

REPORT TO PROCEDURES COMMITTEE - 25th MAY 2018

AUDIT COMMITTEE AND SCRUTINY AT ABERDEENSHIRE

1 Recommendations

The Committee is recommended to:

- 1.1 Acknowledge the work ongoing to enhance the role of the Audit Committee within Aberdeenshire Council.**
- 1.2 Consider the proposed changes to the delegated powers of the Audit Committee in Appendix 1;**
- 1.3 Consider the summary of proposed changes to the Scrutiny at Aberdeenshire guidance as set out in sections 2.11 and 2.12 of this Report;**
- 1.4 Agree to recommend the changes to Part 2A - Section G and Part 4A of the Scheme of Governance to Full Council.**

2 Background / Discussion

- 2.1 On the implementation of the Scheme of Governance on January 27, 2017, the Scrutiny and Audit Committee was dis-established and the Audit Committee was established. All Policy Committees and Area Committees were delegated specific scrutiny powers. The intention of the Future Governance Working Group, agreed by Full Council, was that policy and area committees conduct scrutiny for those matters that they have responsibility for and that the Audit Committee would only conduct scrutiny in exceptional circumstances.

The Role of the Audit Committee

- 2.2 The Audit Committee has now been in place for over a year. It is therefore appropriate to consider how it has operated during that time and to review the powers delegated to it.
- 2.3 The separation of scrutiny and audit presented an opportunity through increased capacity to improve and enhance the role of the Audit Committee within Aberdeenshire Council. It has been recognised that there are now areas in which the Audit Committee could increase its effectiveness through the inclusion of additional matters within its business and clarification of powers.
- 2.4 Officers have been liaising closely with the Council's Internal and External Auditors to identify areas where it would be appropriate or considered best

practice for the Audit Committee to take a lead role. This includes matters such as:-

- (i) The approval and review of the Local Code of Corporate Governance and Self-Evaluation which supports the Annual Governance Statement within the Annual Accounts;
- (ii) The approval and review of the Council's Fraud Strategy;
- (iii) The monitoring of the Council's Risk Registers
- (iv) The review of Information Governance matters, including decisions by the Scottish Information Commissioner

2.5 The clarification of the powers of the Audit Committee regarding these matters are sought through amendments to the List of Committee Powers at Part G. These form Appendix 1 to this report.

2.6 An amendment to the Committee's powers is also proposed in relation to the Annual Accounts. The Audit Committee presently fulfils the statutory role of approving the audited accounts, prior to endorsement by Full Council. However the power to approve the Accounts currently sits with Full Council under its reserved powers which is not reflective of what is happening in practice. If the Procedures Committee agrees to the amendments to the Audit Committee's powers at Appendix 1 a further amendment will be required to the powers reserved to Full Council in Part 2A of the Scheme of Governance to clarify its role in terms of endorsing the Annual Accounts following approval by the Audit Committee.

2.7 It is intended that the role of the Audit Committee will continue to be shaped over the coming months through engagement between officers and elected Members. A workshop took place on 4th May 2018 with Audit Committee members and included presentations on the role of External Audit, the Annual Accounts, the Code of Corporate Governance and Risk Management in the context of fraud, bribery and corruption. This will be the first of a programme of workshops for members of the Audit Committee with the aim of equipping them with the knowledge and skills to perform their audit role effectively. Any subsequent changes that require to be made to the Scheme of Governance as a result of the ongoing work with the Audit Committee will be reported through this Committee and then onto Full Council following the usual two stage process.

2.8 **The Committee Review Process**

Each Policy and Area Committee has the delegated power to conduct the Committee Review Process as described in the [Scrutiny at Aberdeenshire](#) document in Part 4A of the Scheme of Governance. The Committee Review Process is the formal three stage Scrutiny process. This is explained in detail in the Scrutiny at Aberdeenshire document but can be summarised as follows:-

- Stage 1** Report to Committee.
- Stage 2** If the Stage 1 Report does not provide sufficient assurance to the Committee conducting the process, then the Committee request that there is a workshop which is followed by a formal report to that Committee.
- Stage 3** If the Stage 2 outcome does not provide sufficient reassurance to the Committee conducting the process, then a formal investigation is carried out by that Committee. There are powers to call officers and expert witnesses to give evidence.

- 2.9 The Audit Committee regularly considers internal audit reports relating to services across the Council. Where the Committee identifies a matter of service delivery for improvement arising from such reports, it can refer the matter to the appropriate Policy Committee and request that the Policy Committee conduct the Committee Review Process and report to the Audit Committee within a specified timescale. The Audit Committee presently also has the power to conduct the Committee Review Process if the timescale is not achieved or the report from the Policy Committee does not give sufficient reassurance.
- 2.10 Issues have been highlighted with the length of time it has taken to progress scrutiny referrals. Further, whilst the Audit Committee has the power to conduct the Committee Review Process itself if the timescale is not achieved or the report from the Policy Committee does not give sufficient reassurance, clarification is required as to what timescale and what report this power relates to.
- 2.11 In order to improve the timescales for scrutiny referrals, the operational part of the process has already been enhanced by officers in Legal and Governance. A clear procedure has been established which ensures that any referral from the Audit Committee will be reported to the next meeting of the relevant Policy Committee for consideration in the shortest practicable time.
- 2.12 It is further proposed that the Scrutiny at Aberdeenshire Guidance document at Part 4A of the Scheme of Governance is amended in terms of the timescales for completion of a Stage 1 Report. At present the guidance states that the Stage 1 report should be back within two calendar months; The Stage 2 workshop should take place within two calendar months of the instruction to hold one and the Stage 3 Investigation should commence within two calendar months of its instruction. It is apparent however that the two calendar months is not always appropriate for the Stage 1 report. This time does not fit with the committee meeting schedule, particularly the reporting process through agenda and pre-meetings, and does not take account of recess time. The amendment proposes that a Stage 1 report should come back to the next Policy Committee meeting unless the Policy Committee agree otherwise.

