

APPENDIX A: Discussion paper – The Complementary Roles of the Audit Standards Committee (ASC) and Audit Standards Advisory Committee (ASAC) and the Scrutiny Committees

1 Complementary roles of the Committees

The ASC and ASAC are responsible for providing assurance on the adequacy of the Council's overall systems of governance, risk management and internal control and compliance with established policies and operational procedures and recommending necessary changes in controls, policies, or procedures. The Committees must be satisfied that the Council's assurance statements, including the Annual Governance Statement properly reflect the risk and control environment and that appropriate action is being taken on risk-related issues.

Scrutiny takes a broader strategic perspective and is concerned with the impact of decisions on the people, providing an important check and balance to ensure the decisions that are made reflect the interests and needs of local residents and businesses, holding the Cabinet to account through effective scrutiny of performance, policy development and decision making.

Scrutiny is therefore an integral part of the council's governance arrangements, and a source of assurance to the ASC and ASAC on the effectiveness of operations.

All four committees have a role in ongoing review of the outputs of all assurance providers (e.g. IA, EA, OFSTED, CQC) to identify and risk areas and inform work programmes of respective committees as necessary.

The audit and scrutiny functions have complementary roles but there is sometimes some uncertainty about how this should operate and which function should be responsible for considering particular questions or issues.

This was discussed by the ASAC as part of its recent self-assessment and as a result it was agreed that we should seek to achieve better alignment between ASAC and Scrutiny especially on financial matters which could be achieved by synchronising the work programmes of Scrutiny and ASAC with the work of Cabinet (including clarifying the distinction between the roles of ASAC and Scrutiny Committees).

Some responsibilities are clear.

ASAC/ASC are clearly responsible for obtaining assurance on the effectiveness of:

- Internal Audit and Counter Fraud activity;
- The Risk Management framework;
- External audit activity;
- The corporate governance framework (including signing off the Annual Governance Statement);
- The regulatory framework (including in particular Contract Standing Orders and Financial Regulations), and
- Member conduct standards.

Scrutiny Committees are clearly responsible for:

- Supporting the Cabinet in policy development through scrutiny and task group activity;
- Holding the Cabinet and other decision makers to account for the performance of services;
- Calling in individual key decisions, and
- Considering requests for reviews on the handling of petitions in accordance with standing orders.

Resources and Public Realm Scrutiny Committee in particular has a role in relation to the budget.

There are other areas where there is scope for confusion. The table below suggests where the demarcation in these areas between the two functions may lie in respect of some that have been identified.

TOPIC	Scrutiny Responsibility	Audit Responsibility
Budget setting	To consider the policy implications of the budget and the potential impacts of local residents and businesses.	To consider whether financial assumptions made in the budget setting process are realistic.
Budget Monitoring	To review the budget performance of specific areas/services, for example in areas where expenditure against budget looks to be well above or below forecasts or where growth/savings targets exist.	To provide assurance that budgets are monitored and reported effectively.
Partners and partnerships	Review or scrutinise the performance of key public sector bodies (in particular the NHS and the community safety partnership) and anybody carrying out any function on behalf of or in partnership with the Council.	Provide assurance as to the council's arrangement for governance of partnerships and relationships with partners
Project management	Carrying out periodic 'post implementation reviews' of large revenue or capital projects to determine whether these were delivered on time and within budget, achieved their stated aims and delivered the outcomes and value for money anticipated.	Provide assurance as to the council's overall arrangements for managing significant projects.

Value for money	Assess the value for money (social and financial) provided by council and where relevant other local public services or provided by council grant funding programmes.	Consider the annual VFM assessment provided by the external auditors.
Risk Management	Consider particular issues highlighted through the council's risk management process to scrutinise sufficiency and implementation of mitigation measures.	To oversee the effectiveness of the Council's risk management framework including receiving bi-annual update on the Corporate Risks Register.

2 Skills and attributes for committee members

Members of Audit Committees and Scrutiny Committees require many of the same skills and attributes, including:

- Curiosity;
- Active listening;
- Effective questioning;
- A willingness to courteously challenge;
- Objective and independent thinking, and
- Ability to understand data.

For both types of committee, diversity of membership is also important to achieve a variety of perspectives.

However, additional particular skills and attributes are also needed as follows:

Audit Committee members need to have a detailed understanding of:

- finance and accounting, including financial reporting;
- broad governance, assurance, and risk management disciplines;
- understanding of internal controls and assurance frameworks, including understanding of the roles of internal and external audit.

Scrutiny Committee members need to have an understanding of the council services which fall within their remit. They also need to understand the structures and context of the partner organisation which they scrutinise. Scrutiny committee members will also often be presented with performance management information and need to have the skills to navigate this information effectively. They also an understanding of local government finance and budgeting to enable them to scrutinise such issue effectively.

These training needs are currently addressed through the Member Learning & Development Programme, as follows:

Training for Scrutiny Committee Members

All Scrutiny Members attend an induction training session on *Scrutiny Essentials* delivered by the Centre for Public Scrutiny (CfPS).

This training event is to help provide Members with a clear understanding of their role on the committee in scrutinizing the council's executive and relevant partner organisations.

The session covers:

- the role and potential impact of scrutiny
- council performance
- how scrutiny can better add value to policy and practice in the future
- the focus of overview and scrutiny and work programmes
- preparing for meetings
- questioning techniques
- themes and key lines of enquiry.

Training for Audit & Standards and Audit & Standards Advisory Committee Members

All Audit & Standards Advisory Committee Members attend a mandatory induction session when appointed to the Committee.

The main purpose of the induction is to provide Members with the information and support they would need to fulfil their roles on the committee.

The session covers the following:

- Standards
- Treasury Management Framework - CIPFA Treasury Management Code of Practice
- Financial Governance and Position
- Internal Audit and Risk Management
- Counter Fraud and Investigations

The committee may wish to consider undertaking a specific training needs assessment for ASAC members.

3 Aligning the complementary work of the committees

A potential option for developing and encouraging a closer alignment between areas of complementary work undertaken by both the ASAC and Scrutiny Committees could involve the introduction of a more co-ordinated approach towards the work programme setting process for each Committee.

The ASAC and Scrutiny Committees are required to set and agree a work programme at the start of each Municipal Year, based on their respective remits. One way in which

it may be possible to encourage a more joined up approach would be for the Chair's (and Vice-Chair of the ASAC), supported by a senior officer, to meet at the start of each year, with their Support Officers. This joint meeting would review the draft work programmes and identify any areas where the potential for complementary work could be undertaken. This could be combined with the existing scrutiny committee work planning meetings. Having identified any potential areas of work there would then be the option for each Committee to consider how they may wish to work together in order to support the respective reviews.

This complementary work could take the form of Scrutiny proposing specific areas of IA focus in order to receive assurance on areas where they may have a gap in that respect. ASAC may wish to receive the outputs of any Scrutiny activity in order to inform the work of the Internal Audit function if assurance gaps became evident.