

# Minute of Meeting

Audit Committee  
Monday 22 June 2020  
Item No: 4.1



Midlothian

## Audit Committee

Date	Time	Venue
Tuesday 10 March 2020	11.00am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

Mike Ramsay (Independent Chair)
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Small
Councillor Alexander (Substitute)
Councillor Cassidy (Substitute)

### In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Joan Tranent	Chief Officer, Children's Services, Partnerships and Communities
Alison White	Head of Adult Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Alan Turpie	Legal Services Manager/Monitoring Officer
Grace Scanlin	External Auditor, EY
Jill Stacey	Chief Internal Auditor
Chris Lawson	Waste, Risk and Resilience Manager
Janet R Ritchie	Democratic Services Officer

## 1. Welcome and Apologies

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The Chair, Mike Ramsay welcomed everyone to the meeting, following which there was a round of introductions.

Apologies were received from Councillor Baird, Councillor Parry and the Independent Member, Mr Peter de Vink.

## 2. Order of Business

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The order of business was confirmed as that outlined in the Agenda.

## 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 minute of the meeting of 28 January 2020 was submitted and approved as a correct record having been proposed by Councillor Smail, seconded by Councillor Murihead.

4.2 The Action log was submitted and the following agreed:

- 1) 'Internal Audit Recommendations' - Two follow-up reports per year to Audit Committee as per approved Internal Audit Annual Plan – Noted.
- 2) 'Treasury Management and Investment Strategy 2020/21 & Prudential Indicators – Strategy was approved by full Council on 11 February 2020 - Closed.

## 5. Public Reports

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Report No.	Report Title	Presented by:
5.1	Midlothian Council Annual Audit Plan - Report by External Auditors	Stephen Reid and Grace Scanlin, External Auditors, EY
<b>Outline of report and summary of discussion</b>		
<p>The External Auditors submitted their Annual Audit Plan 2019/20. Stephen Reid External Auditor advised the Committee that prior to presenting this report they would provide a short slide presentation on 'Audit market reform and revised auditing standards and guidance' to inform the Committee of the audit reform which was currently taking place now and likely to take place over the next 5 years.</p> <p>He further advised that over the last 2 years there has been a number of significant corporate failures and as a result of that a number of reviews had been launched into the role of Audit, the role of Directors in companies and also into the responsibilities of Audit Committees and other governance Committees within corporate environments.</p>		

Mr Reid presented the following slides which are appended to this minute:

- Next steps regarding the key regulatory and independent reviews – January 2020.
- Potential outcomes of regulatory reviews – January 2020
- CMA four key recommendations: potential implications
- Brydon recommendations
- Board considerations

Mr Reid then presented the External Annual Audit Plan advising the Committee that this Annual Audit Plan prepared for the benefit of Council management and the Audit Committee, sets out their proposed audit approach for the audit of the financial year ending 31 March 2020, the fourth year of their appointment. In preparing this plan, they had updated their understanding of the Council through planning discussions with management, review of relevant documentation and committee reports, and their general understanding of the environment in which the Council is currently operating. He went on to explain that their responsibilities fell into two main areas, one in respect of the financial statements and the other in respect of their responsibility around the wider-scope public sector audit dimensions and highlighted some key sections from the Report.

Thereafter the External Auditors responded to questions and comments raised by members of the Committee.

#### Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Presented by:
5.2	Audit Scotland City Region Deal and Growth Deals	Ian Johnson, Head of Major Projects

#### Outline of report and summary of discussion

Mr Johnson provided the committee with a brief update on City Deal advising that the Edinburgh and South East Scotland City Region Deal is one of a number of City Region and Growth deals in Scotland and across the UK. The aim of these was to grow the economy of the region in an inclusive way so that all parts of the region benefits. The City Region Deal for this region was signed in August 2018 and will be a 15 year programme. He provided further information on the Council partners and regional partners, details of the total expenditure to the programme, the number of key elements and the Governance structure.

Mr Johnson highlighted that the Audit Scotland report provides an early assessment of City Region and Growth Deals in Scotland, rather than the performance of individual Deals. He advised that the Audit Scotland report went to the Joint Committee on 6 March 2020 and that the recommendations were approved.

Mr Johnson also updated the Committee on the Audit Scotland recommendations and the comments which were relevant to Midlothian.

Thereafter he responded to questions and comments from the Members of the Committee.

**Decision**

The Audit Committee noted the contents of the Report.

Report No.	Report Title	Presented by:
5.3	Risk Management Update 1 October 2019 – 31 December 2019.	Chris Lawson, Waste, Risk and Resilience Manager

**Outline of presentation and summary of discussion**

The Risk Manager presented a report dated 25 February 2020 providing the Audit Committee with the 2019/20 Quarter 3 Strategic Risk Management update, covering the period 1 October 2019 to 31 December 2019. The Strategic Risk Profile sought to provide a strategic look at the current issues and future risks and opportunities facing the Council.

