

Audit Committee – Convener’s Report

Committee members

Liam McCabe (Convener)
Simon Brown – resigned 1 September 2017
Abigail Clark
David Mair – appointed 1 June 2017
Amanda Millar
Sara Scott
Richard Spilsbury
Eileen Sumpter
David Cullen (Secretary)

Governance and membership

The Committee’s membership changed towards the end of the financial year with the resignation of solicitor Council member Simon Brown and the appointment of solicitor Council member David Mair. Two new Council members will join the Committee next year with the appointment of Deborah Wilson and Susan Murray.

The Committee’s reporting procedure remained the same as in previous years. The full committee minute is reported to the Society’s Board, with a one page summary report of each committee meeting being given to the Society’s Council. The committee convener also formally reports on the committee’s work at the annual general meeting of the Society. The Secretary to the Committee is the Society’s registrar.

Responsibilities

The work of the Committee is to review and report on the effectiveness of the Society’s arrangements for audit, internal control and risk management. The Committee oversees the appointment of and monitors the work carried out by the Society’s internal and external auditors. Informed by its consideration of the work of the auditors, the Committee comments and makes recommendations on the appropriateness, practical application and effectiveness of the Society’s financial policies and procedures, management controls and its arrangements to identify and manage risk.

The Committee reviews the following at each of its meetings:

- progress by the Society against its corporate plan objectives especially in relation to their financial impact on the Society; and
- the Society’s risk register with emphasis on changes in the risk profile and actions taken to mitigate key strategic risks

Through that regular review the Committee will question the actions and judgements of the Society’s senior leadership team, Board and office bearers in relation to the Society’s financial stewardship, safeguarding of the Society’s assets and the extent to which the Society achieves best value in the acquisition and use of resources.

The Committee oversees the Society’s relations with the external auditors. To this end it receives and comments on the Society’s annual financial statements prior to their approval by Council and receives the report from the Society’s external auditors on their work in forming their opinion on the financial statements.

Audit Committee – Convener’s Report (continued .)

The Committee also commissions and oversees the delivery of an agreed programme of work from its appointed internal auditors. It will also follow up to ensure that recommendations contained in internal audit reports are implemented appropriately and within a reasonable timeframe.

The Committee will from time to time carry out reviews into or report on ad hoc matters as it may consider appropriate or as it is requested to do by Council or the Society’s office bearers in accordance with the Society’s protocols on such matters.

Overview

The Committee met on five occasions this year. The work of the Committee should be seen within the context of the Society’s overall approach to good governance as the Committee plays a key role in holding the Society’s office bearers, Council and senior leadership team to account for the management of risk and the effective operation of all risk management systems. To this end the committee can report that the internal audit system (by Wylie and Bisset an external firm of accountants) completed its third full year of operation. A total of five internal audits were carried out in the year. The internal auditors’ reviews covered the following areas of the Society’s operations:

- Business development and commercial activity
- Confidentiality compliance
- Financial compliance
- Follow-up review of all internal audit recommendations
- Review of Regulatory Subcommittee decision processes

The Committee was satisfied with the overall conclusion of the internal auditors which was that the Society does have adequate and effective risk management controls and governance processes in place to help achieve and in support of the Society’s long term objectives.

The Committee reviews the performance of the Society’s auditors in terms of their performance, cost and independence. A tender exercise was completed just after the financial year end for the position of external auditors to the Society. The Committee will make its recommendation following this tender to members at the Annual General Meeting in May 2018. An overhaul of the principal risk register was carried out to ensure that the principal risks identified are better married to the Society’s five year strategy.

I conclude my report by thanking all committee members for their contributions over the course of this year.

Liam McCabe
Convener

22 January 2018