

**MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE** held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 7 May 2013 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 Declarations of Interest**

No declarations of interest were intimated in respect of the agenda items to be considered. The Independent Chair however advised the Committee that he had been appointed a Trustee of Crichton Church, which could require a declaration on his part at future meetings.

## **2 Minutes**

The Minutes of Meeting of 12 March 2013 were submitted and approved.

Arising from consideration of the foregoing minutes, the Chair advised:-

- (a) That he had met with his counterpart in the City of Edinburgh Council to discuss issues surrounding "Following the Public Pound"; and
- (b) Training for Committee Members on Audit Committee issues had been arranged for Thursday 6 June 2013.

## **3 Annual Governance Statement**

There was submitted report, dated 2 April 2013, by the Internal Audit Manager, providing an assessment of the Council's compliance with its Code of Corporate Governance and inviting the Committee to note a draft statement to be included in the financial statements.

### **Decision**

- (a) To note and approve, for its interest, the Annual Governance Statement as shown in the Appendix hereto; and
- (b) To note the areas for improvement contained within the Annual Governance Statement.

(Action: Internal Audit Manager).

#### **4 Annual Statement on the Internal Control Environment as at 31 March 2013**

There was submitted report, dated 18 April 2013, by the Internal Audit Manager, presenting the Manager's findings on the Council's Internal Control Environment and the Annual Statement on Internal Control for the year ending 31 March 2013. The report provided detailed information on CIPFA Code of Practice; Risk Assessment; Reporting lines of Internal Audit; Internal Audit Resource; miscellaneous audit tasks; the level of reported fraud; Internal Audit's opinion of the Internal Control Environment during 2012/13; and Opinion on the Council's Internal Control Environment.

The report advised that overall, adequate internal controls were in place and were monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment. The report also detailed where there was room for improvement in governance, management of risk and internal control which had been identified following audit assignments.

#### **Decision**

- (a) To note that a report on a new best practice guide entitled the 'Public Sector Internal Audit Standards' which replaced the CIPFA Code and came into effect 1 April 2013, was scheduled to be submitted to the Committee's next meeting on 18 June 2013;
- (b) That progress reports on Corporate IT testing and Accounts Receivable also be submitted to the meeting on 18 June 2013;
- (c) To endorse the Annual Statement on the System of Internal Control; and
- (d) To note that the internal control areas for improvement will be included in the Council's Annual Governance Statement.

(Action: Internal Audit Manager).

#### **5 Housing and Council Tax Benefit Follow-up Review**

With reference to paragraph 4 of the minutes of 14 February 2012, there was submitted report, dated 25 April 2013, by the Internal Audit Manager in respect of an audit undertaken to review progress in the implementation of the agreed Management Action Plan following an Audit Scotland 'Performance Audit of Housing and Council Tax Benefit' undertaken in August 2011; to gain assurance that the improved performance identified in the internal audit follow-up in April 2012 had been maintained; and that action had been taken to progress the areas where it had been identified that further improvements could be made.

The audit had concluded that (i) in respect of Revenues Operations the improvements noted in the last report had been maintained and the management action plan had been achieved satisfactorily although an issue had been identified with the sample sizes for checking claims for processing;

and (ii) in respect of Revenues Security and Systems, there had been improvement in a number of the actions there remained some areas where further improvement was required. The report therefore contained a management action plan to address those issues identified by the Audit. As a result of the progress made in addressing the issues and the fact that no high risk issues had been identified it was not proposed to undertake any additional follows-ups.

**Decision**

- (a) To approve the management action plan contained within the report;  
and
- (b) To otherwise note the report.

(Action: Internal Audit Manager/ Head of Customer Services ).

The Meeting terminated at 11.35 am.



## **Appendix**

**(relative to paragraph 3)**

### **Annual Governance Statement 2012-13 (AGS)**

Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow public funds and the assets at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Elected Members and senior management are responsible for the governance of the business affairs of Midlothian Council. This includes: setting the strategic direction, vision, culture and values of the Council; establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this the Council has therefore developed a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives' framework. The Council has a number of officials in statutory posts who monitor governance and the supporting processes during the year.

Each year, using an assurance template, evidence is gathered relating to the governance framework and the level of compliance with the code. This includes all 10 Heads of Service completing a self assessment and Internal Audit selecting a sample of key Financial and Non-Financial elements of governance and testing adequacy against the code. Furthermore, the assurance elements are where necessary discussed with senior management responsible for the elements.

In addition Midlothian Council's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

The governance elements include:-

#### **Financial Governance**

Internal Control Environment, Procurement, Strategic Financial Management, Internal Audit and Annual Statement on Internal Control, Fraud and Corruption Policy, Audit Committee, Chief Financial Officer and External Audit.

#### **Non-Financial Governance**

Monitoring Officer and Standards in Public Life, Leadership and Change Management, Risk Management, External Inspections, Single Outcome Agreement/Community Planning/Single Midlothian Plan, Planning for Emergencies and Business Interruption, Information Management Security, Customers and Complaints and Elected Member and Employee Capacity and Development.

A review of the evidence was undertaken and resulted in an overall impression of governance.

A revised Code of Corporate Governance is in development, with the above elements included, and will be submitted for approval by the full Council. This will be used as the basis for assessment next year.

A number of governance improvements were highlighted in the 2011-12 self assessment and progress has been made in procurement (including resourcing the service, developing a strategy, policies and procedures and delivering savings), internal control guidance, whistle blowing facilities for employees and members of the public, Welfare Reform legislation, risk management and a Best Value improvement plan.

Other actions are underway but have not yet been fully addressed namely: accounts receivable collection performance; health and safety policy; information management and data protection; and business continuity.

The following areas of improvement have also been identified and are to be progressed in 2013 -14:

- as the Council continues its partnership working, a review will be undertaken to ensure compliance with Audit Scotland's report on Arms Length Bodies and Following the Public Pound;
- further progress with the Business Transformation Programme to deliver improved services and processes at reduced cost;
- further reduction in residual risk within operational services. Further reductions in risks in corporate and projects;
- imbedding the Single Midlothian Plan and associated corporate priorities;
- in supporting changes in ICT and building rationalisation, conduct structured testing of ICT and Business Recovery Plans;
- to support Elected Member capacity, by completing an Elected Member training programme; and
- the Council will continue to assess the impact of the new Welfare Reform Act on Council services and Midlothian citizens and develop local action plans.

On the basis of the Council's assurance system, and the elements of governance at its disposal, we are satisfied that overall, Midlothian Council's corporate governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas allowing the Council to advance its corporate governance arrangements and seek continuous improvement.

Signed:

Leader of the Council

Chief Executive  
Date: