**Self-assessment for Audit and Risk Committee**

Following the Audit and Risk Committee meeting on the 12 June, the Members of the Committee and the Director of Finance (and interim DoF support) carried out a self assessment, in line with good practice, based on the Audit and Assurance Committee Handbook published by the Scottish Government.

The members considered thiswas a good session and overall agreed the Committee works very effectively.They noted some very minoractionsas summarised on the document below.

**Principle 1: The role and remit of the Audit Committee**

The Audit Committee should support the Board and the Accountable Officers by reviewing the comprehensiveness of assurances in meeting the Board and Accountable Officer’s assurance needs, and reviewing the reliability and integrity of these assurances.

|  |  |  |  |
| --- | --- | --- | --- |
| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| **Terms of Reference** | **√** |  |  |
| Have all executive responsibilities, and making or endorsing of decisions been excluded from the roles and responsibilities of the Audit Committee members? | **√** |  |  |
| Does the Audit Committee follow up recommendations regarding its effectiveness? | **√** |  |  |
| Does the Audit Committee’s role include monitoring and reviewing the executive’s processes for assessing, reporting and owning business risks and their financial implications? | **√** |  |  |
| Has the role and responsibilities of the Audit Committee been clearly defined and communicated to all Audit Committee members, along with details of how the Committee supports the Board? | **√** |  |  |
| Are the Terms of Reference reviewed at least annually by the Board and the Audit Committee, to ensure that the work of the Audit Committee is aligned with good practice and business needs? | **√** |  |  |
| Does the Audit Committee meet regularly (at least four times a year), and do meetings coincide with key dates in the financial reporting and audit cycle? | **√** |  |  |
| Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently? |  | Due to current  vacancy **√** |  |

**Conclusions**

Do we achieve Principle 1: The Role of the Audit Committee – Does the Audit Committee effectively support the Board and the Senior Officers by reviewing the comprehensiveness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?

**What do we need to do to enhance the Audit Committee?**

* The Audit and Risk Committee is currently one member vacant. This is being actively recruited to and should be in place by end of the summer 2018.

**Principle 2: Membership, Induction and training**

The Audit Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member.

|  |  |  |  |
| --- | --- | --- | --- |
| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| Is the Chair of the Audit Committee different from the Chair of the Board? | **√** |  |  |
| Has the membership of the committee been formally agreed by the Board or Accountable Officer and a quorum set? | **√** |  |  |
| Are members sufficiently independent of the other key committees of the Board? | **√** |  |  |
| Are the Audit Committee members either independent non-executive Board members or independent external members, and have they been appointed for an appropriate period of time (e.g. three years)? | **√** |  |  |
| Are the Executive members of the organisation invited to attend Audit Committee meetings, participate in discussions, and provide information to the Audit Committee as and when the Audit Committee deems it necessary? | **√** |  |  |
| Are the numbers attending the Audit Committee meetings sufficient to deal adequately with the agenda, but not too many to blur issues? | **√** |  |  |
| Is the first agenda item of every meeting a request for the Audit Committee members to declare any potential conflict of interest with any of the business items on the Audit Committee’s agenda? | **√** |  |  |
| In instances where there is a declaration of interest in any of the agenda business items, are appropriate actions taken, e.g. is the member asked to leave the meeting while the business item is being discussed? | **√** |  |  |
| Are the Audit Committee members required to declare their interest in a register of interests? | **√** |  |  |
| Has the committee considered the arrangements for assessing the attendance and performance of each member? | **√** |  |  |

**Conclusions**

Do we achieve Principle 2: Membership, Induction and Training – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?

**What do we need to do to enhance the Audit Committee?**

* N/A - the members considered no actions required

**Principle 3: Skills**

The Audit Committee should collectively possess an appropriate skills mix to perform its functions well.

