
NORTH AYRSHIRE COUNCIL

10 September 2019

Audit and Scrutiny Committee

Title: Audit and Scrutiny Self-Evaluation

Purpose: To report on the outcome of a self-evaluation of the Audit and Scrutiny Committee undertaken as part of the improvement actions identified in the External Audit Interim Report 2018/19.

Recommendation: That the Committee (a) notes the findings of the self-evaluation, as set out at Appendix 1; (b) agrees the improvement actions identified in Appendix 1; and (c) agrees to repeat the self-evaluation exercise on an annual basis.

1. Executive Summary

- 1.1 The Audit and Scrutiny Committee was invited, as part of the External Audit Interim Report 2018/19, to undertake a self-evaluation of its performance. A self-evaluation toolkit was developed by officers in line with best practice frameworks. Members reflected on the toolkit independently in the first instance, before attending discussion sessions facilitated by officers.
- 1.2 The findings of the self-evaluation are set out at Appendix 1.

2. Background

- 2.1 At its meeting held on 18 June 2019, the Committee considered the External Audit Interim Report 2018/19 prepared by Deloitte LLP.
- 2.2 Among the recommendations for improvement identified in the accompanying Action Plan, was a suggestion that the Council undertake an annual self-evaluation of committee and Council performance. Given that CIPFA's "Delivering Good Governance in Local Government" is already adopted and an annual report to Council reviewing core governance documentation is produced, the auditors agreed that this recommendation could be met by assessing the effectiveness of the current Audit and Scrutiny Committee via a self-evaluation exercise, to be undertaken in line with best practice frameworks.
- 2.3 Officers reviewed a number of potential self-evaluation models, including toolkits produced by Deloitte and CIPFA, and took into account other relevant material, including the Statutory Guidance for England and Wales on Overview and Scrutiny in Local and Combined Authorities published by the Ministry of Housing, Communities and Local Government in May 2019. The self-evaluation toolkit set out at Appendix 1 was

developed as a result and comprises 67 questions covering all aspects of the committee's work under the broad headings of:

- Role of Committee Members
- Skills and Expertise
- Behavioural and Operational Aspects
- Information and Support
- Activities and Functions:
 - Governance*
 - Assurance*
 - Risk Management*
 - Internal Audit*
 - External Audit*
 - Financial Reporting*
 - Scrutiny*
- Review

2.4 Members of the Audit and Scrutiny Committee were invited to consider the self-evaluation questions independently in the first instance, before coming together for a discussion session, facilitated by the Head of Democratic Services and Senior Manager (Internal Audit, Risk and Fraud) on 23 August 2019. A subsequent follow-up was held on 3 September 2019 for two Members unable to attend the earlier session.

2.5 Appendix 1 to the report sets out the outcome of the discussion sessions, in terms of collating the consensus responses to the toolkit questions.

3. Proposals

3.1 The Committee is invited to:

- (a) note the findings of the self-evaluation, as set out at Appendix 1;
- (b) agree the improvement actions identified in Appendix 1; and
- (c) agree to repeat the self-evaluation exercise on an annual basis

4. Implications/Socio-economic Duty

Financial

4.1 None arising from this report.

Human Resources

4.2 None arising from this report.

Legal

4.3 None arising from this report. There are no proposals which will require amendment of the Scheme of Administration or Standing Orders

Equality/Socio-economic

4.4 None arising from this report.

Environmental and Sustainability

4.5 None arising from this report.

Key Priorities

4.6 This self-assessment exercise supports the role of the Committee in providing effective assurance and oversight. In turn this promotes good decision making which supports all of the Council priorities, particularly that of A Council for the Future.

Community Wealth Building

4.7 None arising from this report.

5. Consultation

5.1 All Members of the Audit and Scrutiny Committee were invited to contribute to the self-evaluation.

Craig Hatton
Chief Executive

For further information please contact **Melanie Anderson, Committee and Member Services Manager**, on telephone number 01294 324131.

