

Note of informal meeting of Scrutiny and Audit Committee of 26 January, 2012

Consideration of Audit Committee Principles in Local Authorities in Scotland: A Guidance Note

Present: Cllr Bellarby (Chair); Cllrs Allan, Cullinane, Duncan, Fleming, Gray, Hood, Sullivan, Tait and Thomas.

In Attendance: David Hughes, Chief Internal Auditor; and Jan McRobbie, Corporate Improvement Officer (Scrutiny and Audit).

Cllr Bellarby opened the meeting by thanking the Chief Internal Auditor, David Hughes, for attending to assist the Committee with its considerations of the CIPFA guidance, "Audit Committee Principles in Local Authorities in Scotland". Committee had determined to look at its compliance with this guidance after consideration of Audit Scotland's report on the 2010/11 audit which stated that the Scrutiny and Audit Committee "complies with the majority of the expectations set out in CIPFA's guidance note". Cllr Ford had picked this up at the meeting of full Council as being "not a ringing endorsement of the Scrutiny and Audit Committee's work", but the Chair had understood it rather to be a satisfactory report as the comment was not expanded to recommend appropriate remedial work. It was, however, considered appropriate that the Committee look at the guiding principles in terms of its own operation as it had been some time since it had done so.

The Chair stressed that the principles were understood to be descriptive and not prescriptive. The Committee agreed to consider the document point by point and comments on its adherence, or otherwise, to the various principles.

Mr Hughes echoed the Chair's perception of the Audit Scotland comments as, by making no recommendations for action, suggesting that there were no major failings in how the Council carries out its audit role. He emphasised that the role would not necessarily be vested in any single committee as committees other than the Scrutiny and Audit Committee had governance responsibilities in the overall arrangements established by Aberdeenshire Council.

Mr Hughes referred to Audit Scotland representatives being unable, when asked at the formal meeting of the Scrutiny and Audit Committee on 14 December, 2011, to identify any areas of non-conformity; no response was given to the Chair's question. He commended the process of self examination and reviewing compliance as a good process.

Cllr Bellarby indicated that he did not expect Audit Scotland to revert to the Committee with comments, but rather that the current process was one of self review.

Thereafter the Committee considered the principles point by point, and commented as undernoted:

AUDIT COMMITTEE PRINCIPLES (page 10)

The Principles

2.1

There are three fundamental principles which define the expression audit committee principles and these are that there should be effective mechanisms in place to provide;

- independent assurance of the adequacy of the risk management framework and the associated control environment within the authority;
- independent scrutiny of the authority's financial and nonfinancial performance to the extent that it affects the authority's exposure to risk and weakens the control environment; and
- assurance that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with.

Mr Hughes explained that these wide ranging principles focused on risk. He felt that the Committee fully complied with the first bullet point. The second bullet point was shared between SAC and other committees, with SAC having the overview and the nitty gritty being considered by the policy committees. There was an assurance that it happens – vested in the whole committee structure of the Council – he was satisfied that the second bullet point was complied with through out the Council. On the third bullet point, Mr Hughes confirmed that the Committee did indeed receive and comment on the progression of issues arising from the processes of drawing up, auditing and certifying the authority's annual accounts.

The Committee agreed that the principle 2.1 was fully complied with and applied within Aberdeenshire Council.

STRUCTURES

2.2

Often there is an audit committee at the heart of the structure in place to give effect to these mechanisms and to monitor their effectiveness. A clear view was expressed in the McIntosh report that such committees should be established.

2.3

Although this guidance is intended to deal with the application of audit committee principles and makes no assumption that authorities will have a single audit committee, the guidance is clear that the creation of an audit committee (or equivalent) to give effect to the implementation of audit committee principles is good practice.

The Committee sees its compliance with points 2.2 and 2.3 above; it is central to the audit process within Aberdeenshire.

DELIVERING AUDIT COMMITTEE PRINCIPLES (pages 11-16)

Introduction 3.1

This chapter describes a broad model for the practical delivery of audit Committee principles and includes;

- a proposed remit for an audit committee at Chapter 5; and
- a self-assessment matrix identifying the key features which demonstrate adherence to audit committee principles at Chapter 6.

