

# Minute of Meeting

Audit Committee  
Monday, 24 June 2024  
Item No 4.1



## Audit Committee

Date	Time	Venue
Monday 18 March 2024	11.00am	Council Chambers/Hybrid

### Present:

Councillor Milligan (Chair)
Councillor Bowen
Councillor McEwan
Councillor Small

### In Attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal and Governance Manager/Monitoring Officer
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children, Young People & Partnerships
Morag Barrow	Director Health and Social Care
Derek Oliver	Chief Officer Place
David Gladwin	Chief Financial Officer
Duncan Stainbank	Chief Internal Auditor
Patricia Fraser	Audit Scotland
Claire Gardiner	Audit Scotland
Lucy Roddie	Democratic Services Officer
Gary Leadbetter	Democratic Services Officer

## 1. Welcome and Apologies for Absence

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The Chair welcomed everyone to the meeting. Apologies for absence were received from Councillor McCall.

## 2. Order of Business

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The order of business was as detailed in the agenda previously circulated.

## 3. Declarations of interest

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No declarations of interest were intimated at this stage of the proceedings.

## 4. Minute of Previous Meeting

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- 4.1 The minute of the meeting of 29 January 2024 was submitted and approved as a correct record.
- 4.2 The Action log was submitted and noted. It was agreed that Item 3 would be kept open until after the meeting of Midlothian Council on 27 March 2024. In relation to Item 4, the Chief Internal Auditor advised that he intended to bring a report to the meeting of Audit Committee on Monday 24 June 2024.

## 5. Public Reports

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Report No.	Report Title	Submitted by:
5.1	Annual Audit Plan 2023/24	Audit Scotland, External Auditors
<b>Outline of report and summary of discussion</b>		
<p>Claire Gardiner, External Auditor, Audit Scotland, introduced the report. It was noted that Audit Scotland are working towards completion of the audit by 30 November 2024, later in comparison to previous years. It was noted that the planned audit fee for 2023/24 is £289,950, an increase of 6% on last year.</p> <p>The Chair thanked the External Auditor for the report and opened it up to questions.</p> <p>Some discussion took place regarding the later completion of the audit and the implications this would have. The Chief Financial Officer commented that this would put pressure on the finance team and acknowledged current resourcing challenges, although noted that a management review was in progress which would result in increased capacity. Other areas of work may need to be de-prioritised in order to accommodate the deadline. It was suggested that this be logged as a risk. Assurances had been received that Audit Scotland would have the substantial work completed by end September 2024. The External Auditor confirmed that the November deadline could not be brought forward.</p> <p>Some discussion took place regarding the 6% increase in fees. The external auditor commented that fee levels are impacted by inflation which increases the cost of audit delivery. The external auditor noted that the full increase had not been passed on to Councils.</p>		

The Chief Financial Officer confirmed that the publication of the draft accounts would follow the same timetable as previous years.

In response to a question regarding the capitalisation of the spending on the Hillend and Midlothian Energy assets, the Chief Financial Officer offered to provide further detail to Elected Members at the conclusion of current discussions as part of the audit process. It was commented that it would be important to establish the accounting basis and ascertain the possible negative effects on the General Account before significant works on these projects were progressed.

**Decision**

The Audit Committee noted the report.

**Action**

Report No.	Report Title	Submitted by:
<b>5.2</b>	<b>Internal Audit Work to February 2024</b>	<b>Chief Internal Auditor</b>

**Outline of report and summary of discussion**

The Chief Internal Auditor introduced the report. The purpose of the report is 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.

The Audit Committee is asked to:

- a) Consider the Executive Summary of the final Internal Audit assurance report issued with the delivery of the approved Internal Audit Annual Plan 2023/24;
- b) Note the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal audit Charter; and
- c) Acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

The Chair thanked the Chief Internal Auditor for the report and opened it up to questions.

It was suggested that a gap analysis should be conducted if the proposals are implemented. It was questioned why risk protocols had not been updated in recent years. The Chief Internal Auditor commented that this was due to a lack of resource, particularly during the Covid-19 pandemic where resources were directed to other areas. The Chief Executive provided assurances that the Council's strategic risk matrix remained up to date. Officers were actively ensuring that risk registers for particular services were updated in full and progress was being monitored via regular Corporate Management Team meetings.

**Decision**

The Audit Committee:

- a) Considered the Executive Summary of the final Internal Audit assurance report issued with the delivery of the approved Internal Audit Annual Plan 2023/24;

- b) Noted the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal audit Charter; and
- c) Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

**Action**

Chief Internal Auditor

Report No.	Report Title	Submitted by:
<b>5.3</b>	<b>Counter Fraud Annual Plan 2024/25</b>	<b>Chief Internal Auditor</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Internal Auditor introduced the report. The purpose of the report is to gain approval from the Audit Committee for the proposed Counter Fraud Annual Plan 2024/25 to support the delivery of the Council's Counter Fraud Strategy and to demonstrate compliance with the Council's Counter Fraud Policy Statement. The Audit Committee is invited to approve the Counter Fraud Annual Plan 2024/25.</p>		
<b>Decision</b>		
<p>The Audit Committee approved the Counter Fraud Annual Plan 2024/25.</p>		
<b>Action</b>		
<p>Chief Internal Auditor</p>		

Report No.	Report Title	Submitted by:
<b>5.4</b>	<b>Internal Audit Charter</b>	<b>Chief Internal Auditor</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Internal Auditor introduced the report. The report provides 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 Audit Executive to prepare annual Internal Audit opinions on the adequacy of the overall control environment for Midlothian Council, and for Midlothian Health and Social Care Integration Joint Board.</p> <p>The Audit Committee is invited to:</p> <ul style="list-style-type: none"> <li>a) Note the changes to the Internal Audit Charter outlined in section 4 of the report in conformance with PSIAS;</li> <li>b) Approve the revised Internal Audit Charter shown at Appendix 1; and</li> <li>c) Note that the Internal Audit Charter will be reviewed annually.</li> </ul> <p>The Chair thanked the Chief Internal Auditor for the report and opened it up to questions.</p>		

It was commented that, historically, officers of another Local Authority had examined internal audit work. The Chief Internal Auditor responded that the examining Council was still to be determined and reported that new standards will come into effect from 2025 which may impact on the continuation of this arrangement.

