Report No: **SLAB/2019/40**

Agenda Item: **10**

|  |  |
| --- | --- |
| **Report to:** | The Board |
| **Meeting Date:** | 12 August 2019 |
| **Report Title** | Performance Report |
| **Report Category** | For Discussion |
| **Issue status:** | Business as usual |

|  |  |
| --- | --- |
| **Written by:** | Tim McKay with input from Graeme Hill |
| **Director responsible:** | Graeme Hill |
| **Presented by:** | Tim McKay |
| **Contact details:** | Via [Hillgr@slab.org.uk](mailto:Hillgr@slab.org.uk) |

|  |  |
| --- | --- |
| **Delivery of Strategic Objectives** | |
| Select the Strategic Objective(s) relevant to the issues | 1. to deliver improvements to legal aid processes that increase efficiency and improve the experience of system users and customers. |

|  |
| --- |
| **Link to Board or Committee Remit** |
| To formally update the Board on the activities of the Audit Committee during 2018-19. |

|  |
| --- |
| **Publication of the Paper** |
| This paper is suitable for publication. |

|  |
| --- |
| **Executive Summary** |
| The purpose of this paper is to provide a summary report on operational performance of the Audit Committee during 2018-19. The Audit Committee has considered the content of the paper, and considers it to be a true and fair reflection of their activities to 31 March 2019. |

|  |
| --- |
| **Previous Consideration** |
| The Board considers a report of the Audit Committee’s activities at this time each year. |

|  |
| --- |
| **Report** |

1. **Audit Committee Membership**

The Committee’s membership during the 2018/19 year was as follows;

* + Tim McKay (Convener)
  + Rani Dhir
  + Marieke Dwarshuis
  + Brian Baverstock

The Chief Executive, as Accountable Officer, the Director of Corporate Services & Accounts, the Director of Operations and representation from Internal Audit attend meetings, as do representatives of SLAB’s external auditors, during the period, Audit Scotland. The Chairperson was also in attendance at each of the meetings. The secretarial function was provided by SLAB’s Chief Executive’s Office.

During this financial year Internal Audit has reported to the Director of Corporate Services & Accounts.

1. **TERMS OF REFERENCE**

The Committee's Terms of Reference have been incorporated into the Board’s Standing Orders which were last reviewed and approved by the Board in May 2018. Board Members are appointed by Scottish Ministers.

1. **MEETINGS**

In accordance with its agreed Standing Orders and programme of meetings, the Committee met 4 times to consider reports and papers relating to the financial year 2017/18.

1. **MAIN ISSUES/ACTIVITIES**

During the year the Committee supported and welcomed the implementation of SLAB’s new Risk Management Framework (RMF). The Committee completed a detailed review of a sample of functional risk registers compiled under the new RMF, to provide assurance on the direction of travel, which was confirmed to be in line with the Board approved risk appetite.

The Committee also considered in detail the issues and risks arising from the move of Finance, HR and Payroll systems to the new Oracle cloud system and sought assurance that following the move that these risks would be minimised.

We also continued the members training programme, focusing on operational assessment and processing systems and the supporting control framework governing the processing.

The committee also:

* considered quarterly reports in May, November and January on the activities undertaken by SLAB’s Internal Audit function;
* considered the Internal Audit Annual Assurance Report;
* reviewed the Board’s draft Governance Statement for the year;
* considered and recommended approval of the Board’s Annual Accounts 2017-18 (including management’s letter of representation);
* provided an Annual Report to the Board;
* considered quarterly reports on risk management from the Director of Strategic Development, including quarterly reviews of the Strategic Risk Register;
* considered the external auditor’s Planning Memo;
* considered periodic reports from the external auditors;
* met in private with the external auditors;
* considered the external auditor’s report to those charged with governance as well as their Annual Report to the Board and Auditor General;
* considered the external auditor’s Key Issues Memorandum;
* considered the Audit Activity Plan;
* considered annual reports of the activities of Compliance and Investigations and Assisted Persons Investigations;
* reviewed action points from previous committee meetings;
* reviewed outstanding internal audit recommendations;
* reviewed and provided comments on the draft Internal Audit work plan for 2018-19;
* completed a detailed Audit Committee self-assessment in line with the Scottish Government’s Audit Committee Handbook (Annex H) and
* agreed a rolling 12-month agenda programme for committee meetings.

1. **AUDIT COMMITTEE’S ANNUAL REPORT TEMPLATE**

Although the Board sees the activities of the Committee as reported in the Audit Committee Minutes, and through ongoing communication with the committee members including the convener, best practice as set out in the Scottish Government’s Audit Committee Handbook, recommends that an Audit Committee should provide an annual report on its own activities. This is a retrospective report on the work of the Committee during the year from 1 April 2018 to 31 March 2019.