Cllr Bellarby asked where the remit lay for the Scrutiny and Audit Committee. Mr Hughes confirmed it lay in the Council's Scheme of Delegation which identified the roles and responsibilities of the various committees. It was important to remember that the Scheme of Delegation was a live document which was constantly being looked at in responses to changes requested by Council. For example, in terms of the Scrutiny and Audit Committee, the recent addition of a role relating to budget saving scrutiny had led to changes in the Scheme of Delegation. It was not just drafted then left on the shelf to gather dust. On this basis, the Committee could be confident it had a remit, updated by the Council as appropriate and reflected in its handbook.

The Committee was content that this was being met.

3.2

In its 2001/02 Overview Report, Audit Scotland expressed the view that "All councils should not only have Audit Committee mechanisms in place, but they should be committed to making sure that they are effective." The effectiveness of an audit committee is greatly enhanced by the status and accountability that accrue if it is formally constituted within the decision making structure of a local authority.

Mr Hughes spoke of the difficulty in "measuring effectiveness" in a scrutiny role, drawing parallels with Internal Audit's operation and an unresolved debate at national level amongst internal audit officers across Scotland. He referred to the 2010 investigation into the effectiveness of the Scrutiny and Audit Committee which had not resolved how best to measure effectiveness.

Mr Hughes understood the Committee's status as a properly constituted group within the Council's structures to be fulfilling the requirement voiced in 3.2.

Cllr Bellarby referred to the very positive support which the Committee received from senior officers and members across all parties and discussions currently on-going with Dr. Gore, the Director of Corporate Services, on some aspects of how the Committee operated. Even if effectiveness could not be precisely measured, self assessment and review, and openness to consider new ways of operating meant that the committee's effectiveness was continually under review, as it had been through the mechanisms of Away Days, involving support staff, the Council's senior management team and Audit Scotland, as external auditor, over the years.

The Committee was content that this was being met.

3.3

Audit committee principles can only be achieved if there is (one or more) formal group(s) of elected members specifically charged with ensuring that the mechanisms exist to deliver them and that they are effective.

The Committee was content that this was being met by its own existence and the remits and responsibilities shared by other members in policy and area committees

3.4

At the outset, the committee should have clear terms of reference or a set remit which has been agreed by the full council and which describes precisely the role of the committee.

The Committee was content that this was being met, detailed in the Scheme of Delegation, and under review by Council from time to time as appropriate.

3.5

Audit committee principles would be supported by a process which results in the strategy and plans of the HIA being formally presented to the audit committee. The role of the audit committee is not to challenge the professional independence of internal audit but to ensure that proper practice is followed in determining the strategy and the plans.

The Committee was content that this was being met.

3.6

As part of his/her duties the Chair of the audit committee should be prepared to encourage open discussion at meetings and should not seek to restrict debate. Discussion and challenge should be apolitical and the chosen chair should have the personal qualities necessary to achieve this.

It was acknowledged by all members that the Chair and Vice Chair encouraged both open discussion and debate – that the Committee, whilst reflecting the political proportionality of the Council, operated apolitically with all welcome to contribute to the debate and challenge.

The Committee was content that this was being met.

Arising out of discussion of the above, it was confirmed that if a letter were written by the Chair/Vice Chair of the Committee on behalf of the Committee, as opposed to expressing a personal view point, this should be shared with all members of the Committee, as good practice and demonstrating transparency in operation.

3.7

The committee may function more effectively with a small membership to enable efficient discharge of the committee's role and responsibilities. The chair will require to consider a balance of views on any particular matter and this would be served by an additional two members in addition to the chair. One further member would provide an additional view where there is a balanced discussion.

Membership should include at least as many members drawn from outwith the administration as the political balance would suggest. Consequently, a minimum membership of four elected members (including the chair) should be considered. It is acknowledged however, that local requirements may also influence the size and composition of the committee

The Scrutiny and Audit Committee has a membership of 12, compared to the other policy committees which have a larger membership. The quorum, despite recently having been reduced to 5 (previously 7) is still significantly higher than the other council committees where a quarter is the quorum. The membership is politically balanced.

The Committee was content that this was being met.

3.8

Within the terms of this guidance, it is for each Council to decide the relationship and breadth of the committee's membership and operations, however, independent thinking should be a key and demonstrable feature of the audit committee.

The Committee was content that this was being met – the independence of the Scrutiny and Audit Committee has been stressed repeatedly and accepted through the evolution of the Committee over the years.

