

# Minute of Meeting

Audit Committee  
Tuesday 29 January 2019  
Item No: 4.1



Midlothian

## Audit Committee

Date	Time	Venue
Tuesday 11 December 2018	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

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

### In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Acting Director Resources
Mary Smith	Director of Education, Communities and Economy
Allister Short	Joint Director of Health and Social Care
Gary Fairley	Head of Finance and Integrated Service Support
Stephen Reid	Ernst and Young, External Auditors
Jill Stacey	Chief Internal Auditor
Chris Lawson	Risk Manager
William Fortune	Senior Analyst
Janet Ritchie	Democratic Services Officer

## 1. Welcome and Apologies

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- 1.1 Apologies were received from Mike Ramsay (Independent Chair) and Councillor Parry.
- 1.2 In the absence of the Chair, Councillor Smail was appointed as Chair by the Committee, nominated by Councillor Milligan and seconded by Councillor Hardie.

## 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 25 September 2018 was submitted and approved as a correct record subject to the following amended paragraph under Item 5.2:

*'Mr Peter de Vink expressed his concerns regarding the risk exposure which was associated with the approach taken by the Council to Treasury Management'.*

- 4.2 The Action log was submitted and the following agreed:
  - a) To note that Annual Governance Statement 2017/18 (2018/19 Areas for Improvement) was on the Agenda for discussion.
  - b) To note the update provided by the Joint Director of Health and Social Care relating to Follow-up Review of Audit Recommendations on the use of Egress by care providers and on staff debt and it was agreed to close this action.
  - c) To otherwise note the actions which were closed at the last meeting.

## 5. Public Reports

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Title	Presented by:
Data Analytic Presentation	Chief Executive
<b>Outline of report and summary of discussion</b>	
The Chief Executive introduced William Fortune, Senior Analyst who provided the Committee with a presentation on the new Dashboards. The Dashboard system was a front line system which pulled up to date information from various sources into one place.	

This new system would allow Managers to retrieve information and allow them to drill down to extract specific information on data stored e.g. Sickness Absence, Staff Mileage and Staff Earnings. The information pulled through was from data already stored but this information could be expanded on as required.

The Joint Director of Health and Social Care also provided examples on the ease of retrieving real time data quickly from the NHS Lothian system.

Thereafter Officers responded to questions and comments from the Committee.

Report No.	Report Title	Submitted by:
5.1	Financial Monitoring 2017/18 and Financial Strategy 2018/19 to 2021/22	Acting Director Resources
<b>Outline of report and summary of discussion</b>		
<p>There was a report presented to the Audit Committee by the Head of Finance and Integrated Services Support bringing the Committee's attention to the reports previously presented to Council in relation to the Financial Strategy 2018/19 to 2021/22 and Financial Monitoring 2017/18. The report refers to the following reports:</p> <ul style="list-style-type: none"> <li>• Financial Monitoring 2018/19 – General Fund Revenue</li> <li>• General Services Capital Plan 2018/19</li> <li>• Housing Revenue Account</li> <li>• Financial Strategy 2019/20 to 2022/23</li> <li>• Capital Investment Strategy</li> </ul>		
<b>Decision</b>		
The Audit Committee noted the content of the Report.		

Report No.	Report Title	Submitted by:
5.2	Treasury Management Mid-Year Review Report 2018/19	Acting Director Resources
<b>Outline of report and summary of discussion</b>		
<p>There was a report presented to the Audit Committee by the Head of Finance and Integrated Services Support bringing the Committee's attention to the Treasury Management Mid-Year Review 2018/19 approved by the Council at its meeting on 13 November 2018.</p> <p>The Head of Finance and Integrated Services Support provided the Committee with a brief outline of the report highlighting the main sections contained within the report.</p>		

He advised the Committee that The Prudential Code recommended that the main Treasury Management reports are presented to the Audit Committee in advance of Council and that the dates for future Audit Committee meetings had been arranged to take this into consideration.

Thereafter he responded to comments and questions raised by Members of the Committee in particular with regards to the management of the Local Authority's borrowing, investment and cash flows, its banking, money market and capital market transactions and the effective control of the risks associated with those activities. The Head of Finance and Integrated Services Support noted the comments from the members of the Committee which he would take into account when preparing the Treasury Management Strategy for the Audit Committee's consideration in January and then on to Council for approval.