**Decision**

The Audit Committee:

- a) Noted the changes to the Internal Audit Charter outlined in section 4 of this report in conformance with PSIAS;
- b) Approved the revised Internal Audit Charter shown at Appendix 1; and
- c) Noted that the Internal Audit Charter will be reviewed annually.

**Action**

Chief Internal Auditor

Report No.	Report Title	Submitted by:
<b>5.5</b>	<b>Internal Audit Strategy and Annual Plan 2024/25</b>	<b>Chief Internal Auditor</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Internal Auditor introduced the report. The purpose of the report is to gain approval from the Audit Committee to the proposed Internal Audit Strategy and Annual Plan 2024/25 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 (MIJB).</p> <p>The Audit Committee is invited to:</p> <ul style="list-style-type: none"> <li>a) Note the changes to the Internal Audit Strategy outlined in section 4 of the report;</li> <li>b) Note the outline of the Internal Audit planning process outlined in section 5 of the report;</li> <li>c) Approve the Internal Audit Strategy (Appendix 1); and</li> <li>d) Approve the Internal Audit Annual Plan 2024/25 (Appendix 2).</li> </ul> <p>The Chair thanked the Chief Internal Auditor for the report and opened it up to questions.</p> <p>With reference to Appendix 2, Internal Audit Annual Plan 2024/25, it was commented that the Audit Committee were being asked to review Midlothian Energy's governance structures. No member of the Audit Committee were on Midlothian Energy's board and it was therefore questioned whether the Audit Committee were suitably equipped to conduct such a review. The Chief Internal Auditor provided clarification that the actions contained within the Internal Audit Annual Plan 2024/25 were for completion by the Audit team as opposed to the Audit Committee. The Chief Internal Auditor commented that reports would be brought</p>		

back to the Audit Committee to provide assurances that appropriate governance and arrangements were in place.

Further information was requested in relation to the Vehicle Maintenance and Fleet Management assurance risk entry within Appendix 2, Internal Audit Annual Plan 2024/25. The Chief Internal Auditor commented that reports would be brought back to the Audit Committee to provide assurances that appropriate governance and regulatory arrangements were in place.

In relation to the Consultancy entry within Appendix 2, Internal Audit Annual Plan 2024/25, the Chief Internal Auditor reported that this entry referred to the Audit team conducting consultancy work and resource had not yet been allocated.

It was questioned whether the reference to maintenance within the Vehicle Maintenance and Fleet Management assurance risk entry within Appendix 2, Internal Audit Annual Plan 2024/25 was necessary. It was suggested that the necessary checks would be conducted by other agencies including the DVLA. The Chief Internal Auditor commented that the Audit team will ensure that relevant checks are in operation to provide assurances that the fleet is maintained appropriately. It was noted that the Council runs a large fleet and it is therefore deemed appropriate to include this as a risk. Following a suggestion from an Elected Member, the Chief Internal Auditor agreed to consider the risk of any future Low Emissions Zones as part of the scope of the Audit Plan.

It was questioned whether the categories within Appendix 2, Internal Audit Annual Plan 2024/25, were static or subject to change based on the risk environment. The Chief Internal Auditor provided further information on the audit planning process, noting that categories are taken from the audit universe which are risk assessed on an annual basis.

#### Decision

The Audit Committee:

- a) Noted the changes to the Internal Audit Strategy outlined in section 4 of the report;
- b) Noted the outline of the Internal Audit planning process outlined in section 5 of the report;
- c) Approved the Internal Audit Strategy (Appendix 1); and
- d) Approved the Internal Audit Annual Plan 2024/25 (Appendix 2).

#### Action

Chief Internal Auditor

Report No.	Report Title	Submitted by:
5.6	Strategic Risk Profile Q3 2023/24	Chief Officer Place
<b>Outline of report and summary of discussion</b>		
The Chief Officer Place introduced the report. Audit Committee is recommended to note the current risk landscape and organisational response to the most significant risks in Quarter 3 (Q3) 2023/24 (1 October to 31 December 2023).		

The Chair thanked the Chief Officer Place for the report and opened it up to questions.

In response to a question from an Elected Member, the Chief Officer Place provided assurances that the Hillend and Midlothian Energy projects had existing risk registers and would be included in the strategic risk profile going forward.

In response to a comment regarding Covid-19 risk, the Chief Officer Place reported that it is deemed appropriate to continue monitoring this on the basis that there could be further outbreaks. If the risk remains low into Q4, Officers will recommend removal. The Chief Officer Place noted that pandemic planning and response was included in other areas of risk.

In response to a question regarding learning estate strategy, the Chief Officer Place reported that condition surveys were in progress and reports would be brought back to the relevant forums.

#### Decision

Audit Committee noted the current risk landscape and organisational response to the most significant risks in Quarter 3 (Q3) 2023/24 (1 October to 31 December 2023).

#### Action

Chief Officer Place

## 6. Private Reports

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No items for discussion

## 7. Date of Next Meeting

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The next meeting will be held on Tuesday 14 May 2024 at 2.00pm.

The meeting terminated at 11.40 pm.