

# Minute of Meeting

Audit Committee  
Tuesday 4 May 2021  
Item No: 4.1



## Audit Committee

Date	Time	Venue
Tuesday 9 March 2021	11.00 am	Virtual Meeting by MS Teams

### Present:

Mike Ramsay (Independent Chair)
Councillor Cassidy
Councillor Hardie
Councillor Milligan
Councillor Smaill
Councillor Alexander (substitute for Councillor Parry)
Peter de Vink (Independent Member)

### In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children, Young People and Partnerships
Morag Barrow	Joint Director Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Derek Oliver	Chief Officer Place
Jill Stacey	Chief Internal Auditor
Stephen Reid	External Auditor, E.Y.
Grace Scanlin	External Auditor, E.Y.
Chris Lawson	Service Manager, Waste, Risk and Resilience
Alan Turpie	Legal Services Manager
Saty Kaur	Executive Business Manager, Place Directorate
David Gladwin	Financial Services Manager
Lisa Young	Accountant
Mike Broadway	Democratic Services Officer

## 1. Welcome and Apology

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The Chair, Mike Ramsay welcomed everyone to the meeting. Apologies for absence were intimated on behalf of Councillors Muirhead and Parry.

## 2. Order of Business

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It was noted the order of business was as per the agenda previously 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 With reference to item 5.6 in the minutes of the meeting of 8 December 2020, Councillor Smaill explained that the point he and Mr de Vink had raised regarding the proposed suspension of further investments with approved counterparties, applied purely to deposits similar to those they had expressed concerns over rather than a blanket ban on all such investments as appeared to be implied by the wording used in the minute.

The Committee, on a proposal by Councillor Milligan, seconded by Councillor Cassidy, approved the minute as a correct record subject to this clarification being noted.

- 4.2 The Action log was submitted and having received updates on various action points detailed therein, the Committee agreed as follows:-

- (i) to close off as complete those action points addressed at either the December 2020 meeting or on today's agenda; and
- (ii) that the remaining actions be updated accordingly.

## 5. Public Reports

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Report No.	Report Title	Presented by:
5.1	Internal Audit Work to January 2021	Chief Internal Auditor
Outline of report and summary of discussion		
<p>There was submitted a report, dated 2 March 2021, by the Chief Internal Auditor providing 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.</p> <p>The Chief Internal Auditor outlined the main sections contained within the report and responded to questions and comments raised by Members, in particular those relating to Property Maintenance, which in view of the history of overspends was an area of particular concern to Members.</p>		

Decision
<p>The Committee:-</p> <ul style="list-style-type: none"> <li>(a) noted the Executive Summaries of the final Internal Audit assurance reports issued;</li> <li>(b) noted the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; and</li> <li>(c) acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.</li> </ul>
Action
Chief Internal Auditor

Report No.	Report Title	Presented by:
5.2	Internal Audit Follow-up of Recommendations Progress	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report, dated 15 February 2021, by the Chief Internal Auditor was to provide an update to the Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports by the expected completion date. Details of the In Progress and Overdue actions were summarised in appendices to the report.</p> <p>The report explained that there had been a significant impact of Covid-19 response on Management's progress with the implementation of some of the Audit Recommendations due to capacity and delays in activity. In order to ensure that the 10 actions which were overdue (8 medium rated and 2 low rated) were completed within a reasonable time it was proposed that their due dates be extended to 30 June 2021.</p>		
Decision		
<p>The Committee, having heard from the Chief Internal Auditor, who responded to Members' question and comments:-</p> <ul style="list-style-type: none"> <li>(a) Acknowledged the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks; and</li> <li>(b) Endorsed the proposal to extend the due dates for the overdue recommendations; and</li> <li>(c) Noted that Internal Audit will continue to monitor for completion the outstanding recommendations and will provide update reports to the Audit Committee.</li> </ul>		
Action		
Chief Internal Auditor		

