

### Comparison between 2008 Audit Committee Handbook and 2018 Audit and Assurance Committee Handbook

2008 Audit Committee Handbook	2018 Audit and Assurance Committee Handbook	Comment
n/a	Glossary of Terms	Addition of a Glossary of Terms.
Chapter 1: Good Practice Principles for Audit Committees	Chapter 1: Good Practice Principles for Audit and Assurance Committees	<p>Chapter 1 of both versions largely correspond, although structured differently:</p> <ul style="list-style-type: none"> <li>• (For 2008 version) Principle 1: The Role of the Audit Committee has been combined with Principle 4: Scope of Work, to create (for 2018 version) Principle 3: Role and Scope.</li> </ul>
Chapter 3: Membership, Independence, Objectivity and Understanding	Chapter 2: Membership, Independence, Objectivity and Understanding	<p>There are minor changes between the 2008 version and 2018 version including:</p> <ul style="list-style-type: none"> <li>• Number of members of the Committee has been pinned down to 'at least three members'.</li> <li>• Elaboration on number of non-executive members.</li> <li>• New paragraph, 2.4, stating good practice of the Committee meeting with the Accountable Officer, the Finance Director, the Head of Internal Audit and External Auditor's senior representative outside the formal committee structure.</li> <li>• Mention of training removed from Terms of Appointment section</li> </ul>

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		<p>(but there is a specific section covering Training and Development in Chapter 3 (2018 version)/Chapter 4 (2008 version))</p> <ul style="list-style-type: none"> <li>• 2008 version mentions Public Bodies section of Scottish Government website, this has been removed from 2018 version.</li> </ul>
Chapter 4: Skills	Chapter 3: Skills	<p>Introduces new paragraphs on:</p> <ul style="list-style-type: none"> <li>• (Range of Skills, 3.4) The ability to work collaboratively.</li> <li>• (Training and Development, 3.6) The need for awareness/training on public sector internal audit standards (PSIAS).</li> <li>• (Training and Development, 3.7) The Chair should ensure all members have an appropriate programme of engagement with the organisation and its activities to help understand objectives, business needs, risk profile etc.</li> </ul>
Chapter 2: The Role of the Audit Committee and Chapter 5: Scope of Work	Chapter 4: Role and Scope	<p>This Chapter has been significantly expanded and changes between the 2008 version and 2018 version include:</p> <ul style="list-style-type: none"> <li>• The new version of this section has a heightened focus on risk (risk management framework and risk-based approach) (4.2, 4.8-4.10).</li> <li>• Refocussed text on the resource required to get the assurance needed to illustrate achievement of the strategic outcomes and objectives (4.3), rather than listing reporting and feedback mechanisms (2.3).</li> <li>• Addition of information on an assurance framework and what it</li> </ul>

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		<p>should contain, including ‘the three lines of assurance’, management assurance, oversight of management activity and independent assurance.</p> <ul style="list-style-type: none"> <li>• Information on the Auditor General/Audit Scotland and their role in relation to public sector bodies (4.13).</li> <li>• The explanation of the role of internal audit has been expanded (4.14).</li> <li>• An explanation of auditor responsibilities has been added and expansion of external audit duties (4.15, 4.16).</li> <li>• Additional section on Governance (4.18), how governance arrangements support achievement of the organisation’s strategies and objectives.</li> <li>• Additional section on Risk management and the control environment (4.19), organisational risks, Board’s role and activities in managing risk etc.</li> <li>• Financial management added to the Financial reporting section with the addition of specifics on accounting policies and disclosures (4.20).</li> <li>• Addition of text to state that the committee should ‘expect a comprehensive overview of the financial statements by the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any issues arising’ and that the committee should consider the external audit output</li> </ul>

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		<p>(especially the ISA 260 Report). (4.21)</p> <ul style="list-style-type: none"> <li>• Terms of Reference section, addition of mention of annual review of performance of the committee and that the committee’s purpose is to advise the Accountable Officer and Board (not make or endorse decisions). (4.22, 4.23)</li> <li>• Addition of text on the committee feeding back to the Accountable Officer and Board. (4.25)</li> </ul>
Chapter 6: Communication	Chapter 5: Communication and Reporting	<p>There are minor changes between the 2008 version and 2018 version including:</p> <ul style="list-style-type: none"> <li>• Addition of a paragraph on Improving relationships. (5.3)</li> <li>• Redrafting to update terminology (from Statement of Internal Control to Governance Statement) and reporting requirements (5.4).</li> <li>• Addition of the expectation that the committee’s Annual Report would contain information on ‘the effectiveness of governance, risk management and control’ (5.5).</li> <li>• Confirmation that the committee’s Annual Report should take into account ‘any other relevant assurance reports’. (5.6)</li> <li>• Encouragement of ‘Periodic discussions outside of the formal meeting’ for the Chair of the Committee, Accountable Officer and auditors. (5.7)</li> </ul>

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Annex A: The role of the Chair: good practice	Annex A: The role of the Chair: good practice	<p>This Annex has been rewritten to include mention of the following:</p> <ul style="list-style-type: none"> <li>• The Committee’s Annual Report.</li> <li>• Ensuring that there is progress with actions between meetings.</li> <li>• Ensuring that, where members have missed a meeting, they are appropriately updated on the business conducted.</li> <li>• That key stakeholders can consider overall risk and assurance needs.</li> <li>• Encouraging good, open relationships between the committee, Accountable Officer, Finance Director and auditors.</li> </ul> <p>A section on raising the profile of the committee has been added, which includes mention of, for example, promoting audit issues internally with relevant Board members, holding managers to account for implementation of audit recommendations etc.</p> <p>A statement has been added that ‘The Chair should be actively involved in the appointment of the Head of Internal Audit.</p>
Annex B: Committee support: good practice	Annex B: Committee support: good practice	<p>The addition of a paragraph stating that ‘Careful consideration should be given to ensuring that the secretariat function is able to demonstrate independence from operational and management issues (i.e. not Internal Audit or Finance). (B.3)</p>