External Audit representative summarising work done and emerging findings.

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

- an update on the Business Continuity Action plan.
- business update reports from the Accountable Officer.
- the Terms of Reference of the Internal Auditors.
- the Internal Audit Strategy.
- the annual Internal Audit Plan.
- the Internal Auditors Annual Opinion and Report.
- quality assurance reports on the Internal Audit function.
- the draft 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 functions.
- a report on co-operation between Internal and External Audit.
- a report on the Counter Fraud and Bribery arrangements and performance.
- reports from other sources within the "three lines of assurance" integrated assurance framework.
- Reports on matters identified as high risk to the organisation.

## **Appendix**

The Members of the Audit & Risk Committee are:

Michelle Wailes - Chair

(Re -appointed with effect from 30<sup>th</sup> June 2022 to 30<sup>th</sup> June 2025) \*

Rob McGregor

(Re-appointed with effect from 30<sup>th</sup> June 2022 to 30<sup>th</sup> June 2025) \*

Katharina Kasper

(Re-appointed with effect from 1st March 2024 to 28<sup>th</sup> February 2027) \*

Nick Martin

(Re-appointed with effect from 2nd August 2024 to 1<sup>st</sup> August 2027) \*

\* or such earlier date in accordance with the terms and conditions of re-appointment.