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## **Audit & Risk Committee Annual Report 2014/15**

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### **Report by Chief Officer Audit & Risk**

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## **Audit & Risk Committee**

**30 June 2015**

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### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to provide members with the Audit & Risk Committee Annual Report 2014/15 which incorporates its annual self-assessment using the CIPFA Audit Committees Guidance.**
- 1.2 It is important that the Council's Audit & Risk Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance.
- 1.3 The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2013 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit & Risk Committee against its remit for submission to the Council. The Audit & Risk Committee Annual Report 2014/15 is appended to this report as Appendix 1 for consideration. This is the seventh such annual report and Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 1.4 The Audit & Risk Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during Informal Sessions on 23 March & 11 May 2015 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration. The outcome of the self-assessments was a high degree of performance against the good practice principles though some areas of improvement were identified to enhance the effectiveness of the Committee.

### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit & Risk Committee:**
- a) Approves the Audit & Risk Committee Annual Report 2014/15 (Appendix 1) which incorporates its self-assessments using the CIPFA Audit Committees Guidance; and**
  - b) Agrees that the Audit & Risk Committee Annual Report 2014/15 should be presented to the Council at its next meeting on 27 August 2015 and then published on the Council's website.**

### **3 BACKGROUND**

- 3.1 It is important that the Council's Audit & Risk Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2013 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2013 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee.
- 3.3 The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit & Risk Committee against its remit for submission to the Council. The Audit & Risk Committee Annual Report 2014/15 is appended to this report as Appendix 1 for consideration. This is the seventh such annual report and Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 3.4 The Audit & Risk Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during Informal Sessions on 23 March & 11 May 2015 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration. The outcome of the self-assessments was a high degree of performance against the good practice principles. However it has identified some areas of improvement to enhance and fully demonstrate the effectiveness of the Audit & Risk Committee.
- 3.5 The following were identified as the key improvement actions:
- Formally obtain feedback on its performance from those interacting with the Committee;
  - Monitor compliance and outcomes of the Committee's recommendation to apply Gateway Review and lessons learned to major projects and programmes;
  - Enhance the Committee's review of the effectiveness of performance management arrangements; and
  - Improve the Committee's scrutiny of arrangements for ensuring value for money.

Steps will be taken to consider the business of the Committee during 2015/16 to cover these themes.

### **4 IMPLICATIONS**

#### **4.1 Financial**

There are no direct financial implications associated with this report.

#### **4.2 Risk and Mitigations**

- (a) The role of the Audit & Risk Committee includes the high level oversight of the effectiveness of the Council's systems of internal financial control, internal control and governance, including risk management.

- (b) There is a risk that the Audit & Risk Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body as a foundation for sound corporate governance. The completion of the annual self-assessment and identification and implementation of improvement actions as evidenced through this Annual Report will mitigate this risk.

**4.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

**4.4 Acting Sustainably**

There are no direct economic, social or environmental issues with this report.

**4.5 Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

**4.6 Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

**4.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

**5 CONSULTATION**

- 5.1 The Corporate Management Team, the Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer HR, and the Clerk to the Council have been consulted on this report and any comments received have been taken into account.

**Approved by**

**Jill Stacey, Chief Officer Audit & Risk      Signature .....**

**Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

**Background Papers:**

**Previous Minute Reference:** Audit Committee 24 June 2014; Scottish Borders Council 25 September 2014

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin, Chief Executives Department can also give information on other language translations as well as providing additional copies.

Contact us at James Collin, Chief Executives Department, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA  
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**SCOTTISH BORDERS COUNCIL  
AUDIT & RISK COMMITTEE  
ANNUAL REPORT FROM THE CHAIRMAN – 2014/15**

This annual report has been prepared to inform the Scottish Borders Council of the work carried out by the Council's Audit & Risk Committee during the financial year. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2013 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

**Meetings**

The Audit & Risk Committee has met 6 times during the financial year which included meetings on 21 April, 24 June, 23 September, 10 November 2014, 19 January and 23 March 2015 to consider reports pertinent to the audit cycle. In line with best practice the meetings include an Informal Session, without Management present, to enable the members of the Committee to meet privately and separately with the external auditors and with the Chief Officer Audit & Risk to raise any matters with the auditors pertinent to the annual audit cycle of reporting. During the year an improvement action was implemented to 'Develop a structured work programme of Informal Sessions of Audit & Risk Committee' which was effective to align with the audit cycle.

