

Audit and Assurance Committee

Date of Meeting	Tuesday 28 May 2019
Paper Title	Compliance with SPFM Audit Committee Handbook: Checklist
Agenda Item	14
Paper Number	AC5-L
Responsible Officer	Penny Davis, Board Secretary
Recommended Status	Disclosable
Action	For Consideration and Action as appropriate

1. Report Purpose

- 1.1.** The purpose of this report is to provide the Committee with a basis on which to assess its compliance with the Audit & Assurance Committee Handbook which forms part of the Scottish Public Finance Manual (SPFM).

2. Recommendations

- 2.1.** The Committee is invited to consider the report, make any amendments required to reflect its view on current compliance, and agree any actions that should be taken to enhance compliance.

3. Background

- 3.1** The Financial Memorandum requires that the Board complies with the SPFM except where specific derogations apply.
- 3.2** The Committee agreed at its May 2018 meeting to review the Scottish Government's Audit Committee Handbook checklist annually at this time of year as a means to support compliance with the SPFM and best practice.
- 3.3** While there was no change made to the checklist in 2018-19, the Handbook itself was updated during 2018 and the Committee received a report and considered implications for GCRB and the work of the Committee at its 4 March 2019 meeting. The Committee agreed several changes to its terms of reference that were approved by the Board on 25 March.
- 3.4** The following checklist includes draft responses from the Board Secretary and the Director of Finance & Resources for the Committee's consideration.

4. Detail

Role and Remit	Y/N/NA	Comment/Action
Does the committee have written terms of reference?	Y	
Do the terms of reference cover the core functions as identified in the SG Handbook?	Y	Terms of reference were updated in 2018-19 to reflect changes to the Handbook.
Are the terms of reference approved by the committee and reviewed periodically?	Y	Terms are approved by Committee and Board.
Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y	The Committee considered its level of delegated authority as part of the 2018-19 annual review process.
Does the body's governance statement mention the committee's establishment and broad purpose?	Y	The Board's annual corporate governance statement sets out committees and their purpose.
Does the committee periodically assess its own effectiveness?	Y	Annually.
Membership, Induction and Training		
Has the membership of the committee been formally agreed by the management board and/or accountable officer and a quorum set?	Y	
Are members appointed for a fixed term?	Y	Membership is reviewed annually. Appointments are limited by the requirements of the Terms of Reference and by appointment regulations under which the maximum term of office is four years.
Does at least one of the members have a financial background?	Y	
Are all members, including the Chair, independent of the Executive function?	Y	
Are new committee members provided with an appropriate induction?	Y	

Has each member formally declared his or her business interests?	Y	
Are members sufficiently independent of the other key committees of the Board?	Y	This has been reviewed in the past year. Currently one member serves on both Audit and P&R Committees to support cross-committee communication.
Has the committee considered the arrangements for assessing the attendance and performance of each member?	N/A	Individual members undergo assessment by the Board chair who takes into account their committee roles. (This is in line with the Code of Good Governance.)
Meetings		
Does the committee meet regularly, at least four times a year?	Y	
Do the terms of reference set out the frequency and broad timing of meetings?	Y	Timing is aligned to the board cycle, and is not determined by the terms of reference.
Does the committee calendar meet the body's business and governance needs, as well as the requirements of the financial reporting calendar?	Y	Planning of meetings takes account of the board's business cycle and the financial reporting calendar.
Are members attending meetings on a regular basis and if not is appropriate action taken?	Y	There is a good level of attendance overall. Individual attendance is reviewed during the evaluation meetings with the Chair of the Board.
Does the accountable officer attend all meetings and, if not is s/he provided with a record of discussions?	Y	
Does the committee have the benefit of attendance of appropriate officials at its meetings, including representatives from internal audit, external audit and finance?	Y	Internal and External Audit routinely attend meetings. The GCRB Finance and Resources Director also attends all meetings of the Committee.
Internal Control		
Does the committee consider the findings of annual reviews by internal audit and others, on	Y	The committee has oversight of risk management and reporting

the effectiveness of the arrangements for risk management, control and governance?		systems.
Does the committee consider the findings of reviews on the effectiveness of the system of internal control?	Y	A review of the system of internal control is undertaken on an annual basis.
Does the committee have responsibility for review of the draft governance statement and does it consider it separately from the accounts?	Y	The committee reviews the draft statement prior to its presentation to the Board together with the accounts.
Does the committee consider how accurate and meaningful the governance statement is?	Y	
Does the committee satisfy itself that the arrangements for risk management, control and governance have operated effectively throughout the reporting period?	Y	The committee receives the annual reports of the internal and external audit and also reviews the systems of internal control.
Has the committee considered how it should co-ordinate with other committees that may have responsibility for risk management and corporate governance?	Y	All three committees of GCRB report to each meeting of the full board and present minutes of the most recent meeting; the overlap in membership with P&R provides for good communication and reduces the risk of duplication; the GCRB audit committee chair meets regularly with the chairs of Assigned College audit committee chairs.
Has the committee satisfied itself that the body has adopted appropriate arrangements to counter and deal with fraud?	Y	The board has adopted a policy in respect of fraud.
Has the committee been made aware of the role of risk management in the preparation of the internal audit plan?	Y	The risk register and long term business planning inform internal audit planning.
Does the committee's terms of reference include oversight of the risk management process?	Y	
Does the committee consider assurances provided by senior staff?	Y	
Does the committee receive and consider stewardship reports from senior staff in key	Y	NB: GCRB's limited staffing structure and reliance on services