Background Papers

Correspondence in respect of self-evaluation arrangements

Deloitte Audit Committee Effectiveness toolkit

CIPFA Audit Committee Self-Evaluation tool

Statutory Guidance for England and Wales on Overview and Scrutiny in Local and Combined Authorities published by the Ministry of Housing, Communities and Local Government in May 2019

SELF-EVALUATION TOOLKIT FOR THE AUDIT AND SCRUTINY COMMITTEE

		Area for focus?	Performing as Expected?	Special Strength?	Evidence for assessment	Improvement Actions
Role of Audit & Scrutiny Cttee Members						
1.	Does the committee have written terms of reference which are subject to periodic review?		X		The terms of reference are set out in the Council's Scheme of Administration (SOA), which is subject to annual review by the Council.	
2.	Is the role and purpose of the committee understood and accepted across the Council?		X		The SOA forms part of the Elected Member induction programme for new Members. The SOA is published on the Council's website and is accessible to Members, officers and the public.	
3.	Do the committee members clearly understand their roles and responsibilities?		X		The SOA forms part of the Elected Member induction programme.	
4.	Do committee members bring an independent mindset to their role?		X		No party whip has been declared at any meetings of the committee and its members are able to bring an independent mindset to their role.	
5.	Does the composition of the committee adequately reflect the political make-up of the Council? Are the majority of its members from outwith the Administration?		X		The committee comprises 7 Members: 3 from the main SNP Opposition Group, 2 from the Conservative and Unionist Group and 2 from the minority Labour Administration. The latter are not members of the Cabinet. There is currently no Independent Member representation, but the membership otherwise reflects the political make-up of the Council,	

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					with a majority of Members coming from outwith the Administration.	
6.	<p>Is the committee's remit clearly defined in respect of the following?</p> <ul style="list-style-type: none"> • performance • value for money • good governance • assurance • risk management and internal control • internal audit • external audit • financial reporting • scrutiny 		X		All of the elements mentioned are included within the committee's terms of reference, as set out in the Scheme of Administration.	
Skills and Expertise						
7.	Is an induction programme provided for new committee members, covering the role of the committee, its terms of reference and the key risk and issues facing the Council, as well as specialised areas such as treasury management?	X			New Members receive a full induction programme which includes the remit of the Audit and Scrutiny Committee. Additional training is also available on specific areas such as cyber security. A number of other relevant topics are delivered to all Members as part of the wider training and development programme.	The committee has identified that further training on interpreting accounting information may be required and have tasked the Head of Service (Financial and Customer Services) with ensuring this is included in the programme of Members' development sessions. Vice-chair could also attend pre agenda meetings.
8.	Are the ongoing training requirements of committee members agreed each year according to their specific needs and developments arising?		X		Members have the opportunity to undertake a PPD exercise annually to identify training and development needs. There is also scope for Members to participate in 360 degree appraisal, as well as one-to-one feedback. Along with other Councillors, Committee	

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					Members are regularly consulted on possible topics for Council. The Committee also receives an annual report on Member training which reviews past training and consults on ways to improve.	
9.	Do members feel they can request training if they consider this would help them in their role?		X		Members have the opportunity to undertake a PPD exercise annually to identify training and development needs. There is also scope for Members to participate in 360 degree appraisal, as well as one-to-one feedback. Along with other Councillors, Committee Members are regularly consulted on possible topics for Council. The Committee also receives an annual report on Member training which reviews past training and consults on ways to improve.	
10.	Does the Chair have appropriate knowledge and skills?		X		The Chair is the Leader of the Council's main Opposition Group and is experienced in chairing this and other meetings. Members of the committee agree that she is knowledgeable and capable in her role as Chair.	Chairing skills training to be arranged for the Vice-Chair.
Behavioural and Operational Aspects						
11.	Is the number of meetings sufficient to meet the committee's role and responsibilities (and not fewer than three per year)?		X		Five ordinary meetings a year are scheduled and there is provision for Special Meetings to be arranged, as required. In 2019, a further three such meetings were held, to consider call in requests and to allow more	

