

MEETING: 13 MAY 2021

REPORT BY: SECRETARY TO THE COMMISSION

ANNUAL GOVERNANCE REVIEW

Purpose

1. This report reports on the conclusion of a review of the Commission's governance arrangements, including recommending actions and an approach to future such reviews.

Background

2. In previous discussions, the Commission has indicated a desire to introduce an annual governance review.
3. This paper sets out such a review and arising recommendations. It also recommends that such a review be done and reported to the Commission on an annual basis.

Context

4. There have been a number of significant changes to the Commission in the past year, including:
 - A new Interim Chair and Interim Deputy Chair are in place to the end of 2021.
 - [A review of Commission support arrangements](#) was considered by the Commission in September 2020.
 - A new Auditor General is in place from July 2020.
5. All of this has been against a backdrop of the Covid-19 pandemic since March 2020, which has had significant impact on the Commission, in terms of how it does its work, of how the audit that it secures is fulfilled, and of the public service landscape on which the Commission reports.
6. This paper provides the Commission with an overview of how it works in this environment of substantial change.
7. At their recent Strategy Seminar (20 and 21 April), Commission members discussed a range of matters which will be pertinent to the Commission's governance arrangements, such as how it meets and how members fulfil their responsibilities. Members will be considering separately an action plan arising from the Strategy Seminar. Any likely influence on the Commission's governance arrangements are included in this paper.

Governance framework

8. For the purposes of this review, a summary of the Commission's governance framework is set out below. It incorporates matters in relation to the Commission's relations with other bodies (external governance); its own operation (Commission governance: organisation); and matters affecting Commission members fulfilling their own responsibilities (Commission governance: members).

External governance	Commission governance: organisation	Commission governance: members
<ul style="list-style-type: none"> • Framework for Partnership Working • Public Audit in Scotland • Strategic agreements: strategic scrutiny partners • Strategic agreements: others 	<ul style="list-style-type: none"> • Role and purpose • Commission and committee remits • Working groups • Standing orders • Commission meetings and new ways of working • Ethics arrangements 	<ul style="list-style-type: none"> • Member Code of Conduct • Commission member development and appraisal.

9. The current position against each of these (with specific recommendations in **bold**) is as follows:

External governance	
Framework for Partnership Working	<p>Commission members, at a workshop session in February 2020 on the legal background to the new audit appointments procurement strategy, agreed that it be proposed to the Auditor General and Audit Scotland that the tripartite Framework for Partnership Working be reviewed.</p> <p>The Interim Chair is discussing with Audit Scotland how to take this action forward. The Commission is asked to note this position.</p>
Public Audit in Scotland	<p>The Commission should note that as part of her discussion with the Auditor General and Audit Scotland on a review of the Framework for Partnership Working, the Interim Chair will discuss how the <i>Public Audit in Scotland</i> publication features in such a review.</p>
Strategic agreements: strategic scrutiny partners	<p>There are strategic agreements in place (such as memoranda of understanding) between the Commission and individual members of the Strategic Scrutiny Group (SSG). These agreements are reviewed periodically if required. Given, however, the changing scrutiny landscape, it may be appropriate that the SSG develop a more systematic approach to such a review.</p> <p>It is proposed that the Commission recommend to the SSG to consider including a systematic approach to the review of agreements between individual partners.</p>
Strategic agreements: others	<p>The Commission has no other such formal agreements in place with other organisations (except the recently agreed Strategic Alliance with the Improvement Service). The Commission may wish to note that Audit Scotland has a number of these in place.</p>
Commission governance: organisation	
Role and purpose	<p>Commission members considered a range of matters in relation to our role and purpose at their recent Strategy Seminar. This will be the subject of a paper to be considered by members proposing an action plan, outputs from which will be considered formally by the Commission in coming months.</p>

Commission and committee remits	<p>At a members' meeting in March, members agreed to endorse the outputs of a review of the Commission's committees which had been led by a working group consisting Tim McKay, Christine Lester and Pauline Weetman.</p> <p>The Commission is asked to note that:</p> <ul style="list-style-type: none"> (a) Most of these conclusions are now being taken forward in discussion with Audit Scotland, particularly around how the dynamic work programme is to develop. (b) One outstanding conclusion of the review – on the names of the committees – is to be discussed further with the committee chairs and will be the subject of agreement by the Commission at a later date.
Working groups	<p>In February, the Interim Chair reviewed the membership of the Commission's working groups. The outcome of this review is in the Appendix.</p> <p>The Commission is asked to note the position.</p>
Standing Orders	<p>The Commission's Standing Orders are currently effective in facilitating how the Commission meets and carries out its business.</p> <p>It is however proposed that a review of the Standing Orders be done (and reported to the Commission) in coming months to reflect matters in this paper such as the review of committees and new ways of working.</p>
Commission meetings and new ways of working	<p>The Commission has in recent months revised how it meets and works to reflect the changes caused by the Covid-19 pandemic. It agreed to review the current arrangements in May.</p> <p>As part of the annual member survey supporting the recent Strategy Seminar, members were asked their views on the practice of the Commission meeting once per month for a longer time (compared to twice per month for a shorter time). 10 out of 11 members agreed with this approach.</p> <p>It is therefore proposed that this approach continue for the foreseeable future until a clearer understanding of the path out of Covid-19 restrictions is reached.</p> <p>Also as part of this approach, the Commission previously agreed that it develop more flexible ways of working outwith formal meetings, such as supporting more asynchronous working amongst members through the Commission's Teams channel.</p> <p>In the recent member survey, there were mixed views about the effectiveness of the current approach to offline working, as well as related matters on member workload. This is identified as an area of concern in the action plan from the Strategy Seminar.</p> <p>The Commission is asked to note that this will remain an area under review as part of the Strategy Seminar action plan. This approach will be reviewed as part of member consideration of member workload</p>

