

# Minute of Meeting

Audit Committee  
Tuesday 10 March 2020  
Item No: 4.1



## Audit Committee

Date	Time	Venue
Tuesday 28 January 2020	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

Councillor Smail (Chair)
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Alexander (Substitute)
Councillor Cassidy (Substitute)
Peter de Vink (Independent Member)

### In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children, Young People and Partnerships
Mary Smith	Director of Education, Communities and Economy
Gary Fairley	Chief Officer Corporate Solutions
Alison White	Chief Social Work Officer
Grace Scanlin	Ernst and Young, External Auditors
Jill Stacey	Chief Internal Auditor
Mike Broadway	Democratic Services Officer

## 1. Welcome and Apologies

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- 1.1 Apologies were received from Mike Ramsay (Independent Chair), Councillors Baird and Parry, and Stephen Reid, External Auditor, EY.
- 1.2 In the absence of Mike Ramsay, the Independent Chair, Councillor Smail took the Chair which had previously been agreed at the Audit Committee at its meeting on 3 December 2019.

## 2. Order of Business

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The order of business was as set on the Agenda.

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Previous Meetings

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- 4.1 The minute of 3 December 2019 was submitted and approved as a correct record.
- 4.2 The Action log was submitted and the following agreed:

‘Internal Audit Recommendations’ - To note an update from the Chief Internal Auditor.

## 5. Public Reports

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Report No.	Report Title	Submitted by:
5.1	Treasury Management and Investment Strategy 2020/21 & Prudential Indicators	Chief Officer Corporate Solutions
<b>Outline of report and summary of discussion</b>		
<p>A draft of the Treasury Management and Investment Strategy 2020/21 &amp; Prudential Indicators report was being presented today to Audit Committee.</p> <p>The report was presented in draft and subject to ongoing work as confirmation had not yet been received of the capital grant settlement figure and it was not therefore possible to finalise the budget position at this time. Notwithstanding this, scrutiny of the key areas/principles could still be carried out by Audit Committee and any comments included in the final report to Council. The purpose of the final report would be to seek the agreement of Council to the Treasury Management and Annual Investment Strategies for 2020/21, the Prudential and Treasury indicators contained therein, and the approach to the statutory repayment of loans fund advances.</p> <p>The Chief Officer Corporate Solutions, having highlighted the main sections contained within the report and confirmed to the Committee that this report was written for Council and presented to the Audit Committee for comments, responded to questions raised by Members of the Committee. In particular, the Committee discussed – the potential benefits from lower borrowing rates; how these could possibly be used to the benefit of the Council; the possibility of</p>		

accelerating the capital programme; the processes for the monitoring of capital projects; and how the Council compared to other Councils with regards borrowing

#### Decision

The Audit Committee, having commented on this draft report, noted that the final report and strategy would be presented to Council for approval on 11 February 2020.

#### Action

Chief Officer Corporate Solutions

Report No.	Report Title	Submitted by:
5.2	Internal Audit Work to December 2019	Chief Internal Auditor

#### Outline of report and summary of discussion

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.

The Chief Internal Auditor drew Members' attention to the 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, which was shown in Appendix 1 to the report.

The Committee, in discussing the report, acknowledged the progress being made, in particular, that:-

- Underfunded legislative changes were being picked up through the BTSG as a standing item.
- Limited assurance in respect of void timescales was being addressed through more robust monitoring/processing of the turnaround of properties.

#### Decision

Thereafter, follow further questions to the Officers, the Audit Committee:

- Noted the final assurance reports issued in the period from 2 November to 31 December 2019 associated with the delivery of the approved Internal Audit Annual Plan 2019/20; and
- Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

#### Action

Internal Audit

Report No.	Report Title	Submitted by:
5.3	Audit Scotland Report: Local Government in Scotland: Financial Overview 2018-19 (Audit Scotland, December 2019)	Chief Officer Corporate Solutions
<b>Outline of report and summary of discussion</b>		
<p>There was a report presented to the Audit Committee by the Chief Officer Corporate Solutions providing the Audit Committee with a summary of the Audit Scotland report, 'Local government in Scotland: Financial Overview 2018/19' and the Council's position in relation to the report's findings and a link to this full report was provided in the report.</p> <p>The Chief Officer Corporate Solutions highlighted the key messages contained within the report. Thereafter he responded to questions and comments raised by Members of the Committee.</p> <p>Members of the Committee raised their concerns with regards to the Scottish Government revenue funding not keeping pace with inflation and the impact this would have on services. The impact of the increase in the value of pension liabilities as a result of the impact of the McCloud case.</p>		
<b>Decision</b>		
The Audit Committee noted the Audit Scotland report and the position of Midlothian Council in relation to the report's key messages		

## **6. Private Reports**

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No private business was discussed.

## **7. Date of Next Meeting**

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The next meeting will be held on Tuesday 10 March 2020 at 11.00 am.

The meeting terminated at 11.52 pm