3.9

Given the likely financial content of information which will come before the committee, it is desirable that one of the members should have an awareness of financial matters. A lack of awareness of financial matters should not in itself however, preclude committee membership and the benefits of a critical lay view should not be underestimated. In any case training and support should be provided to assist members to discharge their duties, and expert advice can be sought if required.

The Committee has previously considered the benefits of an expert compared with a lay approach. It recognises the value of awareness of financial matters but also believes that this can be promoted over a period of induction and training, which all members access. Additional training is provided on request to ensure all members have the tools to approach all issues within its remit. However, the Committee is aware of the value that lay people may bring to a process by asking challenging questions of the professional officers with the technical knowledge. The cumulative benefit of the Committee in operation is a reflection of the skills, abilities and experiences of all members working together.

The Committee was content that this was being met.

3.10

The frequency of committee meetings will be prescribed within the council's committee and planning cycle. Over the course of the year a typical cycle of meetings will consider ongoing audit and regulatory matters in addition to annual matters for example, the presentation of the Internal Audit Plan in February/March and consideration of the External Auditor's Annual Report to Members in December.

The Committee was content that this was being met – the cycle of meetings is approved annually by Council and meeting dates have been added/ amended to best support the operating requirements of Audit Scotland. All the examples cited are considered by the Committee.

3.11

Although committees of the Council are by law open to the public, there will be matters which will require to be heard in private because they deal with either exempt or confidential information, both of which are defined in legislation. Regard should however be had to the principle of openness and inclusivity.

The Committee was content that this was being met – the Committee adheres to the Council’s operational standards and seeks to be as inclusive and open as is possible in all it undertakes.

3.12 As well as the members of the committee other people may be invited to attend, for example;

other elected members;

- officers including the CFO and HIA; and
- external auditor.

The Chief Internal Auditor attends and reports to each meeting of the Committee. External Audit are invited to attend all meetings, receiving all the papers and report when required. Finance officers at a senior level attend to support the Committee at each meeting. Senior officers from each service attend to answer challenges and provide information as required.

The Committee was content that this was being met.

Principle 1: The Control Environment

3.13

The papers for an audit committee may be technical in detail. Consequently, agenda papers should be submitted in good time to enable all members and officers to review them properly and to determine who should be invited to attend the meeting.

Papers are issued in accordance with the Standing Orders of the Council, which are more generous than the timetable stipulated in the Local Government (Scotland) Acts. Agenda papers are sent out 7 days before the meeting, which conforms with the requirement in the Council's Standing Orders 4(1) and 20(7)(b) for 6 clear days, and is much better than the 1973 Act which requires 3 clear days.

The Committee was content that this was being met but would suggest that discussions be held with the Head of Legal and Governance and Principal Committee Officer to see if additional time could be provided, acknowledging that this would have implications for the processing of papers for committee and the balance between time to read and issuing up to date information.¹

3.14

The governance arrangements of the committee should determine the level of detail to be provided to members. In the interests of operational efficiency the audit committee may be provided with only a selection of reports or summary reports. In this case it will be important that the selection of the reports and/or the way in which they are summarised identifies the main issues, and the action taken to address these. When the HIA's annual report is received there should be no significant issues raised in that report which have not already been brought to the attention of the audit committee during the year.

The Committee was content that this was being met.

3.15

The first principle states that there should be an effective mechanism in place to provide independent assurance of the adequacy of the risk management framework and the associated control environment within the authority.

The Committee was content that this was being met, with responsibility specifically lodged with the Scrutiny and Audit Committee. Appropriate training is provided and the Committee has approved both the principles and models of risk management and consider annually the detailed plans.

3.16

The control environment is the background against which all other controls are operated. Internal control includes all the council policies and procedures which seek to ensure the orderly conduct of business, the safeguarding of assets, and the timely production of accurate and complete financial information.

3.17

¹ Since the meeting, members of the Scrutiny and Audit Committee have learnt that the issue of agenda papers and the timescale are currently under consideration by the Council's Procedures Committee.

Consideration of internal control by the committee will be concerned with how risk is assessed and managed within the council. Generally, risk will be present where there is any factor which could preclude the achievement of the objectives of the council.

The Committee was content that 3.16 and 3.17 above were being met – both directly by the policy and area committees and within its own remit as detailed in the Scheme of Delegation.