- 2.13 The Scrutiny at Aberdeenshire document is also silent on the timetable for Audit Committee Referrals. Therefore, it is suggested that a section is added to the Committee Review Process section that specifies the requirements of an Audit Committee Referral.
- 2.14 In addition to the above amendments, it is necessary to clarify the powers of the Audit Committee in relation to scrutiny referrals. Therefore, the drafting of those powers has been revised and improved. This is included in the proposed amendments to the committee power at Appendix 1. The reference to timetable has been deleted (this must rest with the Policy Committee). It has also been clarified that the Audit Committee will receive a report confirming the decision of the Policy Committee following the referral, together with a report on the outcome of the Committee Review Process from the Policy Committee if it chooses to conduct same. It is also now clear that the Audit Committee may continue with the Committee Review Process to Stages 2 and 3 even though the Policy Committee has decided that it has received the required reassurance from the Stage 1 report or the Stage 2 workshop. However, there will be no need for the Audit Committee to proceed with the Committee Review Process if the Policy Committee has conducted a Stage 3 investigation. A flowchart has been developed which sets out the referral process and it is proposed to include this in the Scrutiny at Aberdeenshire Guidance. The draft is in Appendix 2.
- 2.15 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3. Scheme of Governance

- 3.1 The Committee is able to consider this item as Full Council appointed the Procedures Committee on May 18th, 2017. The established remit of the Committee is to consider proposed changes to Aberdeenshire Council's Scheme of Governance and to make recommendations about required amendments.

4. Implications and Risk

- 4.1 An equality impact assessment is not required because the recommendations in this report do not have a differential impact on any of the protected characteristics.
- 4.2 The staffing implications of a Scrutiny referral are that a Lead Officer will be appointed and that Service have to allocate staffing time to the matter, the financial implications will be contained within the service budget. Only when the Committee Review Process advances to Workshop and Formal Investigation would the costs significantly increase. Again the service would use approved budget to resource the Committee Review Process.
- 4.3 The following Risks have been identified as relevant to this matter on a Strategic Level BSSR003 Future Governance. The Council needs to be

assured that it has the best fit of decision making so as to make it an agile and efficient body and a governance structure that reflects and serves well the communities whose priorities it is here to deliver. The link is [here](#) to the Directorate Risk Registers.

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DIRECTOR OF BUSINESS SERVICES

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Legal and Governance
Date May 16th, 2018

APPENDIX 1

G. AUDIT COMMITTEE

1. Committee Functions

1.1 The following matters are delegated to this Committee:

- a. Aberdeenshire Integration Joint Board Scrutiny
- b. External Audit
- c. Financial Management
- d. Internal Audit

1.2. ~~Following consultation with appropriate Chief Officers, T~~to review the adequacy of:

1. Internal control systems,
2. Policies and practices employed to ensure compliance with relevant statutes, directions, guidance and policies,
3. Financial information presented to the Council, and,
4. Risk **management and risk** assessment arrangements and procedures.

1.3 ~~Following consultation with Council managers, T~~to review financial statements, management letters or reports and compliance with relevant codes of practice.

1.4 To manage the relationship with the Chief Internal Auditor ensuring that the Council's Internal Audit function is properly resourced and has appropriate standing within the Council and to review the activities of the Internal Audit function, including its annual work programme.

1.5 To manage all aspects of the Council's relationship with its external auditors.

1.6 To review and approve the Council's Code of Corporate Governance and annual Self-Evaluation Report.

1.7 To consider and approve for signature the Council's audited Annual Accounts in accordance with the statutory duties under the Local Authority Accounts (Scotland) Regulations 2014,

1.8 To receive and provide feedback on reports from the Integration Joint Board Audit Committee.

2. Scrutiny

2.1 Review the effectiveness of the Council's delivery of adult social work services on behalf of and under directions from the Aberdeenshire Integration Joint Board.

2.2 Refer a matter of service delivery identified for improvement from audit reports to the appropriate Policy Committee and request that the ~~policy~~ **Policy Committee**:

i. **conduct the Committee Review Process and**

ii ~~conduct the Committee Review Process and~~ **provide a report to the next practicable meeting of the Audit Committee within a specified timescale provided that if confirming that either:-**

a. **the Policy Committee will commence the Committee Review Process and will provide a final report to the Audit Committee upon conclusion of that process; or**

b. **the Policy Committee is satisfied that no scrutiny is required.**

~~a. the timescale has not been achieved, or,~~

~~b. the Policy Committee's report does not provide sufficient reassurance, Then the Audit Committee may conduct the Committee Review Process in respect of the original matter and report its recommendations to the Policy Committee.~~

2.3 **To conduct the Committee Review Process on a matter of service delivery identified for improvement from audit reports and report its recommendations to the Policy Committee in either of the following circumstances:-**

a. **where the Policy Committee has concluded its scrutiny work and reported its findings to the Audit Committee and the Audit Committee is not sufficiently reassured; or**

b. **where the Policy Committee has reported to the Audit Committee that it does not intend to undertake scrutiny work on the matter identified.**

Provided that the Audit Committee will not revisit previous stages of the Committee Review Process if these have already been undertaken by the Policy Committee.

2.4 Following a request from the Chief Executive or Full Council to investigate any matter in which the Council has an interest and to call upon any officer of the Council or Chair/Vice-Chair of the Council's Committees to give evidence or provide written reports, as appropriate, all in accordance with the Committee Review Process and to report the matter/s to the relevant Policy Committee or to Full Council as specified in the request.

Appendix 2 - Audit Committee Scrutiny Referral Process

