

Minute of Meeting

Audit Committee
Tuesday 7 December 2021
Item No: 4.1



Audit Committee

Date	Time	Venue
Tuesday 28 September 2021	11.00am	MS Team – Virtual Meeting

Present:

Mike Ramsay (Independent Chair)
Councillor Cassidy
Councillor Hackett (Substitute)
Councillor Muirhead
Councillor Parry
Councillor Smaill
Councillor Hardie
Mr de Vink (Independent Member)

In attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal Services Manager/Monitoring Officer
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children , Young People and Partnerships
Gary Fairley	Chief Officer Corporate Solutions
Derek Oliver	Chief Officer Place
David Gladwin	Financial Services Manager
Jill Stacey	Chief Internal Auditor
Myra Forsyth	Quality and Scrutiny Manager
Stephen Reid	External Auditor, E.Y.
Grace Scanlin	External Auditor, E.Y.
Janet R Ritchie	Democratic Services Officer

1. Welcome and Apologies

The Chair, Mike Ramsay, welcomed everyone to the meeting. Apologies were received from Councillor Milligan and it was noted that Councillor Hackett was substituting for Councillor Milligan.

2. Order of Business

Order of business as outlined in the Agenda.

3. Declarations of interest

No declarations of interest were received.

Cllr Hackett enquired due to his employment with Unison would this cause any issues. Mr Turpie confirmed that as it was not the point of the Audit Committee to look at actions of the Trade Union this raised no areas to cause an issue.

4. Minutes of Previous Meetings

- 4.1 The minute of the meeting of 17 August 2021 was submitted and approved as a correct record having been proposed by Councillor Muirhead seconded by Councillor Smaill.

There followed a discussion on the format of the Minute and that Standing Orders reference was to streamline the minutes in recording the decisions and although this was a very high level minute Mr Turpie confirmed this was still a valid minute. Discussion also took place on the lateness in issuing the Agenda and papers and during this discussion it was confirmed that the papers are normally issued one week in advance of the meeting and Mr Turpie confirmed that the statutory timescale is 3 days in advance of the meeting and Standing Orders is 7 working days and not less than 5 days prior to the meeting.

Mr Anderson apologised for the lateness and that this position was not to disrespect the Audit Committee and advised that the decision was taken not to issue the Agenda without the papers which were not available at that time. It was agreed that this would be monitored and if the Committee as a whole felt they did have time to give considerable consideration to the papers this would be raised.

- 4.2 The Action log was submitted and the following noted:

- 1) Internal Audit Annual Assurance Report 2019/20 – Risk Management Policy and Strategy - due December 2021
- 2) Financial Reports – Council Meeting 25 August 2020 - Ongoing
- 3) Internal Audit Recommendations - on Agenda

- 4) Report on reconciliation of Social Housing work in progress and completions – on Agenda
- 5) Property Maintenance – BTSG report – Commissioning work not completed - timescale December 2021 meeting following next scheduled Business Transformation Steering Group.

5. Public Reports

Report No.	Report Title	Presented by:
5.1	Annual Audit Report to Members and the Controller of Audit - year ended 31 March 2021	EY, External Auditors
Outline of report and summary of discussion		
<p>Stephen Reid, External Auditor EY, advised that this report is presented in draft and once the Financial Statements are approved and signed this report will be updated and finalised and shared with Audit Scotland for publication on their website.</p> <p>Mr Reid in presenting this report advised that it falls into two key parts, the Financial Statements and the dealing with the wider scope dimensions of public audit. Mr Reid then confirmed that he intended to issue an unqualified opinion on the Financial Statements following conclusion of the audit and highlighted that there was no material changes to scope of the audit compared to that which was set out in the audit plan presented to a previous meeting of the Audit Committee. As a result of the audit there was two adjustments made to the Financial Statements and also two unadjusted differences and that there had been some discussions and revisions made. He further advised that the papers were of a good standard and demonstrated continuous improvement especially taking into account the other demands on Officers.</p> <p>Mr Reid then highlighted some of the key conclusions in response to the work on the wider scope dimension on Financial management; Financial sustainability; Governance and Transparency; and Value for Money and outlined the four recommendations detailed within the report. Mr Reid in summarising his presentation advised that good progress had been made and he expressed his thanks to Officers across the Council for supporting him and his team and enabling him to discharge his responsibilities in a timely basis with the current pressures across Scotland and the ability to produce Audited Financial Statements in line with 30 September 2021 is a very positive achievement.</p> <p>Thereafter Mr Reid in responding to a question regarding financial stability advised that the amber grading given was a consistent view given the external environment and the impact on local authorities given the nature of unknowns as well as the known factors would continue to impact for a number of years.</p> <p>Further discussion took place on governance, action logs, attendance and participation at the Audit Committee and Mr Reid confirmed it is appropriate to bring challenges to areas of short comings but it is how the engagement takes place that is important.</p>		

The discussion continued regarding the acceptable level of codes of conduct and having careful robust challenges. Mr Reid highlighted that the assessment recognises the work done to support Elected Members and the framework that is in place but Members need to fully engage in this framework to discharge their responsibilities.

