

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

Midlothian Council Audit Committee – self-assessment of Good Practice at 25 January 2022

Audit committee purpose and governance	Yes/Partly/No	Comments
Does the authority have a dedicated audit committee?	<input type="checkbox"/> Yes	The Council's Scheme of Administration approved in May 2017 lists the composition of the Council and its various Committees, including 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 of the Audit Committee are periodically reviewed against CIPFA's best practice by the Chief Internal Auditor. Revisions to its Terms of Reference were approved by Council in August 2019 arising from an update to CIPFA's Position Statement in 2018.
Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="checkbox"/> Yes	The role and purpose of the Audit Committee is set out in the Council's Scheme of Administration including what it can do, the arrangements for meetings, required quorums etc. References to the role of the Audit Committee are made and draft agendas and reports are presented to the Corporate Management Team by the Chief Internal Auditor in advance of each Audit Committee meeting.
Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input type="checkbox"/> Yes	The Audit Committee carries out the role set out in the Terms of Reference contributing to the Council's governance framework which is set out in the Local Code of Corporate Governance approved by Council in March 2021. All Minutes of the Audit Committee are circulated to full Council for noting and approval of any recommendations.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	<input type="checkbox"/> Yes	The Audit Committee annually reviews its terms of reference as part of it carrying out a self-assessment of performance using best practice checklists. 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 adopt 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"> • good governance 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 1, 3 & 4
<ul style="list-style-type: none"> • assurance framework, including partnerships and collaboration arrangements 	<input type="checkbox"/> 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 Terms of Reference approved by Council in August 2019.
<ul style="list-style-type: none"> • internal audit 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 13-24
<ul style="list-style-type: none"> • external audit 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 25-29
<ul style="list-style-type: none"> • financial reporting 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 30-31
<ul style="list-style-type: none"> • risk management 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 6-8
<ul style="list-style-type: none"> • Value for money or best value 	<input type="checkbox"/> Yes	Function in Terms of Reference No. 5
<ul style="list-style-type: none"> • Counter-fraud or corruption 	<input type="checkbox"/> Yes	Functions in Terms of Reference Nos. 9-11
<ul style="list-style-type: none"> • Supporting the ethical framework 	<input type="checkbox"/> Yes	Function in Terms of Reference No. 12 Treasury Management and explicit references to ethics in Functions 3 & 19 within the revised Terms of Reference 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

The Audit Committee annually reviews its terms of reference as part of it carrying out a self-assessment of performance using best practice checklists. The 2021/22 annual self-assessment was undertaken by members of the Audit Committee on 25 January 2022 using CIPFA's good practice checklist and effectiveness toolkit to inform the Audit Committee Annual/End of Term Report 2021/22.

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), in accordance with the CIPFA Treasury Management Code of Practice. This scrutiny occurred during 2021/22 at Audit Committee meetings including the Annual Treasury Management Outturn Report 2020/21 in June 2021, the Treasury Management Mid-Year Review Report 2021/22 in December 2021, and the draft Treasury Management and Investment Strategy 2022-23 in January 2022. The Audit Committee will have the opportunity in March 2022 to scrutinise the full suite of Treasury Management Practices (TMPs) following CIPFA release of the new editions of the Treasury Management Code and Prudential Code on 20 December 2021. Briefings and Refresher sessions on the technical area of Treasury Management and Prudential Indicators are important to enable Members to consider these reports to fulfil relevant remits.

Where coverage of core areas has been found to be limited, are plans in place to address this?

Yes

The Audit Committee 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

The Audit Committee 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"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member 	Yes*	<p>*No (1st bullet) - Two of the six Elected Members on the Audit Committee are in the Cabinet (Committee with executive decision-making powers), reflecting the arrangements set out in the Council’s Scheme of Administration i.e. there should be a one third equal split on all Committees reflecting the number of Councillors for each political party. To partially mitigate this, the Audit Committee operates with an independent Chair and a second independent member to provide the opportunity for independent scrutiny and challenge.</p> <p>Yes (2nd 3rd and 4th 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. Action required: A recruitment, selection and appointment process for the independent members of the Audit Committee to be scheduled prior to May 2022 local government elections to enable those appointed to benefit from the elected members’ induction programme.</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>Development Sessions during the year are used for Audit Committee member learning and 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 identified in 2020/21 self-assessment has been delayed and will be carried forward: 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 independent 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. The independent Chair has a pre-meeting with senior management prior to each Audit Committee meeting to enable wider context of Council business. Development 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	Improvement identified in 2020/21 self-assessment has been delayed and will be carried forward: The Audit Committee will continue to obtain feedback on its performance from senior management and the external auditor.
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 Chief Officer Place presents quarterly updates to the Committee setting out the corporate risks 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 2021/22 self-assessment was carried out on 25 January 2022 during a Development Session.
Does the committee have an action plan to improve any areas of weakness?	Yes	As part of its annual self-assessment 2021/22 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/End of Term Report 2021/22.
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 adopt this best practice.