The Chief Internal Auditor advised that as part of the Audit Committee self-evaluation 2017/18 exercise that a briefing would be beneficial to Members on some of the technical aspects of the Treasury Management Strategy and it was therefore proposed that a briefing would be presented at the January meeting.

**Decision**

The Audit Committee:

- Agreed that a briefing would be presented to the members of the Audit Committee in January 2019 in relation to the Treasury Management Strategy.
- To otherwise note the content of the report.

**Action**

Head of Finance and Integrated Services Support, Chief Internal Auditor and Democratic Services.

Report No.	Report Title	Submitted by:
5.3	Procurement Service Delivery Framework and Procurement Strategy 2018 – 2023	Acting Director Resources
<b>Outline of report and summary of discussion</b>		
<p>There was a report presented to the Audit Committee by the Head of Finance and Integrated Services Support bringing the Committee's attention to the most recent reports considered and approved by the Council in relation to Procurement Service Delivery Framework and Procurement Strategy Framework 2018 – 2023.</p> <p>The Head of Finance and Integrated Services Support advised the Committee on the purpose of these two key procurement reports and highlighted some of the main sections contained within them. Thereafter Officers responded to questions and comments raised by the Committee.</p>		
<b>Decision</b>		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.4	Final Internal Audit Report – Following the Public Pound	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this audit was to review the controls in place to ensure compliance with the Code of Guidance on Funding External bodies and Following the Public Pound (FTPP) 1996, published by COSLA (Convention of Scottish and Local Authorities) and best practice guidance.</p> <p>The Final Internal Audit Report – Following the Public Pound Report dated 21 November 2018 was presented by the Chief Internal Auditor advising the Committee of the adequate governance arrangements in place and highlighted the recommendations contained within the report.</p>		
<b>Decision</b>		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.5	Final Internal Audit Report – Tyne Esk LEADER Programme	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		
<p>The purpose of the Audit was to follow-up on the recommendations made in the 2017/18 audit of the Tyne Esk LEADER Programme to ensure that the recommendations have been implemented adequately. This follow-up review contributed to the governance arrangements of the programme, helped to ensure compliance with the programme's various reporting and administrative requirements, and formed the basis of the annual internal audit coverage of the programme for the period 16 October 2017 to 15 October 2018 as required by the Service Level Agreement (SLA) with the Scottish Government.</p> <p>The Final Internal Audit Report of the Tyne Esk LEADER Programme was presented by the Chief Internal Auditor updating the Committee on the audit testing of the sample projects and the positive improvements since previous years.</p> <p>Thereafter Officers responded to questions and comments raised by Members of the Committee.</p>		
<b>Decision</b>		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.6	Update on Progress with Implementation of Internal Audit Recommendations arising from the May 2018 Report	Chief Executive
<b>Outline of report and summary of discussion</b>		
<p>The purpose of the report dated 28 November 2018 was to provide an update to the Audit Committee on Management's progress with implementation of Internal Audit Recommendations arising from the May 2018 report.</p> <p>The Chief Executive highlighted the main sections contained within the report and that Appendix 1 to the report outlined the progress of the Internal Audit Recommendations arising from the May 2018 Report.</p>		
<b>Decision</b>		
<p>The Audit Committee considered the progress made by Management against the Internal Audit Recommendations arising from the May 2018 Report.</p>		

Report No.	Report Title	Submitted by:
5.7	Update on Corporate Governance 2018/19 Areas of Improvement	Chief Executive
<b>Outline of report and summary of discussion</b>		
<p>The purpose of the report dated 28 November 2018 was to provide an update to the Audit Committee on the Council's progress with the implementation of Actions associated with Areas of Improvement in its Annual Governance Statement 2017/18</p> <p>The Chief Executive advised the Committee that it was agreed at the Audit Committee meeting on 25 September 2018 that an update would be provided on Corporate Governance 2018/19 Areas of Improvement progress on a quarterly basis.</p>		
<b>Decision</b>		
<p>The Committee considered the progress made by Management against the Corporate Governance 2018/19 Areas of Improvement, and noted that the next update to the Audit Committee would be included within the Annual Governance Statement 2018/19 as part of standard practice.</p>		

Report No.	Report Title	Submitted by:
5.8	Internal Audit Mid-Term Performance Report 2018/19	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		

The purpose of this report was to inform the Audit Committee of the progress Internal Audit has made, in the first 6 months of the year to 30 September 2018, towards completing the Internal Audit Annual Plan 2018/19. It also summarises the statutory obligations for Internal Audit and requirements of the Public Sector Internal Audit Standards.

