

# Minute of Meeting

Audit Committee  
Monday 30 September 2024  
Item No 4.1



## Audit Committee

Date	Time	Venue
Monday 24 June 2024	11.00am	Council Chambers/Hybrid

### Present:

Councillor Milligan (Chair)
Councillor Bowen via MS Teams
Councillor McEwan
Councillor Smail
Councillor McCall

### In Attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal and Governance Manager/Monitoring Officer
Kevin Anderson	Executive Director Place
Morag Barrow	Director of Health & Social Care: Midlothian HSCP / Chief Officer to Midlothian IJB
Derek Oliver	Chief Officer Place
Saty Kaur	Chief Officer Corporate Solutions
David Gladwin	Chief Financial Officer/S95 Officer
Duncan Stainbank	Chief Internal Auditor
Robert Dick	Audit Scotland
Janet Ritchie	Democratic Services Officer
Hannah Forbes	Assistant Democratic Services Officer

## 1. Welcome and Apologies for Absence

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The Chair welcomed everyone to the meeting.

## 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 18 March 2024 was submitted and approved as a correct record.

4.2 The Action log was submitted and noted.

In responding to comments regarding Hillend, the Chief Internal Auditor advised that an update is provided under item 5.1, Internal Audit Work to May 2024 on page 24 of the Agenda pack and advised that a more detailed report was sent to management, and that this will be provided to all Elected Members.

## 5. Public Reports

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Report No.	Report Title	Submitted by:
<b>5.1</b>	<b>Internal Audit Work to May 2024</b>	<b>Chief Internal Auditor</b>
<b>Outline of report and summary of discussion</b>		
<p>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.</p> <p>The Internal Audit Annual Plan 2023/24 was approved by the Audit Committee on 7 March 2023. Internal Audit has carried out work associated with the delivery of the plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.</p> <p>The Chief Internal Auditor in presenting this report highlighted the main sections as contained within the report and outlined the three final assurance reports on the following subject:</p> <ul style="list-style-type: none"><li>• Payroll (Appendix B)</li><li>• Destination Hillend Water Pipe Delays (Appendix C)</li><li>• Education Software (Appendix D)</li></ul>		

The Audit Committee is recommended to:

- a) Consider the Executive Summary of the final Internal Audit assurance report issued associated 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.

In responding to questions regarding the maintenance and indemnity against steel if anything breaks down on the Alpine Coaster, the Chief Internal Auditor advised that it was only a 1-year contract as the contractor responsible for building the coaster had the contract for the other lifts on site and this was due for renegotiation therefore following the 1 year it was the intention to bring that into the main renegotiations.

Further questions were raised with regards to the revised capital expenditure and the maintenance expenditure, in response the Chief Internal Auditor advised that there is no current change to the committed cost that the Council put down on the original business case however as the main building is being looked at a new and revised business case would come back to Council.

The Chief Financial Officer confirmed that the Council was proceeding with the Alpine Coaster, that an updated business case and revised proposal would be brought back to Council and advised that with regards to the maintenance that would depend on the nature of the maintenance whether capital or revenue expenditure.

The Executive Director, Place provided an update on the timescale of this opening and explained some the reasons for the delay due to Scottish Water and confirmed that the Council would be looking at some form of compensation for this delay from Scottish Water.

#### Decision

The Audit Committee noted the recommendations set out in the report.