3.18

The committee will wish to seek assurance from the HIA that appropriate risk assessment has been carried out as part of the preparation of the internal audit plans when they are presented. The committee will monitor progress against the plans and the HIA will therefore need to report on progress against the plan on a regular basis.

The Committee heard from Mr Hughes regarding the audit planning process, which is referred to in his annual report to Committee presenting the audit plan. The plan is prepared taking into account the Council's risk registers, knowledge of what had been, and was being, done across the services, with knowledge being augmented by the regular auditing of specific operational aspects. The main financial systems are audited every second year (on average), even if not identified as an area of potential risk; rather than annually as required by Audit Scotland through the requirements of International Auditing Standards. Knowledge of the systems shows them to be relatively stable and for Internal Audit to undertake an annual review is not considered appropriate. There are, however, different perceptions of risk by different auditors/ people and the main issue was about the materiality of risk and adequate coverage. Audits are regularly carried out of relatively small systems which helps ensure that officers are aware of Internal Audit, that help can be provided to resolve control issues, and also acts as a deterrent to potential system abuse. The knowledge of his team working with the services lead to Mr Hughes being able to assure the Committee that his work planning was risk assured through an established process, although it was hard to demonstrate. Mr Hughes felt the control environment of the Council was good; internal audit was seen to be operating effectively in so far as the only issues being identified related to one off episodes and not systemic breaches in Aberdeenshire Council. The wider or repeat issue about breaches in financial regulations was being addressed through on going work revising and making the document more user friendly/ accessible.

Mr Hughes stressed that he did not think that responsibility for risk management should rest with internal audit. It was not possible to review independently a process for which you were responsible.

Based on the assurances from the Chief Internal Auditor, the Committee was content that this was being met.

Principle 2: Risk Related Performance

3.19

Where there is limited progress, the committee may wish to explore the reasons for this and in particular address whether internal audit is appropriately resourced to meet the planned audit activity and/or internal audit resources have been diverted to non-audit assignments outwith the internal audit plan.

The Committee was content that this is covered in reports to the Committee on the internal audit plan and its progress. It is free on any occasion to challenge internal audit on its plans and the resources needed to deliver them.

3.20

Consideration of the control environment also extends to monitoring the implementation of recommendations made as a result of the audits carried out. The committee will require sufficient information to enable it to ensure that agreed improvement actions are being implemented. This will include actions arising not only from audit reports but also from the reports of other external inspection agencies.

In addition to receiving reports at each meeting on the progress on internal audit investigations, the Committee also receives overview reports on external inspections such as HMIe, with the detailed reports being considered at the appropriate area and policy committees. The Committee also monitors the action plan arising from the external auditors report. Mr Hughes stated that as all Policy Committees receive progress reports regarding the implementation of agreed improvement actions, the level of such scrutiny in Aberdeenshire Council may be more than in other councils.

The Committee was content that this was being met.

3.21

The HIA should, at least on an annual basis, provide the committee and CFO with a formal annual statement which gives assurance on the effectiveness, or otherwise, of internal controls. This should be consistent with the matters raised at the committee during the course of the year. The HIA's statement should inform the council's statement on the system of internal financial control (or, if relevant the statement on internal controls or corporate governance) within the statement of accounts. The statement on the system of internal financial control is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom.

The Committee was content that this was being met.

3.22

The second principle states that there should be an effective mechanism in place to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

The Committee was content that this was being met.

3.23 Risk may be found in aspects of both financial and non financial performance. It is essential therefore that not only is there a robust risk assessment process incorporated within the governance of an authority but that this is used to inform the audit planning process.

The Committee was content that this was being met.

3.24

Risk related performance issues often emerge from internal or external audit reports or in reports from other inspection processes. The committee's role in reviewing the main issues arising from these and their resolution, as discussed above, will therefore also serve to help it deliver this principle.

As detailed in point 3.20 above, the Committee was content that this was being met.

Principle 3: Annual Accounts and the External Auditor

Supporting Tasks

3.25

The third principle states that there should be an effective mechanism in place to provide assurance that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with.

3.26

The process of compilation, auditing and certifying the annual statement of accounts is a statutory process. For this reason it is considered that the annual report to members and any other significant reports referred to in the annual report from the external auditor should be submitted for consideration by the audit committee. The committee should thereafter oversee the implementation of any action plan agreed between council officers and the external auditor.