|  |  |  |  |
| --- | --- | --- | --- |
| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| Are there formal assessment criteria for the appointment of the Audit Chair, including attitudes to non-executives, strength of personality, experience of chairing, and time commitment | **√** |  |  |
| Do the assessment criteria of Committee members include, or expect Audit Committee members to acquire as soon as possible after appointment:   1. understanding of the objectives of the organisation and current significant issues for the organisation; 2. understanding of the organisation’s structure, including key relationships such as subsidiary or major partner; 3. understanding of the organisation’s culture; 4. understanding of any relevant legislation or other rules governing the organisation; and 5. broad understanding of the sector environment, particularly accountability structures and current major initiatives? | **√**  **√**  **√**  **√**  **√** |  |  |
| Does the Audit Committee ensure that there are areas of collective understanding, including:   1. accountancy – with at least one member having recent and relevant financial experience; 2. governance, assurance and risk management; 3. audit; 4. technical or specialist issues pertinent to the organisation’s business; 5. experience of managing similar sized organisations; 6. understanding of the wider environments in which the organisation operates; and 7. detailed understanding of the sector environment and accountability structures | **√**  **√**  **√**  **√**  **√**  **√**  **√** |  |  |
| Do the Audit Committee members feel empowered to:   1. co-opt members for a period of less than one year to provide specialist skills that the members do not have to be an effective Committee; 2. procure specialist advice at reasonable approved expense to the organisation, on an ad-hoc basis to support them in relation to particular pieces of Committee business. | **√**  **√** |  |  |
| **Training and Development**  Is there an induction checklist for new Audit Committee members that details key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors? |  | **√** |  |
| Does the Audit Committee ensure that new members have sufficient knowledge of the business to identify the key risk areas and to challenge both line management and internal and external auditors on critical and sensitive issues? |  | **√** |  |
| Does the Audit Committee and the Chair make recommendations to the Board on the Committee’s and individual members training needs | **√** |  |  |
| Does the Audit Committee keep abreast of best practice and developments in corporate governance in the sector and more widely? | **√** |  |  |

**Conclusions**

Do we achieve Principle 3: Skills – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?

**What do we need to do to enhance the Audit Committee?**Members noted there while there is both a formal and informal induction process it would also be useful to include a checklist as a formal assessment of this process for all new members of the Committee. This addresses both points noted above.

**Principle 4: Scope of Work**

The scope of the Audit Committee’s work should be defined in its Terms of Reference, and encompass all the assurance needs of the Board and Accountable Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of External Auditor, and Financial Reporting issues.

| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| --- | --- | --- | --- |
| **Relationship with Internal Audit**  Does the Audit Committee consider the independence and effectiveness of Internal Audit? | **√** |  |  |
| Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and their access to information and people allow it to address significant risks within the organisation | **√** |  |  |
| Does the Audit Committee review and approve the Internal Audit plan before they commence any work and make suggestions regarding risk and problem areas that the audit could address in the short and long term? | **√** |  |  |
| Does the Audit Committee receive regular progress reports on studies/work undertaken by Internal Audit? | **√** |  |  |
| Does the Audit Committee review internal audit reports and management responses to issues raised, and monitor the progress made on Internal Audit’s recommendations? | **√** |  |  |
| **Relationship with External Audit**  Where relevant, does the Audit Committee consider the independence, objectivity, and effectiveness of the External Auditors? | **√** |  |  |
| Does the Audit Committee periodically obtain the views of the External Auditor on the work and effectiveness of the Audit Committee | **√** |  |  |
| Is the Audit Committee informed by the External Auditors on an annual basis as to their quality control procedures and compliance with applicable UK ethics guidance | **√** |  |  |
| Does the Audit Committee consider the External Auditor’s Audit Strategy before they commence work, and make suggestions regarding risk and problem areas the audit could address in the short and long term | **√** |  |  |
| Do the External Auditors inform the Audit Committee of key developments and issues at key stages of the audit? | **√** |  |  |
| Where relevant, does the Audit Committee review the audit fees? |  |  | **√** |
| Does the Audit Committee consider the management letter and other relevant reports and the management’s response, and monitor the progress made on the recommendations? | **√** |  |  |
| **Relationship between Internal Audit and External Auditors**  Does the Audit Committee consider whether there are areas where joint working between Internal Audit and the External Auditors would be beneficial? | **√** |  |  |
| **Fraud**  Does the Audit Committee consider whether effective anti-fraud, bribery and corruption policies and procedures are in place and operating effectively? | **√** |  |  |
| Does the Audit Committee consider whether there is a code of conduct and its distribution to employees and Board members? | **√** |  |  |
| Does the Audit Committee consider whether management arrangements for whistle-blowing are satisfactory | **√** |  |  |
| **Internal Control**  Does the Audit Committee consider whether corporate governance is embedded throughout the organisation, rather than treated as a compliance exercise? | **√** |  |  |
| Does the Audit Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks | **√** |  |  |
| Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period? | **√** |  |  |
| Does the Audit Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money? | **√** |  |  |
| Does the Audit Committee monitor whether the organisation’s procedures for identifying and managing business risk have regard for the relevant legislation and regulation? | **√** |  |  |
| **Financial Reporting**  Does the Audit Committee review the first draft of the annual accounts before the External Auditors start work on them? |  | **√** |  |
| Before the Accountable Officer signs off the Annual Report and Financial Statements, does the Audit Committee consider:  a that the accounting policies in place comply with relevant requirements, particularly the Treasury’s Financial Reporting Manual and Accounts Direction;  b that there has been a robust process in preparing the accounts and annual report;  c whether the accounts and annual report have been subjected to sufficient review by management and by the Accountable Officer and/or Board;  d that when new or novel accounting treatments arise, whether appropriate advice on accounting treatment has been taken;  e whether there is an appropriate anti-fraud policy in place, and whether losses are suitably recorded;  f whether suitable processes are in place to ensure accurate financial records are kept;  g whether suitable processes are in place to ensure regularity and propriety is achieved; and  h whether issues raised by the External Auditors have been given appropriate attention. | **√**  **√**  **√**  **√**  **√**  **√**  **√**  **√**  **√**  **√** |  |  |
| Where the accounts have been qualified, does the Audit Committee consider the action taken by the Board to deal with the causes of the qualification? |  |  | **√** |
| Does the Audit Committee satisfy itself that the annual financial statements represent fairly the financial position of the organisation, regardless of the pressures on executive management? | **√** |  |  |
| Before the Accountable Officer signs off the Letter of Representation, does the Audit Committee review it and give particular attention to non-standard issues of representation? | **√** |  |  |

