

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 17 March 2015 at 11.00 am.

Present: - Mr. P Smaill (Independent Chair) and Councillors Baxter, Bryant, Milligan, Muirhead, Thompson and de Vink.

1 Declarations of Interest

There were no declarations of interest.

2 Minutes

The Minutes of Meeting of 3 February 2015 were submitted and approved.

3 National Fraud Initiative

With reference to paragraph 7 of the Minutes of 3 February 2015, there was submitted report, dated 3 March 2015, by the Internal Audit Manager, providing the Committee with an update on progress with the National Fraud Initiative data matching exercise for 2014/15. The report advised that the total number of matches to January 2015 was 3285, of which 911 had been cleared; 2350 were the subject of investigation; and 24 had been closed after investigation. The report also highlighted that two new datasets of Creditors and Personal budgets, were now included in the matching exercise and that the next matching exercise would compare the electoral roll used for the Referendum on Scottish Independence on 18 September 2014 and Council Tax data.

Decision

- (a) To note the contents of the report; and
- (b) To note that further updates would be provided in May and September 2015.

(Action: Internal Audit Manager)

4 The Audit Plan for Midlothian Council 2014 – 2015

There was submitted report, dated March 2015, by the External Auditors, (Grant Thornton), summarising their approach to the audit of the Council for the year ended 31 March 2015 to ensure compliance with the Code of Audit Practice issued by Audit Scotland and other legislative and audit practice requirements. The report (i) outlined the Audit Strategy; (ii) provided a summary of understanding; (iii) detailed developments relevant to the Council and the audit; (iv) advised of the Auditor's obligations in relation to the

Financial Statements and materiality; (v) detailed the work with Internal Audit associated with the plan; (vi) detailed the audit approach; (vii) highlighted the significant and reasonably possible risks identified; (viii) outlined the approach to the review of Corporate Governance and Performance and Best Value; and (ix) detailed the Auditors Fees.

Decision

- (a) To note that the Auditors fees had increased by 1% to £239,370;
- (b) To note that a revaluation of the Council's housing stock would be undertaken during the course of 2015/16;
- (c) To note that the risks faced by the Council were, in the main, consistent with those faced by all local authorities; and
- (d) To otherwise note the report.

5 Internal Audit Plan 2015/16

There was submitted report, dated 2 March 2015, by the Internal audit Manager, presenting, for approval, the draft Internal Audit plan for 2015/16, which was incorporated into the report.

Decision

- (a) To note that 90 days had been set aside for Health and Social Care within the plan but that the proposed audits and time allocated may be changed following input from the new Integrated Board and NHS Audit Team; and
- (b) To otherwise approve the plan.

(Action: Internal Audit Manager; Directors to note).

6 Audit Committee Meetings and Reporting Calendar

There was submitted report, dated February 2015, by the Chief Executive, proposing a reduction in the number of Audit Committee meetings held in each financial year from seven to five. The report explained that a benchmarking exercise undertaken across other Scottish Councils to determine the frequency of Audit Committee meetings held had shown that the majority met on a quarterly cycle with either one or two meetings reserved for discussion of draft and final accounts. The advantages of adopting this model were:-

- The release officer time in the Audit team enabling resource to be more focussed on the delivery of the Audit Plan;
- Risk Reports being presented to each meeting, thus matching the quarterly reporting cycle of risk reports;
- An increase in the number of agenda items being brought to each meeting and thus allowing a better spread of reports ; and

- Would allow the Internal Audit reporting cycle to be aligned more closely with Corporate Management Team and Audit Committee meetings.

Decision

To recommend to the Council that, with effect from September 2015, the number of scheduled meetings of the Committee be reduced from seven to five in any financial year.

(Action: Internal Audit Manager/ Democratic and Document Services Manager).

7 Internal Audit Report - Review of Statutory Performance Indicators

There was submitted report, dated 21 January 2015, by the Internal Audit Manager, in respect of an audit to review a sample of five Statutory Performance Indicators (SPI) from SPI 3 to determine the adequacy of processes and controls to allow accurate reporting. The SPIs reviewed were :-

- Older persons (over 65) home care costs per hour;
- Self Directed Support (SDS) spend on adults 18+ as a % of total social work spend on adults 18+;
- Total care costs per attendance at sports facilities;
- Net cost of refuse collection per premises;
- Cost of maintenance per kilometre of roads.

The audit had concluded that there was general compliance with the SPI definitions and guidance and systems and procedures were in place to produce SPI measures and that the Local Government Benchmark Framework (LGBF) indicators were annually submitted to the Performance Review and Scrutiny Committee for review by elected members and management. This provided reasons for current performance and outlined management's plans to improve performance for indicators in the bottom quartile. The audit had however identified some weaknesses which were identified in the report and the report therefore incorporated a management action plan to address these weaknesses.

Decision

- (a) To approve the management action plan; and
- (b) To otherwise note the report.

(Action: Internal Audit Manager/Directors/Heads of Service).

8 Internal Audit Report - Review of Controls Operating Over Petty Cash

There was submitted report, dated March 2015, by the Internal Audit Manager, in respect of an audit of the controls operating over Petty Cash. The objective of the audit was to form an opinion on the adequacy of the processes and controls established at a Council level over the operation of petty cash imprest accounts; and the level of compliance against the established processes and controls for a sample of petty cash imprest accounts. The audit had concluded that improvements over the control of petty cash were required as there was a risk of financial loss; non-compliance with HM Revenues and Customs requirements; and reputational damage to the Council. The report stressed that the audit had not revealed any fraudulent expenditure paid through petty cash but did find that there was a lack of clear policy and a lack of training for staff. The report therefore incorporated a management action plan to address the weaknesses and issues identified.

Decision

- (a) To approve the management action plan; and
- (b) To otherwise note the report.

(Action: Internal Audit Manager/Directors/Heads of Service).

The meeting terminated at 12.35 p.m.