		Area for focus?	Performing as Expected?	Special Strength?	Evidence for assessment	Improvement Actions
					time to consider performance reporting.	
12.	Are committee meetings scheduled in good time in respect of important decisions and financial deadlines? And are the meetings are held to coincide with key dates within the financial reporting and audit cycle? Is there are clear plan for the year to ensure all matters within the committee's remit are covered?		X		The calendar of meetings is agreed following consultation with officers and Members, and to accord with key audit dates. The forward planner of committee business ensures that business is scheduled appropriately. In instances where the volume of business is likely to be onerous, there is provision to arrange additional meetings.	Consideration to be given to not scheduling on the week of Council
13.	Does the Agenda allow for flexibility, or for further meetings to be held where appropriate, should the committee need to spend additional time on issues?		X		Yes. See above.	
14.	Are meetings of the committee well-attended, with the majority of committee members present at each meeting?			X	Attendance levels since the start of the current Administration range from 71-94%.	
15.	Are all the committee members fully engaged and participative in meeting discussions? Do member participate in active discussion and debate around key agenda items, with appropriate contribution from each member? Do members ask questions, including 'tough' questions?		X		Members of the committee do engage and ask questions of officers and others attending the committee, and can ask for further clarification or reports, as required. The nature of the questions asked is summarised briefly in the Minutes.	
16.	Has each committee member declared their business interests? Is the register of interests checked on a regular basis? Is the register easily accessible?		X		Members have declared their business interests, which are published on the Council's website. A twice-yearly reminder to update the register of interests and this includes the statutory guidance that Members must update any	

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					changes or register any new gifts or hospitality (over £50) within a month.	
17.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?		X		The committee has a positive and constructive relationship with officers of the Council and the Council's external auditors. Both attend committee to present their reports and are available to meet with the Chair outwith meetings.	
18.	Does the committee hold periodic private discussions with the chief internal auditor and also with the external auditor?		X		Discussion with the chief internal and external auditors takes place. This tends to be in public, in the course of committee meetings. In addition, however, the Chair holds Pre-Agenda meetings with officers in private and there is also provision for the chief internal and internal auditor to meet with the Chair if required.	
19.	Does the committee have clear criteria for assessing its effectiveness to inform their annual assessment?	X			The current self-evaluation process offers an opportunity and mechanism for the committee to assess its effectiveness.	It is proposed that further self-evaluation work is undertaken on an annual basis.
Information and Support						
20.	Do the clerking arrangements for the committee ensure that the members' time is used effectively? For example: <ul style="list-style-type: none"> is there a good reason for each item being on the agenda? are all papers circulated sufficiently in advance (and none tabled) and distributed in sufficient time for members to give them due consideration? 		X		The draft Agenda is discussed in detail with the Chair at a Pre-Agenda meeting and the finalised Agenda then issued at least three clear days prior to the meeting. Papers are circulated in advance of the meeting as part of the Agenda. The standard report template includes sections setting out the	

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	<ul style="list-style-type: none"> do the reports prepared for the audit committee members make it clear what they are being asked to do/agree? 				proposals and detailed recommendations.	
21.	Does the committee have a mechanism to keep it aware of topical legal and regulatory issues and institutional developments, for example, by receiving circulars, training or briefing papers? Is the committee briefed on significant changes?	X			The committee receives ad hoc briefings and updates in respect of topical matters, such as recent Accounts Commission reports on specific topics	It is proposed that this is supplemented via a periodic report to committee summarising key developments and matters of interest.
22.	Do the committee members receive reports that are comprehensive but concise and tailored to their needs? Is the information they receive robust and objective?		X		<p>The volume of business considered can be extensive. However, the format of reporting has been improved to keep the reports as concise as possible, with key points highlighted and further information provided via appendices/links to external material/reference to background papers. The provision of electronic Agendas has assisted in ensuring that Members have the salient information and as well as access to further reading.</p> <p>The appendices to some performance reports are, by necessity, lengthy, although the covering report does identify key messages and highlights.</p>	
23.	Are Minutes taken and appropriately circulated to all committee members in a timely manner, with actions arising noted and their resolution tracked?		X		Minutes include the purpose of the report, a summary of Members' questions, the committee's decision and how it is to be implemented. Committee Services publishes the Minute within five working days of the meeting and Members receive an electronic link to it.	