3.27

The external auditor will also prepare long term and annual audit plans. Although there is no role for the committee in approving these plans, the committee should be provided with sight of the plans. The work of the external auditor is directed by the Accounts Commission's Code of Audit Practice which encourages external auditors to discuss the plans with the audit committee. At this point the committee will, among other things, be able to ensure that there is coordinated effort between external and internal audit.

3.28

Because of the statutory basis for the work of the external auditor, it is considered that the audit planning memorandum should be placed before the audit committee. Thereafter, reports judged to include matters of significant interest should be submitted to the committee. Instances where recommendations have not been implemented will be of interest to committee.

3.29

There are other conditions which may directly support the achievement of audit committee principles, and these include:

- The existence of strong and effective working relationships between and amongst internal audit, external audit and the various inspection agencies. This is evidenced by the degree of formal reliance placed by external audit on the work of internal audit, and by the consideration of the planned external audit or other inspection agency work in formulating the internal audit plan;

- An audit process whose value is understood by the authority and its managers. It should be one of the roles of the audit committee to seek evidence that the role of audit is understood and respected by managers and staff and actively promoted; and
- Mechanisms to ensure the initial and continuing training and development of those charged with the responsibility of implementing audit committee principles.

The Committee noted that the external auditor had full access to the Committee and had indeed participated in away days which had considered the Committee's operation. Responsiveness to the needs of external audit had allowed for the

alteration of the formal schedule of meetings to a date more convenient for the work of external audit.

The Committee was content that the supporting tasks identified in 3.25 - 3.29 were being met. Training was seen to be key to the ongoing development of the Committee.

ROLES AND RESPONSIBILITIES (Pages16- 20)

Elected members – in general

4.2 Elected Members are responsible for setting the strategic direction and policies of the authority. They are also responsible for allocating resources and setting budgets to ensure that their plans and policies are delivered.

4.3

The reassurance that officers are discharging their duties in line with council policy and direction, and that the authority is complying with the law and relevant standards as well as with standards of corporate governance is provided by the policies, structures and management arrangements in place throughout the council. It is also provided by the existence of effective scrutiny mechanisms in relation to both management action and members' decisions.

4.4

All elected members have a role to play in ensuring the good corporate governance of the authority. Good practice requires the establishment of an audit committee of some form as a central focus for effective scrutiny.

The Committee was content that this was being met.

Members of the Audit Committee

4.5

The integrity of the committee will be demonstrated by the quality of its membership, the content of its agenda and by the manner in which the members discharge their role. To be fully effective, members of the audit committee need to have certain characteristics above and beyond those which are desirable in all members. In particular, they need to:

- have a good understanding of how the whole council works and a broad understanding of the controls which exist or should exist;
- be able to distinguish between serious control weaknesses and those which are relatively minor;
- be confident about discussing audit findings with the auditors and management;
- have the power to make appropriate decisions and to make recommendations to the council, in accordance with the standing orders; and
- be respected and trusted by other members of the council to make remitted decisions on their behalf.

4.6

In view of the different skill set required, it will be necessary to provide training and support to help members gain sufficient expertise to be effective audit committee members. For example, an audit committee handbook for members could be developed as a useful reference source and guide.

4.7

The audit committee will play a key role in the corporate governance of a local authority. There will therefore be a responsibility upon the local authority overall to ensure that the status of the committee attracts the appropriate membership.

There was discussion of the essential need for training and induction of new members – specifically after an election/ change in membership but also on a needs base as the remit of the Committee altered over time. The Committee believe that the “above and beyond” characteristics can be supported in development in this way and may not automatically come with election/ selection for the Scrutiny and Audit Committee.

Members believe they are in a position to have a good overview and understanding of the council very soon after election.

Members are demonstrably confident to challenge officers and others, including external audit.

At the end of the day, the Scrutiny and Audit can only strongly, vigorously and repeatedly make recommendations – it can't impose its views on the Council as a whole. This parallels the Internal Audit function.

The Committee was content that the expectations of audit committee members were being met.

