

Minute of Meeting

Audit Committee
Monday 12 October 2020
Item No: 4.1



Audit Committee

Date	Time	Venue
Tuesday 18 August 2020	11.00am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

Present:

Mike Ramsay (Independent Chair)
Councillor Cassidy
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Parry
Councillor Small
Mr de Vink (Independent Member)

In attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal Services Manager/Monitoring Officer
Morag Barrow	Joint Director Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Joan Tranent	Chief Officer, Children's Services, Partnerships and Communities
Derek Oliver	Chief Officer, Place
Jill Stacey	Chief Internal Auditor
Myra Forsyth	Quality and Scrutiny Manager
Stephen Reid	External Auditor, E.Y.
Grace Scanlin	External Auditor, E.Y. (part meeting)
Mark Kenmure	Property Investment Manager
Gareth Davies	Property Manager
Neil Hunter	Property Development Manager
Janet R Ritchie	Democratic Services Officer

1. Welcome and Apologies

The Chair, Mike Ramsay welcomed everyone to the meeting.

2. Order of Business

It was agreed that the Annual Governance Statement previously circulated would be presented prior to the Consideration of Midlothian Council Unaudited Financial Statements 2019/20.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

- 4.1 The minute of the meeting of 22 June 2020 was submitted and approved as a correct record having been proposed by Councillor Muirhead, seconded by Councillor Smaill.

Matters Arising:

- The Chief Internal Auditor advised that with regards to Item 5.4 Counter Fraud Annual Report the revised Counter Fraud Policy Statement and the Counter Fraud Strategy were included on the agenda for the Council meeting schedule for Tuesday 25 August 2020. All to note.
- 4.2 The Action log was submitted and the following noted:
- 1) 'Internal Audit Recommendations': That the expected end date for this action would be amended from June to September. Jill Stacey advised that it was still the intention to provide the two follow up reports therefore one would be presented in September and the other in December.
 - 2) 'Internal Audit Work': That a detailed report would be provided to Elected Members by the Legal Services Manager on the 22 expired contracts – September 2020.
 - 3) Internal Audit Strategy and Annual Plan 2020/21: That the proposed amendments to the Internal Audit Annual Plan 2020/21 would be submitted as part of the Internal Audit Mid-Term Performance Report 2020/21 – December 2020.
 - 4) Local Code of Corporate Governance: The Chief Internal Auditor provided an update on the change of timescale for this action as it had been agreed that some of the revisions would be presented to CMT over the coming months therefore this would not be presented to the Audit Committee until early 2021 prior to going to Council for approval. – January 2021.

- 5) Risk Management Policy and Strategy: That a report would be requested on the review and scrutiny of the Risk Management Policy and Strategy – The Chief Internal Auditor advised that one of the principles within the Local Code or Corporate Governance was the arrangements of managing risks therefore it was proposed that this update would align with the Local Code of Corporate Governance – January 2021.
- 6) Financial Improvement Updates: That regular updates would be provided by the Chief Officer, Corporate Solutions (Section 95 Officer) and that the first update would be provided December 2020.
- 7) Financial Statements 2019/20: That the Financial Statements would be circulated to the Audit Committee when submitted to the External Auditors by 30 June 2020 – completed.
- 8) Financial Statements 2019/20: That a special meeting of the Audit Committee would be arranged to consider the unaudited financial statements – 18 August 2020 – completed.
- 9) Audit Committee Annual Report 2019/20: That the Audit Committee Annual Report would be presented to the Council – on the agenda for the Council meeting scheduled for 25 August 2020 – completed.

5. Public Reports

Report No.	Report Title	Presented by:
5	Annual Governance Statement	Chief Executive
Outline of report and summary of discussion		
<p>This report was presented to the Audit Committee in June in draft form and at that time it was noted that it was subject to change.</p> <p>The Chief Executive presented this report advising that there were two minor amendments to this report one relating to the Covid-19 response which now included the date when the Council resumed its meetings and the other was that an additional area of improvement was added which related to the realigning of dates to ensure reports were considered timeously by both CMT and Audit.</p>		
Decision		
The Audit Committee noted and approved the amendments to the Annual Governance Statement 2019/20.		

Report No.	Report Title	Presented by:
5.1	Midlothian Council Unaudited Financial Statements 2019/20	Chief Officer Corporate Solutions
Outline of report and summary of discussion		
<p>The Chief Officer, Corporate Solutions advised the Committee that he had a short presentation to talk the Committee through the key points from the Accounts Document and introduced colleagues from property services Mark Kenmure, Property Investment Manager, Neil Hunter, Property Development Manager and Gareth Davies, Property Manager.</p> <p>The Chief Officer, Corporate Solutions then shared his Presentation on screen with those present advising that the following areas would be covered during this presentation:</p> <ul style="list-style-type: none"> • Highlights from Accounts • The Regulations and Timetable • The Key Financial Statements • Year-end position – the Balance Sheet, Reserves & Treasury Management • Property Valuation Overview <p>The Chief Officer Corporate Solutions provided the Committee with an overview of each of the areas above assisted by Mark Kenmure on the Property Valuation overview.</p> <p>Councillor Smaill commented positively on the changed format and improved appearance of the Accounts.</p> <p>Thereafter the Chief Officer responded to questions and comments raised by members of the Committee with regards to the valuation of assets and difference of usable reserves and unusable reserves. The Chief Officer also advised that since the unaudited accounts were prepared in June further information has been received from the Scottish Public Pension Authority on the McCloud judgement which indicated that there would be changes made to the pension figures and that the implications of this would be detailed in the Audited Accounts once the revised pension Actuarial Report has been received. He then advised that the other area under review was the carrying value for the Lothian Buses investment and this would show a downward change in the valuation of this in the accounts.</p> <p>In responding to a question the Chief Officer confirmed that the rescinding dividend in respect of the council's shareholding in Lothian Buses would be amended for the Audited Accounts. A question was also raised on the number of Council houses completed and the housing revenues account and the Chief Officer confirmed that he would provide an explanation on the housing completions and the average numbers in the year.</p>		

On responding to a question with regards to the budget gap and the impact of COVID-19, the Chief Officer advised that a report would be presented to Council on 25 August which would provide a financial update in terms of COVID-19.

Thereafter the Chief Officer provided clarity to further questions and comments raised and confirmed that the disclosures would be improved in the document and that clarity with regards to provision for bad debt would be circulated to members.

Decision

The Audit Committee:

- Considered and Commented on the unaudited accounts for 2019/20.
- Noted that the Presentation Unaudited Accounts 2019/20 would be circulated with the minute.
- Noted that the two financial reports which would be presented to Council on 25 August would be circulated to the two Independent Members and that any future reports which had a financial element relevant to the Audit Committee would also be circulated to the Independent members of the Audit Committee.
- Noted that clarity on the completed houses compared to number of houses in the HRA statement would be provided.
- Noted that the reference to 'complete shutdown of economy' would be reviewed and updated as required.
- Noted that the reference to Penicuik and Dalkeith would be adjusted to include Bonnyrigg and Lasswade.
- Noted that clarity be provided on the provision of bad debt.

Action

Democratic Services/Chief Officer Corporate Solutions

6. Private Reports

No private reports were submitted.

7. Date of Next Meeting

The next meeting will be held on Tuesday 29 September 2020 at 11 am

The meeting terminated at 12.20 pm