

## **Review of the Audit and Compliance Committee draft annual evaluation questionnaires**

### **Purpose**

1. The purpose of this paper is to provide the draft annual evaluation questionnaires for the Committee's consideration.

### **Background**

2. The Council requires the Audit and Compliance Committee to report on an annual basis, on the main activities of the Committee.
3. As part of that process, an evaluation of the performance of the Audit and Compliance Committee and the internal and external audit function is undertaken.

### **Review of draft evaluation templates**

4. The Committee is now asked to review and discuss the draft evaluation templates that are attached as follows:
  - Annex A: Audit and Compliance Committee annual self-evaluation template.
  - Annex B: Internal audit performance evaluation template.
  - Annex C: External audit performance evaluation template.
5. Following the Committee's review the annual evaluation forms will be finalised and issued to members and Committee attendees for completion.
6. The feedback received from the completed evaluations will be incorporated into the Audit and Compliance Committee's Annual Report.
7. The Committee will consider the draft Audit and Compliance Committee Annual Report at its June Committee meeting in advance of the final Annual Report being presented to Council at its June meeting.

### **Recommendation**

8. The Committee is invited to consider the annual evaluation templates and identify any changes to be incorporated into the final versions.

## **Publication**

9. This paper will be published on the Council website.

## **Further information**

10. Contact: Martin Fairbairn, Chief Operating Officer (direct line: 0131 313 6524; email: [mfairbairn@sfc.ac.uk](mailto:mfairbairn@sfc.ac.uk)) or Angela Seymour, Clerk to the Council (direct line 0131 313 6630; email: [aseymour@sfc.ac.uk](mailto:aseymour@sfc.ac.uk)).

## Scottish Funding Council

### Audit and Compliance Committee self-evaluation

Please complete the attached self-assessment form and, in the final question, assess your individual contribution to the work of the Committee.

You are asked to agree or disagree with each statement by selecting *Yes*, *No* or *Unable to comment (utc)*. You are also asked to rate each element of the Committee's operations on a scale of 1 (*Needs Review*) to 5 (*Ideal*). Please select the number on the scale which best describes your view.

To provide the Council executive with more detailed information, there is a comments section inviting you to provide a brief narrative at the end of each section, where appropriate.

## Role and remit of the Committee

[1] The Audit and Compliance Committee's terms of reference set out clearly the nature and scope of its responsibilities.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	utc* <input type="checkbox"/>	Needs review	Adequate	Ideal
				1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>

[2] The Audit and Compliance Committee members are open, honest and effective in their communication with management, the Council Board, internal and external auditors, and with each other.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	utc* <input type="checkbox"/>	Needs review	Adequate	Ideal
				1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>

## Comments

## Mode of operation and oversight of the financial reporting process

[3] The Audit and Compliance Committee helps to establish the right 'tone from the top', which embodies insistence on integrity and accuracy in financial reporting.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	utc* <input type="checkbox"/>	Needs review	Adequate	Ideal
				1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>

[4] The Audit and Compliance Committee has achieved the right balance of proactive oversight and has neither infringed on management's responsibility, nor provides less than effective oversight.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	utc* <input type="checkbox"/>	Needs review	Adequate	Ideal
				1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>

[5] There is appropriate consideration of the Council's financial reporting risks, and the related internal controls, in the Audit and Compliance Committee's discussions and agenda items.	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>	<b>utc*</b> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>
				<b>1</b> <input type="checkbox"/>	<b>2</b> <input type="checkbox"/>	<b>3</b> <input type="checkbox"/>

[6] The Audit and Compliance Committee's oversight of the Council's 'whistle-blower' procedures is effective.	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>	<b>utc*</b> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>
				<b>1</b> <input type="checkbox"/>	<b>2</b> <input type="checkbox"/>	<b>3</b> <input type="checkbox"/>

<b>Comments</b>
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**Oversight of the audit processes**

[7] The Audit and Compliance Committee's actions demonstrate its direct responsibility for the oversight of the work of the independent auditor.	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>	<b>utc*</b> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>
				<b>1</b> <input type="checkbox"/>	<b>2</b> <input type="checkbox"/>	<b>3</b> <input type="checkbox"/>

[8] There is active consideration of the audit plan and the results of external audit.	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>	<b>utc*</b> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>
				<b>1</b> <input type="checkbox"/>	<b>2</b> <input type="checkbox"/>	<b>3</b> <input type="checkbox"/>

[9] There is appropriate consideration of the management letter and other communications from Audit Scotland.				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[10] The internal audit reporting lines, and interaction with the Audit and Compliance Committee, foster an environment where issues that might involve management will be brought to the attention of the Committee.				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[11] There is appropriate consideration of the internal audit plan, internal audit reports, management's response and any improvement actions.				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[12] Executive sessions held with internal audit and Audit Scotland result in candid discussion of relevant issues.				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Comments</b>