There followed a debate on the Members of the Cabinet on the Audit Committee and the Chair highlighted that within recommendation 3 it notes the role of the Independent Members out way the risk involvement of experienced Cabinet members. Mr Turpie also highlighted that the membership of the Audit Committee is the full Council's remit to consider. It was agreed that this should be deferred to the new Council next year to review the membership and remit of the Committee. The Chief Internal Auditor also highlighted that once the External Audit Report was considered by the Audit Committee the actions are added to the Pentana system to enable officers to be sited on those. It was agreed a report would be brought back to the Committee in January 2022 on the EY actions implementation and progress.

The Chair thanked EY for their work and commented on the very helpful report and noted that the Accounts were to be published online within the normal timescale and not the extended timescale and expressed his thanks on behalf of the committee to all those involved in achieving this.

Decision

The Audit Committee noted the report and agreed that a progress report would be brought back to the committee in January 2022 on the implementation and progress of the EY recommendations.

Action

Chief Officer Corporate Solutions

Report No.	Report Title	Presented by:
5.2	Annual Accounts for the year ended 31 March 2021	Chief Officer Corporate Solutions
Outline of report and summary of discussion		
<p>The Chief Officer Corporate Solutions, Mr Fairley, presented the Annual Accounts for the year ended 31 March 2021 advising that the Audit Committee is recommended to approve the 2020/21 audited accounts for signature. He further advised that the unaudited annual accounts had been submitted before the standard date 30 June 2021 and they were considered at the Audit Committee on 17 August 2021.</p> <p>Mr Fairley advised that the regulations are set out in the report and the requirement for the committee today was to consider whether the Accounts should be signed, having regard to any report made on the accounts and any advice given by the proper officer or the auditor. He also advised that the protocol for signing of the accounts is set out within the report if the committee approves the Accounts today and that the Auditor's report would then be presented to the October 2021 Council.</p>		

Having highlighting some of the main points contained within the report Mr Fairley then invited the Audit Committee members to congratulate the Finance Team and Officers in the preparation of the accounts and also expressed his gratitude to EY colleagues for the work to conclude the audit.

The Chair endorsed Mr Fairley's comment highlighting that the team has worked hard to bring forward the accounts in a timely basis. Councillor Smaill also added his congratulations on the improved presentation of the accounts.

In responding to a question raised by Councillor Smaill with regards to Lothian Buses pension deficit Mr Reid provided some clarity on this and suggested if there is an area which could be enhanced with additional narrative disclosure at this stage in the process that might be the way forward to explain the basis of the derivation of the investment value.

Mr Fairley in responding to a further question raised by Councillor Smaill with regards to Millerhill residual waste and the difference in figures from the unaudited accounts to these accounts explained that when the unaudited accounts were brought forward it was noted to the committee that there was still work to be done and this was an accounting matter not a cost overrun.

In responding to the Chair requiring confirmation if it was possible to include the extra sentence in the explanation around Lothian Buses to clarify the change in the inclusion and exclusion of the pension fund to be included in the final version Mr Fairley advised that we would look at further refining the wording in this section.

The Chair then advised subject to the minor clarification with no objections raised agreed to recommend the Accounts for signature. The Chair on behalf of the Audit Committee thanked all those involved in preparation of the Annual Accounts.

Decision

The Audit Committee approved the 2020/21 audited accounts for signature in light of the appointed auditor's report for 2020/21 subject to the minor clarification as discussed.

Action

Chief Officer Corporate Solutions

Report No.	Report Title	Presented by:
5.3	Follow-Up Review of Completed Internal Audit Recommendations	Chief Internal Auditor
Outline of report and summary of discussion		
The Chief Internal Auditor, Jill Stacey, presented this report advising that the purpose of this report was to provide an update on the results of the Internal Audit follow-up Review which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period April 2020 to March 2021.		

The Chief Internal Auditor advised that the findings of the internal review are set out within the report and highlighted some of the key messages and advised that during an extremely challenging period it was notable that all eight high level recommendations were completed. She further advised on the recommendations identified which were partially satisfactory requiring further work and the discussions with the Audit action owners to ensure the remaining elements of the audit actions are fully completed and that they would continue to be monitored.

