

# Minute of Meeting



## Audit Committee

Date	Time	Venue
Tuesday 20 June 2017	2.00 pm	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

Councillor Baird
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Parry
Councillor Small

### In attendance:

Kenneth Lawrie	Chief Executive
John Blair	Director Resources
Gary Fairley	Head of Finance and Integrated Service Support
Alan Turpie	Legal Services Manager
Elaine Greaves	Internal Audit Manager
Heather Mohieddeen	Senior Auditor
James Polanski	Auditor
Kevin Anderson	Head of Housing and Customer Services
Janet Ritchie	Democratic Services Officer

## 1. Welcome and Apologies

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- 1.1 Independent Chair: The Chief Executive provided the Committee with an update on the position of Independent Chair highlighting that a report would be presented to Council in August with a recommendation regarding this. In the meantime a Chair should be appointed from the Committee who is a non-Cabinet member.

The Chief Executive invited nominations for the position of Chair for this meeting:

Councillor Baird nominated Councillor Parry, no seconded for this nomination

Councillor Milligan nominated Councillor Smaill, seconded by Councillor Hardie.

Councillor Smaill was elected to the position of Chair for this meeting.

- 1.2 Apologies were received from E.Y., External Auditors. The Chief Executive explained to the Committee that due to miss-communication the external auditors had other commitments so were unable to attend this meeting.

## 2. Order of Business

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The order of business was confirmed as outlined in the agenda that had been circulated.

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Previous Meetings

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No previous minutes were submitted to this meeting. The previous minutes of the Audit Committee of 21 March 2017 were submitted and approved at Council on 23 May 2017.

## 5. Reports

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Report No.	Report Title	Submitted by:
5.1	Membership, Terms of Reference and Appointment of Interim Chair	Director Resources
<b>Outline of report and summary of discussion</b>		
There was a report presented to the Audit Committee by Chief Executive bringing the Committee's attention to the Audit Committee's Membership and Terms of Reference. The election of an Independent Chair which is detailed in 1.1.		
<b>Decision</b>		
To note the Report		

Report No.	Report Title	Submitted by:
5.2	Internal Audit Plan 2017/18	Internal Audit
<b>Outline of report and summary of discussion</b>		
<p>The Internal Audit Manager presented the Internal Audit Plan 2017/18 to the Committee explaining that this had been approved at the previous meeting of the Audit Committee on 23 March 2017 and this was presented today for information. The Internal Audit Manager gave a brief summary of the contents of the Audit Plan.</p> <p>Thereafter the Head of Education responded to questions raised by the Committee with regards to the Children and Young People 2014 Act - Named Person and Pupil Equity Funding.</p>		
<b>Decision</b>		
To note the report.		

Report No.	Report Title	Submitted by:
5.3	Internal Audit Annual Assurance Report 2016/17	Internal Audit Manager
<b>Outline of report and summary of discussion</b>		
<p>There was a report submitted by Internal Audit which outlines that the Local Authority Accounts (Scotland) Regulations 2014 require that an annual review is undertaken on the effectiveness of the Council's system of internal control and include a statement of this review in the Annual Governance Statement. This report details the results of the review and concludes the Council's framework of governance, risk management and internal controls are of a satisfactory standard but did raise some actions which are included in the Annual Governance Statement.</p>		
<b>Decision</b>		
<p>The Audit Committee noted:</p> <ul style="list-style-type: none"> <li>• The Annual Assurance Report.</li> <li>• That the weaknesses identified with internal controls in 2016/17 will be followed up in 2017/18 and updates will be provided to the Audit Committee.</li> </ul>		

Report No.	Report Title	Submitted by:
5.4	Annual Governance Statement	Chief Executive
<b>Outline of report and summary of discussion</b>		
<p>The Chief Executive presented a report to the Committee dated 13 June 2017 providing an assessment of the Council's compliance with its Code of Corporate Governance and invites the Audit Committee to note and comment on the attached draft statement which is to be included in the financial statements.</p>		

The Chief Executive highlighted the main sections from the report and the Annual Governance Statement attached to this report.

Thereafter the Chair of the Committee asked the Internal Audit Manager to provide the Committee with an update on the changes of responsibility in detecting fraud and the Council's role.

**Decision**

The Audit Committee noted the proposed Annual Governance Statement.