The Chief Internal Auditor highlighted that the Internal Audit Annual Plan 2018/19 had been approved by the Audit Committee on March 2018 and she provided the Committee with a brief outline of the content of this report.

The Chief Internal Auditor also updated the Committee on the proposal to defer three of the planned Assurance audit activities to the 2019/20 plan and the changes proposed to the Internal Audit Annual Plan 2018/19 would therefore require approval by the Committee.

#### Decision

The Audit Committee:

- Noted the progress Internal Audit had made with activity in the Internal Audit Annual Plan 2018/19 by the mid-year point; and
- Approved the revised Internal Audit Annual Plan 2018/19 as set out in Appendix 1 that reflected the proposals set out in this report and was achievable within current staff resources.

Report No.	Report Title	Submitted by:
5.9	Shared Internal Audit Services between Midlothian and Scottish Borders Councils	Chief Executive
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to gain approval to the proposal to continue with shared Internal Audit services between Midlothian and Scottish Borders Councils which will also create the opportunity for a wider exploration of joint working activities and benefits.</p> <p>The Chief Executive highlighted the main sections contained within the report and the recommendations as detailed in section 7.</p>		
<b>Decision</b>		
<p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>• Endorsed the continuation of the Shared Internal Audit Services as a permanent arrangement to provide greater certainty and allow for longer term planning of work and teams, recognising that either Council could still decide to opt out/revert back at any time subject to an appropriate period of notice.</li> <li>• Noted that there would be a wider exploration of joint working associated with the above in both the short and longer term across the Councils.</li> </ul>		

Report No.	Report Title	Submitted by:
5.10	Risk Management Update 1 July 2018 – 30 September 2018	Risk Manager
<b>Outline of report and summary of discussion</b>		
<p>The Risk Manager presented a report dated 5 December 2018 providing the Audit Committee with the 2018/19 Quarter 2 strategic risk management update, covering the period 1 July 2018 to 30 September 2018. It being noted that the Audit Committee had previously requested regular reports on the Council's Strategic Risks. The Strategic Risk Profile sought to provide a strategic look at the current issues and future risks and opportunities facing the Council.</p> <p>Thereafter the Risk Manager confirmed in response to a question raised by the Chair that the Risk Assessment would be updated on completion of the roads investigation.</p>		
<b>Decision</b>		
<p>The Audit Committee noted:</p> <ul style="list-style-type: none"> <li>• The addition of (Early Years Expansion) and Cyber Security in the strategic profile as set out in the attached appendix.</li> <li>• The Quarter 2 2018/19 Strategic Risk Profile report and considered the current response to the issues, risks and opportunities highlighted.</li> </ul>		

Report No.	Report Title
5.11	Local Government in Scotland Financial Overview 2017/18
<b>Outline of report and summary of discussion</b>	
<p>This report reflected a similar situation to last year as Councils face an increasingly complex range of challenges and continuing pressure on finances. Challenges included increasing demand across many of the wide range of services councils deliver to local communities. Demand had to be met against tightening budgets in many service areas along with uncertainty stemming from external factors such as EU withdrawal.</p> <p>The Head of Finance and Integrated Services Support highlighted the main sections contained within the report in particular the Summary section which outlined 7 key messages.</p> <p>There followed a general discussion during which it was agreed that this Report be presented to the January 2019 meeting with a supporting report outlining Midlothian's position.</p>	
<b>Decision</b>	
<p>The Audit Committee agreed to resubmit this report to the January 2019 meeting together with a report prepared by Officers.</p>	



Action
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Head of Finance and Integrated Services Support and Democratic Services
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## **6. Private Reports**

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No private business was discussed.

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

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An Informal Audit Session would take place at 10 am on Tuesday 29 January 2019 prior to the commencement of the Audit Committee at 11.00 am on that day.

The Clerk advised the Committee that Mike Ramsay, Independent Chair had intimated his apologies for the meeting scheduled for 29 January 2019. It was therefore agreed that Councillor Smail would take the Chair at this meeting.

The meeting terminated at 12.55 pm