

Agenda Item	5
Report No	AS/3/19

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 27 March 2019

Report Title: Review of Audit & Scrutiny Committee Governance

Report By: The Depute Chief Executive/Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 Following a survey of Members views on the effectiveness of Audit & Scrutiny Committee reported to Committee on 29 November 2018 a consultation document was circulated to Members seeking their views on the structure, role and remit of Committee. This report summarises the findings in the context of the Council's wider Governance review which is underway.

2. Recommendations

- 2.1 Members are asked to:

- I. Consider the feedback from the Member Consultation exercise and discuss next steps.

2. Background

- 2.1 Our external auditors, Grant Thornton, highlighted the need for an assessment of the effectiveness of the Audit and Scrutiny Committee in their annual report to Committee in September 2017. It is considered best practice to survey scrutiny committees on an annual basis in order to assess their effectiveness.
- 2.2 A Members survey on the effectiveness of committee ran from June to September 2018 securing an 88% response rate and the findings were reported to the Audit & Scrutiny Committee on 29 November 2018. A key recommendation of the report was to review the role and remit of the Committee along with considering core competencies for Members linked to the development of appropriate training. The review was to also consider the Committee's role in monitoring the delivery of outcomes and the use of scrutiny to improve services and make better decisions.

3. Committee review Members consultation

- 3.1 A discussion paper issued to Committee members following Committee in early December 2018 with responses looked for by 1 February 2019. The paper was based on research into best practice in scrutiny arrangements and also looked at the approach to scrutiny in other local authorities in Scotland including the size and scope of committee. The discussion paper is attached as **Appendix 2**.
- 3.2 There were 7 responses to the consultation and a summary of the feedback received is as follows:
- Committee Structure – the majority favoured reducing the committee size although perhaps towards 14-16 (rather than the 10-12 recommended). Members should note that research across Scotland shows we have the largest committee with the average size 6-12.
 - Approach – there was full support for a more bipartisan approach and it was felt a smaller committee would facilitate this. There was also full support for developing core competencies, setting a required set of criteria and skills for membership along with developing training materials.
 - There was support for considering lay membership although this requires further discussion.
 - Span on influence – to consider increasing this to benchmarking and reviewing best practice along with a role in enquiring if the Council delivers value for money as a priority.
 - Purpose – there was support for a focus on continuous improvement, achievement of outcomes and value of money across the Council
 - Core functions – while this was largely a restatement of the existing remit which was supported. There were also responses that suggested the committee could look at the Council financial arrangement and budgeting with a focus on large spend projects. The additional role of scrutinising Area Committees through assurance statement as their remit expands was also supported.

4. Implications

4.1 Resource implications

The development of Member training or the administrative support to Committee will have potential resource report proposes that on-line learning modules are developed and these will require staff time to develop. This will be achieved from within current resources phasing the work in order to do so. The development of assurance reporting around Area Committees use of resources will need further development and there will be resource implications for establishing and supporting an assurance process.

4.2 Community, climate change/carbon clever implications

There are no legal implications arising from this report.

4.5 Legal and Risk implications

Failing to develop Members skills and competencies could potentially reduce the effectiveness of the Audit and Scrutiny Committee. This committee plays a central role in providing assurance that the Council's resources are being used efficiently and delivering Best Value. In addition the structure, role and remit of the Committee should be such as to provide the most effective approach possible to delivering its scrutiny role.

4.6 Gaelic Implications

There are no implications arising from this report.

Date: 18.02.2019

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Appendices

1. Analysis of Members responses to the survey on the Effectiveness of the Audit & Scrutiny Committee.
2. Discussion paper on the role & remit of Audit & Scrutiny Committee

Effectiveness of Audit & Scrutiny Committee - survey key findings

Key results reporting to Audit & Scrutiny Committee 29 November 2019 are as follows:

A. Members role

- 95% said they understood their role in Committee to a moderate, large or great extent;
- 91% said they actively engaged in scrutiny and asking constructive questions to a moderate, large or great extent;
- 82% said they felt they actively contribute to effective governance and scrutiny to a moderate, large or great extent, however half scored this as 'moderate'

B. Training & Development

- 68% said they had received sufficient training to at least a moderate extent to support their scrutiny role, however 32% (7 people) said they had not;
- 55% responded that they take up all or most training opportunities, 32% had taken up some training opportunities, and 14% (3 people) said they had not taken up training opportunities. Reasons for not taking up training included notice, travel time, lack of personal time or opportunities weren't offered for training;
- 82% agreed to a moderate, large or great extent that training and development was sufficient for them to do their job, no one indicated it was not;
- 77% felt they had sufficient time to fully commit to their role in Committee, however 23% felt this was challenging;
- 64% felt to a moderate, large, or great extent, that they need further guidance on how to fulfil their role.

