

Minute of Meeting



Audit Committee

Date	Time	Venue
Tuesday 7 March 2023	11:00am	Council Chamber Midlothian House, Buccleuch Street, Dalkeith

Present:

Councillor Smaill (Chair)
Councillor McEwan
Councillor McKenzie
Councillor Milligan
Councillor Scott

In Attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Morag Barrow	Joint Director Health and Social Care
Fiona Robertson	Executive Director Children, Young People & Partnerships,
David Gladwin	Acting Chief Financial Officer
Duncan Stainbank	Chief Internal Auditor
Elaine Greaves	Principal Internal Auditor
Alan Turpie	Legal and Governance Manager / Monitoring Officer
Andrew Henderson	Democratic Services Officer

1. Welcome and Apologies for Absence

The Chair took the opportunity to welcome those in attendance to the meeting.

2. Order of Business

The order of business was as detailed in the agenda.

3. Declarations of interest

No declarations of interest were intimated at this stage of the proceedings.

4. Minutes of Previous Meetings

4.1 The minute of the meeting of 06 December 2022 was submitted and approved as correct record, moved by Councillor McEwan and seconded by Councillor Scott.

4.2 The Action log was submitted and noted.

With regard to action point 1, David Gladwin acknowledged that treasury management was an emerging issue for Environmental, social, and corporate governance (ESG) and that the sector was working through the details. With regard to a timescale, David Gladwin outlined that it would be beneficial to link the topic in with the general treasury update noting the implications of putting in a new strategy based on the ESG factors and anticipated that the sector would be able to have a discussion over the summer months. David Gladwin confirmed that with regard to the current procedure the 22/23 strategy outlined what could be done in terms of treasury management and confirmed that link provided advice in relation to all counterparties.

Members then took the opportunity to thank the Chief Executive for circulating the National Records of Scotland data.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Internal Audit Work to February 2023	Chief Internal Auditor
Outline of report and summary of discussion		
A brief summary of the report was provided with reference being made to recent work that had been conducted by internal audit with an overview of Internal Audit recommendations and findings being provided. A further overview of the executive summary in relation to the Audit assurance reports was also provided, in addition to details regarding the Chief Internal Auditors Opinion regarding the adequacy of control environment and governance arrangements within each audit area.		

In responding to questions, Duncan Stainbank clarified that with regard to unsigned Service Agreements, this was solely due to the lack of a formal signature and that service level agreements had been completed.

A discussion ensued in relation to the inclusion of Arms Length and External Organisations (ALEOs) and it was established that whilst Midlothian is a shareholder in external organisations such as Lothian Buses and has a joint account with Midlothian Energy Limited, that Midlothian Council did not have any ALEO's. It was agreed that clarification on this point would be sought after the meeting.

There was further discussion in relation to the procedure for grant application panels with members expressing concern regarding the fact that applicants were only required to leave the discussion when their application was being discussed, which Fiona Robertson outlined that there was a compact agreement regarding panels with third sector organisations that determined the requirements and that she was working with the Communities Team to assess how this could be taken forward and agreed to report back at a future meeting.

Decision

- a) Derek Oliver agreed to bring a report following up audit actions in relation to building maintenance services in future.
- b) Clarification to be provided clarifying information on ALEOs;
- c) Fiona Robertson to report back with regard to options in relation grant application scoring/assessment panels.
- d) Audit Committee noted the progress Internal Audit has made with activity in the Internal Audit Annual Plan 2022/23 to the end December 2022; and
- e) Confirmed it's satisfaction with the performance of the Internal Audit service provision.

Action

- a) Derek Oliver;
- b) Duncan Stainbank
- c) Fiona Robertson
- d) All to note
- e) All to note

Report No.	Report Title	Submitted by:
5.2	Counter Fraud Annual Plan 2023/24	Chief Internal Auditor
Outline of report and summary of discussion		
<p>In speaking to the report Duncan Stainbank provided a brief overview of the Counter Fraud Annual Plan 2023/24 making reference to the importance of having robust fraud prevention and investigation arrangements and the need to ensure preventative practices associated with the Counter Fraud Strategy as approved by Council in August 2020.</p> <p>A brief discussion ensued in relation to whistleblowing in which members took the opportunity to express concern in relation to the lack of feedback received by whistleblowers following the conclusion of investigations. Duncan Stainbank clarified that work was being undertaken to review the whistleblowing policy, acknowledging that East Lothian's policy included provision for feedback where</p>		

legally possible and where status of anonymity allowed. Duncan Stainbank confirmed that a draft would be ready by May.

In response to comments regarding major corporate fraud, Kevin Anderson confirmed that lessons had been learnt from the SEPA exercise and that resource had been added to address the regular occurrence of cyber-attacks. It was agreed that outcomes would be reported at a later date and that a session would be held as part of the future audit committee.

Decision

- a) Audit Committee agreed that a session on outcomes of the SEPA exercise would be brought to the next meeting of Audit Committee.
- b) Audit Committee approved the Counter Fraud Annual Plan as appended to the report.

Report No.	Report Title	Submitted by:
5.3	Internal Audit Charter Report by Chief Internal Auditor	Chief Internal Auditor
Outline of report and summary of discussion		
<p>Duncan Stainbank provided a brief overview of the internal audit charter as appended to the report and confirmed that the Midlothian Council's internal audit charter has been updated to conform to the public sector internal audit standards. Officers then took the opportunity to respond to points of clarity.</p> <p>A discussion ensued in relation to the audit mechanisms for the MIJB. Morag Barrow clarified that the MIJB follows both Council and NHS and that audits conducted by the IJB are contained within the functions of the IJB. Duncan Stainbank outlined that the remits for each are set out in the strategic directions and councils approved guidelines.</p>		
Decision		
<ul style="list-style-type: none">a) Audit Committee noted the changes to the Internal Audit Charter outlined in section 4 of this report in conformance with Public Sector Internal Audit Standards;b) Approved the revised Internal Audit Charter shown at Appendix 1; andc) Noted that the Internal Audit Charter will be reviewed annually.		

Report No.	Report Title	Submitted by:
5.4	Internal Audit Strategy and Annual Plan 2022/23 Report by Chief Internal Auditor	Chief Internal Auditor
Outline of report and summary of discussion		
<p>Duncan Stainbank provided an overview of the Counter Fraud Annual Plan 2023/24 as appended to the report and outlined that approval would allow for the</p>		

writing of the annual opinions due for submission later in the year. Duncan Stainbank then took the opportunity to respond to members questions.

With regard to the Internal Audit Teams' capacity to respond to requests, Duncan Stainbank confirmed 20 days for contingency and help desk tasks, and that if further resources are required a request can be submitted to the Chief Executive. Duncan Stainbank highlighted that, if required, this timescale could be reduced but that a report might be required outlining the possible removal of an item from the audit plan.

Decision

Audit Committee agreed;

- a) Noted the changes to the Internal Audit Strategy outlined in section 4 of this report;
- b) Noted the outline of the Internal Audit planning process outlined in section 5 of this report;
- c) Approved the Internal Audit Strategy (Appendix 1); and
- d) Approved the Internal Audit Annual Plan 2023/24 (Appendix 2).

6. Private Reports

None

7. Date of Next Meeting

Date of Next Meeting: Tuesday 25 April 2023 at 11am.

The meeting terminated at 11:46am