The Chief Finance Officer

4.8

It is appropriate to identify the distinction between the management responsibility of the CFO and the broader scrutiny role of the committee. The CFO will generally be responsible for the provision of executive advice on all financial matters to the committee. The audit committee will almost certainly consider issues as a matter of course which have a direct impact on financial resources and there should therefore be a clear role for the CFO. It is envisaged that the CFO will arrange appropriate representation at the audit committee when audit issues are being discussed, and at other meetings at the request of committee members.

The Committee was content that this was being met in the regular and supportive attendance of appropriate finance officers at its meetings.

Chief Officers and Chief Executive

4.9

Chief Officers are accountable to members for the running of their departments and therefore for addressing the findings of audit reports. In addition, they will be responsible for signing off the action plans for audit recommendations and as such may be invited to the audit committee to discuss any audit matters relating to their areas of control.

Whilst actual attendance to answer at the Scrutiny and Audit Committee on internal audit reports is not the standard process, Directors report directly to their parent policy committees on this matter.

The Committee was content that this was being met.

4.10

A clear role for the Chief Executive is envisaged by maintaining the strategic link between elected members and all other parties who may attend audit committee meetings.

The Committee was content that this was being met as it has open access to the Chief Executive on any matters of concern.

Head of Internal Audit

4.11

Internal Audit is one of the principal ways in which the Council (members and managers) gains assurance that its policies are being observed and risks are being properly managed.

4.12

The HIA should attend every audit committee meeting at which audit business is being discussed. The Code of Practice for Internal Audit in Local Government in the United Kingdom sets out matters which the HIA should bring to the attention of the audit committee and these are as follows:

- The terms of reference for Internal Audit;
- The Internal Audit Strategy;
- The resourcing of Internal Audit;

- The periodic plans of Internal Audit, progress against and material changes made to these plans, and any implications arising from their findings and opinion;
- The adequacy of management response to Internal Audit advice and recommendations;
- The HIA's annual report;
- The arrangements for and the results of quality assurance and performance management processes; and
- The arrangements made for co-operation between Internal Audit, External Audit and other review bodies.

The Committee was content that the terms of 4.11 and 4.12 were being met.

4.13

Internal Audit should have a right of access to the chair of the audit committee at all times. This is essential to maintain the integrity of the internal audit function.

The Committee was content that this was being met and was assured by Mr Hughes that he understood and believed that he had this access. The converse was also confirmed and taken as a matter of further assurance.

External Audit

4.14

External Audit have a different focus from Internal Audit: they report to external stakeholders in addition to the managers of the Council. They also have to communicate relevant matters relating to the audit of the financial statements to those charged with governance.

4.15 They are also required to communicate on a sufficiently prompt basis to enable those charged with governance to take appropriate action.

4.16

The Accounts Commission's Code of Audit Practice requires auditors to provide an opinion on a local authority's annual statement of accounts and to review and report on the authority's corporate governance arrangements and its arrangements to manage its performance. This report, which goes to all members along with the audited accounts, should be delegated to the audit committee so that progress against the action plan is monitored.

4.17

The papers for audit committees should generally be provided to the external auditors as a matter of course. External auditors should also be invited to all meetings of the audit committee where audit business is being discussed.

External audit are invited to attend and get full agenda papers for all meetings of the Scrutiny and Audit Committee, participate in Away Days and training sessions and have full access at all times to members of the Scrutiny and Audit Committee, in addition to other key members of the Council.

The Committee was content that the terms of 4.14 - 4.17 were being met.

AUDIT COMMITTEE REMIT

Remit should address:

- Number of members required to be quorate
- Basis of selection of chair
- Required expertise for committee membership
- Minimum period in which agenda papers should be issued
- Circulation of minutes to other committees/full council
- Frequency of meetings
- Extent of detail of audit/inspection reports to be circulated
- Attendance at meetings by external auditor
- Reporting arrangements to full council

The Committee was content that the remit of the Scrutiny and Audit Committee addressed this – as detailed in Standing Orders and the Scheme of Delegation.

ROLE / REMIT: INTERNAL AUDIT

Remit should address:

- Consideration and ongoing monitoring of the operational and strategic audit plans
- Access of HIA to Chair
- Agreement of internal audit plans and ensuring that internal audit work is planned with due regard to risk, materiality and coverage
- Review of internal audit performance
- Monitoring and review of actions taken on audit recommendations

The Committee was content that this is being met.