C. Views of Effectiveness of Committee

- On the effectiveness of the Committee in relation to key functions, between 71% and 95% of respondents felt the Committee was effective. The average score was calculated between 1 and 5 where 5 equalled full agreement with the effectiveness of Committee for the function:

Function	Average Score (Mean)
Assurance - Internal Audit Plan & Annual Internal Audit Report	3.8
Internal Audit Reporting	3.7
Financial reporting (annual accounts)	3.7
External audit reporting	3.6
Counter fraud and corruption	3.5
Risk Management	3.4
Value for Money or Best Value	3.1

From this we can see that overall Members view the Committee as quite effective for all functions with Internal Audit Plan and annual report scoring highest and the Committee's role in relation to value for money or Best Value scoring lowest.

- 81% felt that the Committee was the right size to be effective, while 62% thought meetings were too short and comments included that the agenda could be wider;
- 38% did not believe the Committee had the appropriate skills and expertise to

fulfil their role, whilst 62% felt to a moderate or large extent that the Committee did;

- There was agreement that the Chair acted independently (90%) and that the Committee acted independently and impartially (95%);
- 86% said they made the most of advice and support available from officers, 71% agreed that officers were accessible to support them in their scrutiny role, with 29% neither agreeing nor disagreeing;
- 95% felt there was a culture of trust and openness amongst Members and 86% felt that they worked constructively together with mutual trust and respect;
- 71% felt to a moderate, large or great extent they received sufficient information in internal audit reports;
- 86% felt there was clarity over the role of Committee and 86%, to at least a moderate extent, believed it added value to the work of the Council as a whole;
- While 86% felt the Council was open to scrutiny, only 62% felt that scrutiny was being encouraged to improve services and make better decisions.

Analysis and Areas for improvement

The main areas for improvement identified in the survey are around the provision and uptake of training, the role of Committee and encouraging active contribution to effective governance and scrutiny. While 91% of respondents said they actively engaged in scrutiny and asked constructive questions; 62% said meetings were too short, however a key determinate of the length of meetings will be Members engagement in scrutinising the papers presented. In addition, discussion with Members on the timing of the post local election induction and training programme highlighted this had proved challenging for Members. This is supported by the low uptake of audit and scrutiny training offered to all Members at that time and therefore other options are needed. The following is proposed:

- Training – development of on-line modules using the Council's My Online Learning (MOL) system. To delay future audit and scrutiny training post local elections to allow for on-line training modules to be completed and the planning of face-to-face training to provide additional support to Members and address any individual training or development needs. This will support Members in their scrutiny role and encourage active contributions which will also strengthen the role of the Committee.
- Committee review - The Chair and Vice-Chair plan to review the role and remit of the Committee along with considering core competencies for Members which will be link to the development of appropriate training. This will also consider the Committee's role in monitoring the delivery of outcomes and the use of scrutiny to improve services and make better decisions.
- Survey work – It is proposed to follow best practice and survey the Committee on an annual basis; this first report therefore provides a baseline for future comparison.

Discussion Paper - Review of Audit & Scrutiny Committee remit & roles

1. Committee Name

Currently Audit & Scrutiny no change is proposed.

2. Committee Structure

The recommended number of Councillors' appointed to the Committee to ensure effective operation is 10-12 maximum (currently 25). It is recommended that the committee size is reduced to ensure its effective operation.

