

SCOTTISH POLICE
AUTHORITY

Meeting	Audit Committee Public Session
Date	22 January 2018
Location	Pacific Quay, Glasgow
Title of Paper	Audit Committee Self-Assessment
Item Number	6
Presented By	David Hume/Graham Stickle
Recommendation to Members	For Noting
Appendix Attached	No

PURPOSE

To provide an update on the self-assessment of the functionality of the Audit Committee.

1. BACKGROUND

- 1.1 A self-assessment of the SPA Audit and Risk Committee was completed in 2016 utilising the CIPFA guidance.
- 1.2 A second self-assessment, again using the CIPFA guidance, was completed in the later part of 2017 reflecting the operation of the Audit Committee.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The self –assessment was widely distributed requesting feedback on the operation of the Audit Committee against the CIPFA guidelines. A total of eight responses were received.
- 2.2 The responses have been collated and consolidated to develop a single self-assessment included as appendix to this paper.
- 2.3 The RAG status is an average of all responses received.
- 2.4 A total of 52 criteria were assessed as green and 29 as amber.
- 2.5 Initial actions have been identified that require further consideration and development into an action plan.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications in this report.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this paper. However, there will be a requirement to identify resources to complete the identified actions.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications in this paper to those listed above.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are reputational implications associated with this paper. Expectations are that the identified weaknesses will be addressed to ensure that the Audit Committee is working to the highest standards.

7. SOCIAL IMPLICATIONS

- 7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

- 8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

- 9.1 There are equalities implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no direct environmental implications associated with this paper.

RECOMMENDATIONS

Members are requested to note the information contained within this paper and the attached self-assessment.

Members are requested to endorse the findings of self-assessment exercise being developed into an action plan including clear articulation of what is expected to be completed with owners and timescales.



Audit Committee Review #2

Assessment Framework

January 2018 Summary of Input Received and First Draft Actions

Source: Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA 2013

STATUS KEY:

In Place	G	Partially In Place	A	Area for Development	R
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No.	Issue	Status	Comments	Action
1. ROLE, REMIT AND EFFECTIVENESS				
1.1	Does the audit committee have a written terms of reference?			Annual review of terms of reference for formal approval by Committee
1.2	Do the terms of reference cover the core functions of audit committee in the CIPFA guidance?			Strengthen section on governance
	<ul style="list-style-type: none"> • Good governance 			Consider how the Committee demonstrate discharging oversight of good governance
	<ul style="list-style-type: none"> • Assurance framework 			Update assurance framework and distribute to stakeholders involved with the Audit Committee
	<ul style="list-style-type: none"> • Internal Audit 			
	<ul style="list-style-type: none"> • External Audit 			
	<ul style="list-style-type: none"> • Financial Reporting 		No action required as this is covered by Finance Committee	X-ref to role of Finance Committee
	<ul style="list-style-type: none"> • Risk Management 		At present, the committee is provided assurance over the Corporate Risk Register. The Strategic Risk Register is under development. Reference to this and the Strategic Police Plan appear to be use of outdated terminology.	Review of role of the Audit Committee in respect to Risk Management reflecting the development of Strategic Risks
	<ul style="list-style-type: none"> • Value for money and Best Value 		There Audit Committee terms of reference does not include responsibility for VfM of BV. VfM and BV is more prevalent to the Board. Requirement to consider what the Audit Committee could realistically achieve in respect to Vfm/BV taking cognisance of the size and diversity of policing in Scotland	Review/strengthen section on VfM and BV taking cognisance of what is realistically achievable and the role of the Board/other committees
	<ul style="list-style-type: none"> • Counter-fraud and corruption 			

1.3	Are the terms of reference approved by the Board and reviewed periodically?		Terms of reference have been approved by the SPA Board. Currently no structured annual review in place	Annual review of terms of reference for formal approval by Committee and Board
1.4	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?		The Terms of Reference state that the membership is the Chair plus no more than three members. Audit membership is currently the Chair plus one member. Some feedback indicated that the level of secretarial and management support could be enhanced.	1 Fill the current Committee membership Vacancy 2 Undertake recruitment and selection for an independent Co-opted Committee Member 3 Identify Committee Lead Officer
1.5	Can the audit committee access other committees and the Board as necessary?			Continue practice of the referral of reports and relevant business to other committees
1.6	Does the Authority's statement of internal control (annual governance statement) include a description of the audit committee's establishment activities?			Provide confirmation
1.7	Does the audit committee periodically assess its own effectiveness?		Assessment of effectiveness should be completed annually and included in the workplan Assessment of skills and knowledge not completed	Continue Committee Self-Assessment Exercise Include Self-assessment in Committee Workplan Complete skills matrix an annual basis
1.8	Has the Committee evaluated whether and how it is adding value to the SPA and PS?		How could this be done in an efficient and effective way? Potential to include as part of the annual the self-assessments exercise.	Include in Self-Assessment Framework, and include conclusions within the Committee's Annual Report to the Board