Ethics arrangements	<p>It is a Commission policy (agreed in November 2014) to adopt the principles of Financial Reporting Council (FRC) standards, particularly the Ethical Standard, to its own work. The Commission updated in December 2017 its current approach to ethical advice. It agreed not to designate an Ethics Partner for the Commission but that the Associate Director, Audit Quality and Appointments, be designated as the source of advice to the Commission on the FRC Ethical Standard. It also agreed that the Commission Standards Officer – who is the Commission Secretary and advises the Commission on the Ethical Standards in Public Life framework and on the link with the FRC Ethical Standard – collaborate as appropriate with the Assistant Director in this regard.</p> <p>The Commission is asked to note this position.</p>
Commission governance: members	
Member Code of Conduct	<p>At its February meeting, the Commission agreed a response to the Scottish Government consultation on the Model Code of Conduct for Public Bodies. A new Model Code will be considered by Ministers and Parliament in a new Parliamentary session following the May election.</p> <p>Meantime, the Commission also noted ongoing discussion with the Scottish Government, Ethical Standards Commissioner and Standards Commission on proposed changes to the Commission's Code of Conduct to better reflect the Financial Reporting Council Ethical Standard. These discussions are proceeding with a view to Ministerial approval of a new Code early in the new Parliamentary session.</p> <p>The Commission is asked to note this position.</p>
Member development and appraisal	<p>At the recent Strategy Seminar, members discussed prospective content of a Commission member development plan. This will be considered by the Commission in June.</p> <p>Commission members will also consider in June the outcome of the ongoing review of the member development and appraisal process.</p> <p>The Commission is asked to note this position.</p>

Future reviews

10. It is proposed that the Commission undertake a review of its governance arrangements on an annual basis, to be timed to ensure any feed into its deliberations on its strategy and work programme. Such a review will include an annual endorsement (and refresh if appropriate) of each of the elements of the governance arrangements.

Conclusion

11. The Commission is invited to:
 - a) Endorse the conclusion of the annual governance review.
 - b) In particular to agree the recommendations in bold in the above table.
 - c) Agree to such a review on an annual basis.

Paul Reilly
Secretary to the Commission
5 May 2021

APPENDIX:

REVIEW of COMMISSION COMMITTEES / WORKING GROUP MEMBERSHIP

1. This paper updates the current position in relation to the Committees and Working Groups currently in operation. Since the last update in November 2020 a number of working groups have been closed down as they have achieved their remit or have been superseded by other arrangements. These are:
 - Commission Connected Group – David Robertson, Digital Services Manager, Audit Scotland, is leading work to create a mini-Digital Strategy for the Commission.
 - Equalities Sub-Group – only one Member of the Commission was on this group, so it was stood down.
 - Commission Support Working Group – concluded and residual work undertaken by the Interim Chair/Deputy Chair
 - Commission Development Programme Working Group – development work will be undertaken by the Interim Chair/Deputy Chair and Secretary
 - Community Empowerment Working Group – plan agreed and two Sponsors will now lead this work.
2. The table overleaf lists each of the Committees/Working Groups, their membership, whether they have Terms of Reference and how long they are expected to operate or report back and a summary of the proposal for each group.
3. The table will be reviewed on an annual basis as part of the Commission's annual Governance Review.

E Murray
February 2021

COMMISSION COMMITTEES / WORKING GROUP MEMBERSHIP AS AT FEBRUARY 2021

Committee / Working group	Elma Murray	Andrew Burns	Andrew Cowie	Sophie Flemig	Sheila Gunn	Tim McKay	Christine Lester	Stephen Moore	Sharon O'Connor	Pauline Weetman	Geraldine Wooley	Terms of reference	Notes
FAA Committee	X	X			X	C			X	X	X	Y	
PA Committee	X		X	X			C	X				Y	
New Audit Appointments Steering Group	X					X						Y	Will finish at conclusion of project
Strategic Scrutiny Group	C					X						Y	Ministerial requirements. ToR are reviewed regularly
Best Value Working Group	C					X	X			X	X	Y	ToR updated in October and will be reviewed annually
Member Appraisal Review			X					X					Conclude in Apr 2021
Committee Review						C	X			X		Y	Conclude in Apr 2021
Commitment	5	1	2	1	1	5	3	2	1	3	2		