The remit of the Audit & Risk Committee is to have high level oversight of the Council's and the Pension Fund's framework of internal financial control, corporate governance, risk management systems and associated internal control environment. To fulfil this remit, it sought assurance on the adequacy and effectiveness of Council's and the Pension Fund's systems of corporate governance and internal control for efficient operations and for the highest standards of probity and public accountability. It did this through material it received from internal audit, external audit, other external scrutiny and inspection agencies, and assurances from Management. It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders.

The Committee approved the terms of reference for Internal Audit (Internal Audit Charter) and annual and strategic internal audit plans. It considered Internal Audit's executive summaries of reports findings, audit opinions, good practice and recommendations and monitored their implementation. It monitored Internal Audit's performance including progress against the audit plan, and considered the Chief Officer Audit & Risk's annual report and assurance statement.

It also reviewed external audit plans and arrangements for effective liaison between external and internal audit, considered external audit reports including the annual report to Members and the Controller of Audit on the annual audit of the Council and of the Pension Fund, reviewed the main issues arising from the external audit of the Council's statutory accounts and those of the Pension Fund, and monitored the implementation of agreed actions arising from external audit reports.

The Committee considered the effectiveness of the risk management process throughout the Council and specifically received a report on the outcomes of the Risk Management Review. It endorsed the recommended improvements to refine the risk management arrangements at the Council to ensure their ongoing effectiveness and recommended the revised Corporate Risk Management Policy for approval by the Council.

The Audit & Risk Committee undertook the scrutiny role for the development of future Treasury Management strategy prior to its presentation to Council for approval. It also received progress reports on the extent of compliance with the approved treasury management strategy and an analysis of the performance against the targets set. During the year it recommended the Treasury Management strategy and performance monitoring reports for Council approval.

The minutes of Audit & Risk Committee meetings were presented for approval by the Council, and referred any exceptional items to the Council in accordance with the remit.

## Membership

The Membership of the Audit & Risk Committee is part of the approved Scottish Borders Council's Scheme of Administration (approved 20 November 2014) namely "Eight members, being six Members of the Council and two members appointed from an external source. The Council Members shall comprise six Members not on the Executive Committee (4 from the Administration and 2 from the Opposition)". This structure complies with best practice on independence as evidenced through the use of the Checklist from the CIPFA Audit Committees Guidance for the assessment of the Audit & Risk Committee. The Audit & Risk Committee continues with two non-voting external members appointed from the community following a recruitment and selection process carried out during 2012. This ensures that the Audit & Risk Committee's role in the scrutiny process of internal controls and governance is fully objective.

The Committee membership during the year included Councillor M Ballantyne (Chairman), Councillor W Archibald, Councillor J Campbell, Councillor A Nicol, Councillor S Scott (Appointed in June 2014), Councillor W White, Mr D Gwyther, and Mr G Tait.

The attendance by each member at the Committee meetings throughout the year was as follows:

Member	Meeting of 21 April 2014	Meeting of 24 June 2014	Meeting of 23 September 2014	Meeting of 10 November 2014	Meeting of 19 January 2015	Meeting of 23 March 2015
Councillor M Ballantyne (Chairman)	Attended	Attended	Attended	Attended	Attended	Attended
Councillor W Archibald	Attended	Apologies Received	Apologies Received	Apologies Received	Attended	Apologies Received
Councillor J Campbell	Attended	Attended	Attended	Attended	Apologies Received	Attended
Councillor A Nicol	Attended	Attended	Attended	Apologies Received	Attended	Attended
Councillor S Scott	n/a	n/a	Attended	Attended	Attended	Apologies Received
Councillor W White	Apologies Received	Apologies Received	Attended	Apologies Received	Attended	Attended
Mr D Gwyther	Attended	Attended	Attended	Attended	Attended	Attended
Mr G Tait	Attended	Attended	Apologies Received	Attended	Attended	Apologies Received

Every meeting of the Audit & Risk Committee in 2014/15 was quorate (i.e. at least three elected members present).

All other individuals who attended the meetings are recognised as being “in attendance” only. The Chief Financial Officer, the Chief Officer Audit & Risk, and external auditors attend all Committee meetings, and other senior officers also routinely attend Committee meetings. The Democratic Services section has provided support and resources to the Committee throughout the year including a Committee Officer as the minute secretary.

### **Skills and Knowledge**

Given the wider corporate governance remit of Audit & Risk Committees within local government and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that Audit & Risk Committee members bring to the committee, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

During the year an improvement action was implemented by Chief Officer Audit & Risk to ‘Carry out a formal assessment with Audit & Risk Committee Members against the Knowledge and Skills Framework within CIPFA Audit Committees Guidance’ which was effective in identifying their needs and applying the methods to enhance their knowledge.