## Risk Management and Legislative Compliance

[13] The Audit and Compliance Committee satisfies itself that the arrangements for risk management, control and governance have operated effectively throughout the reporting period.	<b>Yes</b> <b>No</b> <b>utc*</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[14] The Audit and Compliance Committee has mechanisms in place to keep it aware of the financial impact of new accounting policies, changes to the Scottish Public Finance Manual and any new laws and regulations.	<b>Yes</b> <b>No</b> <b>utc*</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Continuous improvement

[15] An effective induction for the new Audit and Compliance Committee members is provided by the Committee Chair and Council executive.	<b>Yes</b> <b>No</b> <b>utc*</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[16] The Audit and Compliance Committee supports the ongoing education and development of Audit and Compliance Committee members.	<b>Yes</b> <b>No</b> <b>utc*</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[17] What is your overall assessment of the performance of the Audit and Compliance Committee?	<b>Weak</b>	<b>Satisfactory</b>		<b>Strong</b>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[18] What is your overall assessment of <i>your</i> performance on the Audit and Compliance Committee?	<b>Weak</b>	<b>Satisfactory</b>			<b>Strong</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Comments**

**Audit and Compliance Committee members only**

[19] Are you satisfied that the Council has devoted the appropriate amount of internal resources to ensuring the adequacy of its financial reporting process?				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

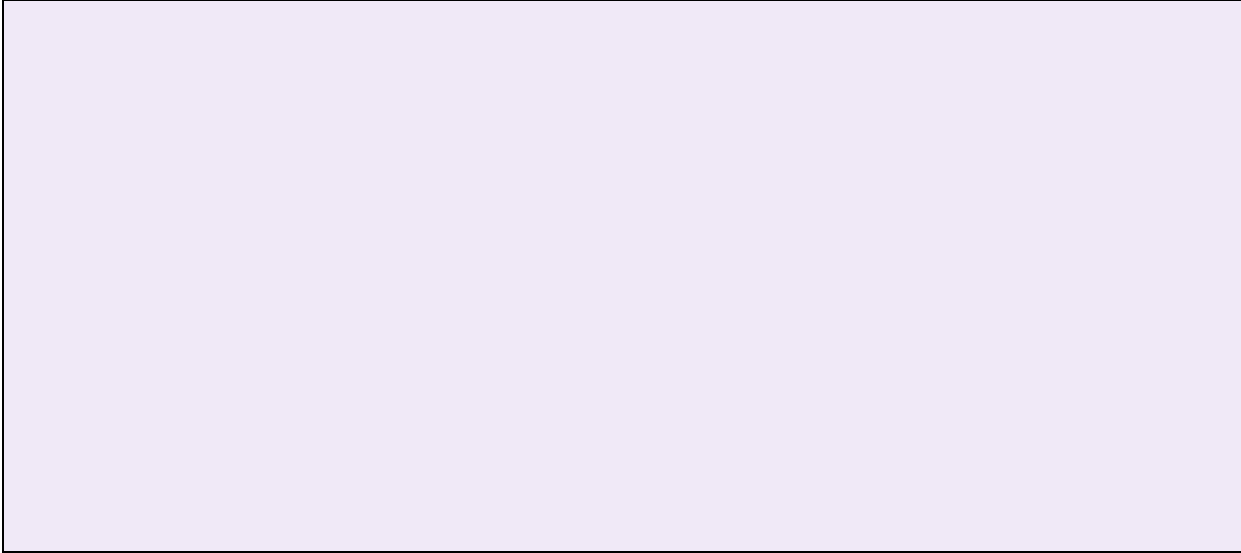
[20] Are you satisfied that you have an adequate opportunity to raise any matters that you believe should receive further consideration by the Audit and Compliance Committee?				<b>Needs review</b>	<b>Adequate</b>	<b>Ideal</b>		
	<b>Yes</b>	<b>No</b>	<b>utc*</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Comments**



## Forward Look

[21] Please list the areas of strategic priority that the Committee should focus on in the year ahead:



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### INTERNAL AUDIT performance: evaluation by the Audit and Compliance Committee

Understanding	Strong	Adequate	Needs improvement
1. How well does internal audit demonstrate that it:			
<ul style="list-style-type: none"> <li>Has a strong understanding of the responsibilities and operation of the Audit and Compliance Committee.</li> </ul>			
<ul style="list-style-type: none"> <li>Understands the Council's business and risk environment.</li> </ul>			
Charter and Structure	Yes		No
2. Do the terms of reference for internal audit define:			
<ul style="list-style-type: none"> <li>Roles and responsibilities, including those in relation to other internal functions.</li> </ul>			
<ul style="list-style-type: none"> <li>Expectations of management.</li> </ul>			
<ul style="list-style-type: none"> <li>Scope of internal audit work.</li> </ul>			
<ul style="list-style-type: none"> <li>Level and nature of engagement.</li> </ul>			
<ul style="list-style-type: none"> <li>Access to information.</li> </ul>			
Charter and Structure	Strong	Adequate	Needs improvement
3. Evaluate internal audit's terms of reference in light of the Council's current and future needs.			