#### Action

Chief Internal Auditor

Report No.	Report Title	Submitted by:
5.2	Counter Fraud Annual Report 2023/24	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		
<p>The purpose of the report was to make the Audit Committee aware of the Council's counter fraud responsibilities and the activities of the Integrity Group and Corporate Fraud team in liaison with other services over the past year as part of the arrangements to tackling fraud at the Council.</p> <p>The Chief Internal Auditor highlighted the main sections as contained within the report advising that the key items were outlined in appendix 1 and 2 of the report.</p> <p>The Audit Committee is recommended to:</p> <ul style="list-style-type: none"> <li>a) Consider the counter fraud work undertaken during the year to 31 March 2024 in support of the Council's counter fraud policy and strategy; and</li> <li>b) Note the outcomes of the counter fraud activity 2023/24.</li> </ul> <p>The Chair thanked the Chief Internal Auditor for the report and opened it up to questions.</p> <p>There followed a discussion regarding Blue Badges, and these being used inappropriately, and concerns were raised on the continued use after the death of the holder. It was noted in this the period 2021 and 2022/2023 was during covid and there were also changes to death notifications that these could be reported to any office in Scotland therefore it may be that the information did not filter through. It was also highlighted that this is not just an issue in Midlothian. Further comments were made with regards to blue badges and if the blue badge could be surrendered when registering a death and it was noted that registering a death is done online and therefore this would be difficult to implement. The Chief Internal Auditor advised that it would be investigated as to what powers the Council has in asking for blue badges back and how this can be implemented.</p> <p>The Chair also commented on the issues with the blue badges and that these figures are probably relevant to places like London but not Midlothian and acknowledged there may be one or two people who misuse the blue badge but most people when losing a loved one will dispose of the blue badge.</p> <p>The Chief Internal Auditor in responding to a comment provided an explanation on housing fraud and the close work between the Internal Audit Team and the Housing Service in identifying housing fraud.</p> <p>A further question was raised with regards to the system used by the Council for fraud detection and it was highlighted that some Councils in England use automated systems which can immediately identify fraudulent claims. The Chief Internal Auditor advised that they were aware of some of these systems, but these are used in larger local authorities and that the National Fraud Initiative provides the data matching system at a limited cost to the Council.</p>		

A query was also raised whether Midlothian had an issue with people making false declarations when a family member went into nursing care and the Chief Internal Auditor advised that unfortunately the last two rounds of the National Fraud Initiative did not include care home residents' data due to data protection concerns but there may be a change in the law to allow future rounds to include the care home data.

**Decision**

The Audit Committee noted the recommendations set out in the report.

**Action**

The Chief Internal Auditor

Report No.	Report Title	Submitted by:
<b>5.3</b>	<b>Internal Audit Annual Assurance Report 2023/24</b>	<b>Chief Internal Auditor</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Internal Auditor presented this report. The purpose of this report was to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2024 which includes the Chief Internal Auditor's independent assurance opinion on the adequacy of Midlothian Council's overall control environment.</p> <p>The Audit Committee is recommended to:</p> <ul style="list-style-type: none"> <li>a) Consider the Internal Audit Annual Assurance Report 2023/24 (Appendix 1), and assurances contained therein; and</li> <li>b) Provide any commentary thereon, including any further actions required by Management.</li> </ul> <p>The Chair thanked the Chief Internal Auditor for the report and there being no questions or comments raised the recommendations were noted.</p>		
<b>Decision</b>		
The Audit committee noted the recommendations set out in the report.		
<b>Action</b>		

Report No.	Report Title	Submitted by:
<b>5.4</b>	<b>Draft Annual Governance Statement 2023/24</b>	<b>Chief Executive</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Executive presented this report. The purpose of this report was to propose that the Audit Committee considers and approves the draft Annual Governance Statement that will be published in the Council's Statement of Accounts 2023/24.</p>		

Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council's Local Code of Corporate Governance that was approved by Council on 23 March 2021 was used to assist with the annual assurance process 2023/24.

The Chief Executive outlined the main sections as contained in the report highlighting that Item 4.6 outlines that it is the Chief Executive's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Midlothian Council's systems of internal control and governance.

The Audit Committee is recommended to:

- a) Consider the details of the draft Annual Governance Statement 2023/24 at Appendix 1 to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledge the actions identified by Management to improve internal controls and governance arrangements; and
- b) Approve that it be published in the Council's Statement of Accounts 2023/24, noting the requirement for the final Annual Governance Statement to be signed by the Chief Executive and Leader of the Council at the conclusion of the external audit process.

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

In responding to a question regarding previous procurement issues and that the number of detailed recommendations by Internal Audit were completed, the Chief Executive confirmed that a report was brought back to the Audit Committee at that time that confirmed that all those actions were completed and that all the internal controls and governance is built into the Internal Audit Plan to give assurances that all internal controls put in place are operating effectively.

