

# Minute of Meeting

Audit Committee  
Tuesday 21 June 2016  
Item No 4.1



Midlothian

## Audit Committee

Date	Time	Venue
Tuesday 10 May 2016	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

Peter Smail (Independent Chair)	Michael Thomas (Independent Member)
Councillor Bryant	Councillor de Vink
Councillor Milligan	Councillor Muirhead
Councillor Parry	

### In attendance:

Kenneth Lawrie	Chief Executive
John Blair	Director Resources
Mary Smith	Director Education, Communities and Economy
Gary Fairley	Head of Integrated Service Support
Ian Johnson	Head of Communities and Economy
Graham Herbert	Internal Audit Manager
Elaine Greaves	Internal Audit Manager
Heather Mohieddeen	Senior Auditor
Claire Gardiner	External Auditor Grant Thornton

## 1. Apologies

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1.1 Apologies were received from Councillor Baxter

## 2. Order of Business

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The order of business was confirmed as outlined in the agenda that had been circulated.

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Previous Meetings

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4.1 The minutes of the Audit Committee meeting of 15 March 2016 were submitted and approved as a correct record.

## 5. Reports

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Report No.	Report Title	Presented by:
5.1	Audit Scotland Report: An overview of local government in Scotland 2016	Chief Executive

### Outline of report and summary of discussion

There was a report submitted to the Audit Committee from the Chief Executive dated 20 April 2016 providing the Committee with a summary of the Audit Scotland Report, 'An overview of local government in Scotland 2016' and the Council's position in relation to the report's findings. The Chief Executive highlighted to the Committee the key messages identified in the report and the challenges facing the Council. Thereafter the Committee raised the following questions which were responded to by the Chief Executive and the Head of Finance and Integrated Service Support.

- The completion of the Self Assessment tool for Councillors.
- Local Government Pension Scheme and the long term strategy in place.
- The issues around workforce reduction, job matching, re-training and productivity during this time of change.
- The possibility of sharing other services with other local authorities or partnership agencies.
- Midlothian Council's position with regards to the equal pay claim settlements.
- The difference in the sickness absence figures for Teachers and Employees (non-teachers).
- The review of Council's Services and how we can make significant changes to these services.

### Decision

To note the Audit Scotland report and the position of Midlothian Scotland in relation to the report's findings.

Report No.	Report Title	Presented by:
5.2	Audit Committee External Audit Update Paper – Midlothian Council	Grant Thornton, External Auditors

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee from the External Auditors dated May 2016 updating the Committee on the progress in the delivery of their responsibilities as External Auditors and a summary of emerging national issues and developments relevant to the Council. The External Auditor thereafter gave detailed responses to questions from the Committee which included:

- The change of fair value measurement and any impact on Midlothian Council.
- The Journal entry controls and the process of inputting into this
- External Audit progress and an explanation of the statement 'broadly on track'.

#### Decision

To Note the Report

Report No.	Report Title	Presented by:
5.3	Annual Governance Statement	Chief Executive

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee dated 14 April 2016 by the Chief Executive providing an assessment of the Council's compliance with its Code of Corporate Governance. The Audit Committee was invited to note the attached draft statement which was proposed to be included in the Financial Statements. The Chief Executive explained that each year the level of compliance with the Code of Corporate Governance is monitored by the Heads of Service completing a self assessment that included the Section 95 Officer and the work is independently reviewed by the Internal Audit Team. The Chief Executive thereafter responded to questions raised by the Committee which included:

- The process of the Code of Corporate Governance which is based on the Chartered Institute of Public Finance and Accountancy (CIPFA).
- The officers who monitor governance and the supporting processes during the year.
- The Elements included in the Code of Corporate Governance.

#### Decision

To note the proposed Annual Governance Statement.

Report No.	Report Title	Presented by:
5.4	Devolved School Management Scheme	Internal Audit Manager

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee dated May 2016 by the Internal Audit Manager on the Devolved School Management Scheme. The Internal Audit Manager presented this report to the Committee highlighting that the purpose of the report was to review the following:

- The Controls in place to allow budgets to be calculated and allocated in a consistent and equitable way.
- The controls designed to monitor actual to budget spend at a school and Council level.
- Whether the Devolved School Management Scheme has been assessed and updated following publication of the revised Scottish Government guidelines on Devolved School Management.