<b>Comments:</b>		
<b>Skills and experience</b>	<b>Yes</b>	<b>No</b>
4. Have any matters relating to conflicts of interest arisen during the year?		
5. Do the individuals assigned to the internal audit team have the requisite expertise to effectively audit the Council?		
6. On the basis of the work performed by internal audit over the past 12 months, does internal audit appear to have the right staffing mix and competencies in specialist areas?		
7. Is the scope of the engagement partner's/other senior personnel's involvement in the audit process and at Audit and Compliance Committee meetings sufficient?		
<b>Comments:</b>		
<b>Communication</b>	<b>Yes</b>	<b>No</b>
8. Has internal audit made itself available for consultation outside of Audit and Compliance Committee meetings?		

9. Does internal audit have open lines of communication and reporting with the Audit and Compliance Committee?			
10. Have reports been received from internal audit on a sufficiently timely basis?			
11. Does internal audit agree the audit scope and plan with the Audit and Compliance Committee?			
12. Does internal audit have an effective working relationship with external audit?			
13. Do management and Committee members consider internal audit to be providers of an objective and challenging audit process?			
<b>Communication</b>	<b>Strong</b>	<b>Adequate</b>	<b>Needs improvement</b>
14. Evaluate the quality of internal audit reports and papers tabled with the Audit and Compliance Committee. Consider their relevance and clarity.			
15. Assess the quality of the internal audit plan in terms of comprehensiveness, clarity and timeliness.			
<b>Comments:</b>			

Performance	Yes	No	
16. Is there evidence of effective co-ordination of internal and external audit work?			
17. Are performance measures used for evaluating the performance of the internal audit function?			
18. Do you consider that internal audit has added value to the Council?			
19. Do you consider that internal audit provides value for money?			
<b>Comments:</b>			
Performance	Strong	Adequate	Needs improvement
20. How would you assess internal audit's overall performance?			
<b>Overall comments:</b>			

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### EXTERNAL AUDIT performance: evaluation by the Audit and Compliance Committee

Skills and experience	Yes	No
1. Do the individuals assigned to the external audit team have the requisite expertise to effectively audit the Council?		
2. Is the scope of the engagement partner's/other senior personnel's involvement in the audit process and at Audit and Compliance Committee meetings sufficient?		
3. Have any matters relating to conflicts of interest arisen during the year?		
Audit scope	Yes	No
4. Is the external audit scope adequate to address all of the financial reporting risks facing the Council? (Factors to be considered include the allocated resources, the level of audit testing and the nature of the audit reports)		
5. Does Audit Scotland agree the audit scope and plan with the Audit and Compliance Committee?		
6. Does Audit Scotland have an effective working relationship with internal audit?		

<b>Comments:</b>		
<b>Audit fee</b>	<b>Yes</b>	<b>No</b>
7. Is the external audit fee reasonable given the scope of the external audit?		
<b>Comments:</b>		
<b>Audit communication</b>	<b>Yes</b>	<b>No</b>
8. Does Audit Scotland advise the Audit and Compliance Committee about significant issues and new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis?		
9. Does Audit Scotland seek feedback on the quality and effectiveness of the service it provides?		
10. Has Audit Scotland made itself available for consultation outside of Audit and Compliance Committee meetings?		

11. Have reports been received from Audit Scotland on a sufficiently timely basis?		
<b>Comments:</b>		
<b>Audit governance and independence</b>	<b>Yes</b>	<b>No</b>
12. Does Audit Scotland have open lines of communication and reporting with the Audit and Compliance Committee?		
13. Do management and Committee members consider Audit Scotland to be providers of an objective and challenging audit process?		
<b>Comments:</b>		
<b>Performance</b>	<b>Yes</b>	<b>No</b>
14. Is there evidence of effective co-ordination of internal and external audit work?		
15. Are performance measures used for evaluating the performance of the external audit function?		



16. Do you consider that Audit Scotland has added value to the Council?			
17. Do you consider that Audit Scotland provides value for money?			
<b>Comments:</b>			
<b>Performance</b>	<b>Strong</b>	<b>Adequate</b>	<b>Needs improvement</b>
18. How would you assess Audit Scotland's overall performance?			
<b>Overall comments:</b>			