



Meeting	Audit, Risk and Assurance Committee
Date	21 May 2025
Location	Online
Title of Paper	ARAC annual report
Presented By	John McNellis, Head of Finance, Audit and Risk
Recommendation to Members	For Discussion
Appendix Attached	Appendix A: Audit, Risk and Assurance Committee Annual Report 2024-25

PURPOSE

To provide an annual report of the Audit Risk and Assurance Committee (ARAC) in line with the Scottish Government Audit Committee Handbook guidance.

The paper is presented in line with the corporate governance framework of the Scottish Police Authority (SPA) and Audit, Risk and Assurance Committee (ARAC) terms of reference and is submitted for discussion.

1. BACKGROUND

- 1.1 The [Scottish Government Audit Committee Handbook](#) sets out principles and good practice guides for the role, membership and work of Audit and Assurance Committees. This outlines (at para 5.4 – 5.6) that the committee should provide an annual report, timed to support the preparation of the governance statement.
- 1.2 The Evaluation of Committee Effectiveness and Integrated Assurance Statement presented to the ARAC have primarily supported the development of this annual report presented at **Appendix A**.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The SG Audit Committee handbook states that the Annual Report should summarise the committee's work for the year and present its opinion against nine statements.
- 2.2 A summary of the committee's work is shown in **Appendix A** along with an assessment against nine statements and any other assurance reports.
- 2.3 In the previous years annual report, it was recognised that with the expected departure of ARAC Members, Grant Macrae, there would be a need for ARAC members to have specific accounting and audit skills. This has been built into Members succession planning and has been met with the appointment of Members Angela Leitch and Pauline Howie to the ARAC.
- Conclusion
- 2.4 The ARAC has effectively discharged its role and remit effectively over the financial year 2024/25.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications associated with this paper.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no specific personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are no specific legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There may be reputational implications associated with this paper, if the Authority is not able to demonstrate adherence to guidance issued by Scottish Government.

7. SOCIAL IMPLICATIONS

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

8. COMMUNITY IMPACT

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

9. EQUALITIES IMPLICATIONS

- 9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

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

RECOMMENDATIONS

Members are requested to note the Committee Annual Report.

Appendix A

Audit, Risk and Assurance Committee - Annual Report (2024/25)

Summary of committee work during the year

During the year the main work the Committee has undertaken, in line with the Terms of Reference, is as follows:

ARAC Terms of Reference	Committee consideration during 2024/25
<ul style="list-style-type: none"> Monitoring, reviewing and/or recommending various reports, including: <ul style="list-style-type: none"> Annual report and accounts; External auditors annual audit report; Internal audit annual statement of assurance; Delivery of the internal audit plan. 	-
<ul style="list-style-type: none"> Monitoring organisational risk, data loss, recent ICT incidents, fraud and theft reporting; 	Risk – reported to every quarterly ARAC meeting Data loss, fraud and theft – reported annually in August
<ul style="list-style-type: none"> Considering a series of internal audit reports and assuring their implementation; 	Internal audit plan approved in February each year. Completed internal audit reports reported to every ARAC as well as a specific follow up report on the implementation of internal audit findings.
<ul style="list-style-type: none"> Monitoring the progress of external audit recommendations and reviewing the external audit plan; and 	External audit plan reported to February meeting. Progress on implementation recommendation reported as part of PS progress update and annual as part of the external auditors' annual audit report.
<ul style="list-style-type: none"> Reviewing whistleblowing procedures. 	Reported annually to the August ARAC.