Briefings and seminars have been delivered to help committee members keep up to date or extend their knowledge as part of the Informal Sessions or Committee business. On his appointment to the Committee, Councillor Scott attended an Induction session delivered by the Chief Officer Audit & Risk covering Corporate Governance, role of Audit & Risk Committee, roles of Internal and External Audit, Assurance requirements, Audit Cycle, and Risk Management.

### **Self-Assessment of the Committee**

The annual self-assessment was carried out by members of the Audit & Risk Committee on 23 March and 11 May 2015 during Informal Sessions facilitated by the Chief Officer Audit & Risk using the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance. The latter Toolkit was used for the first time - an improvement action - which was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance.

The outcome of the self-assessments was a high degree of performance against the good practice principles. However it has identified some areas of improvement to enhance and fully demonstrate the effectiveness of the Audit & Risk Committee.

The following were identified as the key improvement actions:

- Formally obtain feedback on its performance from those interacting with the committee;
- Monitor compliance and outcomes of the Committee’s recommendation to apply Gateway Review and lessons learned to major projects and programmes;
- Enhance the Committee’s review of the effectiveness of performance management arrangements; and
- Improve the Committee’s scrutiny of arrangements for ensuring value for money.

### **Assurance Statement to the Council**

The Audit & Risk Committee provides the following assurance to the Council:

- The Council has received the minutes of the Audit & Risk Committee throughout the year.
- The Audit & Risk Committee has operated in accordance with its agreed terms of reference, and accordingly the Audit & Risk Committee principles in CIPFA Position Statement.

- The Audit & Risk Committee has received and considered material arising from individual internal audit assignments in the form of executive summaries of internal audit reports and has received the Internal Audit Annual Report 2014/15 from the Chief Officer Audit & Risk at its 11 May 2015 meeting, whose approved plan of internal audit work covers all strands of governance, namely financial, staff and other resources. The Chief Officer Audit & Risk commented positively on the Council's governance framework and, based on the internal audit work completed, provided an independent and objective opinion on the adequacy and effectiveness of internal controls that have been in place during the year and highlighted areas for improvement.
- The Audit & Risk Committee has received and considered all material arising from the external audit strategies and plans for Scottish Borders Council and for Scottish Borders Pension Fund from the External Auditor, KPMG.
- For all audit reports, the Audit & Risk Committee is satisfied that an adequate management response is in place and action will be taken to address areas of improvement. The Committee acknowledges that all the audit recommendations are input to Covalent, the Council's performance management system, and that there is a system of ongoing follow-up in place to monitor implementation. The Committee received regular updates in this regard from relevant Service Directors and Managers.
- The Audit & Risk Committee has received and considered material to fulfil its oversight role on the management of risks across the Council. It will monitor the implementation of the recommended improvements, which it endorsed, to refine the risk management arrangements of the Council to ensure their ongoing effectiveness, and hold Management to account on the application of the revised Corporate Risk Management Policy.
- The Audit & Risk Committee has received and considered material to fulfil its scrutiny role on treasury management activity. Members took part as a focus group within an Audit Scotland national study on Treasury Management whose findings are included in the report 'Borrowing and treasury management in Councils' published in March 2015 which highlights the Council as best practice.
- The Audit & Risk Committee has reviewed the draft Annual Governance Statement 2014/15 at its meeting on 11 May 2015, in order to assess whether the content is consistent with its evaluation of the internal control environment based on evidence received to date. The Audit & Risk Committee will continue to monitor progress with implementation of the actions identified by Management to improve internal controls and governance arrangements as outlined in the Annual Governance Statement 2014/15.
- The Audit & Risk Committee has reviewed the Annual Accounts 2014/15 in draft of the Council and of the Pension Fund at its meeting on 30 June 2015 and will review these in final at its meeting on 28 September 2015 alongside External Audit reports on their annual audits 2014/15 in order to decide whether to recommend to the Council that they be adopted.
- The Audit & Risk Committee has reflected on its performance, identified improvements in respect of its scrutiny and challenge role, and agreed the steps to be taken to enhance its effectiveness going forward.

### **Recommendation of the Terms of Reference for the Audit & Risk Committee for the coming year**

There are no proposals to change the Terms of Reference for the Committee at this time.

