



AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2018/19

Report by Chief Officer Audit & Risk

SCOTTISH BORDERS COUNCIL

29 August 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to submit the Audit and Scrutiny Committee Annual Report 2018/19 to all elected members which presents the Committee's performance in relation to its Terms of Reference (Audit functions) and the effectiveness of the Committee in meeting its purpose.**
- 1.2 It is important that the Council's Audit and Scrutiny Committee (Audit functions) 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 for the Council.**
- 1.3 The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit (Audit functions) for submission to the Council. The Audit and Scrutiny Committee Annual Report 2018/19 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.**
- 1.4 The Audit and Scrutiny 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 their Informal Session on 11 March 2019 facilitated by the Chief Officer Audit & Risk. The Members of the Committee considered the Annual Report and supporting self-assessment documents at their meeting on 25 June 2019 and agreed that they accurately represented the results of the self-assessment exercise. The outcome of the self-assessments was a high degree of performance against the good practice principles and a medium degree of effectiveness, with areas of improvement identified.**

2 RECOMMENDATIONS

- 2.1 I recommend that the Council:**
 - a) Acknowledges the performance of the Audit and Scrutiny Committee and approves its Annual Report 2018/19 (Appendix 1); and**
 - b) Agrees to the proposed amendments to the Membership and Audit functions within the Terms of Reference of the Audit and Scrutiny Committee, set out in the Council's Scheme of Administration, as listed in the Appendix 1 and in paragraph 3.6 of this report.**

3 BACKGROUND

- 3.1 It is important that the Council's Audit and Scrutiny Committee (Audit functions) 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 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2018 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 and Scrutiny Committee against its remit (Audit functions) for submission to the Council. The Audit and Scrutiny Committee Annual Report 2018/19 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 3.4 The Audit and Scrutiny 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 the Informal Session on 11 March 2019 facilitated by the Chief Officer Audit & Risk. The Members of the Committee considered the Annual Report and supporting self-assessment documents at their meeting on 25 June 2019 and agreed that they accurately represented the results of the self-assessment exercise.
- 3.5 The outcome of the self-assessments was a high degree of performance against the good practice principles and a medium-high degree of effectiveness. The latter recognises improvements implemented during the year as the Committee becomes more familiar with its role and the audit reporting cycle. Further improvements have been identified by the Committee: obtain feedback on its performance from those who interact with the Committee; and enhance its scrutiny and challenge of internal controls, risk management, and governance to ensure effective change, value for money and quality through the full reporting cycle.
- 3.6 The Audit and Scrutiny Committee Annual Report 2018/19 is designed both to provide assurance to full Council and to provide some actions for the Committee to improve its effectiveness. Furthermore it proposes the following amendments to its Membership and Audit functions within its Terms of Reference set out in the Council's Scheme of Administration:
Constitution: (b) change from 'three' to "two" additional members in line with current appointments.
Functions Referred: replace the wording of each of the following numbered Audit functions to explicitly address all the new requirements of the core areas identified in CIPFA's Position Statement (2018):
 1. Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control relating to the Council's service delivery models including partnership and collaboration to provide reasonable assurance of effective and efficient operations, and ensure the Council's ongoing resilience to the threats of fraud and corruption.

2. Assess the adequacy and effectiveness of the Council's risk management arrangements relating to the Council's service delivery models including partnership and collaboration.
3. Assess the adequacy and effectiveness of corporate governance arrangements and consider annual assurance reports relating to the Council's service delivery models including partnership and collaboration to ensure that the highest standards of probity, public accountability and ethical standards are demonstrated to underpin the delivery of value for money or best value services.
6. Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

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 and Scrutiny 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 and Scrutiny 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

Proposed amendments to the Membership and Audit functions within the Terms of Reference of the Audit and Scrutiny Committee, as set out in the Council's Scheme of Administration, are listed in the Audit and Scrutiny Committee Annual Report 2018/19 (Appendix 1) and in paragraph 3.6 of this report.

5 CONSULTATION

5.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR, the Clerk to the Council and Communications have been consulted on this report and any comments received have been incorporated in the final report.

Approved by

Jill Stacey, Chief Officer Audit & Risk Signature

Author(s)

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Background Papers:

Previous Minute Reference: Audit and Scrutiny Committee 25 June 2019

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Contact us at Internal Audit intaudit@scotborders.gov.uk