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					Committee Services issues action notes to officers responsible for implementation as well as reminders about outstanding actions. A summary of overdue actions is also sent periodically to Executive Directors and Heads of Service.	
Activities and Functions: Performance						
24.	Does the committee receive regular detailed reports on the performance of services?		X		Council Plan progress reports are submitted annually and detailed reports on Service performance are considered twice yearly.	
25.	Is the committee involved in setting the strategy for performance review?		X		The committee does review the performance, but it is the Council as a whole which takes responsibility for setting the strategy via the Council Plan. Any concerns may, however, be raised via the committee.	
Activities and Functions: Governance						
26.	Does the committee provide support to the Council in meeting the requirements of good governance?		X		The committee receives an annual Governance Statement prepared by the Senior Manager (Internal Audit, Risk and Fraud) and is able to question/challenge its contents.	
27.	Does the committee oversee an assessment of the governance arrangements of the Council and advise on their effectiveness?		X		See above.	
28.	Does the committee consider reports and recommendations from external audit and regulators/agencies as appropriate and their implications for governance, risk management and control?		X		The committee does receive regular reports from the internal and external audit functions and wider regulatory and inspection agencies.	

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29.	Does the committee monitor arrangements for ensuring value for money and for managing exposure to the risk of fraud and corruption?		X		The committee receives regular reports on managing fraud and corruption, including an annual corporate fraud report, quarterly updates on corporate fraud action reports and regular reports on the outcome of investigations by Internal Audit and the Corporate Fraud team.	
30.	Does the committee scrutinise and challenge the finance committee (Cabinet) effectively?		X		The committee does hold the Cabinet to account, including via the call-in process. The committee has considered a number of call-in requests in recent years and has, on multiple occasions, recommended to the Cabinet that it reconsider its decisions.	If the Committee investigate any topic which requires further Cabinet explanation, it is proposed they invite the relevant Cabinet Member to the meeting to clarify decisions.
31.	Is the committee's role in relation to whistle blowing clear? Does the committee review the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters?		X		The Council has a whistle-blowing policy which is currently under review. The outcome will be reported to the Cabinet. The committee, therefore, has assurance that the processes are in place.	
32.	Is the committee's role in relation to the Council's fraud and corruption procedures clear?		X		The committee receives regular reports on corporate fraud investigations undertaken by the Council's internal audit function. It also receives a quarterly update on the implementation of actions identified as a result of investigations undertaken and is invited to challenge Services which have not implemented actions within the agreed timescales.	

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Activities and Functions: Assurance						
33.	Does the committee seek to ensure that assurance is planned and delivered?		X		The Senior Manager (Internal Audit, Risk and Fraud) prepares an Annual Governance Statement which is included within the annual accounts and explains how the Council complies with the Code of Governance Framework.	
34.	Does the committee understand what assurance is available to support the annual governance statement?		X		The Council's internal audit service sometimes carries out audits on compliance with corporate governance and the outcome is reported to the committee.	
35.	Does the committee seek clarity regarding what assurance is required?		X		Yes. For example, at a meeting of the full Council, the Chair raised queried a change to the risk rating associated with climate change issue of climate change and this may be the subject of future scrutiny by the committee.	
36.	Does the committee gain assurance that the Council's risk management, control and governance arrangements are adequate and effective?		X		Yes. See above.	
Activities and Functions: Risk Management						
37.	Does the committee keep risk management on its agenda throughout the year?	X			The committee receives an annual report on Strategic Risk Register. However, there is currently no ongoing reporting/mid-year report.	It is proposed that a mid-year report is also prepared.
38.	Does the committee monitor how the Council assesses risk? Does it review the Council's risk register on a regular basis?		X		The Cabinet approves the Council's Risk Management Strategy. However, the committee does receive an annual report on	It would be helpful to make such monitoring reports twice yearly