Report No.	Report Title	Presented by:
5.3	Counter Fraud Controls Assessment	Executive Director Place
<b>Outline of presentation and summary of discussion</b>		
<p>With reference to paragraph 5.7 of the Minutes of 12 October 2020, there was submitted report, dated 18 February 2021, the purpose of which was to make the Audit Committee aware of the findings and necessary actions arising from the Integrity Group's assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks.</p> <p>The Executive Director Place in presenting the report to the Committee highlighting the Self-Assessment findings and necessary actions arising from the Integrity Group's assessment. The Audit Committee acknowledged the work carried out by the Integrity Group and noted that the Group would carry out a further review of these fraud risks and any other emerging fraud risks relating to Covid-19 in due course, to ensure the controls continue to be effective in mitigating the risks.</p>		
<b>Decision</b>		
<p>The Committee:</p> <ul style="list-style-type: none"> <li>(a) Acknowledged the findings from the Integrity Group's assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks; and</li> <li>(b) Endorsed the necessary actions to enhance the Council's resilience to fraud.</li> </ul>		
<b>Action</b>		
Executive Director Place		

Report No.	Report Title	Presented by:
5.4	Local Code of Corporate Governance	Chief Executive
<b>Outline of presentation and summary of discussion</b>		
<p>The purpose of this report was to provide the Committee with the opportunity to scrutinise the updated Local Code of Corporate Governance for Midlothian Council and recommend it for Council approval, to assist with the 2020/21 annual assurance process. The updated Local Code of Corporate Governance, which was consistent with the principles and recommendations of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and the supporting guidance notes for Scottish authorities (2016), provided an appropriate framework for effective governance of the Council's affairs and facilitate the exercise of its functions to deliver best value.</p> <p>The Chief Executive in presenting the report drew particular attention to the role played by the Corporate Management Team (CMT) in the review and finalisation of the updated Local Code of Corporate Governance, and to the main changes as detailed in the report.</p> <p>The Chief Internal Auditor then highlighted how the Code, once approved by Council would be used to assist with the 2020/21 annual assurance process.</p>		

Decision
<p>The Committee:</p> <ul style="list-style-type: none"> <li>(a) Noted the changes to the Local Code of Corporate Governance as outlined in the report;</li> <li>(b) Agreed to recommend to Council approval of the updated Local Code of Corporate Governance (Appendix 1); and</li> <li>(c) Note that the updated Local Code would be used for the 2020/21 annual assurance process.</li> </ul>
Action
Chief Internal Auditor

Report No.	Report Title	Presented by:
5.5	Audit Scotland Update "Covid-19: What it means for public audit in Scotland"	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this update, dated January 2021, by Audit Scotland entitled, "Covid-19: What it means for public audit in Scotland" was to set out the guiding principles that would apply through the next phase of the Covid-19 crisis.</p> <p>The report explained that whilst Audit Scotland would keep a dynamic approach as the pandemic progressed and the impacts became clearer over time, key focuses to their work would include issues such as the effect on inequalities in health, economic security and opportunities, and what public money had achieved in helping Scotland recover. They would also consider how innovations, such as using digital technology to deliver services and engage with communities, could be shared.</p>		
Decision		
The Committee, having heard from the Chief Internal Auditor, noted the Audit Scotland update.		
Action		
Chief Internal Auditor		

Report No.	Report Title	Presented by:
5.6	Provisional Annual Audit Plan Year ending 31 March 2021	External Auditors, EY
Outline of report and summary of discussion		
<p>The External Auditors submitted their Provisional Annual Audit Plan for year ending 31 March 2021. Stephen Reid External Auditor advised the Committee that this Annual Audit Plan prepared for the benefit of Council management and the Audit Committee, set out their proposed audit approach for the audit of the financial year ending 31 March 2021, the fifth year of their appointment. As a result of the impact</p>		

of Covid-19 their appointment had been extended by a further 12 months to include the financial year 2021/22.