1.9	Does the audit committee make a formal annual evaluation report on the fulfilment of its terms of reference, its work and performance during the year to the full Authority?			Ensure that the Committee's Annual Report to the Board gives full evaluation and critique of its performance.
1.10	Has the Committee obtained feedback on its performance from those interacting with the Committee or those who rely on its work?		Feedback from other SPA Committee Chairs, CEO and SPA Chair was sought to support the self-assessment exercise.	The Committee's Self-Assessment exercise includes some non-committee input. This should be reviewed and extended if necessary.
1.11	Is the role and purpose of the Audit Committee understood and accepted across the SPA and PS?		It is a clear finding of this Self-Assessment that the role and purpose of the Committee is not well understood across SPA and PS. Feedback indicated that the Police Scotland and SPA workforce are likely not to understand the role of the Committee or know of its existence.	Actions needed to inform and educate Board Members and Managers about the role and purpose of the Audit Committee. Consideration of enhancing the wider knowledge of the role of the committee.
1.12	Does the Audit Committee provide support to the Board in meeting the requirements of good governance?			Committee needs to review its support specifically in relation to good governance.
1.13	Does the Committee have good working relations with key people and organisations, including internal audit, external audit and the Chief Financial Officer?			
1.14	Does the Committee have an action plan to improve any areas of weakness?			Requirement to develop an action plan based on the findings of the self-assessment

No.	Issue	Status	Comments	Proposed Action
2. MEMBERSHIP, INDUCTION AND TRAINING				
2.1	Has the membership of the audit committee been formally agreed and a quorum set?			
2.2	Is the Chair independent of the executive function?			
2.3	Has the audit committee Chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards and regulatory regime?			
2.4	Are new audit committee members provided with an appropriate induction?		Member induction programme in place but not specific to Audit Committee	Member induction required for new Committee member and Co-opted Member.
2.5	Have all members' skills and experience been assessed and training given for identified gaps?		We are not aware of any specific training and development needs assessment for members.	Commission a Training Needs Assessment for Committee members
2.6	Has each member declared his or her business interests?		Yes – to board	
2.7	Are members sufficiently independent of other key committees of the full Authority (Board)?		SPA Members can be on one or more Committee	Requirement to ascertain working principle to ensure appropriate independence
2.8	Are there arrangements in place to support the Committee with briefings and training?			Annual briefing and training programme required.
2.9	Is the secretariat support provided to the Committee adequate?			
2.10	Is the professional support provided to the Committee adequate?		Resources the committee require should feed into the SPA structure review. Management ownership of key actions and expertise in advising and supporting the audit committee is weak.	1 Identify Committee Lead Officer 2 Ensure appropriate training is provided to management about the audit process, and the role of the Committee

No.	Issue	Status	Comments	Proposed Action
3. MEETINGS				
3.1	Does the audit committee meeting regularly?			
3.2	Do the terms of reference set out the frequency of meetings?			
3.3	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?			
3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken?			
3.5	Are the meeting free and open and without political influences being displayed?			
3.6	Does the Authority's Accountable Officer or Deputy attend all meetings?		Accountable Officer attends some but not all meetings	Establish attendance expectations with new Accountable Officer/CO
3.7	Does the audit committee have the benefit of attendance of appropriate Officers at its meetings?		Key senior managers attend most but not all meetings. Requirement to ensure appropriate attendance aligned to the subject matter of agenda items.	Establish attendance expectations with new Accountable Officer/CO and Chief Constable Consider extending the attendance (ie HMICS)

No.	Issue	Status	Comments	Proposed Action
4. INTERNAL CONTROL				
4.1	Does the audit committee consider the findings of the annual review of effectiveness of the system of internal control including the review of the effectiveness of the system of internal audit?			
4.2	Does the audit committee have responsibility for the review and approval of system of internal control and does it consider it separately from the accounts?		Not considered separately from accounts	Agree to consider system of controls separately from the accounts.
4.3	Does the audit committee satisfy itself that the governance arrangement have operated effectively throughout the reporting period?		The Committee satisfies itself that approved programme of work to gather assurance on governance was completed but this doesn't guarantee that governance arrangements have operated effectively in the reporting period	Agree the scope of governance arrangements that the committee is considering
4.4	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?		Other committees (except F/S) do not cover risk management.	Actions required to improve connectivity with the other committees
4.5	Has the audit committee (with delegated responsibility) from the full Authority/Board adopted 'managing risk and fraud – actions to counter fraud and corruption'?			Report to Audit Committee required. Committee then to consider process to be followed
4.6	Does the audit committee ensure that the 'Actions to counter Fraud and Corruption' are being implemented?			As above
4.7	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?		IA plans reference risks	Strengthen links between risk and Internal Audit planning
4.8	Does the audit committee review the authority's strategic risk register at least annually?		Strategic risk register not in place	Risk identification session to be held with Committee, and all Board Members
4.9	Does the audit committee monitor how the authority assesses its risk?		Review of risk management is standing agenda item	Risk Management review ongoing
4.10	Do the audit committee's terms of reference include oversight of the risk management process?			