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					the Risk Register and is able to question/challenge its contents. The committee receives reports on specific areas of risk, including cyber security and Brexit.	
39.	Is the nature, source, format and frequency of information on risk management and internal control submitted to the committee fit for purpose?		X		Yes. See above.	
40.	Is the committee aware of the Council's cyber risk activity? Does it receive regular updates on management and mitigation of cyber risk? Has it received appropriate training to meet its responsibilities?		X		External auditors have reported on the outcome of the national cyber risk survey. Performance reporting by the Finance and Corporate Support Service has included information on action taken to ensure appropriate cyber security arrangements and training are in place. The committee has received reassurance that the Council achieved 'Cyber Essentials Plus' accreditation in September 2018. Members have also received specific briefings on cyber security.	
Activities and Functions: Internal Audit						
41.	Does the committee monitor and review the effectiveness of internal audit?		X		The committee receives an annual audit report, together with reports on the outcome of audits and is, therefore, able to question/challenge the work of the team. The Chair also meets with the Senior Manager (Internal Audit, Risk and Fraud).	
42.	Does the committee approve, annually and in detail, the internal audit strategic and annual plans? Does it		X		At its meeting on 26 March 2019, the committee was invited to	

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	ensure that the internal audit plan is aligned to the key risks of the business?				approve the Internal Audit plan for 2019- 2020, note the indicative programme for 2020-2024 and agree the indicators and targets set out in the report.	
43.	Does the committee consider the actions management have taken to implement the recommendations of internal audit? Are follow up audits by internal audit monitored by the committee?		X		Yes. These are the subject of quarterly reports.	
44.	Does the committee receive regular progress reports from the internal audit service summarising internal audit activity?		X		The committee receives regular reports on internal audit reports issued. These include the key findings of audits undertaken and the management response.	
45.	Is the internal audit plan sufficiently flexible and dynamic to help identify and address new risks and promptly meet the emerging needs of the audit committee?		X		The indicative programme of work will be reviewed each year and may change to reflect the priorities at that time	
46.	How does the committee ensure that a professional relationship is maintained between internal and external audit?		X		The Chair is able to meet separately with internal and external audit representatives.	
47.	Does the committee review the adequacy of internal audit staffing and other resources?		X		The committee receives information on audit staffing as part of the audit plan and the audit annual report.	
48.	Does the committee, in conjunction with the internal audit service and management, have a role in establishing and maintaining appropriate performance indicators to measure the work of the internal audit service?		X		The annual audit plan which is reported to committee includes performance indicators.	
Activities and Functions: External Audit						
49.	Are follow up audits by external audit monitored by the committee?		X		The Committee receives progress reports on action plans arising from external audit.	

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50.	Does the committee consider the adequacy of implementation of external audit recommendations?		X		The external auditors include in their current report information on the action which has been undertaken by the Council to implement recommendations from the previous audit and this is duly presented to the committee. In addition, the Chair meets with the external auditors.	
51.	Do the external auditors present their audit plans and strategy to the committee for review?		X		The committee receives an annual report on the External Audit plan.	
52.	Does the committee assess the performance of external audit?		X		External auditors attend the committee to present their reports and are, therefore, open to questions and challenge.	
53.	Is the committee clear regarding its role in the rare event of external audit qualifying the Council's financial statements?		X		If the Council's accounts were qualified, the committee would require a further report and would undertake a review of areas qualified to ensure adequate improvement actions had been put in place.	
Activities and Functions: Financial Reporting						
54.	Does the committee monitor the integrity of financial statements and announcements and review significant financial reporting judgements?	X			In addition to the reports initiated by officers, the committee may also raise any other significant matters.	The committee has asked officers to produce more focussed reports in future to ensure this point is addressed.
55.	Does the committee review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit?		X		This information is presented to committee for consideration.	
56.	Does the committee consider significant accounting policies and any changes to them? Does it at least annually assess whether the Council has adopted appropriate accounting policies?		X		The committee approves Accounting Policies annually.	