#### Decision

The Audit Committee approved the recommendations set out in the report.

#### Action

Report No.	Report Title	Submitted by:
<b>5.5</b>	<b>Internal Audit Shared Service Arrangement Continuation</b>	<b>Chief Executive</b>
<b>Outline of report and summary of discussion</b>		
The Chief Executive presented this report. This report provided the Audit Committee with the appraisal of the first 18 months of the shared service arrangement for the Chief Internal Auditor between Midlothian and East Lothian Council.		

The significant budget savings that have been delivered within the Internal Audit and Counter Fraud team over the 18month period whilst continuing to deliver a service that meets the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Chief Executive outlined the main sections as contained within the report and highlighted the three recommendations to the Audit Committee.

- a) Note the agreement of Midlothian Council Executive team and East Lothian Council Executive team have agreed following the, 18-month initial period, to the continuation of the Chief Internal Auditor shared service on an ongoing basis.
- b) Approve the Continuation of the Chief Internal Auditor Shared Service between Midlothian and East Lothian Council on an ongoing basis.
- c) Note that flexibility will be considered as part of the ongoing annual planning process for Internal Audit to widen the agreement to the potential sharing of Internal Audit and Counter Fraud resource staffing when the potential allows.

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

In responding to a question raised with regards to Councillors ability to raise subjects of concerns and accessibility of the internal audit reports to members of the public, the Chief Internal Auditor confirmed that all internal audit reports are available under Freedom of Information request and available to this committee unless there are any confidential elements which would require to be removed. The Chief Internal Auditor further advised on the sharing of resource between the two audit teams and that this will be highlighted within the internal audit plans or reports to the committee where it is the intention to do that and confirmed that this was for internal looking flexibility rather than the ability to enquire.

#### Decision

The Audit Committee approved the recommendations set out in the report.

#### Action

Chief Executive

Report No.	Report Title	Submitted by:
5.6	Strategic Risk Profile Q4 2023/24	Chief Officer Place

#### Outline of report and summary of discussion

The Chief Officer Place presented this report. The purpose of the report was to provide Audit Committee with:

- An update on the risk responses Midlothian Council has implemented during Q4 2023/24 to respond to the current risk climate.
- Assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to the current risk climate.

- The risk evaluation of current strategic risks and opportunities for the Council.

The Audit Committee is recommended to note the current risk landscape and organisational response to the most significant risks in Quarter 4 (Q4) 2023/24 (1 January to 31 March 2024).

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

The Chief Officer Place responded to a question regarding infrastructure of systems pertaining to climate change and the ability of the drainage systems to cope with the excessive rainfall confirmed that the Climate Action Plan and a report on the Climate Change and flooding will be brought back to Council in August.

A further question was raised with regards to the overspend on the winter maintenance budget and the Chief Officer Place provided an explanation on the increase in salt charges and highlighted the three storms over the winter period. A further comment was expressed with regards to the winter budget had not been used much for snow periods this year and the possibility of a category for severe weather, the Chief Officer advised that operational consideration could be given to a risk and budget for severe weather and weather episodes.

#### Decision

Audit Committee noted the recommendations as detailed in the report.

#### Action

Chief Officer Place

Report No.	Report Title	Submitted by:
5.7	<b>Annual Treasury Management Report 2023/24</b>	<b>Chief Financial Officer / Section 95 Officer</b>

#### Outline of report and summary of discussion

The Chief Financial Officer presented this report. The purpose of the report was to inform members of the Audit Committee the Treasury Management activity undertaken in 2023/24 and the year-end position.

The Audit Committee is invited to consider this report before the final report is presented to Council. Committee should note that the proposed recommendation to Council is that it note the Annual Treasury Management Report 2023/24.

The Chair thanked the Chief Financial Officer for the report.

#### Decision

The Audit Committee noted the recommendation.