The guidance in the Handbook recommends that the Committee’s Annual Report should summarise the Audit Committee’s work for the year past, and present the Audit Committee’s opinion about:

|  |  |
| --- | --- |
| **Scottish Government Specific Consideration** | **Audit Committee Action/Response** |
| The comprehensiveness of assurances in meeting the Board and Accountable Officer’s needs | The Committee considered the Head of Internal Audit’s 2018 Annual Assurance paper which set out her overall opinion on the Board’s system of internal control. In that paper, she set out the results of the audit work undertaken during the year, and provided his assessment of the overall control environment based on that work and the ancillary work undertaken, as part of Internal Audit’s annual assurance review of key controls of those areas not reviewed during the year. Included in that report are certificates of assurance by directors. The Audit Committee was content with the comprehensiveness of those assurances. |
| The reliability and integrity of these assurances | The Committee is content with the reliability and integrity of the assurances provided by both internal and external auditors, as well as senior staff. |
| Whether the assurance available is sufficient to support the Board and Accountable Officer in their decision taking and their accountability obligations | The Committee is content that the assurance available is sufficient to support the Board and the Accountable Officer in their decision-making and their accountability. The Head of Internal Audit recommendation to the Chief Executive as Accountable Officer was that there is no reason why the Chief Executive should not sign the Governance Statement attached to SLAB’s accounts. |
| The implication of these assurances for the overall management of risk | The Committee is content with the Board’s overall management of risk and that the assurances available—taken in conjunction with the quarterly risk management updates—satisfactorily support this. |
| Any issues the Audit Committee considers pertinent to the Statement on Internal Control and any long term issues to which the Committee thinks the Board and/or Accountable Officer should give attention | The Committee is content with the various assurances being provided to support the Governance Statement. Long-term issues are covered by the strategic and business plan. |
| Financial reporting for the year | The Board’s draft financial statements for 2017-18 were presented for audit in June 2017. The draft report to the Board from Audit Scotland stated that they would provide a clean audit opinion on the accounts, and they subsequently did so.  The Audit Committee is consequently of the opinion that the financial reporting arrangements are robust. The Convenor will update the Board (12 August 19 meeting) on the outcome of the Audit Committee meeting on 29 July 2019, when the Committee will consider the draft annual accounts for 2018-19. |
| The quality of both Internal and External Audit and their approach to their responsibilities | Internal Audit’s Annual Audit Plan for 2018-19 was approved by the Audit Committee. In accordance with the terms of reference of the Audit Committee, members of the Audit Committee received a written report at each of its meetings from Internal Audit. These reports included an update on the internal audit work undertaken and its conclusions as to the effectiveness of the relevant systems of internal control, the progress of annual assurance work carried out during the year, and the status of implementation of outstanding audit recommendations.  As a function, Internal Audit is subject to regular review. The external auditors carry out an annual review of internal audit and its annual audit plan to see where they can place reliance on its work. Separately, the work of internal audit is reviewed externally against the quality assurance criteria set out in HM Treasury’s publication, Internal Audit Quality Assessment Framework. An External quality assessment of Internal Audit conducted over April – June 2014 found the Internal Audit department to be generally compliant with the Public Sector Internal Audit Standards. A subsequent review has been arranged for July/August 2019 in line with the current guidance.  A member of Audit Scotland’s staff normally attends meetings of the Committee. As a matter of course, they receive all of its papers and minutes. The Committee will meet privately with the auditors as the members/auditors deem appropriate.  Overall, the Audit Committee is satisfied with the quality of the work of both internal and external auditors and their overall approach to their respective responsibilities. |
| The Audit Committee’s view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed. | The annual assessment of the Audit Committee’s effectiveness based on the checklist contained in Audit Committee Handbook was discussed and approved by the Committee at its meeting on 23 July 2018. This year’s annual assessment was discussed at committee on 27 May 2019, and a completed version will be considered by the Committee at its meeting on 29 July 2019.  Any significant issues will be raised by the Convener at the Board meeting. |

|  |  |
| --- | --- |
|  | **Governance Links** |
| 1 | Finance and Resources  Resources are key to the delivery of good performance. The committee on an ongoing basis considered the resource requirements to maintain a suitable governance structure. |
| 2 | Risk  This report gives assurance that we are managing the corporate and functional risks identified and reported to the Audit Committee at each meeting. |
| 3 | Legal and Compliance  No issues of note. |
| 4 | Performance  No issues of note. |
| 5 | Equalities Impact  An impact assessment is not required for this paper. |
| 6 | Privacy Impact and Data Protection  No privacy or data protection issues identified. |
| 7 | Communications and Engagement  This paper has been agreed as not for publication. |

|  |
| --- |
| **Conclusion and next steps** |
| Members are asked to consider and comment on the report. |

|  |
| --- |
| **Appendices/Further Reading** |
| Not applicable. |