

## **Audit Committee Annual / End of Term Report 2022/23**

### **Report by Chair of the Audit Committee**

### **Report for Decision**

#### **1 Recommendations**

The Audit Committee is asked to approve the Audit Committee Annual / End of Term Report 2022/23 (Appendix 1) and its self-assessments using the CIPFA Audit Committees Guidance (Appendices 2 and 3), and agrees that the Audit Committee Annual / End of Term Report 2022/23 should be presented to the Council.

#### **2 Purpose of Report/Executive Summary**

The purpose of this report is to provide Members with the Audit Committee Annual / End of Term Report 2022/23, which sets out how the Audit Committee has performed against its remit and the effectiveness of the Audit Committee in meeting its purpose based on the annual self-assessments of the Committee against best practice, and provides assurances to the Council.

It is important that the Council's Audit Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit Committee for submission to the Council. The Audit Committee Annual / End of Term Report 2022/23 is appended to this report as Appendix 1 for consideration. Midlothian Council adopts the 2022 revisions to this best practice.

**Date 13 September 2023**

#### **Report Contact on behalf of the Chair of the Audit Committee:**

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### **3 Background**

- 3.1** It is important that the Council's Audit Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council.
- 3.2** The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee.
- 3.3** The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

### **4 Audit Committee Annual / End of Term Report 2022/23 and Self-Assessments**

- 4.1** The Audit Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during an Informal Session on 25 January 2022 facilitated by the Chief Internal Auditor. A further self-assessment has been completed in August 2023 by the Chair of the Audit Committee and the Chief Internal Auditor and these are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration.
- 4.2** The outcome of the self-assessments was a medium degree of performance against the good practice principles and a medium degree of effectiveness. Improvements were identified focussing on activity to improve its effectiveness in fulfilling its role. In summary these are:
  - A private meeting of all Committee members with external audit and the Chief Internal Auditor should be arranged on an annual basis moving forward.
  - Despite a recruitment campaign in May 2022 the committee does not include two lay/co-opted independent members in accordance with the CIPFA Guidance, consideration of any other routes to recruit independent members should be given.
  - A review of any ongoing training needs of Committee members covering the core areas set out in the 2022 CIPFA Guidance.
- 4.3** The Audit Committee Annual / End of Term Report 2022/23 is appended to this report as Appendix 1 for consideration. Midlothian Council continues to adopt this best practice. It is designed both to provide assurance to full Council and to share lessons learned and areas of improvement to inform the new Audit Committee post local elections in May 2022 to enhance the Audit Committee's effectiveness as a scrutiny body.

## **5 Report Implications (Resource, Digital, Risk and Equalities)**

### **5.1 Resource**

The Council has provided support and resources to the Audit Committee throughout the year including a Democratic Services Officer as the Minute secretary.

In terms of accountability and independence to ensure conformance with the Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor reports functionally to the Audit Committee as outlined within the Internal Audit Charter. The Chief Internal Auditor facilitated the annual self-assessment process and the prepared the Audit Committee Annual / End of Term Report on behalf of the Chair.

### **5.2 Digital**

There are no digital implications arising from this report.

### **5.3 Risk**

The role of the Audit Committee includes the high level oversight of the effectiveness of the Council's systems of internal financial control, internal control and governance, including risk management.

There is a risk that the Audit Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body as a foundation for sound corporate governance. The completion of the annual self-assessment and identification of improvement actions as evidenced through this Annual / End of Term Report will mitigate this risk.

### **5.4 Ensuring Equalities**

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

### **5.5 Additional Report Implications (See Appendix A)**

### **5.6 Appendices**

Appendix 1 – Audit Committee Annual Report 2022-23

Appendix 2 – Self Evaluation CIPFA Good Practice Checklist 2022-23

Appendix 3 – Effectiveness Self Evaluation 2022-23

## **APPENDIX A – Additional Report Implications**

### **A.1 Key Priorities within the Single Midlothian Plan**

Although this report does not relate directly to the key priorities within the Single Midlothian Plan to which Midlothian Council and its Community Planning Partners have made a commitment (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change), good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives.

### **A.2 Key Drivers for Change**

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☒ Modern
- ☒ Sustainable
- ☐ Transformational
- ☐ Preventative
- ☐ Asset-based
- ☒ Continuous Improvement
- ☐ One size fits one
- ☐ None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Self-assessment of the Audit Committee utilising best practice toolkits underpins its own continuous improvement to ensure that modern and sustainable governance arrangements are in place.

### **A.3 Key Delivery Streams**

Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☒ Efficient and Modern
- ☒ Innovative and Ambitious

### **A.4 Delivering Best Value**

Self-assessment of the Audit Committee utilising best practice toolkits underpins its own continuous improvement to enhance its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council, thus supporting the delivery of the Council's best value duties.

## **A.5 Involving Communities and Other Stakeholders**

The Audit Committee in fulfilling its governance role acts as a bridge between the Council and other stakeholders.

## **A.6 Impact on Performance and Outcomes**

The members of the Audit Committee have reflected on the performance and outcomes against the remit of the Committee through the completion of annual self-assessments. The identification of improvement actions as evidenced through the Audit Committee Annual / End of Term Report are designed to enhance its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.

## **A.7 Adopting a Preventative Approach**

Assurances received by the Audit Committee from Management, Internal Audit and External Audit set out the assessment of prevention and detection internal controls and governance arrangements.

## **A.8 Supporting Sustainable Development**

This report does not relate directly to supporting sustainable development. Good governance is important to enable Midlothian Council to achieve its objectives.