business areas such as finance, HR and ICT?		provided by the colleges.
Financial reporting and regulatory matters		
Is the committee's role in the consideration of the annual accounts clearly defined?	Y	
Does the committee consider, as appropriate:		
<ul style="list-style-type: none"> The suitability of accounting policies and treatments. 	Y	
<ul style="list-style-type: none"> Major judgments made. 	Y	
<ul style="list-style-type: none"> Large write-offs. 	Y	
<ul style="list-style-type: none"> Changes in accounting treatment 	Y	
<ul style="list-style-type: none"> The reasonableness of accounting estimates. 	Y	
<ul style="list-style-type: none"> The narrative aspects of reporting? 	Y	
Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from audit?	Y	
Does the committee review management's letter of representation?	Y	
Does the committee gain an understanding of management's procedures for preparing the body's annual accounts?	Y	
Does the committee have a mechanism to keep it aware of topical legal and regulatory issues?	Y	Provision is made as appropriate on the agenda. The (bi-annual) meeting of regional Audit Chairs as considers a range of topical and regulatory matters.
Internal audit		
Does the Head of Internal Audit attend meetings of the committee?	Y	
Does the committee consider, annually and in detail, the internal audit plan including consideration of whether the scope of internal	Y	

audit work addresses the body's significant risks?		
Does internal audit have a direct reporting line, if required, to the committee?	Y	
As well as an annual report from the Head of Internal Audit, does the committee receive progress reports from internal audit?	Y	
Are outputs from follow-up audits by internal audit monitored by the committee and does the committee consider the adequacy of implementation of recommendations?	Y	
If considered necessary, is the committee chair able to hold private discussions with the Head of Internal Audit?	Y	
Is there appropriate co-operation between the internal and external auditors?	Y	
Does the committee review the adequacy of internal audit staffing and other resources?	Y	
Are internal audit performance measures monitored by the committee?	Y	
Has the committee considered the information it wishes to receive from internal audit?	Y	
Has the committee considered formal terms of reference defining internal audit's objectives, responsibilities, authority and reporting lines?	Y	
External audit		
Does the external audit representative attend meetings of the committee?	Y	
Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Y	
Does the committee chair hold periodic private discussions with the external auditor?	Y	
Does the committee review the external auditor's annual report to those charged with	Y	

governance?		
Does the committee ensure that officials are monitoring action taken to implement external audit recommendations?	Y	
Are reports on the work of external audit presented to the committee?	Y	
Does the committee assess the performance of external audit?	Y	NB: The body does not appoint its external auditors.
Does the committee consider the external audit fee?	Y	
Administration		
Does the committee have a designated secretariat?	Y	
Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members and attendees?	Y	
Do reports to the committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y	
Does the committee issue guidelines and/or a pro forma concerning the format and content of the paper to be presented?	Y	Papers adhere to the format for all board papers which includes consideration of risk and resource/legal/equalities/strategic implications.
Are minutes prepared and circulated promptly to the appropriate people, including all members of the Board?	Y	
Is a report on matters arising presented or does the Chair raise them at the committee's next meeting?	Y	This is a standing item on committee agendas.
Do action points indicate who is to perform what and by when?	Y	
Does the committee provide an effective annual report on its own activities?	Y	The committee undertakes a detailed review of work undertaken during the year and its

		effectiveness annually.
Overall		
Does the committee effectively contribute to the overall control environment of the organisation?	Y	
Are there any areas where the committee could improve upon its current level of effectiveness?		The committee continues to support regional approaches and improved communications by working with Assigned College audit committees.
Does the committee seek feedback on its performance from the Board and Accountable Officer?	Y	The accountable officer attends the committee's self-evaluation discussion and his views are sought; the committee Chair presents the annual report on committee effectiveness to the Board and members may discuss and challenge items as they consider appropriate.

3. Risk Analysis

- 3.1. This report supports mitigation of *GCRB Risk 0012: There is a breach of legislation/guidance/code of practice and this results in a failure of governance.*

4. Legal Implications

- 4.1. There are no legal implications arising from this paper.

5. Resource Implications

- 5.1 There are no resource implications arising from this paper.

6. Equalities Implications

- 6.1 No equalities implications have been identified in relation to this paper.

7. Strategic Implications

- 7.1 Robust and compliant governance and control arrangements are essential to the effective delivery of GCRB's strategic objectives and the confidence of stakeholders in the organisation.