

**MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE** held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 17 September 2013 at 11.00 am.

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

**Apology for Absence:-** Councillor Beattie .

### **1 Declarations of Interest**

No declarations of interest were intimated.

### **2 Order of Business**

The Chairman reported that he had been in discussion with officials in respect of:-

- (a) LIBOR interest rates and whether the Council had a need to seek the recovery of any sums as a result of the artificial fixing of these rates by certain banks and financial institutions; and
- (b) The need for the Committee to monitor closely the use of the Council's cash reserves given the pressures on revenue funding at this time.

### **3 Minutes**

The Minutes of Meeting of 18 June 2013 were submitted and approved.

Arising from consideration of the foregoing Minutes the Committee noted that:-

- (a) Any action to be taken the Chief Executive and Chair with the appointment, removal, remuneration setting and performance appraisal of the Internal Audit Manager would be in accordance with the Council's Human Resource policies and procedures;
- (b) Investigations were still ongoing in respect of the provision of a "back up" server being located at Lasswade High School Centre;
- (c) A quarterly monitoring report on the Council's Revenue Budget would be submitted to the Council on 24 September 2013, which would include information on the Council's cash reserves; and
- (d) The Council's insurance in respect of breaches of the Data Protection Act only extended to instances of negligence on the part of the Council and would not cover the defence or settlement of any civil action claims

#### **4 Midlothian Council - Interim Audit Report 2012-13**

There was submitted report, dated June 2013, by the Council's External Auditors (Grant Thornton UK) summarising the outcomes from the audit work complete at the interim stage of the Midlothian Council Annual Audit, in line with the risks identified in their External Audit Plan issued in March 2013. The key areas of focus for the audit were:

- (a) An updating of their understanding of the Council's overall governance arrangements;
- (b) An evaluation of controls over key financial systems; and
- (c) The early testing of transactions in key financial systems.

In addition, the external auditors had followed up on the progress in implementing recommendations agreed in prior year audit reports. Overall, the results of the testing showed systems of internal financial control to be operating to a good standard and no issues with controls in housing rent, or welfare expenditure had been identified. The report however drew attention to the fact that the Council was currently undertaking a systems thinking review across its HR transactional processes and as a result, some transitional monitoring and control systems had been adopted as an interim measure until new processes were fully in place. The audit had identified some control weaknesses in these interim arrangements and therefore incorporated recommendations to address these issues. This in turn had led to an action plan being agreed.

##### **Decision**

- (i) To note the actions being taken to ensure that all employees were issued with written contracts timeously and thus eradicate the problems caused in the operation of the payroll system;
- (ii) To note that the audit had not shown any instances where National Insurance contributions or PAYE had not been forwarded to HMRC;
- (iii) That a progress report on the resolution of the issue of employees without written contracts and numbers thereof be submitted to the next meeting; and
- (iv) To otherwise note the report.

(Action: (iii) Head of Finance and Human Resources).

#### **5 Financial Statement Audit Findings for Midlothian Council for year ending 31 March 2013 (ISA 260)**

There was submitted report dated September 2013 by the External auditors (Grant Thornton UK) highlighting the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2013. The report explained that the audit was substantially complete although work in the following areas was still to be finalised, viz:-:

Certification of the Housing Benefits and Council Tax Benefits grant claim;

Review of the final version of the financial statements;

Obtaining and reviewing the management letter of representation;

Updating the post balance sheet events review, to the date of signing the opinion;

Clearance from Lothian and Borders Police and Fire Boards' auditors, to support the group accounts; and

Review of the Council's Whole of Government Accounts submission.

The Auditors expected to provide an unqualified opinion on the Council's 2012-13 financial statements. They also wished to place on record, their recognition of the quality of the final accounts working paper and the support received from the Finance unit.

### **Decision**

- (a) To note that the method of valuing the Council's shareholding in Lothian Buses would be reviewed during the course of the current year;
- (b) To adopt the recommendation that arrangements to instruct the internal valuer are formalised and documented;
- (c) To adopt the recommendation that a time limit be introduced in respect of Elected member expense claims, in order to ensure that reasonable checks can be undertaken on their accuracy; and
- (d) To otherwise note the report.

(Action: Head of Finance and Human Resources).

## **6 Exclusion of Members of the Public**

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 items, as contained in the Addendum hereto, as there might be disclosed information as defined in paragraphs 4, 6 and 14 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Investigation into Midlothian Council's Involvement in the Esk Bridge Landslide  
- Agreed

- (a) To note that affected residents had refused offers of temporary rehousing whilst investigations into the causes of the landslide were undertaken;
- (b) That a report on a Council policy/procedure in respect of emergencies be presented to the next meeting;
- (c) To note that following a detailed investigation, it was the opinion of Internal Audit that there is no evidence of any impropriety by any Council Officer during the Council's involvement and agreement to underwrite costs in respect of a landslide at Esk Bridge on 19 July 2012; and

- (d) To obtain Counsel's opinion on the likelihood on the recovery of costs incurred by the Council from either home owners at Esk Bridge, Penicuik, or from the Factors appointed to manage and maintain the land on behalf of the land owners(Applecross Developments - in liquidation) where the landslide occurred; and
- (e) To otherwise note the report.

The meeting terminated at 01.10 pm.