Councillor Michelle Ballantyne  
 Chairman of Audit & Risk Committee  
 June 2015

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## Scottish Borders Council Audit &amp; Risk Committee – self-assessment of Good Practice at 23 March and 11 May 2015

Audit committee purpose and governance	Yes/Partly /No	Comments
Does the authority have a dedicated audit committee?	Yes	Scheme of Administration approved by the Council 20 November 2014 includes the remit of the Audit & Risk Committee.
Does the audit committee report directly to full council?	Yes	Council approves Minute of each Audit & Risk Committee meeting.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement	Yes	Review has been completed by Chief Officer Audit & Risk against CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2013 (CIPFA guidance 2013 'audit committees').
Is the role and purpose of the audit committee understood and accepted across the authority?	Yes	Scheme of Administration is published on the shared X:drive. References to Audit & Risk Committee role and reports are made to Senior Officers at Management Team meetings on a regular basis and to Corporate Management Team in advance of each Audit & Risk Committee meeting by Chief Officer Audit & Risk.
Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes	The Audit & Risk Committee is a key part of the Council's governance framework as outlined in the SBC Local Code of Corporate Governance approved 23 February 2012.  The Audit & Risk Committee Annual Report is presented to and approved by the Council in August each year. SBC continues to be a lead authority in adopting this best practice. As part of its annual self-assessment 2014/15 the Audit & Risk Committee has identified improvements in respect of its scrutiny and challenge role and how it can add further value.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes	The Audit & Risk Committee annually reviews its terms of reference as part of it carrying out an annual self assessment of performance against best practice checklists.  The Audit & Risk Committee Annual Report is presented to the Council in August each year. It sets out the activities to enable stakeholders to understand how the Audit & Risk Committee has discharged its duties and identifies areas of improvement to fulfil its remit. SBC continues to be a lead authority in adopting this best practice.



## CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2013 Edition

### Scottish Borders Council Audit & Risk Committee – self-assessment of Good Practice at 23 March and 11 May 2015

Functions of the committee	Yes/Partly /No	Comments
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		
• good governance	<input type="text" value="Yes"/>	Included in remit nos. 1, 3, 10 & 11
• assurance framework	<input type="text" value="Yes"/>	Included in all aspects of remit
• internal audit	<input type="text" value="Yes"/>	Included in remit nos. 5, 6 & 7
• external audit	<input type="text" value="Yes"/>	Included in remit nos. 8 & 9
• financial reporting	<input type="text" value="Yes"/>	Included in remit nos. 4 & 12
• risk management	<input type="text" value="Yes"/>	Included in remit no. 2
• Value for money or best value	<input type="text" value="Yes"/>	Included in remit nos. 3 & 11 (implicit in 11 e.g. assurance of effective and efficient operations)
• Counter-fraud or corruption	<input type="text" value="Yes"/>	Included in remit nos. 1 & 11

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### Scottish Borders Council Audit & Risk Committee – self-assessment of Good Practice at 23 March and 11 May 2015

Functions of the committee (cont'd)	Yes/Partly /No	Comments
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?	<input type="checkbox"/> Yes	The Audit & Risk Committee annually reviews its terms of reference as part of it carrying out an annual self assessment of performance against best practice checklists.
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?	<input type="checkbox"/> Yes	The Audit & Risk Committee reviews and monitors treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice (remit no. 10).
Where coverage of core areas has been found to be limited, are plans in place to address this?	<input type="checkbox"/> Yes	The Audit & Risk Committee Annual Report which is presented to the Council in August each year identifies areas of improvement to fulfil its remit.
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input type="checkbox"/> Yes	As reflected in Scheme of Administration through its membership and functions referred.

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### Scottish Borders Council Audit & Risk Committee – self-assessment of Good Practice at 23 March and 11 May 2015

Membership and support	Yes/Partly/No	Comments
<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>• where independent members are used, that they have been appointed using an appropriate process.</li></ul>	<input checked="" type="checkbox"/>	<p>The membership of the Audit &amp; Risk Committee comprises six elected members not on the Executive Committee (4 from the Administration and 2 from the Opposition) and two non-voting independent members appointed from an external source.</p> <p>There is an open recruitment and selection process to appoint external members of the Audit &amp; Risk Committee outwith the cycle of local elections to facilitate continuity management of membership.</p>
<p>Does the chair of the committee have appropriate knowledge and skills?</p>	<input checked="" type="checkbox"/>	<p>Further to members' training, the chair of the Audit &amp; Risk Committee meets regularly with the Chief Officer Audit &amp; Risk including pre-meetings.</p>
<p>Are there arrangements in place to support the committee with briefings and training?</p>	<input checked="" type="checkbox"/>	<p>There is a standard Audit &amp; Risk Committee induction programme including outline of Corporate Governance, role of Audit Committee, role of internal and external Audit, Assurance, and Audit Cycle. Informal Sessions involving internal and external audit usually prior to each Audit &amp; Risk Committee meeting are used for the purpose of briefing and training to coincide with audit cycle.</p>
<p>Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>	<input checked="" type="checkbox"/>	<p>A formal assessment against the Knowledge and Skills Framework was carried out 19 January 2015 with the Audit &amp; Risk Committee with conclusion of improving and satisfactory skills and knowledge. Refresher training and development materials were distributed.</p>
<p>Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?</p>	<input checked="" type="checkbox"/>	<p>Members, in particular the chair of the Audit &amp; Risk Committee, utilise opportunities as required to keep in touch on a continuing basis with the key people involved in the Council's governance e.g. the Leader of the Council, the Chief Executive, the Chief Financial Officer, the External Auditor and the Chief Officer Audit &amp; Risk.</p>
<p>Is adequate secretariat and administrative support to the committee provided?</p>	<input type="checkbox"/>	<p>A Committee Officer is assigned to the Audit &amp; Risk Committee. There are six scheduled meetings of the committee each year – January, March, April, June, September and November – to coincide with audit cycle. Additional meetings can be arranged as required.</p>