ROLE REMIT: EXTERNAL AUDIT

Remit should address:

- Review of external audit planning memorandum
- Arrangements for ensuring effective liaison between external and internal audit
- Review of all matters relating to external audit, including audit planning, action points and reports
- Nature of monitoring the implementation of external audit recommendations

The Committee was content that this is being met.

ROLE / REMIT: RISK MANAGEMENT

Remit should address:

- Ensuring that an appropriate corporate risk management strategy has been drawn up
- Ensuring that risk management procedures are satisfactorily carried out

The Committee was content that this is being met.

ROLE / REMIT: ANNUAL STATEMENT OF ACCOUNTS

Remit should address:

- O Role of the Committee in the final accounts process. Review of the audit certificate/wording and any matters reported
- O Review of the annual report to members from the external auditor
- O Reviewing the implementation of audit recommendations arising
- O Ensuring that issues raised in previous financial years have been addressed

The Committee was content that this is being met.

ROLE / REMIT: CORPORATE GOVERNANCE FRAMEWORK

Remit should address:

- O Ensuring systematic appraisal of the Council's control environment and framework of internal control to provide reasonable assurance of effective and efficient operations
- O Ensuring that the highest standards of probity and public accountability are demonstrated
- O Review of external reports and assessments
- O consideration by committee of programme of areas for scrutiny

The Committee was content that this is being met.

AUDIT COMMITTEE PRINCIPLES MATRIX

Administration	Good Practice	Para Ref	Aberdeenshire doing?
An audit committee which demonstrates by the way that it is structured and organised that it is effective	A formally constituted committee, reporting directly to council and generally meeting in public	3.2, 3.11	YES
	Adherence to clear terms of reference	3.4	YES
	Membership which generally includes at least as many members drawn from outwith the administration as the political balance would suggest	3.7	YES
	Effective training and development for all involved in the process	3.9	YES
	Agenda papers submitted in good time to enable all members and officers to review them properly	3.13	YES (Discussion to be held with head of Legal & Governance about options to improve further. ² .)
	Regular attendance by appropriate senior officers of the Council, the HIA and the External Auditor	4.8, 4.9, 4.11, 4.17	YES

² Put in the same as previously

Administration	Good Practice	Para(s) Ref	A'Shire doing?
Principle 1: The Control Environment Independent assurance of the adequacy of the risk management framework and the associated control environment within the authority	Consideration of Internal Audit periodic plan & strategy	3.18	YES
	Monitoring of achievement of internal audit plan	3.18, 3.19	YES
	Review of (summary/selection of) audit reports, main issues arising and implementation of recommendations	3.20	YES
	Ensuring that risk assessment has been carried out by the HIA	3.18	YES
	Review of annual report and assurance statement to committee from HIA	3.21	YES
	Existence of strong/effective relationship between external audit, inspection agencies and internal audit	3.29	YES
	Ensuring that the value of the audit process is actively promoted	3.29	YES

Administration	Good Practice	Para(s) Ref	A'Shire doing?
<p>Principle 2: Risk Related Performance</p> <p>Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment</p>	<p>Consideration of the effectiveness of the corporate risk assessment process</p>	<p>3.23</p>	<p>YES</p>
	<p>Consideration of significant risk related performance issues raised by auditors or other inspectors</p>	<p>3.24</p>	<p>YES</p>
	<p>Monitoring of implementation of improvement action plans</p>	<p>3.24</p>	<p>YES</p>

Administration	Good Practice	Para(s) Ref	A'Shire doing?
<p data-bbox="188 300 459 443">Principle 3: Annual Accounts and the External Auditor</p> <p data-bbox="188 483 488 813">Standard Assurance that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with</p>	<p data-bbox="518 300 1153 371">Review of audit certificate and consideration of matters arising from audit</p>	<p data-bbox="1204 300 1273 331">3.26</p>	<p data-bbox="1358 300 1426 331">YES</p>
	<p data-bbox="518 853 1137 958">Consideration of annual report to members from external auditor and monitoring the implementation of agreed action plans</p>	<p data-bbox="1204 853 1273 884">3.26</p>	<p data-bbox="1358 853 1426 884">YES</p>
	<p data-bbox="518 1001 1158 1106">Consideration of external audit reports, main issues arising and implementation of recommendations</p>	<p data-bbox="1204 1001 1273 1032">3.27</p>	<p data-bbox="1358 1001 1426 1032">YES</p>