Agenda Item	7
Report No	AS/9/19

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 13 June 2019

Report Title: **Council Governance Review – Audit & Scrutiny Committee**

Report By: **The Corporate Audit & Performance Manager**

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 and a Member consultation reported to Committee on 27 March 2019 this report makes proposals for changes to the structure and role of Committee. The proposals are part of the overall governance review of the Council and if agreed by Committee will be subject to discussion and agreement at the next Member seminar before progressing to Highland Council on 27 June 2019 for approval to implement.

2.   Recommendations

2.1   Members are asked to:

   I.   Agree the proposals set out in paragraph 3.1 of the report for submission to Highland Council on 27 June 2019 for approval to implement from 19 September 2019; the next scheduled Audit & Scrutiny Committee.
   II.   Note that further work is required to develop core competencies and training and this will require further engagement with Members as part of a wider programme of training and development.
   III.   Note that a further Member seminar has been arranged later in June 2019 which will help to inform the above proposals prior to their submission to Highland Council for approval.

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 finding 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.

2.3 A discussion paper was issued to Committee Members in early December 2018 as part of a consultation exercise 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. Following the Members survey and the consultation exercise there was a report and a discussion at Audit and Scrutiny Committee on 27 March 2019 on the findings of both these pieces of work.

2.4 The Governance Review Group considered the proposals outlined in paragraph 3.1 below on 22 May 2019 and subject to final engagement at a Member seminar in late June 2019 agreed they should go forward to Council on 27 June 2019 for approval. If approved the proposals would be implemented from 19 September 2019, the next Audit and Scrutiny Committee. Feedback from the planned seminar will be used to finalise the paper and recommendations to Council on 27 June 2019.

3. Proposals for Change to Committee structure and role

3.1 The proposals below represent a summary of that feedback and discussions to date. Committee is asked to consider and agree the proposals for submission to Highland Council on 27 June 2019 seeking approval to implement as part of the Council's Governance Review. These proposals are specific to the Audit and Scrutiny Committee and should not be considered as setting a precedent for the Council's wider strategic committee arrangements. The Governance Review Steering Group will bring forward separate proposals for these arrangements for Member consideration and further details about this process will be provided in a report to Council in June 2019. Members should also note further work is required to develop the core competencies and training proposed below which will require further Member engagement. Proposal for changes to the Committee are:

- The Committee should be formed of 14 Members; this is specific to the research carried out in relation to audit committee size and Members are reminded that research shows across Scotland the average Audit Committee size is 6-12 Members;
- There is full support for a more bipartisan approach and it was felt a smaller committee would facilitate this;
- That a set of core competencies are developed, along with a required set of criteria and skills for Committee membership;
- That further training materials are developed and completion is a required element of membership of the Committee, timescales for completion to be agreed by Committee at a later date;
- That the Committee can co-opt on a temporary basis non-voting member(s) to support the work of the Committee where skills or knowledge gaps are identified;
- That the focus of the Committee should include continuous improvement,

achievement of outcomes and value of money across the Council;

- A sub-group has already been agreed to look in more detail at the Council's annual accounts prior to their submission to Committee (this is within the scope of the current Scheme of Delegation). Members should note if this requires clerking there are resource implications;
- Core functions should remain as outlined in the Scheme of Delegation with amendments to take account of the above points where required.
- Committee is also mindful that as localism develops the role of Area Committees may change and this may require development of assurance processes as their remit expands and the Committee will have a role in any assurance process.

4. Implications

4.1 Resource implications

The development of Member training or additional administrative support to Committee sub-groups will have potential resource implications. On-line learning modules will be developed and these will require staff time to develop and this will be achieved from within current resources phasing the work in order to do so. However in developing core competencies and required training elements it is likely that external expertise or training sources will be required. Resources will need to be identified to deliver this as part of a wider Member development programme and more developed costings will come forward as part of the wider Governance Review. As Area Committee remits expand, including deploying resources locally, further consideration will need to be given to establishing and supporting an assurance process to ensure effective controls are in place.

4.2 Community, equality, climate change/carbon clever implications

There are no 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.

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