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 Committee noted the content of the report.

#### **Action**

External Auditors, EY

<b>Report No.</b>	<b>Report Title</b>	<b>Submitted by:</b>
5.7	Accounts Commission: Local Government in Scotland Financial Overview 2019/20 (January 2021)	Chief Officer Corporate Solutions
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report, dated 15 February 2021, by the Chief Officer Corporate Solutions was to provide the Committee with a summary of the Accounts Commission report, 'Local Government in Scotland: Financial Overview 2019/20' and the Council's position in relation to the report's findings; a link to the full report was provided in the report.</p> <p>The Chief Officer Corporate Solutions highlighted the key messages contained within the report. Thereafter he responded to questions and comments raised by Members of the Committee.</p>		
<b>Decision</b>		
The Committee noted the Audit Scotland report and the position of Midlothian Council in relation to the report's key messages		

<b>Report No.</b>	<b>Report Title</b>	<b>Presented by:</b>
5.8	Internal Audit Charter	Chief Internal Auditor
<b>Outline of presentation and summary of discussion</b>		
The purpose of this report, dated 17 February 2021, by the Chief Internal Auditor was to provide the 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 Committee:

- (a) Noted the changes outlined in this report;
- (b) Approved the revised Internal Audit Charter shown at Appendix 1; and
- (c) Noted that the Internal Audit Charter would be reviewed annually.

#### Action

Chief Internal Auditor

Report No.	Report Title	Presented by:
5.9	Internal Audit Strategy and Annual Plan 2021/22	Chief Internal Auditor
<b>Outline of presentation and summary of discussion</b>		
<p>The purpose of this report, dated 19 February 2021, by the Chief Internal Auditor was to seek approval of the proposed Internal Audit Strategy and Annual Plan 2021/22 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.</p> <p>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.</p> <p>Thereafter the Chief Internal Auditor responded to questions and comments raised by the Committee.</p>		
<b>Decision</b>		
The Committee approved the Internal Audit Strategy (Appendix 1) and the Internal Audit Annual Plan 2021/22 (Appendix 2).		
<b>Action</b>		
Chief Internal Auditor		

Report No.	Report Title	Presented by:
5.10	Counter Fraud Annual Plan 2020/21	Chief Internal Auditor

Outline of report and summary of discussion
<p>The purpose of this report, dated 2 February 2021, by the Chief Internal Auditor was to seek approval of the proposed Counter Fraud Annual Plan 2021/22 to support the delivery of the Council's Counter Fraud Strategy and to demonstrate compliance with the Council's Counter Fraud Policy Statement.</p> <p>The Chief Internal Auditor in presenting the report drew particular attention to the planned Counter Fraud activity set out in the Plan, and thereafter responded to questions and comments raised by Members of the Committee.</p>
Decision
The Committee approved the Counter Fraud Annual Plan 2021/22 (Appendix 1).
Action
Chief Internal Auditor

Report No.	Report Title	Presented by:
5.11	Risk Management Q3 Update 2020/21	Service Manager, Waste, Risk and Resilience
Outline of report and summary of discussion		
<p>The purpose of this report, dated 23 February 2021, by the Risk Manager was to provide the Audit Committee with an update on the risk responses Midlothian Council had implemented during quarter 3 2020/21 to respond to the current risk climate. The Audit Committee had previously requested regular reports on the Council's Strategic Risks. The Strategic Risk Profile sought to provide a strategic look at the current issues and future risks and opportunities facing the Council.</p> <p>The Risk Manager highlighted the main sections contained within the report and thereafter responded to Members' questions and comments.</p>		
Decision		
The Committee, having considered the current response to the issues, risks and opportunities, noted the current risk landscape and organisational response to the most significant risks at this time.		
Action		
Service Manager, Waste, Risk and Resilience		

## 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 4 May 2021 at 11.00 am

The meeting terminated at 12.54 pm