



REPORT TO: MORAY COUNCIL ON 7 DECEMBER 2021

SUBJECT: REMIT OF THE AUDIT AND SCRUTINY COMMITTEE

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

- 1.1 The report seeks the Council approval, as part of the final stage of the Council's review of committee governance arrangements, to clarify the scrutiny remit of the Audit and Scrutiny Committee and approve a Scrutiny Guide.
- 1.2 This report is submitted to Committee in terms of Section II (10) of the Scheme of the Council's Scheme of Administration, changes in committee responsibilities.

2. RECOMMENDATION

2.1 It proposed that the Council:

- (i) agree the remit of the Audit and Scrutiny Committee contained in paragraph 4.2 below;**
- (ii) agree that the Council's Scheme of Administration is revised to reflect the remit in terms of Appendix 1;**
- (iii) approve the Guide attached as Appendix 2 to be adopted as part of the Council's Second Tier Governance Documents;**
- (iv) consider reducing the frequency of meetings of the Audit and Scrutiny Committee from 8 weekly to quarterly;**
- (v) consider reducing the number of Members who sit on the Audit and Scrutiny Committee; and**
- (vi) consider whether to appoint up to two non-remunerated external members to the committee.**

3. **BACKGROUND**

Recent committee decisions

- 3.1 Following a governance review the Council agreed changes to its committee structure at a meeting on 30 June 2021 (para 24 of the [minute](#)). The Scheme of Administration was revised to reflect these changes and agreed at a meeting of the Council on 15 September 2021 (para 32 of the minute refers).
- 3.2 The final part of the governance review remains outstanding: Clarity on the scrutiny role of the Audit and Scrutiny Committee (with reference to a separate scrutiny guidance document). This outstanding action has been picked up in both the best value audit follow up and the annual audit.
- 3.3 A similar version of this report was submitted to a meeting of the Council on [30 November 2021](#). The decision was to leave the remit of the Committee unchanged until after the elections in May 2022 (para 6 of the minute refers). This report asks the Council to reconsider this outstanding issue.

Statutory background

- 3.4 Audit: Expectation that every Local Authority will have a committed dedicated to audit. Best practice suggests a standalone committee but it is not uncommon for an audit committee to have similar related functions.
- 3.5 Scrutiny: Whilst there is no explicit statutory duty on local authorities in Scotland to put scrutiny measures in place, there is a statutory duty to pursue Best Value. Scrutiny and continuous improvement arrangements are closely linked to Best Value and are subject to Best Value recommendations by Audit Scotland.

Scrutiny through committees

- 3.6 Local authorities in Scotland approach scrutiny in different ways:
- In local authorities with an administration led **cabinet or executive** committee there is a need to have a separate scrutiny committee (or committees) with wide ranging call in powers to achieve political balance.
 - In local authorities where the administration group significantly outnumbers opposition groups then more robust and formal scrutiny arrangements may be needed to achieve political balance.
 - In local authorities where there is a finer political balance then scrutiny tends to be “frontloaded”, largely taking place in meetings of the Council and service committees.
- 3.7 Whatever model is adopted it is important to ensure that there are adequate opportunities for Members to scrutinise service policy, decision making and performance and that scrutiny arrangements are kept under regular review to ensure that they meet the needs of the organisation.
- 3.8 Scrutiny of service policy, decision making and performance used to take place through the Council’s Audit and Performance Review Committee. The Council chose to move this scrutiny function to service committees in a review

of the Scheme of Administration in 2014 at which time the committee was renamed the Audit and Scrutiny Committee.

- 3.9 Since then service committees undertake the bulk of scrutiny activity in the Council with active questioning and monitoring of progress against agreed outcomes. The role of the Audit and Scrutiny Committee has been less clear in relation to its scrutiny function and would benefit from further definition.

