



Meeting	Audit, Risk and Assurance Committee
Date	22 June 2023
Location	By video-conference
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 2022-23 Appendix B National Audit Office effectiveness tool – results

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 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 the 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 Whilst this provides for the minimum level of assessment the SPA team are focused on continuous improvement and have also conducted a further more detailed assessment using other guidance from the National Audit Office ([The National Audit Office \(NAO\) Audit and Risk Assurance Committee effectiveness tool](#)).
- 2.4 The NAO tool is based on assessment against statements (179 in total). The tool covers six different categories split across essentials and good practice criteria.
- 2.5 The results indicate **full compliance with essential criteria** except one statement below. Contact has been made with procurement to ascertain how this gap could be addressed.

Adequate assurance has been obtained on the risk and control environment encompassing services outsourced to external providers, including shared service arrangements, and the wider supply chain.

- 2.6 Results from assessment, utilising the NAO effectiveness tool, are shown at **Appendix B** which shows very high levels of compliance with best practice.

- 2.7 In the future we will consider further utilising the NAO effectiveness tool to compliment the higher-level SG handbook assessment.

Conclusion

- 2.8 The ARAC has effectively discharged its role and remit effectively over the financial year 2022/23. In the spirit of continuous improvement there are areas for development that officials will consider with Members.

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 for 2022-23.

Appendix A

Audit, Risk and Assurance Committee - Annual Report (2022/23)

Summary of committee work during the year

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

- Monitoring, reviewing and/or recommending various reports, including:
 - Annual report and accounts;
 - Audit Scotland's annual audit report;
 - Internal audit annual statement of assurance;
 - Delivery of the internal audit plan.
- Monitoring organisational risk, data loss, recent ICT incidents, fraud and theft reporting;
- Considering a series of internal audit reports and assuring their implementation;
- Monitoring the progress of external audit recommendations and reviewing the external audit plan; and
- Reviewing whistleblowing procedures.

Committee opinion on various matters

#	Statement	Assessment	Source of assessment
1	The effectiveness of governance, risk management and control	It is the Committee’s opinion that the Authority’s governance in relation to the committee is adequate and operating effectively.	<ul style="list-style-type: none"> • Evaluation of Committee Effectiveness (Jun 23)
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 (Jun 23) • Evaluation of Committee Effectiveness (Jun 23)
3	The reliability and integrity of these assurances;	The committee is adequate and operating effectively.	<ul style="list-style-type: none"> • Integrated Assurance Statement (Jun 23) • Evaluation of Committee Effectiveness (Jun 23)
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 (Jun 23)

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#	Statement	Assessment	Source of assessment
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.</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 (Jun 23) • 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>Internal audit report (Jun 23 ARAC Agenda item 3.2) highlighted:- provides reasonable assurance regarding the effective and efficient achievement of objectives. This is except in relation to: Change Management – Resource Deployment Unit; and Compliance arrangements – PAVA Spray and Airwave Terminal Units</p>	<ul style="list-style-type: none"> • Integrated Assurance Statement (Jun 23) • Evaluation of Committee Effectiveness (Jun 23) • Internal audit annual report (Jun 23)

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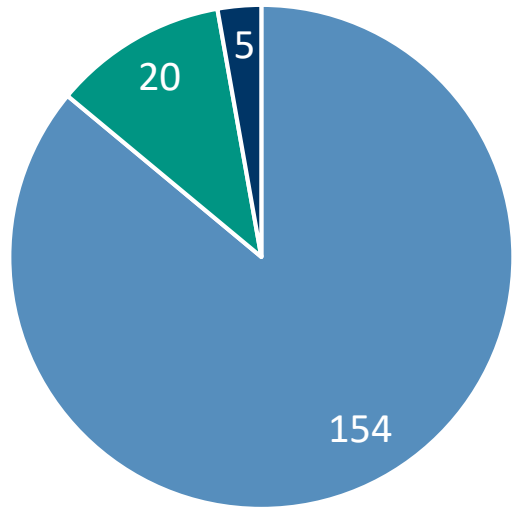
#	Statement	Assessment	Source of assessment
7	Financial reporting for the year;	<p>The ARAC considers any key changes to accounting policies. There are no changes to policies in 2022-23, however, the Committee has been sighted on the forthcoming IFRS16 changes and sought an independent review by internal audit on these arrangements.</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 • External audit reports including annual plan and ISA260 report