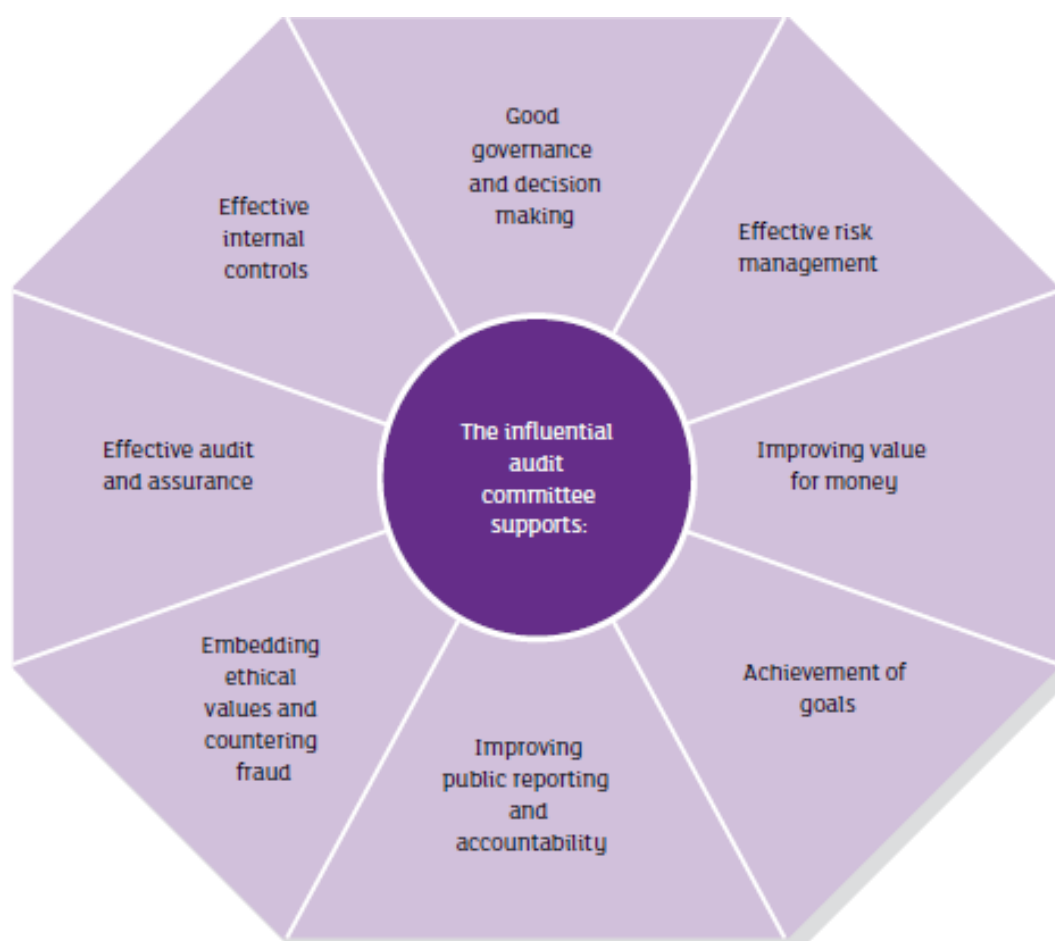
Chair – Opposition

Vice-Chair – Opposition

Approach

- Develop a bipartisan approach similar to redesign. A Member holding an Executive position elsewhere in the Council's committee structure should be excluded from membership to avoid conflicts of interest and enable effective scrutiny. For scrutiny of locality/area committees this cannot be avoided;
- A set of core competencies for Members should be developed. Consideration should be given to setting a required set of criteria/skills for membership;
- To support development of committee members learning materials should be further developed including online learning;
- Consideration should be given to including external (lay) membership of the committee. Advertise vacancy, set criteria/skills needed.

3. Span of Influence



4. Purpose

- Provide the Council with assurance on the adequacy of the internal control environment, integrity of financial reporting, adequacy of risk management and corporate governance

arrangements. Through the work of the committee seek continuous improvement, achievement of outcomes and value for money across the Council.

5. Core Functions

- Approve an annual programme of internal audit work and advise Council on any matter relating to any findings or recommendations;
- Receive and consider the annual programme of work from the external auditors and consider any reports received;
- Receive, consider and approve the annual statement of accounts;
- Scrutinise assurance statements from Area Committees and ensure a risk based approach is in place for their assurance;
- Consider summaries of specific internal audit findings and improvement actions;
- Scrutinise any area of Council activity or performance identified through internal or external audit work or at the request of Council, Strategic or Area Committee;
- Establish sub-groups each committee cycle to enable more detailed scrutiny of key aspects of committee work including review of the annual accounts and any other area of concern identified by the Committee, the Council, Strategic or Area committees;
- Approve the Corporate Code of Governance and monitor it's delivery at least annually;
- Consider any matter arising from the Code of Conduct of Councillors, Ethical Standards in Public Life and other relevant legislation;
- Consider the recommendations of investigations into fraud or anti-corruption work;
- Ensure that the Council has adequate risk management arrangements in place and regularly scrutinise;
- Consider any matters arising from formal investigations by the Ombudsman and escalate significant issues to Council;
- Ensure that a risk based approach to audit planning through assurance mapping is maintained that reflects the structure and functions of the Council;
- Consider the implications and recommendations of national reports from Audit Scotland and other audit and scrutiny bodies as they relate to the work of the committee;
- Oversee the independence, objectivity, resourcing, performance and professionalism of the Internal Audit Team.

6. Supporting Reviews

It will be necessary to review the following governance arrangements:

- Financial Regulations
- Scheme of Delegation
- Code of Corporate Governance
- Establish an Assurance Statement for Area Committees
- Internal Audit Charter