

AUDIT & FINANCE COMMITTEE MEETING

22 April 2024

22 AFC Annual Self-Assessment Questionnaire Review

SUMMARY

The Approved Committee Workplan for 2023/24 includes a paper scheduled for the April 2024 Committee Meeting relating to an annual AFC self-assessment review as part of the Commission's focus upon good governance practices.

BACKGROUND

All audit committees in organisations to which the Scottish Public Finance Manual (SPFM) is directly applicable are subject to the guidance in the [Scottish Government's Audit Committee Handbook](#).

This Handbook sets out good practice for Audit Committees to follow. This good practice is captured in a self-assessment checklist which when completed allows an organisation to identify areas in its own practice that need to be addressed.

CURRENT POSITION

The Self-assessment checklist for 2023/24 was reproduced from the Scottish Government's Audit Committee Handbook and issued electronically to Committee Members to complete independently of each other and return to the Head of Finance for collation.

Overall, there is a general consensus regards positive responses to the majority of the questions and any divergence of opinion is viewed as either minor or down to interpretation.

The full response to the survey has been circulated separately with these papers for information.

The Head of Finance has collated responses that were not unanimous within a table in Appendix A of this paper, and has provided additional information for Committee reference.

ACTION REQUIRED

Committee Members are requested to consider Appendix A, where responses differed. The majority of which appear to be due to how the question was interpreted, as opposed to a potential governance weakness.

Question 79 may be of particular interest regards identifying areas where the Committee believes it could improve upon its effectiveness.

Date 10 April 2024
Author Neil Macdonald, Head of Finance, Crofting Commission

Meetings of the Audit & Finance Committee	
9. Are AFC members appointed for a fixed term? (2 responses Yes, 1 Response No).	<p>The AFC Terms of Reference are silent on this matter; therefore, the appointed term may last as long as the members appointment with the Commission.</p> <p>The AFC may co-opt additional Members for a period not exceeding a year to provide specialist skills, knowledge, and experience.</p>
13. Has each member formally declared his or her business interests? (2 responses Yes, 1 response Don't Know)	Refer to Commissioner Register of Interests and Commission Compliance Team as required.
14. Are members sufficiently independent of the other key committees of the Board? (2 responses Yes, 1 response Not Applicable)	<p><u>Crofting Commission Framework Agreement with Scottish Government</u></p> <p>The board must set up an audit committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems- in accordance with the guidance on Audit Committees in the Scottish Public Finance Manual.</p> <p>Having the Convener in the Chair of the AFC, while in accordance with legislation, is directly against good practice, as the AFC should feel free to review the governance of the organisation as a whole. To address this conflict the Board will therefore elect a Vice-Chair of the audit committee</p>
15. Has the committee considered the arrangements for assessing the attendance and performance of each member? (1 response Yes, 1 response No, 1 response Don't Know).	<p>The attendance of Committee members is recorded within the AFC minutes and published within the Commission's Annual Report & Accounts.</p> <p>With reference to a recent internal audit on Governance, AFC attendance (including executive officials) will be included within the annual AFC performance update to the Board.</p>
Internal Control	
26. Does the committee have responsibility for review of the draft governance statement and does it consider it separately from the accounts? (2 responses Yes, 1 response Don't Know).	The Committee has responsibility to review the annual governance statement from the Accountable Officer that forms part of the Commission's Annual Report & Accounts. It is initially considered separately from the accounts and is a specific agenda item within the AFC's annual workplan.
27. Does the committee consider how accurate and meaningful the governance statement is? (2 responses Yes, 1 response Don't Know).	As above.

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Financial Reporting & Regulatory Matters	
39. Does the committee consider, as appropriate, large write-offs? (2 responses Yes, 1 response Not Applicable).	Both responses are reasonable. There have been no large write-offs. In the event that such a scenario arose, this would be considered initially by the AFC.
46. Does the committee have a mechanism to keep it aware of topical legal and regulatory issues? (2 responses Yes, 1 response Don't Know).	<p>Material issues should be on the Board's agenda. Topical legal issues and regulatory (meaning governance) issues relating to the AFC should be provided by the executive and/or flagged by internal audit. (In proportion to the size and complexity of the Commission).</p> <p>The AFC may ask any officials or staff members of the Commission to attend to assist it with its discussions on any particular matter</p>
Internal Audit	
53. If considered necessary, is the committee chair able to hold private discussions with the Head of Internal Audit? (2 responses Yes, 1 response Don't Know).	<p><u>AFC Terms of Reference</u></p> <p>The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Vice-Chair of the AFC.</p> <p>The AFC may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.</p> <p>As good practice there is also one scheduled private meeting between AFC members and internal and external audit scheduled within the Committees annual workplan.</p>
56. Are internal audit performance measures monitored by the committee? (2 responses Yes, 1 response No).	<p>AFC reviews internal audit reports and audit recommendations per the approved annual internal audit workplan.</p> <p>For 2023/24 Azets commissioned an external quality assessment (EQA) against the Institute of Internal Auditors (IIAs) International Professional Practices framework (IPPF) and, where appropriate, the Public Sector Internal Audit Standards (PSIAS).</p> <p>The overall assessment resulting from the EQA is that Azets Risk Assurance "generally conforms to the International Professional Practices Framework." The term "generally conforms" is used by the IIA to represent</p>

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	the highest level of achievement and performance.
External Audit	
62. Does the committee chair hold periodic private discussions with the external auditor? (2 responses Yes, 1 response Don't Know).	Refer to Q53 above.
Administration	
69. Does the committee have a designated secretariat? (2 responses Yes, 1 response Don't Know).	<u>AFC Terms of Reference</u> The AFC will be provided with a secretariat function by the Chief Executive. This is currently the Commission Head of Finance.
76. Does the committee provide an effective annual report on its own activities? (2 responses Yes, 1 response Don't Know).	The Committee provides the Board with an annual report of its activities and this is a standing agenda item within the AFC workplan.
79. Are there any areas where the committee could improve upon its current level of effectiveness? (2 responses Yes, 1 response Not Applicable).	For the Committee to discuss.
80. Does the committee seek feedback on its performance from the Board and Accountable Officer? (2 responses Yes, 1 response Don't Know).	The AFC regularly updates the Board as a standing Board agenda item. The AFC Vice-Chair also has direct links to the Accountable Officer.
Comment "Need to consider strengthening dialogue with board on improving board level governance."	