



### **Audit and Standards Committee work plan 2020/21**

**Committee**            Audit and Standards

**Date of meeting**    14 February 2020

**Date of report**    9 January 2020

#### **Report by Assistant Chief Executive**

#### **1. Object of report**

To provide the committee with a provisional work plan for the 2020/21 financial year.

#### **2. Background**

The Chartered Institute of Public Finance and Accountancy (CIPFA) published practical guidance on the function and operation of audit committees in public bodies. This standard setter guidance states:

*'The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.'*

The guidance adds that the principal areas where the audit committee can add value are:

- promoting the principles of good governance and their application to decision making;
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment;
- supporting arrangements for the governance of risk and for effective arrangements to manage risks;
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
- aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements;

- supporting the development of robust arrangements for ensuring value for money helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption;
- promoting measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community.

### 3. Outline of proposals

#### Work plan for 2020/21

The CIPFA guidance suggests that an audit committee should plan outputs in accordance with the principle added value areas of work.

To assist members a provisional Audit and Standards work plan for 2020/21, is provided to the committee (see Appendix 1).

**Note:** the provisional work plan can be supplemented with additional reports from assurance providers in accordance with the Audit and Standards Committee Terms of Reference (see Appendix 2).

In order to inform and develop work planning, the guidance also provides CIPFA's position statement and a self-assessment tool for members (see Appendix 3).

### 4. Committee action

The committee is asked to note the contents of this report and the work plan for 2020/21.

### 5. Consequences

Policy consequences	<i>In accordance with the Audit and Standards Committee Terms of Reference.</i>
Legal consequences	<i>The Local Authority Accounts (Scotland) Regulations 2014 require an Annual Governance Statement to be included in the Annual Accounts.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>

**Name** Valerie Davidson

**Name** Gordon MacLennan

**Title** Assistant Chief Executive

**Title** Chief Executive

For further information, please contact Valerie Davidson, Assistant Chief Executive on 0141 333 3298.

**Audit and Standards provisional work plan 2020/21**

Date of meeting	Assurance provider report source			Other planned reports
	Finance	Internal Audit	External Audit	
12 June 2020	Draft 2019/20 Abstract of Accounts for Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme	Assurance engagement reports	None scheduled	Corporate Risk Register update
		Engagement follow-up performance reports		Audit Scotland report(s)
		Annual Internal Audit opinion and report 2019/20		Audit & Standards committee annual report 2019/20
			Members and Directors expenses 2020/21	
28 August 2020	Final draft 2019/20 Abstract of Accounts for Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme	Assurance engagement reports	2019/20 Annual Audit report to members of Strathclyde Partnership for Transport, the Strathclyde Concessionary Travel Scheme Joint Committee and Controller of Audit	Corporate Risk Register update
		Engagement follow-up performance reports		Audit Scotland report(s)
				Members and Directors expenses 2020/21
27 November 2020	None scheduled	Assurance engagement reports	None scheduled	Corporate Risk Register update
		Engagement follow-up performance reports		Audit Scotland report(s)
		Internal Audit plan 2020/21 Mid-year progress report		Members and Directors expenses 2020/21
12 February 2021 (provisional)	None scheduled	Assurance framework update	Strathclyde Partnership for Transport, the Strathclyde Concessionary Travel Scheme Joint Committee External Audit plan 2020/21	Corporate Risk Register update
		Local Code of Corporate Governance update		Audit Scotland report(s)
		Internal Audit plan 2021/22		Audit & Standards committee work plan 2021/22
		Assurance engagement reports		Members and Directors expenses 2020/21
		Engagement follow-up performance reports		

**Audit and Standards committee – Terms of Reference**

Number of members:	9
Meetings:	Quarterly and as and when required
Quorum:	3 always provided that in order to form a quorum at any meeting of the Partnership, or committee, at least three of the constituent councils must be represented

Subject to the exclusions and limitations to delegation, the compliance with the policies of the Partnership and the requirement to ensure that the appropriate financial provision is available if any decisions are taken which will have any budgetary implications, this committee is authorised:-

1. To consider the effectiveness of the Partnership's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
2. To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
3. To be satisfied that the Partnership's assurance statements, including the Statement on the System of Internal Financial Control, properly reflect the risk environment and any actions required to improve it.
4. To approve (but not direct) internal audit's strategy plan and monitor performance.
5. To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
6. To receive the annual report of internal audit.
7. To consider the Partnership's annual financial statements.
8. To consider the reports of external audit and inspection agencies.
9. To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
10. To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
11. To promote the delivery by members and officers of high standards of conduct, including scrutiny of the relevant Register of Interests.
12. To promote value for money studies.
13. To promote and monitor financial controls, civic management and corporate governance.
14. To assist members to observe the Code of Conduct in accordance with any guidance issued by the Standards Commission for Scotland.

# CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
  - act as the principal non-executive, advisory function supporting those charged with governance
  - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
  - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
  - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
  - be directly accountable to the authority's governing body.
- 4 The core functions of an audit committee are to:
  - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
  - in relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism
    - support the effectiveness of the internal audit process

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- promote the effective use of internal audit within the assurance framework
  - consider the effectiveness of the authority’s risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
  - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority’s exposure to the risks of fraud and corruption
  - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
  - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
  - review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
  - working with local standards and ethics committees to support ethical values
  - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
  - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
  - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
  - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
  - unbiased attitudes – treating auditors, the executive and management fairly
  - the ability to challenge the executive and senior managers when required.

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- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
  - be able to meet privately and separately with the external auditor and with the head of internal audit
  - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
  - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
  - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and guidance. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full council? (applicable to local government only)			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	■ good governance			
	■ assurance framework, including partnerships and collaboration arrangements			
	■ internal audit			
	■ external audit			
	■ financial reporting			
	■ risk management			
	■ value for money or best value			



Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> <li>■ counter fraud and corruption</li> </ul>			
	<ul style="list-style-type: none"> <li>■ supporting the ethical framework</li> </ul>			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?			

#### Membership and support

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>■ separation from the executive</li> <li>■ an appropriate mix of knowledge and skills among the membership</li> <li>■ a size of committee that is not unwieldy</li> <li>■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			
14	Does the chair of the committee have appropriate knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?			
18	Is adequate secretariat and administrative support to the committee provided?			

Good practice questions		Yes	Partly	No
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
20	Are meetings effective with a good level of discussion and engagement from all the members?			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			
23	Has the committee evaluated whether and how it is adding value to the organisation?			
24	Does the committee have an action plan to improve any areas of weakness?			
25	Does the committee publish an annual report to account for its performance and explain its work?			