

MEETING: 10 SEPTEMBER 2020

REPORT BY: SECRETARY TO THE COMMISSION

COMMITTEE UPDATE

Purpose

1. This paper proposes a review of the Commission's committees: the Financial Audit and Assurance Committee (FAAC) and Performance Audit Committee (PAC).

Background

2. The Interim Chair and Deputy Chair have considered how the Commission can take forward the work of its committees. They also wish to reflect the interest of many members in their discussions as part of the Commission support review. They are proposing a review of the Commission's committees. At the same time, in conjunction with the Chair of the Financial Audit and Assurance Committee, they are proposing a change in the chairs of the two committees.

Proposed review

Previous reviews

3. The last time the Commission reviewed its committees was its Mid-Year Strategy Seminar in September 2017. Members considered a [paper](#) setting out the outcome of a review of the committees done in consultation with the Acting Chair (Ronnie Hinds) and two committee chairs (Graham Sharp and Christine May). It was positioned as a 'mini review' to reflect that it was for the new Commission Chair (Graham Sharp from October 2017) to lead any more substantial review of committees (if desired). The main points agreed, and progressed made subsequently, were:

Point	Progress
To introduce an element of risk monitoring to the committees' responsibilities.	Both committees consider audit and business risk as part of their responsibilities: the FAAC in its consideration of current issues reports and intelligence reports; and the PA Committee as it considers policy cluster briefings. The Interim Chair and Deputy Chair are keen that more formal reporting of risk to the committees now be progressed.
Both committees to share an enhanced responsibility for considering outputs from quality assurance process.	This has been introduced, with both committees considering outputs from the audit quality framework with a particular focus on their respective remits.
That committee membership be rotated regularly.	The Chair subsequently decided not to rotate membership.

Point	Progress
That impact of audit work be set out more explicitly in the remits of both committees.	This has been progressed recently with both committees now receiving a work programme update report which includes information on promotion and impact of previously published work.
That monitoring of the strategic scrutiny agenda be part of the remit of the Performance Audit Committee.	The Chair subsequently decided that this remit be retained by the Commission as a whole.
That the order of business on meeting agendas be used more creatively to facilitate meeting attendance by non-members.	This is done in practice.
That all meetings of committees (and of the Commission) conclude with a brief private review session.	This is done in practice, but perhaps not consistently.
That the room layout for committee meetings be as that for the mid-year strategy seminar (i.e. 'committee' layout).	This is done in practice.

Current remits

4. The 2017 review confirmed the overall remits of the committees and summarised their core roles. Essentially, both committees fulfil a complementary and 'outward' facing role on behalf of the Commission in overseeing audit activity and considering implications for our work programme, thus:
 - PA Committee: Appraising the external policy environment particularly at national level and thus national performance audit activity.
 - FAA Committee: Appraising the issues affecting individual authorities and thus annual and Best Value audit activity.
5. The remits of the committees are summarised below:

Overall: The committees, on behalf of the Commission, taking account of the Commission's strategic priorities, review the implications for its work programme of issues arising from its audit work (including the quality of this audit work) and in its operating environment, making recommendations to the Commission accordingly.	
FAA Committee Review matters arising from the annual audit and any implications for the Commission's work programme. Review matters arising from the quality assurance process in relation to the annual audit process and Best Value audit.	PA Committee Review matters arising from performance audits and associated work, and any implications for the Commission's work programme. Review matters arising from the quality appraisal process in relation to performance audits and associated work.

<p>Review the impact of the annual audit process and Best Value audit.</p> <p>Review the Code of Audit Practice.</p> <p>Oversee the process of the procurement of audit appointments and associated matters (such as fee strategy).</p>	<p>Review the impact of performance audits and associated work.</p> <p>Review matters in relation to local government strategic scrutiny.</p> <p>Review matters in relation to the Statutory Performance Information Direction.</p>
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6. In practice, some of these remits have been overtaken by events. For example:

- For the FAA Committee, matters related to new audit appointments and the Code of Audit Practice have remained as a remit of the whole Commission (although the FAA Chair did serve originally as a member of the Steering Group in this regard).
- The role of the FAA Committee in Best Value audit matters has been limited, restricted mainly to considering Best Value related matters arising in quarterly current issues reports.
- For the PA Committee, matters related to local government strategic scrutiny and the SPI Direction have remained as a remit of the whole Commission.

Proposed review areas

7. The Interim Chair and Deputy Chair propose a review of our committees with an overall aim of assuring ourselves about the fitness for purpose of the committees in helping the Commission fulfil its role as efficiently as possible. They suggest several areas to be considered as part of the review:

- **Membership**

Should membership be rotated, and if so, how frequently?

- **Number and remits**

The review should consider the overall remits of the committees as set out in paragraphs 4 and 5, and whether this remains fit for purpose.

In doing so, the review could also consider the number of committees.

- **Delegated powers**

Currently the committees do not have formal delegated powers. In practice, however, the committees *de facto* operate autonomously from the Commission. Although the committees' conclusions are subject to subsequent approval by the Commission, this is done mainly through approval of the committee meeting minutes, and it is very rare for the Commission to overturn any conclusion of a committee.

It is unclear as to what substantial difference such delegation would mean. If, however, the committees gained powers such as those set out above, this could mean a more efficient way of dealing with some business. This would however need to be weighed up against the desire of the Commission to have oversight of some significant strategic functions.

- **Meeting arrangements**

Currently the committees meet quarterly with some optional dates which are used if business requires – is this frequency effective?

Currently the committees meet in private. This is for two main reasons: firstly,

because much of the business considered is confidential (e.g. shaping performance audits or considering sensitive audit matters in individual councils); and secondly, to allow frank discussion with Audit Scotland officers or auditors. The Commission may wish to affirm that this approach is appropriate.

8. If the Commission is minded to undertake this review, it is proposed that a small working group of members be established, reporting at appropriate points to the wider Commission. (There may, for example, be some conclusions that can be implemented readily without the need to conclude the whole review).
9. It is proposed that the working group comprise the two committee chairs, the former Chair of the FAA Committee, and one other member. Nominations for this role are welcome from members.
10. The working group would also seek views of Commission members and Audit Scotland as appropriate.

Chair of committees

11. The Interim Chair and Deputy Chair, in conjunction with the Chair of FAA Committee, propose that the chairing of the two committees should change. The Interim Deputy Chair is to become chair of FAA Committee and it is proposed that Christine Lester become chair of PA Committee.

Meeting schedule

12. The Commission is now amidst its Insight programme, working towards a revised strategy for publishing next Spring. This has meant some adjustment to its schedules, including a meeting of the committees on 27 August. It also means, therefore, that it is proposed that the scheduled September meetings of the committees be cancelled (the slot being used instead for the Insight programme). The next meeting of the committees will then take place on 26 November.

Next steps

13. Given the likely workload of members in coming months, it is proposed that the review conclude by the time that the Commission agrees and publishes its updated Strategy next Spring.
14. The Commission has set up a number of member working groups to take forward various aspects of the Commission's business. The Interim Chair intends to review the make-up and scope of these working groups, and there would be a crossover with this committee review. Updates on both of these streams of work will be reported regularly to the Commission.

Conclusion

15. Members are asked to agree:
 - a) This proposal for a review of the Commission's committees.
 - b) The proposed change to the chairing of the committees.
 - c) The proposed change to the committee meeting schedule for the rest of 2020.
 - d) A nomination for membership of the review working group.

Paul Reilly
Secretary to the Commission
24 July 2020