

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Committee Room, Midlothian House, Buccleuch Street, Dalkeith Tuesday 30 October 2012 at 11.00 am.

Present:- Mr P Smaill (Independent Chair); Councillors Baxter, Beattie, Bryant , de Vink, Milligan and Muirhead.

Apology for Absence:- Mr R Rae (Independent Member).

1 Order of Business

The Committee noted that an additional report on Treasury Management: Mid-Year Review Report 2012/13 had been circulated and agreed to give consideration thereto as shown in Paragraph 9 hereof.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

The Minutes of Meeting of 18 September 2012 were submitted and approved subject to apologies being recorded for Councillors de Vink and Muirhead.

Arising from consideration of the foregoing Minutes, the Committee noted;-

- (a) That the existing processes and protocols in respect of the interests of employees were considered to be robust and did not need to be amended or supplemented; and
- (b) The intention of the Chairman to discuss with the Director, Corporate Resources, the future administration of the Gourlaw/Newbigging/ Shewington Opencast Community Fund.

4 Internal Audit Plan 2012/13: Progress Report

There was submitted report dated 17 October 2012 by the Risk and Audit Manager, detailing progress with the Internal Audit Plan for 2012/13 as at the end of October 2012. The report detailed the completed audit assignments; planned work which had commenced but had not yet been completed; and those planned and unplanned tasks which had yet to commence. It was still anticipated that all the tasks outlined in the plan would be completed on schedule.

Decision

- (a) To note the findings of “Amber”(limited assurance) in respect of audits and to accordingly agree that response times to Management Action Plans be accelerated;
- (b) To note that the Internal Audit Unit would be able to divert resources to assist in the implementation of Management Action Plans;
- (c) To otherwise note the report.

5 Internal Audit - Fuel Management

There was submitted report, dated 17 October 2012, by the Risk and Audit Manager, on an audit of Fuel Management. The objective of the audit was to review the adequacy of controls over Fuel Management within the Council. The audit had been requested by the Head of Commercial Operations following discussions with the Director, Corporate Resources. The audit had focused on the key controls in place to ensure that:-

- Fuel was procured at best value and in accordance with the Council’s Procurement Policy; adequately authorised; and accounted for correctly;
- Fuel was held securely and safely and was protected from thefts and leakages;
- The dispensing of fuel was monitored; controlled; accurate; and only issued to authorised personnel;
- Appropriate policies and procedures were in place and followed;
- Business continuity procedures were in place to cope with fuel shortages;
- Systems and records were correctly updated; and
- Management and financial information was relevant, accurate, timely and distributed to the appropriate personnel.

The audit had concluded that there were weaknesses in the system of internal control, particularly with regard to the use of “Shell Cards” at external garages, which should be addressed within a reasonable timescale and that improvements were required in the way risks were managed. The report therefore included a management action plan to address those issues identified by the audit.

In amplification of the report, the Director, Corporate Resources advised that the Corporate Management Team had already decided to accelerate the timescales recommended in the management Action Plan.

Decision

- (a) To approve the management Action Plan;
- (b) Notwithstanding (a) above, that Officials take all steps necessary to improve on the response times specified in the Management Action Plan, in particular those relating to Health and Safety issues identified by the Audit;
- (c) That Officials investigate and report on the introduction of a system whereby Council ID cards needed to be produced and recorded prior to the purchase of fuel by way of Shell Fuel Cards and notwithstanding that unique personal Identification Numbers(PIN) be allocated to employees who were authorised to purchase fuel by this method; ;
- (d) That Officials investigate and report on (i) the matching of fuel purchase for vehicles with recorded mileages and (ii)the validation of recorded fuel purchases; and
- (e) Whilst noting that there were no discrepancies in respect of fuel stored in Council depots, steps be taken to ensure that security was maintained at the highest possible level and that a regime of spot checks be introduced.

(Action: (a) Risk and Audit Manager/ Head of Commercial Operations; (b) ;(c) (d) and (e) Head of Commercial Operations).

