

**MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE** held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 6 May 2014 at 11.00 am.

**Present:** - Councillors Baxter, Bryant, Milligan, Muirhead, Thompson and de Vink.

**Apology for Absence:-** Mr P Smaill (Independent Chair).

## **1 Chair**

In the absence of Mr Smaill, Councillor Thompson was appointed to the Chair.

## **2 Order of Business**

Under reference from paragraph of the Addendum to the minutes of 18 March 2014, the Chair intimated that a letter had been received from Mr. Robert Rae, former independent member of the Committee, which was dealt with under item no. hereof.

## **3 Declarations of Interest**

No declarations of interest were intimated.

## **4 Minutes**

The Minutes of Meeting of 18 March 2014 were submitted and approved.

## **5 Risk Management, Update for 1 January 2014 – 31 March 2014**

There was submitted report, dated 24 April 2014, by the Head of Finance and Integrated Service Support, providing the Committee with the 2013/14 quarter 4 Risk Management update. The report indicated that the highest risks facing the Council at this time were Corporate Change and Transition; Balancing Budgets in future years/Impact of Budget Cuts/Financial Strength of Council; Legal and Regulatory Compliance; and the Welfare Reform Act. Corporate Change and Transition would continue to be rated as “critical” until the Council could demonstrate that the Financial Strategy was delivering transformation change and planned savings to secure financial stability. The report also explained that Corporate Risks were generally those that impacted on all parts of the Council. The presence of risk was understood and action was being taken to manage risk downward to acceptable level but this would only be achieved through gradual and well-planned steps.

### **Decision**

- (a) To note that the increase in arrears of rent arising from Welfare Reform, had been mitigated by additional discretionary housing benefit

payments but notwithstanding, it was likely that the Council would need to increase its bad debt provision;

- (b) To note that the Council continued to take every opportunity to secure external funding ;
- (c) To otherwise note the report.

## **6 Annual Governance Statement 2013/14**

There was submitted report, dated 23 April 2014, by the Chief Executive, providing an assessment of the Council's compliance with its Code of Corporate Governance and inviting the Committee to note a draft statement which was to be included in the financial statements and which was incorporated into the report.

### **Decision**

To approve, for its interest, the Annual Governance Statement 2013/14.

(Action: Legal and Secretariat Manager).

## **7 Self Assessment of the Internal Audit Section against the Public Sector Internal Audit Standards**

There was submitted report, dated 6 March 2014, by the Internal Audit Manager, advising the Committee of the results of a self evaluation by the Internal Audit Manager on the level of compliance by Midlothian Council's Internal Audit Section against the Public Sector Internal Audit Standards. The report stated that the self assessment had shown that the key elements of the Standards were complied with by Internal Audit during the past year and specifically detailed those areas where improvements had been made. The report also specified the areas where improvement was required. The self assessment would be the subject of external validation over the next few years.

### **Decision**

- (a) To note the results of the self assessment;
- (b) To note the areas for development; and
- (c) To note that the Internal Audit Section would be subject to an external assessment within the next three years.

## 8 **Procedure for Audit Scotland National Reports**

There was submitted report, dated 16 April 2014, by the Internal Audit Manager, proposing a procedure for managing Audit Scotland National Reports. The report therefore incorporated a draft procedure for adoption.

### **Decision**

To approve the procedure for managing Audit Scotland National Reports as detailed in the **Appendix** hereto.

(Action: All Directors and Heads of Service; Internal Audit Manager).

## 9 **Internal Audit: Annual Assurance Report 2013/14**

There was submitted report, dated 24 April 2014, by the Internal Audit Manager, on the work undertaken by Internal Audit during the financial year 2013/14 and providing an overall assessment of the Council's control framework based on that work. A synopsis of the work undertaken in 2013/14 by Internal Audit was incorporated into the report. The report also advised that whilst there were no areas identified as having "limited" or "very limited" levels of assurance, a number of areas that required improvement had been identified. These were:-

- controls over the Accounts Receivable system;
- the management of term contractors;
- compliance against the Electronic Payment Guideline; and
- controls over access to the Frameworki system.

Improvements that were to be progressed in 2014/15 were:

- risk management and the mitigation of risks; and
- the Business Transformation Programme and mechanisms to ensure that the necessary financial savings are achieved and more efficient processes are introduced at reduced cost.

Management were currently addressing these areas for improvement and the Internal Audit team would be following up on its recommendations during 2014/15.

Overall, internal controls had been implemented and were monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment.

### **Decision**

- (a) To endorse the Annual Assurance Report; and
- (b) To note that the weaknesses in internal controls identified in 2013/14 would continue to be followed up in 2014/15 and updates would be provided to the Committee.

(Action: Internal Audit Manager)

**10 Robert Rae**

With reference to paragraph 4 of the Minutes of 18 March 2014, the Chair read a letter from Mr Robert Rae, thanking the Council for the gift given to him in recognition of his services as an Independent Member of the Committee.

The meeting terminated at 11.25 am.

## **APPENDIX** **(relative to paragraph 8)**

### **Procedure for Audit Scotland National Reports**

1. An email is sent by Audit Scotland to Internal Audit providing notification that a new national report has been published.
2. Internal Audit forwards this email onto Council Secretariat and requests that this is included in the Midlothian Information Bulletin (MIB) which is issued to Members every 2 weeks.
3. Internal Audit forwards the email onto the Chair of the Audit Committee for noting.
4. Internal Audit to review the report to determine who the Responsible Officer should be (in conjunction with senior management where applicable).
5. Internal Audit forwards the email onto the Responsible Officer (and senior management where applicable) and requests that they prepare a report for submission to the Audit Committee (within 3 months of publication of the report) detailing the local impact of the report and a self assessment against the recommendations and plans for improvement where applicable.
6. Internal Audit updates the Report Tracker with details of the report, who it has been allocated to, and when.
7. Internal Audit ensures that a note is added to the agenda of the next available Audit Committee detailing:  
  
‘the following Audit Scotland Reports have been published.....  
A report will be submitted to the Audit Committee, detailing the local impact of the report and a self assessment against the recommendations and plans for improvement where applicable.’
8. Internal Audit will monitor the Report Tracker and remind the Responsible Officer of any outstanding reports. Referral to senior management and / or the Audit Committee will be undertaken, where applicable.
9. Once available, the report (including a self assessment against the recommendations and plans for improvement) will be presented by the Responsible Officer to the next available Audit Committee. The full Audit Scotland report will also be presented if necessary (this will be decided on a case by case basis).
10. Any relevant recommendations and plans for improvement will be updated to Covalent by Internal Audit.