Committee opinion on various matters

#	Statement	Assessment	Source of assessment
1	The effectiveness of governance, risk management and control	<p>It is the Committee's opinion that the Authority's governance in relation to the committee is adequate and operating effectively.</p> <p>The committee effectiveness results for ARAC were "<i>extremely positive, with very few areas of concern being raised, or areas for improvement identified</i>". Areas for improvement included: implications for equalities, human rights and or community wellbeing; detail on action to move risks within appetite and volume of papers / late submission.</p>	<ul style="list-style-type: none"> Evaluation of Committee Effectiveness
2	The comprehensiveness of assurances in meeting the Accountable Officer's and Board's needs	<p>The overall purpose of the Committee is to provide oversight and scrutiny of all significant audit and risk matters concerning the Authority and Police Scotland. The ARAC will seek evidence and provide advice and assurance to the Board that the appropriate levels of internal controls are in place across both Police Scotland and the Authority.</p> <p>In addition, the ARAC will provide advice and assurance to the Accountable Officer and Board on these matters and any other specific items which the Board requests of it in relation to audit, risk management and assurance and the integrity of annual reports and financial statements.</p>	<ul style="list-style-type: none"> Integrated Assurance Statement Evaluation of Committee Effectiveness
3	The reliability and integrity of these assurances;	The committee is adequate and operating effectively.	<ul style="list-style-type: none"> Integrated Assurance Statement Evaluation of Committee Effectiveness

#	Statement	Assessment	Source of assessment
4	Whether the assurance available is sufficient to support the Accountable Officer and Board in their decision taking and their accountability obligations;	The integrated assurance statement found that: based on an assessment of the system wide controls across the Authority and its business areas across the four lines of defence, reasonable assurance can be placed on the Authority's: governance framework, oversight function and systems of internal controls.	<ul style="list-style-type: none"> Integrated Assurance Statement
5	The implications of these assurances for the overall management of risk;	<p>The committee considered SPA and PS risks on a quarterly basis and all members undertaken an annual review of strategic risks. The Board strategic risk review considered the risk management framework and its attitude and appetite for risk. Furthermore, the ARAC has continued to challenge the SPA and PS on their risk management arrangements throughout the year. It has been recognised that further improvement and detail is required on the management actions and timescales to move some risks to within executive-level risk appetite.</p> <p>Where specific assurance reports have been provided, in particular internal audit reports, these highlight the risk management implications.</p>	<ul style="list-style-type: none"> Integrated Assurance Statement Quarterly and annual risk management reports. All internal audit reports.
6	Any issues the committee considers pertinent to the Governance Statement and any long term issues the committee thinks the Accounting Officer and/or Board should give attention to;	<p>The integrated assurance statement and committee effectiveness review identified no material issues to highlight to the Accountable Officer.</p> <p>The internal audit report highlighted findings from their audit during the year. Progress towards completion of recommendations will be monitored and reported to the committee. Where recommendations were not accepted the committee has robustly challenged ensuring that the risk identified has been mitigated to within an acceptable level.</p>	<ul style="list-style-type: none"> Integrated Assurance Statement Evaluation of Committee Effectiveness Internal audit annual report

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#	Statement	Assessment	Source of assessment
7	Financial reporting for the year;	<p>The ARAC considers any key changes to accounting policies. There are no changes to policies in the year.</p> <p>The Committee is provided with draft annual report and accounts that are considered.</p> <p>The Committee also considers reports, advice and findings from external audit. External audit also attend all Committee meetings and provide comment as appropriate.</p> <p>Internal audit also review core financial controls which are reported to the Committee.</p>	<ul style="list-style-type: none">• Draft ARA• Internal audit work.• External audit reports.
8	The quality of both Internal and External Audit and their approach to their responsibilities; and	<p>Both internal and external audits plans and reports are presented and considered by the Committee.</p> <p>Internal audit provides quarterly update reports on progress including performance information and KPIs. Their annual opinion also includes a conclusion on their performance/ quality assessment and adherence to PSIAS.</p> <p>External audit also clearly outline to the Committee their role, adherence to professional requirement including Code of Audit Practice.</p>	<ul style="list-style-type: none">• Annual Internal Audit opinion and progress reports• Annual external auditors report including annual plan
9	The committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.	<p>Results from the Evaluation of Committee Effectiveness received feedback from every member. The overall results were very positive with every Member concluding that the committee has fully discharged its responsibilities per its terms of reference.</p>	<ul style="list-style-type: none">• Evaluation of Committee Effectiveness

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#	Statement	Assessment	Source of assessment
10	The Audit and Assurance Committee's report should take into account any other relevant assurance reports	In addition to assurance reports from internal and external audit the Committee also considers reports from HMICS where appropriate. Other assurance sources have been outlined as part of the integrated assurance statement.	<ul style="list-style-type: none">• HMICS reports.• Integrated Assurance Statement