Decision

The Audit Committee noted the results of the spot check on Internal Audit recommendations that have been marked as completed by Management in the period April 2020 to March 2021 to improve internal controls and governance, and mitigate risks.

Report No.	Report Title	Presented by:
5.4	Internal Audit Work to August 2021	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report was to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.</p> <p>An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.</p> <p>The Chief Internal Auditor, Jill Stacey, presented this report highlighting the main sections contained within the report and outlined the key messages of assurance and areas of improvement.</p> <p>Thereafter the Chief Internal Auditor responded to questions and comments raised by members of the Committee and the Executive Director Place clarified that the recommendation for audit work to be carried out with regards to Destination Hillend was recommended by Council and would be reported back to full Council.</p>		
Decision		
<p>The Audit Committee:</p> <ul style="list-style-type: none"> a) Considered the Executive Summaries of the final Internal Audit assurance reports issued; b) Noted the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; c) Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work. 		

Report No.	Report Title	Presented by:
5.5	Audit Scotland Fraud and Irregularity Update 2020-21	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report was to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.</p> <p>An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.</p> <p>The Chief Internal Auditor in presenting this report to the Audit Committee highlighted that the Integrity Group of Officers considered the report 'Fraud and Irregularity Update 2020/21' by Audit Scotland and none of the cases reported related to Midlothian Council and that the Integrity Group after carrying out an assessment of the internal controls would present a report to the Audit Committee in December 2021 for improvement and assurance purposes.</p>		
Decision		
<p>The Audit Committee:</p> <ul style="list-style-type: none"> a) Acknowledged the Audit Scotland counter fraud report published in recent months; b) Noted that the Integrity Group of officers has considered the report as part of their counter fraud role and responsibilities, has agreed next steps and will report back on Management Actions required for improvement and assurance purposes to the Audit Committee in December 2021. 		
Action		
Executive Director Place/Chief Internal Auditor		

Report No.	Report Title	Presented by:
5.6	Risk Management Update, Quarter 1 2021/22	Chief Officer Place
Outline of report and summary of discussion		
<p>The purpose of this report was to provide Audit Committee with an update on the risk responses Midlothian Council has implemented during Quarter 1 2021/22 to respond to the current risk climate; and to provide assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to each of the identified risks.</p>		

The Chief Officer Place, Derek Oliver, presented this report to the Audit Committee highlighting the main sections of the report and that the particular focus during Quarter 1 was the concurrent risks of COVID 19 and UK Exit from the EU.

Thereafter Mr Oliver responded to questions and comments raised by members of the committee relating to some of the strategic risks identified and provided clarity when risks become high risk on the service the Council will provide and also the impact on the workforce with some of these high risks.

The Chair also highlighted that the Risk Management Policy and Strategy was coming forward to the next meeting and provided further clarification on the high/critical risks and that with some of these the Council has done everything it can do to mitigate the risk therefore the ones which are ongoing are ones which can be actively managed.

Decision

The Audit Committee noted the current risk landscape and organisational response to the most significant risks in Quarter 1 2021/22.

Report No.	Report Title	Presented by:
5.7	Social Housing Stock Reconciliation	Executive Director Place
Outline of report and summary of discussion		
<p>The purpose of this report is to provide members of the Audit Committee with details of the reconciliation of the Council's Social Housing stock in progress and completions.</p> <p>The Housing stock 2019/20 completions were finalised at 73. However, in the preceding year's audited accounts the original report was of 29 units. Audit Committee requested reconciliation of the 2019/20 number with the capital expenditure in that year of £17.299m on new social housing provision.</p> <p>The Executive Director Place, Kevin Anderson, presented this report highlighting the main sections contained within the report providing clarity on the difference in the housing numbers and advised that houses are only added to the rental stock when construction completed and houses handed over for letting.</p> <p>Thereafter Mr Anderson responded to questions and comments raised providing clarity on cost to completion and that this was monitored by the Capital Plan Board. He also provided further details on the purchase of land and developers' contributions and how we can address the shortfall in the current year.</p> <p>The Chair advised that from the spreadsheet there is a good track on progress and the escalating costs is more for the Capital Plan Board to control and also noted that this was being monitored by Performance Review and Scrutiny Committee.</p>		
Decision		
<p>The Audit Committee noted the reconciliation of Council's Social Housing stock in progress and completions</p>		

6. Private Reports

No private reports were submitted.

7. Date of Next Meeting

The next meeting will be held on Tuesday 7 December 2021 at 11 am

The meeting terminated at 12.58 pm