**Conclusions**

Do we achieve Principle 4: Scope of Work – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accountable Officer?

**What do we need to do to enhance the Audit Committee?**

* Members to consider the benefit of review of accounts before submitting to the External Auditors and/or to the Committee. To be considered for 18/19 annual accounts process

**Principle 5: Communication**

The Audit Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the External Auditor, and other stakeholders.

| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| --- | --- | --- | --- |
| **Reporting to the Board**  Does the Audit Committee send regular reports or provide oral updates to the Board that they review at their meetings? | **√** |  |  |
| Does the Audit Committee provide an Annual Report to the Board, timed to support preparation of the Governance Statement? | **√** |  |  |
| Does the Annual Report of the Audit Committee present the Committee’s opinion about:  a the comprehensiveness of assurances in meeting the Board and Accountable Officers needs;  b the reliability and integrity of these assurances;  c whether the assurance available is sufficient to support the Board and Accountable Officer in their decisions taken and their accountability obligations;  d the implication of these assurances for the overall management of risk;  e any issues the Audit Committee considers pertinent to the Governance Statement, and any long-term issues the Committee thinks the Board and/or Accountable Officer should give attention to;  f financial reporting for the year;  g the quality of both Internal and External Audit and their approach to their responsibilities; and  h the Audit Committee’s view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed. | **√**  **√**  **√**  **√**  **√**  **√**  **√**  **√** |  |  |
| Does the Accountable Officer attend all meetings and, if not, is he/she provided with a record of discussions? | **√** |  |  |

**Conclusions**

Do we achieve Principle 5: Communication – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accountable Officer, the Board and other stakeholders?

**What do we need to do to enhance the Audit Committee?**

Members agreed no actions were identified in this section.