Thereafter the Internal Audit Manager and the Director of Education, Communities and Economy responded to questions raised by the Committee which included:

- The Self Assessment of the Devolved School Management Scheme in the revised 2012 Guidelines.
- The Audit Approach and processes involved in this.

#### Decision

- Recommendations to be followed up by the Internal Auditors in their Review in December 2016 and also June 2017.

Report No.	Report Title	Presented by:
5.5	Internal Audit Report on Financial Assurance for money delegated to the Integrated Joint Board	Internal Audit Manager

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee by Internal Audit Manager dated 6 April 2016 providing the Committee with an opinion on the assurance work that has been carried out on the funds to be delegated to the Integrated Joint Board (IJB) by Midlothian Council for the provision of Health and Social Care for the financial year 2016/17. A report is also being prepared by the NHS Lothian Audit Team over the financial assurance process undertaken by NHS Lothian on the funds that they are also transferring to the Integration Joint Board.

#### Decision

- To note the contents of the Report
- To approve the recommendations made in the report.

Report No.	Report Title	Presented by:
5.6	Internal Audit: Annual Assurance Report 2015/16	Internal Audit Managers

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee by the Internal Audit Managers dated 31 March 2016 updating the Committee on the work undertaken by the Internal Audit during the financial year 2015/16 and providing an overall assessment of the adequacy and effectiveness of the Council's framework of Governance, risk management and control based on that work. The Internal Audit Manager presented the report to the Committee and highlighted the information contained in Appendices 1 – 3 which outlined the Internal Audit Plan; the impact of the Integrated Joint Board (IJB) and the proposed changes to the Midlothian Council Audit Plan for 2015/16. Thereafter the Internal Audit Manager responded to questions raised by the Committee which included:

- The levels of reported fraud/theft within the Council which continues to remain relatively low.
- Incidents of theft across the Council which have not been reported and how we can maintain an accurate record all these incidents.
- Review of the Council's Policy and Procedures relating to fraud/theft.

#### Decision

- To note the Annual Assurance Report
- To note that the weaknesses identified with internal controls in 2015/16 will be followed up in 2016/17 and updates will be provided to the Corporate Management Team and the Audit Committee.

Report No.	Report Title	Presented by:
5.7	Audit Charter	Internal Audit Manager

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee by the Internal Audit Manager dated 4 April 2016 advising the Committee of the requirement within the Public Sector Audit Standards (PSIAS) for the Internal Audit Manager to present the Internal Audit Charter to the Corporate Management Team and the Audit Committee following any updates made to the Charter. The Audit Manager highlighted the following changes to the Charter:

- The Fraud Officer's role within the Internal Audit Section.
- To record Midlothian Council Internal Audit Section responsibilities in relation to the Integrated Joint Board.
- To add a new section in relation to the Mission Statement and Core Principles following a recommendation from the Internal Audit Standards Advisory Board.

#### Decision

- To note the changes outlined in the report
- To note that Internal Audit will re-submit the Charter should the additional Mission Statement and Core Principles not be included within the PSIAS;
- To approve the revised Internal Audit Charter as shown in Appendix 1

Report No.	Report Title	Presented by:
5.8	Self Assessment of the Internal Audit Section against the Public Sector Internal Audit Standards	Internal Audit Managers

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee by the Internal Audit Managers dated 31 March 2016 providing the results of a self evaluation by the Internal Audit Manager on the level of compliance by Midlothian Council's Internal Audit Section against the Public Sector Internal Audit Standards. The Audit Manager presented the Report to the Committee.

#### Decision

- To note the results of the self assessment.
- To note the areas for development.
- To note that the Internal Audit Section would be subject to an external assessment in 2016/17.

## 6. Private Reports

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In view of the nature of the business to be transacted, the Committee agreed that the public be excluded from the meeting during discussion of the undernoted item, as contained in the Addendum hereto, as there might be disclosed information as defined in paragraph 1, 6 and 14 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Report No.	Report Title	Presented by:
6.1	Correspondence Review – Summary of Findings	Grant Thornton, External Auditors

#### Decision

- To note the Report

Report No.	Report Title	Presented by:
6.2	Business Gateway Contractors	Internal Audit Manager

#### Decision

- To note the content of the report.
- To endorse the recommendations in this report.

The meeting terminated at 12:40 pm