

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 12 March 2013 at 11.00 am.

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

1 Order of Business

The Clerk advised the meeting that item No.10 on the published agenda, "Payment Card Industry Standard", had been withdrawn.

2 Declarations of Interest

No declarations of interest were intimated.

3 Minutes

The Minutes of Meeting of 29 January 2013 were submitted and approved.

With reference to paragraph 8 of the Minutes (Treasury Management and Investment Strategy), the Head of Finance and Human Resources confirmed that :-

- (a) Committee members had been given clarification of the Capital Expenditure table which accompanied his report of 17 January 2013;
- (b) The long term borrowing from the PWLB to take advantage of historically low interest rates had been taken after consultation with the Council's treasury consultants and was in accord with the Council's Treasury Strategy; and
- (c) Records of the borrowing decisions were maintained.

In this respect, the Chair advised that it was his intention to discuss with the Council's external auditors the long term financial prospects of the Council taking into account PPP obligations; government support; revenue expenditure; and cash flow.

4 Building Maintenance Services Trading Position and Outturn 2012/13

With reference to paragraph 7 of the minutes of 29 January 2013, there was submitted report, dated 5 March 2013, by the Director, Corporate Resources, advising the Committee of the anticipated financial outturn for the Building Maintenance Services Statutory Trading Account for the year to 31 March 2013. The report explained that the Local Government in Scotland Act 2003 required Statutory Trading Accounts to be maintained for Significant Trading

Operations and that they should break even over a three-year rolling period and that for the rolling period 2009/10 to 2011/12 both Building Maintenance and Roads Maintenance achieved the required financial objective. The report highlighted that as part of the agreed settlement in moving Craft Operatives from an Incentive Earnings scheme to a weekly salary, a “one off” payment was made to operatives amounting to £241,000, which was included in the 2011/12 accounts and this had reduced the accumulated trading surplus.

The financial report covering the period 1 April 2012 to 19 August 2012, had shown a drop in productivity and concerns were raised regarding a possible deficit on the Statutory Trading Account. The Director, Corporate Resources, had therefore established a Task group to review the service and specifically the trading position and a number of initiatives had been introduced including the fast track of the installation of bathrooms and smoke alarms which were provided for in the Council’s Capital Plan and which were funded via the Scottish Housing Quality Standard budget. In the meantime the Building Maintenance Management Team had been tasked by the Director, Corporate Resources to produce a five year Business Plan for Capital Programmes. This would facilitate closer monitoring of the Statutory Trading position and align to the improvement works programme being progressed by the Council. It was also intended to fundamentally review recovery rates for 2013/14 onwards.

Based on the initiatives introduced, it was anticipated that Building maintenance Services would achieve its three year statutory break even target.

Decision

- (a) To note that recovery rates allowed for a 5% absence rate;
- (b) To note that staff morale had initially dropped following the introduction of fixed salaries but this had since improved;
- (c) To note that the comparable rechargeable rates referred to in the report had been provided by APSE on a confidential basis; and
- (d) To otherwise note the report.

5 Car Parking: Dalkeith Town Centre

With reference to paragraph 7 of the minutes of 29 January 2013, there was submitted report, dated 5 March 2013, by the Director, Corporate Resources, providing an update regarding the current usage of the “Pay and Display” short stay car parks at North Wynd and St Andrew Street, Dalkeith. The report explained that the income received by the car park operator (CP Plus) simply allowed them to recover their costs. The agreement stipulated that when the level of usage within the car park increased the Council could anticipate an income.

Decision/

Decision

- (a) To note the cost implications of providing a car park management service “in-house”;
- (b) To note that residents of Dalkeith Town Centre were presently being consulted on the feasibility of introducing controlled residents parking; and
- (c) To otherwise note the report.

6 Internal Audit Recommendations: Performance Report

There was submitted report, dated 28 February 2013, by the Risk and Audit Manager, detailing progress with the implementation of Internal Audit recommendations agreed by management during the period 2010-2012. The report advised that 379 recommendations have been made during this period, 315 of which were complete; 12 were in progress within timescale; and 52 were time expired. A sample of completed recommendations was being audited, to confirm that they have been installed properly, the findings of which would be reported initially to the Corporate Management Team and then to the Committee. Of those recommendations that were time expired, 13 had been subsumed in the new Housing Allocations Policy; 18 in Accounts Receivable were under close scrutiny by CMT; and the Data Protection recommendations were the subject of an audit follow up. Overall, 86% of Internal Audit's recommendations had been implemented.

Decision

- (a) To note that the Corporate management Team was addressing the issue of income collection from accounts receivable to maximise income and that this would be the subject of future monitoring reports;
- (b) To otherwise note the report.

(Action: Risk and Audit Manger)

7 Internal Audit Plan 2013/14

There was submitted report, dated 28 February 2013, by the Risk and Audit Manager, inviting endorsement of the Internal Audit Plan which would commence on 1 April 2013. The report detailed the audits approved by the Corporate Management Team for 2013/14.

Decision

- (a) To note that Audit Committee, through the process of agreeing the audit Plan could request audits in respect of specific issues;
- (b) To endorse the Internal Audit Plan for 2013/14; and
- (c) To Note that reports on progress with the plan would be submitted on a regular basis.

(Action: Risk and Audit Manager)

8 Internal Audit Report - Carbon Management Reduction/Energy Saving

There was submitted report, dated 21 February 2013, by the Risk and Audit Manager, in respect of an audit of Carbon Management Reduction/Energy Saving. The objective of the audit was to review the controls and processes the Council had in place to ensure that the Council was acting in accordance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) and the Climate Change (Scotland) Act 2009. The audit conclusions detailed the strengths identified and those areas where it was considered improvements could be made. Overall, 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 and needed to be addressed within a reasonable timescale. The report therefore included a management action plan to address these issues.

Decision

- (a) To note that quarterly progress reports on this subject were due to be submitted to the Corporate Management Team and to therefore agree that these reports should likewise be submitted to the Committee;
- (b) To endorse the management action plan; and
- (c) To otherwise note the report.

(Action: Risk and Audit Manager/ Head of Properties and Facilities Management).

9 Risk Management: Risk Control Programmes 2012/13 and 2013/14

There was submitted report, dated 27 February 2013, by the Risk and Audit Manager inviting scrutiny of the Risk Control Programme for 2012/13 and the programme planned for 2013/14. The report detailed the Risk Management responsibilities during 2012/13. The performance Indicators associated with each of the risks had been largely achieved and would be systematically reviewed to accommodate the 2013 /14 programme. Improvements required to the Performance Indicators were being addressed and these were also detailed in the report.

Decision

- (a) To note the effectiveness of collaborative benchmarking with East Lothian, West Lothian, Scottish Borders, South Lanarkshire and Renfrewshire Councils;
- (b) To note that the Council's insurers were satisfied with the Council's contingency plan for back – up IT services;
- (c) To endorse the list of actions, as detailed in the report, for 2013/14.

(Action: Risk and Audit Manager)

10 **Exclusion of Members of the Public**

In view of the nature of the business to be transacted, the Council agreed that the public be excluded from the meeting during discussion of the undernoted item, as contained in the Addendum hereto, as there might be disclosed exempt information as defined in paragraphs 8 and 9 of part 1 of Schedule 7A to the Local Government (Scotland) Act 1973:-

Care at Home Service Providers – To note the outcome of an Internal Audit Review and to endorse the management action plan arising therefrom.

The meeting terminated at 12.30pm.