Effectiveness of the committee	Yes/Partly /No	Comments
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Partly	<p>The Audit &amp; Risk Committee has not formally obtained feedback on its performance from those interacting with the committee, and this is an area of improvement.</p> <p>The Audit &amp; Risk Committee took part as a focus group within an Audit Scotland national study on Treasury Management whose findings are included in the report 'Borrowing and treasury management in Councils' published in March 2015.</p> <p>The Audit &amp; Risk Committee Annual Report is presented to the Council in August each year. It sets out the activities to enable stakeholders to understand how the committee has discharged its duties and identifies areas of improvement to fulfil its remit. SBC continues to be a lead authority in adopting this best practice.</p>
Has the committee evaluated whether and how it is adding value to the organisation?	Yes	<p>The Audit &amp; Risk Committee carries out an annual self assessment of performance against best practice checklists. On 23 March 2015 as part of the Informal Session prior to meeting it evaluated "Areas where the Audit Committee can add value by supporting improvement" using the toolkit 'Evaluating the Effectiveness of the Audit Committee' from the CIPFA guidance 2013 'audit committees'. Areas of improvement were identified.</p> <p>The Audit &amp; Risk Committee Annual Report is presented to the Council in August each year. It sets out the activities to enable stakeholders to understand how the audit committee has discharged its duties and identifies areas of improvement to fulfil its remit. SBC continues to be a lead authority in adopting this best practice. As part of its annual self assessment 2013/14 the Audit Committee has identified a number of improvements in respect of its scrutiny and challenge role and to further add value.</p>
Does the committee have an action plan to improve any areas of weakness?	Yes	<p>The Audit &amp; Risk Committee Annual Report which is presented to the Council in August each year identifies areas of improvement to fulfil its remit and to further add value.</p>



CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2013 Edition  
 Scottish Borders Council Audit & Risk Committee – self-assessment of Effectiveness 23 March and 11 May 2015

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key above
Promoting the principles of good governance and their application to decision making	<p>Providing robust review of the Annual Governance Statement and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>Committee scrutinised the AGS. References to committee role and reports are made to Senior Managers on a regular basis and to Corporate Management Team in advance of each meeting.</p> <p>Senior officers attend regular meetings.</p> <p>Briefing to councillors on Health &amp; Social Care Integration at April Council meeting.</p>	3
Contributing to the development of an effective control environment.	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>Periodic progress reports received from auditors e.g. follow-up activity.</p> <p>Senior managers attended Committee to provide details of progress, and to discuss risks and actions.</p>	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>Committee supported the review of Risk Management arrangements and endorsed the identified actions to improve its effectiveness.</p> <p>Action to hold CMT / DMTs to account.</p>	3

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 Scottish Borders Council Audit & Risk Committee – self-assessment of Effectiveness 23 March and 11 May 2015

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.	Committee Annual Report which is presented to the Council sets out how the committee has discharged its duties and identifies areas of improvement to fulfil its remit and to further add value. Annual Plans and periodic progress reports received from auditors.	3
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	Committee approved the internal audit charter / annual plan, and reviewed progress / annual reports.	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Auditors provided assurance on change and performance management. Committee recommended applying Gateway Review and lessons learned to projects, though needs to monitor compliance and outcomes.	2
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Committee remit was amended during 2014 to emphasise this role. Committee does fundamentals but needs to improve scrutiny.	2
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	Committee supported the review of Counter Fraud management arrangements. Auditors provided assurance on fraud risks and counter fraud controls.	3-4
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.	Committee scrutinises annual accounts and reports prior to publication and audit. Briefing to councillors on Health & Social Care Integration at April Council meeting.	3

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Scottish Borders Council Audit & Risk Committee – self-assessment of Effectiveness 23 March and 11 May 2015

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.