No.	Issue	Status	Comments	Proposed Action
5. FINANCIAL REPORTING AND REGULATORY MATTERS				
5.1	Is the audit committee's role in the consideration and / or approval of the annual accounts clearly defined?		On workplan in July (draft) then Oct (Final)	
5.2	Does the audit committee consider specifically: <ol style="list-style-type: none"> 1. Suitability of accounting policies and treatments 2. Major judgements made 3. Large write offs 4. Changes in accounting treatments 5. Reasonableness of accounting estimates 6. Narrative aspects of reporting 		<ol style="list-style-type: none"> 1. Included in terms of ref 2. No 3. No 4. Yes 5. ? 6. Yes 	<p>Assurance to be provided in Committee's Annual Report on its business and performance</p> <p>Cross reference Terms of Reference for Finance and Audit Committees to ensure no gaps and/or duplication</p>
5.3	Is a 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 the audit?		Yes in October	
5.4	Does the audit committee review management's letter of representation?		Yes in October	
5.5	Does the audit committee annually review the accounting policies of the authority?		Review of draft accounts did not include accounting policies specifically	Assurance to be provided in Committee's Annual Report on its business and performance
5.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?		Yes at July meeting	
5.7	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?		Technical updates included in standing items on workplan	

No.	Issue	Status	Comments	Proposed Action
6.INTERNAL AUDIT				
6.1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?		Refer to 4.7 above	
6.2	Does internal audit have an appropriate reporting line to the audit committee?			
6.3	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?			
6.4	Are follow up audits by internal audit monitored by audit committee and does the committee consider the adequacy of implementation recommendations?			
6.5	Does the audit committee hold periodic private discussions with the Head of Internal Audit?			
6.6	Is there appropriate co-operation between internal and external auditors?			
6.7	Does the audit committee review the adequacy of internal audit staffing and other resources?		ARC considered this in the past. Internal audit function is outsourced and as such adequate resourcing should be outlined in contractual agreement	Consider the resourcing requirements for internal audit as part of procurement exercise
6.8	Has the audit committee evaluated whether its internal audit service complies with CIPFA code of Practice / Public Sector Internal Audit Standards annually?		IA Annual Report includes results of annual PSIAS compliance assessment	
6.9	Are internal audit performance measures monitored by the committee?			
6.10	Has the audit committee considered the information it wishes to receive from internal audit?			

No.	Issue	Status	Comments	Proposed Action
7. EXTERNAL AUDIT				
7.1	Do the external auditors present and discuss their audit plans and strategy with audit committee (recognising the statutory duties of external audit)?			
7.2	Does the audit committee hold periodic private discussions with the external auditor?			
7.3	Does the audit committee review the external auditor's annual report to those charged with governance?			
7.4	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?			
7.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the <i>Audit Commission's</i> annual audit and inspection letter?			
7.6	Does the audit committee assess the performance of external audit?			Seek annual assurance from external audit on their performance
7.7	Does the audit committee consider and approve the external audit fee?		External Audit fee is set out in the External Audit Annual Plan and is approved by the Audit Committee	

No.	Issue	Status	Comments	Proposed Action
8. ADMINISTRATION – AGENDA MANAGEMENT				
8.1	Does the audit committee have a designated secretary from committee / member services?			
8.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?		Some papers are issued late	Requirement to ensure all papers are distributed in a timely manner
8.3	Are outline agendas planned on year ahead to cover issues on a cyclical basis?			
8.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?			

No.	Issue	Status	Comments	Proposed Action
9. ADMINISTRATION – PAPERS				
9.1	Do reports to the audit committee communicate relevant information at the right frequency, time and in a format that is effective?		Feedback indicated that this good be enhanced	Review content and structure of papers to ensure that they meet member expectations/requirements
9.2	Does the audit committee issue guidelines and / or a pro-forma concerning the format and content of the papers to be presented?			

No.	Issue	Status	Comments	Proposed Action
10. ADMINISTRATION – ACTIONS				
10.1	Are minutes prepared and circulated promptly to the appropriate people?			
10.2	Is a report on matters arising made and minuted at the committee's next meeting?			
10.3	Do action points indicate who is to perform what and by when?			

11. Please add any other comments or observations about the work or operation of the Audit Committee below

Some committees run past the time schedule – Proposed action - Allocate timings for individual items and ensure that the duration of the meeting reflects the items on the agenda.

Police Scotland is also regulated by other bodies including HMICS and PIRC. Proposed action – Ensure that the scope of the Audit Committee takes cognisance of the oversight provided by other bodies in addition to internal and external audit.