**The role of the Chair:**

The Chair of the Audit Committee has particular responsibility for ensuring that the work of the Audit Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders.

| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| --- | --- | --- | --- |
| **Agenda Setting**  Does the Chair of the Audit Committee meet with the Committee Secretary before every meeting to discuss and agree the business for the meeting? | **√** |  |  |
| Are inputs on Any Other Business formally requested in advance from Committee members and attendees? | **√** |  |  |
| Are outline agendas planned one year ahead to cover core activities and specific issues on a cyclical basis? | **√** |  |  |
| Does the agenda exclude executive business, so that there is no overlap with the work of the Board whilst linking to the main elements of the organisation’s business? | **√** |  |  |
| Are the meetings set for a length of time which allows all business to be conducted, yet not so long that the meeting becomes ineffective? | **√** |  |  |
| Does the Chair encourage full and open discussion and invite questions at the Audit Committee meetings | **√** |  |  |
| **Communication**  Does the Chair of the Audit Committee have open lines of communication with the Board, Head of Internal Audit, and the External Auditors? | **√** |  |  |
| Does the Chair encourage all Committee members to have regular interface with the organisation and its activities to help them understand the organisation, its objectives, and business needs and priorities? | **√** |  |  |
| Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective? |  | **√** |  |
| Does the Audit Committee issue guidelines concerning the format and content of the papers to be presented to the Committee? |  | **√** |  |
| **Monitoring Actions**  Does the Chair or the Secretariat ensure that all action points from Committee meetings are appropriately acted upon | **√** |  |  |
| Does the Chair or the Secretariat ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence? | **√** |  |  |
| Is a report on matters arising made and minuted at the Audit Committee’s next meeting? | **√** |  |  |
| **Appraisal**  Does the Chair ensure that the Committee members are provided with an appropriate appraisal of their performance as a Committee member? | **√** |  |  |
| Does the Audit Committee Chair seek appraisal of their personal performance from the Accountable Officer or Chair of the Board? | **√** |  |  |
| Are Audit Committee meetings well attended, with records of attendance maintained and reviewed annually by the Board? | **√** |  |  |
| **Appointments**  Is the Chair involved in the appointment of new Committee members, including providing advice on the skills and experience required of the new individual? | **√** |  |  |

**Conclusions**

Do we meet Good Practice: the Role of the Chair – Is the Committee appropriately resourced, work planned in advance as far as possible, and effective communication with stakeholders maintained?

**What do we need to do to enhance the Audit Committee?**

* It was agreed work will be undertaken to review the format and detail of the papers including ensuring continued transparency but recognising large volumes of reports that could be either summarised or noted. Timings of papers will also be considered.

**Committee support: good practice**

The Audit Committee should be provided with appropriate Secretariat support to enable it to be effective. This is more than a minute-taking function – it involves providing proactive support for the work of the Committee, and helping its members to be effective in their role.

| **Good Practice Questions** | **Yes** | **No** | **n/a** |
| --- | --- | --- | --- |
| **Does the Audit Committee Secretariat:** | **√** |  |  |
| Commission papers as necessary to support agenda items? | **√** |  |  |
| Circulate meeting documents to all Committee members, Internal Audit and External Auditors in good time before each meeting, to allow members time to study and understand the information e.g. at least one week before the meeting? | **√** |  |  |
| Arrange for Executives/senior management to be available as necessary to discuss specific agenda items with the Audit Committee during meetings? | **√** |  |  |
| Keep records of meetings and minutes after they have been approved by the Audit Chair and circulate them to Committee members, Head of Internal Audit, External Auditors, Board, and the Accountable Officer on a timely basis? | **√** |  |  |
| Ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Audit Committee? | **√** |  |  |
| Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders? | **√** |  |  |
| Ensure action points are being taken forward between meetings? | **√** |  |  |
| Support the Chair in the preparation of Audit Committee reports to the Board? | **√** |  |  |
| Arrange the Chair’s meetings with: the Accountable Officer, the Head of Internal Audit, Director of the External Auditors? | **√** |  |  |
| Keep the Chair and members in touch with developments and relevant background information about developments in the organisation? | **√** |  |  |
| Maintain a record of when members’ terms of appointment are due for renewal or termination? | **√** |  |  |
| Ensure that appropriate appointment processes are initiated when required? | **√** |  |  |

**Conclusions**

Do we meet Good Practice: Support for the Committee – Does the Committee receive appropriate support from its secretariat?

**What do we need to do to enhance the Audit Committee?**

No actions were identified in this section

This self assessment checklist is based on the NAO’s Audit Committee self-assessment checklist (<https://www.nao.org.uk/report/audit-committee-self-assessment-checklist-2-2/>), amended to reflect the Audit and Assurance Committee Handbook published by the Scottish Government (<http://www.gov.scot/Resource/0053/00533811.pdf>).