

**Audit Committee – Independent Chair & Independent Non-Voting Member****Report by Kevin Anderson Executive Director - Place****Report for Decision****1 Recommendations**

Audit Committee is recommended to note that no applications or notes of interest were received for the recently advertised roles of the Independent Chair and Independent Non-Voting Member of the Audit Committee and to consider the alternative options available to recommend to Council to either;

- i) re-advertise the roles across an additional range of recruitment sources; or
- ii) continue with an elected member chair; or to
- iii) address the matter in the Standing Orders review to potentially combine the committee remit into another relevant wider scope committee ie. a prospective Audit, Risk & Performance Review Committee.

**2 Purpose of Report/Executive Summary**

The council invited applications to the posts of Independent Chair and Independent Non-Voting Member of the Audit Committee. The roles are voluntary but expenses are paid. The appointments are at the council's discretion and are expected to run until the council elections in May 2027.

**Date:** 16 September 2022

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### **3 Background**

- 3.1** The Audit Committee is a key component of Midlothian Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin governance and financial standards. It comprises 5 Councillors and an Independent Chair. There is also an independent non-voting person who, at the invitation of the Chair, can comment on all aspects of the Committee's business in order to assist its deliberations.
- 3.2** The committee provides independent assurance to elected members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and considers the council's statutory accounts and annual governance processes. It receives reports from both internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. The role of the Audit Committee is to perform the following functions:

### **4. Governance, risk and control**

- To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances relating to the council's service delivery to ensure that the highest standards of probity, public accountability and ethical standards are demonstrated.
- To review the draft Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the council's framework of assurance, relating to the council's service delivery and ensure that it adequately addresses the risk and priorities of the council.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud corruption.
- To monitor the counter-fraud strategy, actions and resources.
- To monitor the Treasury Management arrangements, through the scrutiny of the treasury management strategy, mid-term and annual

performance reports prior to their presentation to Council for approval, and the council's approach to establishing ethical standards.

## 5 Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resources requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Chief Internal Auditor to determine if there are any inappropriate scope or resource limitation.
- To consider reports from the Chief Internal Auditor on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Chief Internal Auditor's annual report:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Chief Internal Auditor has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement.

- To support the development of effective communication with the Chief Internal Auditor.

## **6 External audit**

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## **7 Financial reporting**

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **8 Accountability arrangements**

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## **9 Report Implications**

### **9.1 Resource**

There are no resource implications arising from this report.

### **9.2 Risk**

Good governance requires that organisation structures are kept under review to ensure that they are fit for purpose and are congruent with both the priorities set out in the Community Plan and the actions contained within the Council's Strategies.

### **9.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

#### 9.4 **Impact on Performance and Outcomes**

There are no implications arising from this report.

#### 9.5 **Ensuring Equalities**

There are no implications arising from this report.