The Risk Manager highlighted the main sections contained within the report and responded to questions raised by members of the committee which included:

- The motion raised at Council regarding Climate emergency.
- Financial sustainability for future years being a medium risk and how the scoring of risks interpretation differs from the External Auditor's report.

Mr Lawson provided feedback on both issues explaining that work is already underway for quarter 4 regarding Climate change and that with regards to the motion that went to council more work will take place to reflect this.

With regards to the Financial sustainability he advised that this was a risk that had sat higher in the risk register but in the last year there had been significant efforts undertaken to manage the Council's longer term financial position and significant work underway in terms of the Medium Term Financial Strategy. He further advised that this will continue to be monitored and as the work of the Medium Term Financial Strategy develops the position will continue to be reflected on the risk register.

**Decision**

Audit Committee noted the quarter 3 2019/20 Strategic Risk Profile report and considered the current response to the issues, risks and opportunities highlighted.

Report No.	Report Title	Presented by:
5.4	Internal Audit Work to February 2020	Jill Stacey, Chief Internal Auditor

#### Outline of presentation and summary of discussion

The purpose of this report was to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.

Internal Audit issued final assurance reports on the following subjects:

- Procurement and Management of Contracts
- Change and Transformation Programme
- Business Planning, Budget Setting and Monitoring

An Executive Summary of the final Internal Audit assurance report issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The Chief Internal Auditor presented the report highlighting the main sections contained within the report and provided the Committee with a brief update of each individual audit report during which the members of the committee raised questions and comments relating to each of these.

Several Members had raised concerns regarding the value of the 22 expired contracts and the responsibility of management to ensure these contracts are retendered. After a lengthy discussion regarding Procurement and Contract management it was agreed that a detailed report would be prepared regarding these 22 expired contracts. It was also highlighted that Officers were continuing to look at different approaches to improve services and opportunities to work jointly with other local authorities and that discussions were taking place with Scottish Borders in particular with regards to Procurement and Contract management.

In responding to questions regarding the savings which had not been achieved, Officers highlighted that after a large piece of work with the finance team, savings which were not realistic were identified and robust recovery plans were put in place. In addition to this, a Budget Monitoring Board was set up which included Chief Officers and Accountants and that they worked closely together to ensure the projects could deliver the agreed savings. Officers also gave further assurances that the 2020/21 Budget set on 11 February 2020 was more robust than in previous years and the expectation is that services will deliver within budget. Further clarity was provided on the slippage in previous years which impacted on the transformation savings and that the Medium Term Financial Strategy related to the 2020/21 budget onwards. Officers also stressed that the assurance reports were completed in November 2019 and that considerable improvements had been put in place since then.

**Decision**

The Audit Committee;

- a) Noted the final assurance reports issued in the period from 1 January to 20 February 2020 associated with the delivery of the approved Internal Audit Annual Plan 2019/20; and
- b) Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.
- c) Noted that a detailed report would be provided to Members on the 22 expired contracts.

**Action**

Legal Services Manager

Report No.	Report Title	Presented by:
5.5	Internal Audit Charter	Jill Stacey, Chief Internal Auditor

**Outline of presentation and summary of discussion**

There was a report submitted dated 12 February 2020 which provided the Audit Committee with the updated Internal Audit Charter for approval that defines the terms of reference for the Internal Audit function to carry out its role to enable the Chief Internal Auditor to prepare annual opinions on the adequacy of the overall control environment for Midlothian Council, and for Midlothian Health and Social Care Integration Joint Board.

The Chief Internal Auditor presented this report highlighting the main sections contained within the report and advised that Appendix 1 details the Internal Audit Charter and provided a brief overview of this.

**Decision**

The Audit Committee:

- Noted the changes outlined in this report.
- Approved the revised Internal Audit Charter shown at Appendix 1.
- Noted that the Internal Audit Charter will be reviewed annually.

Report No.	Report Title	Presented by:
5.6	Internal Audit Strategy and Annual Plan 2020/21	Jill Stacey, Chief Internal Auditor

**Outline of presentation and summary of discussion**

There was a report submitted dated 13 February 2020 the purpose of which was to gain approval to the proposed Internal Audit Strategy and Annual Plan 2020/21 to enable the Chief Internal Auditor to prepare annual opinions on the adequacy of

the overall control environment for Midlothian Council and Midlothian Health and Social Care Integration Joint Board.

The Chief Internal Auditor presented this report highlighting the main sections contained within the report and advised that Appendix 1 details the Internal Audit Strategy and Appendix 2 details Midlothian Council Internal Audit Annual Plan 2020/21.

Thereafter the Chief Internal Auditor responded to questions and comments raised by the Committee.

#### **Decision**

The Audit Committee approved the Internal Audit Strategy (Appendix 1) and the Annual Plan 2020/21 (Appendix 2).

## **6. Private Reports**

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No private reports were submitted.

## **7. Date of Next Meeting**

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The next meeting will be held on Tuesday 22 June 2020 at 11 am

The meeting terminated at 12.50 pm