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#	Statement	Assessment	Source of assessment
9	The committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.	Results from the Evaluation of Committee Effectiveness noted 100% of all statements in the Committee Effectiveness section achieved a strongly agree/agree status by ARAC members	<ul style="list-style-type: none">• Evaluation of Committee Effectiveness (Jun 23)
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 (Jun 23)

Appendix B - NAO effectiveness toolkit

Overall results against all questions (essential & good practice)

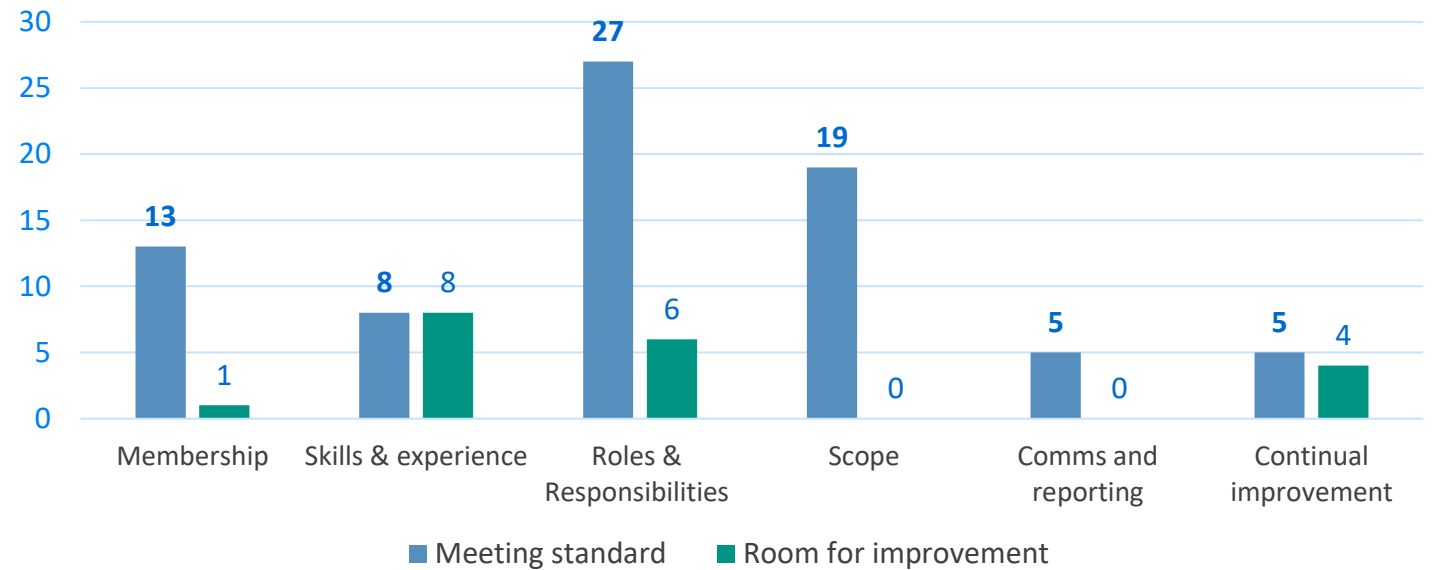


■ Meeting standard ■ Room for improvement
■ Not applicable to SPA

89% overall compliance

- 99% essential criteria
- 80% good practice criteria

Results by theme (good practice questions only)



Note:- The graph represents the results for good practice criteria across the six categories. For example- category membership – there are 14 statements deemed to be good practice. It has been assessed that ARAC is compliant with 13 of these statements.

With the exception of one statement, the assessment indicated full compliance with essential criteria for all six categories.