Scrutiny guidance and training

- 3.10 In addition to the committee scrutiny function a number of local authorities have additional guidance and training for Members. The Audit and Scrutiny committee have identified that the Council would benefit from a scrutiny guidance document and previously considered a draft [Scrutiny Handbook](#) at their [meeting](#) on 19 November 2019 (para 6 of the [minute](#)). This meeting agreed to set up a working group to consider the terms of a scrutiny handbook, however with the time and logistical pressures of the pandemic and then the subsequent governance review this working group has not met.

External scrutiny

- 3.11 In addition to scrutiny by Members through committees there are a number of ways in which effective scrutiny of Council policies, decision making and performance can take place. These are shown in draft Scrutiny Guide detailed at paragraph 4.4 below and attached as **Appendix 2**

4. PROPOSALS

- 4.1 It is proposed that the audit role of the Committee is expanded as follows:

To review the Council's Annual Governance Statement and enhancing corporate governance arrangements by:

- promoting internal controls and assurances
- considering the effectiveness of the Council's risk management arrangements
- supporting an anti-fraud culture
- review of revisions to financial procedures
- making recommendations where appropriate

- 4.2 Given the healthy level of scrutiny that takes place in the Council and its service committees it is considered appropriate that the Audit and Scrutiny committee assume a "safety net" role to pick up on areas which have been flagged by internal audit or external audit and regulators and ensure that these are followed through for improvement action.

- 4.3 It is proposed that the scrutiny role of the committee is defined as follows:

To scrutinise areas of policy, service delivery or performance identified for improvement in:

- (i) internal and external audit reports where sufficient evidence of progress from the appropriate committee is not available;

- (ii) reports or findings from external regulators where sufficient evidence of progress from the appropriate committee is not available.

To receive reports on the performance of and trends within the Council's services as a whole in terms of the Local Government Benchmarking Framework.

- 4.4 The Audit and Scrutiny Committee would be empowered to make recommendations to service committees in the areas identified for improvement.
- 4.5 To help clarify the scrutiny function within the Council, improve the quality of frontline scrutiny by service committees and assist Members in this process it is further proposed that the Council adopt the **Scrutiny Guide** attached as **Appendix 2** to this report and that this document is published within the [Council's Second Tier Governance Documents](#).
- 4.6 To complement the guide, the Council's Organisational Development team are arranging further training for Members in scrutiny. This training delivery will be supported by the Improvement Service.
- 4.7 Agendas for the Audit and Scrutiny Committee tend to be shorter than for other service committees and it is proposed that the frequency of meetings is reduced from 8 weekly to 12 weekly. This reduced frequency would still allow for the timely consideration of audit reports.
- 4.8 Members may also wish to consider the number of members who sit on the Audit and Scrutiny Committee. The only membership requirement for this committee is that it should reflect political balance. There is no prescription on who the Committee chair should be although there is a convention in Moray that the chair is not a member of the administration group. Guidance and best practice suggests that a scrutiny committee benefits from its membership being drawn from more experienced Members.
- 4.9 Consider appointing up to 2 unpaid external members as recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022. This details:
- 4.10 The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

5. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

Having strong governance arrangements in place contributes to the Corporate Plan aim of having a Sustainable Council.

(b) Policy and Legal

There are no legal requirements in relation to scrutiny. It is a matter of policy for the council to determine.

(c) Financial implications

There are no direct financial implications from the recommendations in this report. Having strong scrutiny arrangements in place will assist with good financial governance.

(d) Risk Implications

Effective scrutiny can help identify and mitigate risks,

(e) Staffing Implications

The reduced frequency of meetings would help alleviate pressures on staff capacity.

(f) Property

None

(g) Equalities/Socio Economic Impact

No direct implications.

(h) Consultations

CMT, the Head of Finance, the Audit and Risk Manager and the Chair of the Audit and Scrutiny Committee have been consulted.

6. CONCLUSION

6.1 The Council is asked to review its scrutiny arrangements, approve an update of the remit of the Audit and Scrutiny Committee within its Scheme of Administration and approve a Scrutiny Guide as part of its Second Tier Governance Documents.

Author of Report: Head of Governance, Strategy and Performance.
Background Papers: none
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