6 Internal Audit: Property Maintenance - Rechargeable Work

There was submitted report, dated 17 October 2012, by the Risk and Audit Manager, on an audit of Rechargeable Work undertaken by or on behalf of the Council's Property Maintenance Unit. The objective of the audit was to ensure that all rechargeable work carried out by the Property Maintenance service was identified, invoiced and paid promptly by the debtors. The Audit had particularly focussed on policy in respect of property maintenance recharges; the control of budgets and reporting; procedures for staff to follow; the use of software to control processes and any manual aspects; internal check(s) within the processes; and the monitoring of income collection rates. The report highlighted that Housing rechargeable work had an extremely low income collection performance rate, on occasion as low as 10% which appeared to be caused by debtors unwilling or unable to pay but which could be compounded by the delays in raising invoices. The audit had concluded that there were weaknesses in the system of internal control which should be addressed within a reasonable timescale and that improvements

were required in the way risks were managed. The report therefore included a Management Action Plan to address those issues identified by the audit.

Decision

- (a) That officials benchmark the Council's income collection performance with comparable authorities and report in this respect to the next meeting; and
- (b) To approve the Management Action Plan.

(Action: Head of Properties and Facilities Management)

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Councillor Baxter left the meeting at this stage (12.21pm).

7 Risk Management Policy, Strategy and Framework

There was submitted report, dated 17 October 2012, by the Risk and Audit Manager, inviting scrutiny on an updated Risk Management Policy, Strategy and Framework.

Decision

- (a) To endorse the updated Risk Management Policy, Strategy and Framework; and
- (b) To note that the updated Risk Management Policy, Strategy and Framework would be submitted to Cabinet along with an update on the annual risk control programme in due course.

(Action: Risk and Audit Manager).

8 Managing Performance: "Are you getting it right?"

There was submitted report, dated 16 October 2012, by the Chief Executive, presenting an Audit Scotland Report entitled 'Managing Performance: Are you getting it right?' and describing the response to the recommendations contained therein. The aim of Audit Scotland's report was to stimulate change and improve performance in councils. The report covered:-

- The important role of councillors in managing performance;
- The importance of leadership by officers and councillors in developing a performance management culture;
- Developing effective performance management frameworks to support improvement;

- Developing performance measures;
- Using performance information effectively;
- Developing self-evaluation and improvement activity; and
- Managing performance in Partnerships.

The Chief Executive's report provided detailed information on the current Planning and Performance Management Framework within the Council and recent improvements to performance management particularly in relation to the Best Value Improvement Plan; the Planning and Performance Management Framework (PPMF); Benchmarking; and Self-evaluation.

Decision

To note the report.

9 Treasury Management Mid-Year Review Report 2012/13

There was submitted report dated 23 October 2012 by the Head of Finance and Human Resources advising the Committee of the Treasury Management activity undertaken during the first half of 2012/13. The report incorporated a detailed account on Treasury Management Activity during 2012/13 and drew attention to the following points:-

The opening of three Money Market Funds (MMFs), as a result of the impact of the economic climate, on the Council's list of approved counterparties for investment;

The average interest rate earned on external investments was 2.11%, more than double the benchmark rate of 1.02%. The comparator figure for the half-year in 2011/12 was 1.25% (and full year equivalent 1.49%);

Total long term borrowing in the half year was £10 million;

No debt rescheduling had been undertaken during the period; and

The strategy for borrowing to fund Capital Expenditure in the second half of 2012/13 is expected to conform to the Treasury Management and Investment Strategy 2012/13 approved by the Council on 28 February 2012.

Thereafter, the Head of Finance and Human Resources answered questions from Members.

Decision

- (a) To note that the Financial Services team has achieved a better than benchmark return on investments for the half year; and
- (b) To note the report and the treasury activity undertaken in the half-year.

10 Schedule of Meetings

On a point raised by Councillor de Vink, the Committee agreed that the Chief Executive investigate the possibility of rescheduling the Committee's meetings in 2013 being held on Mondays.

(Action: Legal and Secretariat Manager).

The meeting terminated at 1.05 pm.