Report No.	Report Title	Submitted by:
5.5	Annual Report from the Independent Chair of the Audit Committee for the year end 31 March 2017	Peter Smaill

**Outline of report and summary of discussion**

There was submitted a report from the Independent Chair of the Audit Committee to year end 31 March 2017 to inform the Council of the work carried out by the Audit Committee during the financial year. In preparing the report reference was made to the requirements of the Audit Committee Combined Code (2008) and the 2013 Chartered Institute of Public Finance and Accountancy (CIPFA) document "Practical Guidance for Local Authorities – Audit Committees".

**Decision**

To note the Report.

Report No.	Report Title	Submitted by:
5.6	Audit Scotland Report Local Government in Scotland Performance and Challenges 2017	Chief Executive

**Outline of report and summary of discussion**

The Chief Executive presented the report dated 9 June 2017 to the Committee highlighting that the purpose of the report was to provide the Audit Committee with a summary of the Audit Scotland report, "Local Government in Scotland: Performance and Challenges 2017" and the Council's position in relation to the report's findings.

The Audit Scotland Report sets out the current and future challenges facing Councils and some of the progress made by Councils in meeting these challenges and an indication of what Councils should be doing to manage the change and challenges ahead.

The Chief Executive highlighted some of the key messages within the Audit Scotland report and outlined that the main recommendations identified are set out in section 3 of his report with some commentary on the position of the Council in relation to these recommendations.

Councillor Milligan commented on the financial challenges the Council face. The Chief Executive and the Head of Finance and Integrated Service Support responded to questions on Government funding support for local Authorities.

**Decision**

To note the Audit Scotland Report and the position of Midlothian Council in relation to the report's recommendations.

Report No.	Report Title	Submitted by:
5.7	Risk Management Update for 1 January 2017 - 31 March 2017	Risk Manger

**Outline of report and summary of discussion**

There was a report dated 20 May 2017 submitted providing the Committee with the 2016/17 quarter 4 strategic risk management update, covering the period 1 January to 31 March 2017.

The Director Resources presented the report to the Committee highlighting the main sections from the report which included the strategic risks in quarter 4:

- Fastest Growing Council in Scotland;
- UK Decision to leave the European Union following the referendum
- Political uncertainty including Education Governance Review.

Also highlighted was the importance of the financial stability, the future budget projection of the Council and the Change Programme.

Thereafter the Director Resources and Head of Finance and Integrated Service Support responded to questions raised by the Chair which included:

- The Budget gap and the Financial Strategy.
- The Business Transformation Steering Group governance and assurance that key financial decisions are presented to the Audit Committee.
- A request for an audit of Pay and Grading by the end of 2017/18 detailing whether benefits and improvement in flexibility have been achieved .

**Decision**

The Audit Committee noted the quarter 4 2016/17 Strategic Risk Profile report and considered the current response to the issues, risks and opportunities highlighted.

**Action**

Internal Audit Manager

Report No.	Report Title	Submitted by:
5.8	Update of Midlothian's Devolved School Management Scheme (DSM) to reflect the latest Scottish Government Guidance	Director of Education, Communities and Economy.
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to inform the Audit Committee of actions undertaken to ensure that Midlothian's DSM Scheme complies with the Devolved School Management (DSM) 2012 Guidelines.</p> <p>The Head of Education presented the report to the Committee highlighting the main sections from the report.</p>		
<b>Decision</b>		
The Audit Committee noted the report.		

## 6. Private Reports

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In view of the nature of the business to be transacted, the Committee 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 information as defined in paragraph 6, 8, 9 and 10 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Report No.	Report Title	Submitted by:
6.1	Internal Audit Report – Review of Utilisation of Assets held under PPP Contracts	Internal Audit Manager
<b>Decision</b>		
The Audit Committee endorsed the agreed recommendations.		

Report No.	Report Title	Submitted by:
6.2	Internal Audit Report – Arrears, Sundry Debt	Internal Audit Manager
<b>Decision</b>		
The Audit Committee endorsed the agreed recommendations.		

Report No.	Report Title	Submitted by:
6.3	Internal Audit Report – Arrears, Rent, Council Tax and Overpaid Housing Benefit	Internal Audit Manager
Decision		
The Audit Committee endorsed the agreed recommendations.		

The meeting terminated at 3.06 pm