

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 10 December 2013 at 11.00 am.

Present: - Mr P Smaill (Independent Chair), Councillors Baxter, Beattie, Bryant, Milligan, Muirhead, and Mr R Rae (Independent Member).

Apology for Absence:- Councillor de Vink.

1 Declarations of Interest

No declarations of interest were intimated.

2 Minutes

The Minutes of Meeting of 29 October 2013 were submitted and approved, subject to the substitution of "2014" for "2013" in the final line of paragraph 5 thereof.

Arising from consideration of the foregoing Minutes, the Committee noted that reports would be submitted to future meetings on the following subjects, viz:-

Esk Bridge, Penicuik, Landslide;
Term Contractors; and
Business Transformation Programme.

3 Scotland's Public Finances: Addressing the Challenge - Follow Up Report for Midlothian Council

There was submitted report by the External Auditors (Grant Thornton UK), advising that they had undertaken a detailed analysis of the issues emerging from Audit Scotland's report, *Scotland's public finances: Addressing the challenges*, which was published in August 2011. The aim of the analysis was to assess the progress the Council had made in developing sustainable financial plans to meet the scale of budget cuts faced by local authorities in the period to 2014-15. The report had concluded that whilst the Council was taking forward its approach to achieve the required actions necessary to deliver the required savings of £13.5m by 2017, the programme for bridging the budget gap was still to be fully developed and agreed. The short timescale for meeting these significant savings targets and the lack of a finalised corporate plan for identifying and delivering the required savings presented a risk to the future financial sustainability of the Council. There was therefore an urgent need for the Council to act quickly to finalise and agree its action plan to achieve savings targets and ensure the Council could continue to meet the objectives outlined in the Corporate Strategy. The Council also needed act to strengthen its internal governance and accountability arrangements to better manage

budget overspends and fully implement its efficiency programme across all Council services. The report therefore outlined a number of key areas for improvement.

The report also (i) provided detailed assessments of the Council's Financial Planning; Financial Governance and Control; and Financial Performance Indicators; and (ii) included an action plan to address issues in respect of the Budget Gap; Financial Strategy (both of which had been assessed as high risk); the Transparency of Reporting and Self evaluation (both of which had been assessed as has having potential risks and/or weaknesses).

Thereafter, members heard a statement submitted by Councillor de Vink and questioned the External Auditor and officers in respect of the findings of the review.

Decision

- (a) To note that the use of capital reserves to meet loan debt was a permissible course of action but that the effect of so doing was to reduce the capital budget by an equivalent sum;
- (b) To note that a further report on revenue savings for 2014/15 would be submitted to the Council on 17 December 2013;
- (c) To note that funds earmarked for Business Transformation projects were to enable the reform of services and produce longer term revenue savings;
- (d) To endorse the findings of the review by the External Auditor and the action plan contained in the report;
- (e) To receive a progress report on Business Transformation at a meeting early in 2014;
- (f) To receive a regular report on the Council's cash reserves;
- (g) That the Financial Monitoring reports regularly considered by the Council be likewise considered by the Committee; and
- (h) To note that a report providing an analysis; breakdown; and comparison of the costs of school replacement/ improvement in the last ten years via the various finance models available to the Council during this period, would be presented to the performance review and Scrutiny Committee early in 2014.

(Action: (d) Chief Executive/Head of Finance and Human Resources; (e) Chief Executive/Business Transformation Manager; (f) Head of Finance and Human Resources; (g) Head of Finance and Human Resources/ Legal and Secretariat Manager; (g) Head of Finance and Human Resources)

4 Internal Audit Investigation – Frameworki

There was submitted report, dated November 2013, by the Internal Audit Manager, in respect of the Frameworki case management system for Adult and Community Care. The purpose of the audit was to provide assurance to senior management and the Audit Committee that adequate controls were in place. The audit had focussed on internal controls relating to access and access levels; confidentiality; policies and procedures; data quality; case closure; training; and audit trails. The audit had concluded that Internal Control, Governance and the Management of Risk had displayed a mixture of little residual risk, but other elements of residual risk that were slightly above an acceptable level needed to be addressed within a reasonable timescale.

Decision

- (a) To note that Frameworki was accessible only from council computers;
- (b) That the numbers of staff who had access to Frameworki be reviewed to ensure that only those staff who required access to the system could do so;
- (c) To note that all staff who had access to Frameworki, must have previously undertaken MILO training in respect of Data protection and that regular audits of the system were undertaken; and
- (d) To approve the management action plan contained in the report.

(Action: Head of Adult and Community Care/Internal Audit Manager)

5 Internal Audit Recommendations: Performance Report

There was submitted report, dated 28 November 2013, by the Internal Audit Manager, providing the Committee with a summary of the recommendations made by Internal Audit over the last three years and the reported progress with implementing the recommendations. The report advised that 378 recommendations have been made in the last three years and that 96% of these had been completed or were 'on target' and that only 4% were overdue (14 recommendations). This represented a significant improvement in performance from that reported to the Committee on 12 March 2013 when 14% (52 recommendations) were overdue.

Decision

- (a) To receive a progress report on the implementation of those recommendations in respect of Fuel Management at a meeting in early 2014; and
- (b) To otherwise note the report.

(Action: (a) Director, Resources)

The meeting terminated at 12.11 pm.