#### Action

The Chief Financial Manager



Report No.	Report Title	Submitted by:
5.8	<b>Scotland's Public Finances: Challenges and Risks</b>	<b>Chief Financial Officer &amp; Section 95 Officer</b>
<b>Outline of report and summary of discussion</b>		
<p>The Chief Financial Officer presented this report. The purpose of this report was to provide Audit Committee with sight of the Accounts Commission Local Government in Scotland Financial Bulletin 2022/23 published in January 2024, which is appended to this report, and opportunity to consider how key messages and recommendations in the report are embedded in ongoing Council work.</p> <p>The main messages in the report include funding challenges through real terms reductions and ring-fencing, balancing of budgets becoming increasingly reliant on savings, one-off measures and use of reserves, an increase in Council earmarked reserves and an extremely challenging financial outlook.</p> <p>The Audit Committee is recommended to:</p> <ul style="list-style-type: none"> <li>• Consider the Accounts Commission report; and</li> <li>• Note the Council's position in relation to the key messages.</li> </ul> <p>The Chair thanked the Chief Financial Officer for the report and opened it up to questions.</p> <p>In responding to a request to bring back a report to this committee on funding costs on statutory services which are not fully funded for, the Chief Financial Officer provided an explanation on the funding mechanisms for the Council and that it would be difficult to identify which statutory services are underfunded. However, with regards to balancing the budget gap with income and expenditure officers are looking at a number of options which will include statutory provision in individual services in addition to those that are currently in the transformation blueprint, and this may assist in delivering some of the information required regarding statutory services.</p> <p>The Chair advised it would be helpful to highlight some of these areas of high spend for the Council to deliver services without the funding. The Chair also highlighted the growth of this Council and lack of capital funding and that there may come a time when Councils across Scotland will be unable to deliver statutory services.</p> <p>It was noted that the Chief Financial Officer will try to highlight the most offset costs that are underfunded.</p>		
<b>Decision</b>		
The recommendations were noted, and it was agreed that the Chief Financial Officer will explore highlighting the most offset costs that are underfunded.		
<b>Action</b>		
The Chief Financial Officer		

Report No.	Report Title	Submitted by:
5.9	Unaudited Annual Accounts 2023/24	Chief Financial Officer & Section 95 Officer
<b>Outline of report and summary of discussion</b>		
<p>The Chief Financial Officer presented this report. The purpose of this report was to outline material changes in the value of net assets as of 31<sup>st</sup> March 2024 and to facilitate Audit Committee consideration of the Council's unaudited annual accounts for 2023/24.</p> <p>In accordance with the Local Authority Accounts (Scotland) Regulations 2014 set out in section 3.2 of this report and specifically sections 8 (9) and 8 (10), Audit Committee are asked to consider the unaudited annual accounts for 2023/24. The Chief Financial Officer will then sign the accounts as Section 95 Officer on the statement responsibilities as detailed on page 18 of the Unaudited Annual Accounts 2023/24, they will then be published on the Council's website for a statutory period of public inspection.</p> <p>The Chief Financial Officer explained that the second stage of governance is scheduled for Audit Committee on 23 November when the Audit Committee will be asked to approve the Audited Accounts prior to sign off by Council Leader, Chief Executive and the Chief Financial Officer as the Section 95 Officer.</p> <p>The Chief Financial Officer was happy to take any question offline or anytime over the summer months.</p> <p>The Chair thanked the Chief Financial Officer for the report and that this would be helpful to allow members to go through this and opened it up to any questions.</p> <p>In responding to a question raised on the pension fund and the fundamental change, the Chief Financial Officer explained that as part of the work that the Lothian Pension Fund done was to look at the long term position of the pension fund relative to some of shorter term positions of the employer's contributions and as party to the Lothian Pension fund discussions was assured that the long term view was the principle view and the short term view to reduce the employer's contribution rates sat in line with long term view.</p>		
<b>Decision</b>		
The Audit Committee noted the contents of the report and that the Chief Financial Officer would be available to answer any questions regarding the Unaudited Annual Accounts for 2023/24.		
<b>Action</b>		
The Chief Financial Officer/Section 95 Officer		

## 6. Private Reports

No items for discussion

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

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The next meeting will be held on Monday 30 September 2024 at 2pm.

The meeting terminated at 11.57.