

## CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

### Midlothian Council Audit Committee – self-assessment of Good Practice at 10 March 2020

Audit committee purpose and governance	Yes/Partly /No	Comments
Does the authority have a dedicated audit committee?	<input type="checkbox"/> Yes	Standing Orders approved by the Council includes the remit of the Audit Committee.
Does the audit committee report directly to full council?	<input type="checkbox"/> Yes	All Minutes of Audit Committee are circulated to full Council for noting and approval of any of their recommendations. An annual report is submitted by the Chair of the Audit Committee to full Council.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input type="checkbox"/> Yes	Terms of Reference in place and periodically reviewed against CIPFA's best practice by the Chief Internal Auditor.
Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="checkbox"/> Yes	Role of Audit Committee is set out in the Council's Standing Orders. Senior Management and Elected Members have access to Standing Orders on the Council's Intranet. The Chief Executive, Directors and Section 95 Officer, External Audit (EY) and Internal Audit attend all Audit Committee meetings.
Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input type="checkbox"/> Yes	Audit Committee carries out the role set out in the Terms of Reference contributing to the Council's governance framework.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	<input type="checkbox"/> Yes	All Minutes of Audit Committee are circulated to full Council for noting and approval of any recommendations. An annual report is submitted by the Chair of the Audit Committee to full Council. It sets out the activities to enable stakeholders to understand how the Audit Committee has discharged its duties and identifies areas of improvement to fulfil its remit. MLC continues to be a lead authority in adopting this best practice.

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Functions of the committee	Yes/Partly /No	Comments
Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?		
<ul style="list-style-type: none"> <li>• good governance</li> </ul>	Yes	Functions in Terms of Reference Nos. 1, 3 & 4
<ul style="list-style-type: none"> <li>• assurance framework, including partnerships and collaboration arrangements</li> </ul>	Yes	Assurance Framework Function in Terms of Reference No. 6 and explicit references to these service delivery models in Nos. 3, 6 & 7 within the revised TOR approved by Council in August 2019.
<ul style="list-style-type: none"> <li>• internal audit</li> </ul>	Yes	Functions in Terms of Reference Nos. 13-24
<ul style="list-style-type: none"> <li>• external audit</li> </ul>	Yes	Functions in Terms of Reference Nos. 25-29
<ul style="list-style-type: none"> <li>• financial reporting</li> </ul>	Yes	Functions in Terms of Reference Nos. 30-31
<ul style="list-style-type: none"> <li>• risk management</li> </ul>	Yes	Functions in Terms of Reference Nos. 6-8
<ul style="list-style-type: none"> <li>• Value for money or best value</li> </ul>	Yes	Function in Terms of Reference No. 5
<ul style="list-style-type: none"> <li>• Counter-fraud or corruption</li> </ul>	Yes	Functions in Terms of Reference Nos. 9-11
<ul style="list-style-type: none"> <li>• Supporting the ethical framework</li> </ul>	Yes	Function in Terms of Reference No. 12 Treasury Management and explicit references to ethics in Functions 3 & 19 within the revised TOR Approved by Council in August 2019.

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Functions of the committee (cont'd)	Yes/Partly /No	Comments
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes	Annual self-assessment undertaken on 10 March 2020 against CIPFA good practice checklist and effectiveness toolkit with the outcome / output referenced as part of the annual report submitted by the Chair of the Audit Committee to full Council.
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes	The Audit Committee is responsible for scrutiny of the treasury management strategy, mid-term and annual performance reports prior to their presentation to Council for approval (Audit function no. 12). Improvement required in practice: Check schedule of meetings for 2020/21 to ensure the sequencing of all three reports presentation to enable the Audit Committee to effectively fulfil its role.
Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	Terms of Reference covers core areas.
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	Terms of Reference is limited to governance, risk and control; it is non-decision-making though does have an advisory function to recommend improvements to Council within its remit.

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Membership and support	Yes/Partly /No	Comments
<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member</li> </ul>	Yes*	<p>No (1<sup>st</sup> bullet) - Two of the six Elected Members on the Audit Committee are in the Cabinet (Committee with executive decision-making powers). However this is considered as difficult to avoid in a small Council and the Audit Committee operates with an independent Chair and independent member and there is therefore effective independent scrutiny and challenge.</p> <p>Yes (2<sup>nd</sup> 3<sup>rd</sup> and 4<sup>th</sup> bullet points) – Committee comprises of six Elected Members and two independent members (one of which is the Chair) who have a mix of skills, knowledge and experience.</p>
<p>Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?</p>	Yes	<p>An external recruitment, selection and appointment process was undertaken in 2017 for independent members on the Audit Committee.</p>
<p>Does the chair of the committee have appropriate knowledge and skills?</p>	Yes	<p>The independent Chair of the Audit Committee has previous experience of chairing meetings and a previous career within the financial sector.</p>
<p>Are arrangements in place to support the committee with briefings and training?</p>	Yes	<p>The previous year’s improvement action to undertake briefings / seminars on Statutory Accounts (June and September 2019) and Treasury Management (November 2019) to enhance skills and knowledge was progressed during the year. Informal Sessions are used for development purposes.</p>
<p>Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>	No	<p>Improvement required: Utilise the CIPFA Skills and Knowledge toolkit.</p>
<p>Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?</p>	Yes	<p>The Chair meets with Chief Internal Auditor (CIA) in advance of each Audit Committee meeting and has the option to meet with External Auditors, EY, in private. Prior to each Audit Committee meeting the Chair has pre-meeting with Chief Executive, CIA, Executive Director Place, and Section 95 Officer. Informal Sessions are scheduled prior to each meeting.</p>
<p>Is adequate secretariat and administrative support to the committee provided?</p>	Yes	<p>A Democratic Services Officer is assigned to the Audit Committee.</p>

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Effectiveness of the committee	Yes/Partly/No	Comments
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Partly	External Audit comment on Audit Committee as part of Governance within the Annual Audit Report. Audit Committee Annual Report presented to Council in August 2019 as an opportunity. Improvement required: The Audit Committee will obtain feedback on its performance from CMT.
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	The Chief Executive, Directors, and Section 95 Officer attend all Audit Committee meetings and respond to members’ questions as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon. The Risk Manager presents a quarterly update on the Corporate Risk Register to the Committee setting out the corporate risks, evaluation and mitigations.
Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	Recommendations are made by the Committee to Council in accordance with the business considered by the Committee. An Action Tracker for Audit Committee is in place to monitor completion of their recommended actions.
Has the committee evaluated whether and how it is adding value to the organisation?	Yes	The Audit Committee carries out an annual self assessment of performance against the CIPFA good practice checklist and the effectiveness toolkit from the CIPFA guidance 2018 ‘audit committees’, the latter enabling evaluation of how effectively it fulfils its Audit functions. The 2019/20 self-assessment was carried out on 10 March 2020 during an Informal Session.
Does the committee have an action plan to improve any areas of weakness?	Yes	As part of its annual self-assessment 2019/20 the Committee has recognised where it could improve in respect of its scrutiny and challenge role to fulfil its remit and to further add value. Improvements are set out within the Audit Committee Annual Report 2019/20.
Does the committee publish an annual report to account for its performance and explain its work?	Yes	The Audit Committee Annual Report is presented to the Council each year. It sets out the activities to enable stakeholders to understand how the Committee has discharged its duties. MLC continues to be a lead authority in adopting this best practice.