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57.	Does the committee receive reports on significant matters such as Brexit and are the consequential risks and uncertainties in the political environment adequately reflected?		X		The committee has requested, and receives, quarterly updates on EU-Exit and the anticipated impact on the Council/community. The Council as a whole also receives reports on the long term financial overview for North Ayrshire.	Suggestion that EU-Exit reports now go to every Committee.
58.	Does the committee consider whether the financial statements satisfy all statutory and regulatory requirements to which the Council is subject?		X		The committee is guided by the professional advice of the officers presenting these reports but is able to question/challenge if appropriate. Proposed revised response – “The external auditors annual report provides assurance on the financial statements compliance with all statutory and regulatory requirements.	
Activities and Function: Scrutiny						
59.	Does the committee consider key matters of their own initiative rather than relying solely on the work of the internal/external auditor or responding to call-in requests?	X			Although the committee has not formally initiated any reviews, scrutiny work has been undertaken on subjects such as Brexit, the financial monitoring of the Health and Social Care Partnership and a summary of finding from external regulators and inspectors.	It is proposed that the committee considers a programme of annual scrutiny activity. It is suggested that reports arising from smaller scale scrutiny activity (e.g. regular reporting on Brexit) is more clearly highlighted on Agendas as scrutiny activity. It is also suggested that committee members have an informal discussion following each meeting to discuss future agenda items.
60.	Does the committee agree an annual programme of scrutiny and review activity?	X			Officers have been asked to submit an annual report to the committee proposing a programme of scrutiny and review work.	See above.

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61.	Does the committee have sufficient resources to undertake investigations or review work?		X		The committee has received an assurance that the necessary resources would be made available to it in order to conduct reviews.	
Review						
62.	Does the committee assess its performance and effectiveness on a regular basis? Do members assess how they could carry out their business more effectively, e.g. timetabling of business?	X			The committee intends to conduct self-evaluation work on an annual basis. See previous comment re appropriateness of this level of frequency.	It is proposed that self-evaluation work is undertaken annually.
63.	Are there KPIs in place against which committee members can assess their performance?		X		The committee does not consider that KPIs are necessary given that the external auditor's interim and final reports, internal audit reports and best value reports provide necessary assurance.	
64.	Has the committee evaluated whether and how it is adding value to the Council?		X		The committee has not sought to evaluate the value it adds to the Council. Members are unclear on how such an evaluation might be undertaken.	Officers to investigate whether there is any other good practice elsewhere.
65.	Does the committee produce an annual report and have an action plan to improve any areas of weakness?		X		The committee does not currently produce an annual report or action plan. Members consider that to do so would represent duplication, in that its Minutes set out all of the business which has been transacted and this information is placed in the public domain.	
66.	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		X		The committee has not formally sought feedback on its performance. Members feel it would be difficult to establish who would be surveyed and how the	

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					outcome might be usefully interpreted. For instance, a petitioner attending a meeting of the Audit and Scrutiny Committee to speak to their petition, or an Elected Member attending to present a call-in request, might be satisfied with the committee's work if they achieve their desired outcome, but this in itself will not necessarily be an effective gauge of the committee's effectiveness.	
67.	Does the committee benchmark its performance against good practice for committees elsewhere in local government/more widely as appropriate?	X			The committee tends to rely up officers (chiefly Section 95 and Monitoring Officer) to keep it advised on best practice elsewhere.	The Chair will in future meet with the Section 95 officer and Monitoring Officer on an annual basis to formalise the discussion on good practice. This will have regard to the content of the external auditor's report re governance and scrutiny in the annual report, as well as wider reports.