

MEETING: 7 APRIL 2022

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.

Background

2. At its May 2021 meeting, the Commission agreed to introduce an annual governance review. This paper sets out this year's review and arising recommendations.

Context

3. There have been a number of significant changes to the Commission in the past year, including:
 - A new Chair is in place from the start of 2022.
 - Our membership is now at 10, but the new Chair has intimated that he wishes a full complement of 12 members. Planning for this is ongoing.
 - Audit Scotland's Management Team currently has two vacancies out of four places, following the departure of the Chief Operating Officer in December and the Director of Audit Services in March. The Audit Scotland Board approved a reshaping of the senior management structure of Audit Scotland, and various recruitment campaigns are currently underway.
 - The Commission is currently recruiting for a new permanent Controller of Audit.
4. 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.
5. This paper provides the Commission with an overview of how it works in this environment of substantial change.
6. At their recent Strategy Seminar (29 and 30 March April), Commission members discussed various aspects of the Commission's role, purpose, and powers. Their conclusions will help shape a programme of change for the Commission, which it will be considering at future meetings. Any likely influence on the Commission's governance arrangements are included in this paper.

Governance framework

7. 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. 	<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.

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

External governance	
Framework for Partnership Working	<p>A review of the framework is underway, led by Audit Scotland in partnership with the Commission Secretary. This will be a strategically important activity in shaping much of the Commission's relationship with its two partners in the Auditor General for Scotland and Audit Scotland. It will also be shaped by discussions at last week's Strategy Seminar.</p> <p>The Commission is asked to note this position.</p>
Public Audit in Scotland	<p>Audit Scotland had originally proposed a review of the <i>Public Audit in Scotland</i> publication as part of its Strategic Improvement Programme.</p> <p>At last week's Strategy Seminar, the Commission was considering how its profile and branding should be reshaped, and these conclusions will feed into the review of the Framework for Partnership Working. Part of such thinking will include how the 'Public Audit in Scotland' concept fits.</p> <p>The Commission is asked to note this position.</p>
Strategic agreements: strategic scrutiny partners	<p>When considering the governance review last year, the Commission recommended to the Strategic Scrutiny Group (SSG) to consider including a systematic approach to the review of agreements between individual partners. The SSG did not subsequently conclude on this matter. Since then, the new Commission Chair has embarked on discussions with the SSG on its role and purpose.</p> <p>It is therefore proposed that this matter be kept under review, with a view to considering further at a future Commission meeting.</p>

Commission governance: organisation	
Role and purpose	<p>Commission members considered a range of matters in relation to our role and purpose at last week's Strategy Seminar. These included:</p> <ul style="list-style-type: none"> • the Commission's profile with stakeholders • how the Commission uses its statutory powers to maximise the impact of audit and of its reporting of the audit • how the Commission optimises the support available to it, including from Audit Scotland. <p>Many of these matters will be addressed in the forthcoming review of the Partnership Framework.</p> <p>The Commission is asked to note that updates on the progress of this work will be provided as appropriate.</p>
Commission and committee remits; and working groups	<p>The Commission concluded a review of its committees – including reference to working groups – last year.</p> <p>It is proposed that no further work be done in this regard at this time.</p>
Standing Orders	<p>When considering the governance review last year, the Commission noted a conclusion that its Standing Orders were effective in facilitating how the Commission meets and carries out its business. The Commission did however agree that a review of the Standing Orders be done (and reported to the Commission) to reflect other matters such as the review of committees and new ways of working. While this review has not yet been completed because of the change of leadership of the Commission, there will be matters arising at the Strategy Seminar which may require further thought.</p> <p>It is proposed that a further review be undertaken based on any matters arising from the Strategy Seminar.</p>
Commission meetings and new ways of working	<p>The Commission has in recent months introduced a hybrid approach to its formal meetings, mainly to reflect the restrictions of the pandemic. Thinking however about the forthcoming campaign to recruit new members of the Commission, there is a strong case that membership of the Commission can become a more attractive proposition if such a hybrid becomes the norm for its formal meetings.</p> <p>It is therefore proposed that the Commission consider adopting such a hybrid approach on a permanent basis, and consider what requirements be applied (e.g., mandatory 'in person' attendance at certain meetings).</p> <p>The Commission previously agreed that it develop more flexible ways of working out with formal meetings, such as supporting more asynchronous working amongst members through the Commission's Teams channel. This has had mixed effectiveness. Work continues with the Audit Scotland Digital Services Manager to identify an effective information management and meeting support package.</p> <p>It is proposed that this area of work become a priority with a view to concluding satisfactorily by the Autumn Strategy Seminar.</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>I reported to the Commission at its January meeting that the Scottish Government had published a code of conduct for members of devolved public bodies, setting out standards of behaviour expected to be followed by those who serve on the boards of public bodies in Scotland. Issued by ministers under the Ethical Standards in Public Life etc. (Scotland) Act 2000, the Scottish Government has asked all public bodies to adopt the new Code within six months. I intend to report back to the Commission on this matter to ensure that the Commission complies with this. Part of this report will address how the updated Code reflects Commission policy (agreed in November 2014) to adopt the principles of FRC standards, particularly the Ethical Standard, to its own work.</p> <p>The Commission is asked to note this position.</p>
Member development and appraisal	<p>In June 2021 the Commission adopted a Commission member development plan including a member development and appraisal process. In late 2021 the previous Chair began implementation of the new process with a round of one-to-one meetings with individual Commission members.</p> <p>The new Commission Chair has agreed that he will continue with the process.</p> <p>The Commission is asked to note this position.</p>

Related matters

- There would be matters that do not strictly fit in with, but are of relevance to, Commission governance matters. These are discussed below.

Contingency planning	<p>The Commission held a session on contingency planning on 17 March. The session was based on a scenario around stakeholder confidence in and perception of the Commission.</p> <p>We await a final report from Plan B Consulting who facilitated the event, but members agreed at the conclusion of the event that there were significant learning points that should be actioned by the Commission, including where appropriate in conjunction with Audit Scotland, to manage risks around stakeholder perception and impact.</p> <p>The Commission will therefore be further considering this matter at a future meeting.</p> <p>The Commission is asked to note this position.</p>
Commission support	<p>Matters concerning the support provided to the Commission, including from the Commission Support Team, featured in discussion at last week's Strategy Seminar. Conclusions from those discussions will be taken forward with Audit Scotland.</p> <p>The Commission is asked to note this position.</p>

Conclusion

10. 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.

Paul Reilly
Secretary to the Commission
24 March 2022