

Minute of Meeting

Audit Committee
Tuesday 25 January 2022
Item No: 4.1



Audit Committee

Date	Time	Venue
Tuesday 7 December 2021	11.00am	MS Team – Virtual Meeting

Present:

Mike Ramsay (Independent Chair)
Councillor Cassidy
Councillor Hackett (Substitute)
Councillor Muirhead
Councillor Parry
Councillor Smaill
Councillor Hardie
Mr de Vink (Independent Member)

In attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal Services Manager/Monitoring Officer
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children ,Young People and Partnerships
Morag Barrow	Joint Director Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Derek Oliver	Chief Officer Place
David Gladwin	Financial Services Manager
Gary Thomson	Senior Accountant
Jill Stacey	Chief Internal Auditor
Myra Forsyth	Quality and Scrutiny Manager
Stephen Reid	External Auditor, E.Y.
Edel Ryan	Senior Manager, Protective Services
Janet R Ritchie	Democratic Services Officer

1. Welcome and Apologies

The Chair, Mike Ramsay, welcomed everyone to the meeting. Apologies were received from Councillor Milligan and it was noted that Councillor Hackett was substituting for Councillor Milligan.

2. Order of Business

The Order of Business was as outlined in the Agenda.

The Chair made reference to the new code of conduct for Councillors agreed by the Scottish Government which came into force today, Tuesday 7 December 2021 and previously circulated to Members by the Monitoring Officer. He highlighted that the previous code of conduct did not specifically reference comments regarding performance of employees and as this Committee frequently considers reports and findings that refer to the performance and operational management of the Council services this needs to be considered in particular the following clauses while conducting today's business:

3.7 I will not become involved in operational management of my council's services as I acknowledge and understand that is the responsibility of its employees.

3.8 I will not undermine any individual employee or group of employees, or raise concerns about their performance, conduct or capability in public.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

- 4.1 The minute of the meeting of 28 September 2021 was submitted and approved as a correct record having been proposed by Councillor Muirhead seconded by Councillor Smail.
- 4.2 The Action log was submitted and the following noted:
 - 1) Internal Audit Annual Assurance Report 2019/20 – Risk Management Policy and Strategy - March 2022 – on Agenda Item 5.7
 - 2) Financial Reports, Council Meetings: Reports with a financial element relevant to Audit are made available to the Independent Members of the Audit Committee – It was agreed that this item is now complete as a process is place for this action with Chief Officer, Corporate Solutions and Democratic Services – Completed.
 - 3) Internal Audit Recommendations – Agenda 28 September 2021 – Completed.

- 4) Report on reconciliation of Social Housing work in progress and completions – on Agenda 28 September 2021 - Completed
- 5) Property Maintenance – BTSG report - Mr Anderson advised the committee on the reasons why this report was delayed and it was noted that the report would be presented to the BTSG meeting on 24 January 2022 and that if appropriate would be referred on to the Audit Committee thereafter – Revised expected completion date March 2022.
- 6) Annual Audit Report to Members and the Controller of Audit – year ended 31 March 2021 - The implementation dates of EY recommendations range from March 2022 to September 2022, though a progress report will be prepared – January 2022.
- 7) Audit Scotland Fraud and Irregularity Update 2020-21 - A further meeting of the Integrity Group of officers is required to complete the counter fraud controls assessment for improvement and assurance purposes – January 2022.

5. Public Reports

Report No.	Report Title	Presented by:
5.1	Treasury Management Mid-Year Review Report 2021/22	Chief Officer Corporate Solutions
Outline of report and summary of discussion		
<p>The purpose of this report was to inform members of the Audit Committee, and subsequently Council, of the Treasury Management activity undertaken during the first half of 2021/22 and the forecast activity for the second half of 2021/22 in accordance with the Treasury Management and Annual Investment Strategy approved in February 2021. It also provided an update to the Treasury and Prudential Indicators for 2021/22.</p> <p>The Audit Committee was invited to comment on this report before it was presented to Council. In particular, Audit Committee should note the following recommendations which are proposed to be put to Council on 14 December 2021:-</p> <ol style="list-style-type: none"> a) Note the report and the treasury activity undertaken in the period to 30 September 2021, as outlined in Section 5; b) Note the forecast activity during the second-half of the year as outlined in Section 6; c) Approve the technical revisions to the Prudential Indicators in Section 7 of this report. <p>Mr Fairley provided an overview of the main sections contained within the report and advised that the Audit Committee consider the report prior to being presented to Council. He thereafter responded to questions and comments raised by Members of the Committee.</p>		

Decision
The Audit Committee noted the recommendations as detailed which will be presented to Council on 14 December 2021.
Action
Chief Officer Corporate Solutions

Report No.	Report Title	Presented by:
5.2	CIPFA Financial Management Code	Chief Officer Corporate Solutions
Outline of report and summary of discussion		
<p>The Purpose of this report was to introduce the CIPFA Financial Management Code and the findings of the self-assessment that had been undertaken.</p> <p>The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time, the FM Code sets out the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:</p> <ul style="list-style-type: none"> Financially manage the short, medium and long-term finances of a local authority. Manage financial resilience to meet unforeseen demands on services. Manage unexpected shocks in their financial circumstances. <p>Mr Fairley presented this report outlining the main details contained within the report and highlighted the key principles and actions. Thereafter Mr Fairley responded to questions and comments raised by the Committee providing clarity on the Self-assessment process.</p>		
Decision		
<p>The Audit Committee noted:</p> <ul style="list-style-type: none"> The assessment and improvement actions arising from the self-assessment against the CIPFA FM Code; An annual progress report will be presented to CMT. 		
Action		
Chief Officer Corporate Solutions		

Report No.	Report Title	Presented by:
5.3	Internal Audit Work to October 2021	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report was to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.</p>		

The Internal Audit Annual Plan 2021/22 was approved by the Audit Committee on 9 March 2021. Internal Audit has carried out work associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.

An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The Chief Internal Auditor, Jill Stacey, presented this report highlighting the main sections contained within the report and outlined the key messages of assurance and areas of improvement. This included findings and recommendations from Q1 2021/22 Internal Audit review of Risk Management, with reference to other related items on the agenda.

Thereafter Chief Officer Place and Chief Internal Officer responded to questions and comments raised regarding Roads Maintenance advising on the benefits of implementing an improved asset management system.

Decision

The Audit Committee:

- a) Considered the Executive Summaries of the final Internal Audit assurance reports issued;
- b) Noted the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; and
- c) Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

Report No.	Report Title	Presented by:
5.4	Internal Audit Mid-Term Performance Report 2021/22	Chief Internal Auditor
Outline of report and summary of discussion		
<p>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 2021, towards completing the Internal Audit Annual Plan 2021/22. It also summarises the statutory obligations for Internal Audit and requirements of the Public Sector Internal Audit Standards.</p> <p>Internal Audit provides assurance to Management and the Audit Committee on the effectiveness of internal controls and governance within the Council.</p> <p>The Internal Audit Annual Plan 2021/22 that was approved by the Audit Committee on 9 March 2021 sets out the audit coverage for the year utilising available Internal Audit staff resources to enable the Chief Internal Auditor, as the Council's Chief</p>		

Audit Executive (CAE), to provide the statutory annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.

The report provides details of the half yearly progress by Internal Audit with its programme of work and highlights changes that require approval to reflect the changing risks arising from Covid-19.

The Chief Internal Auditor presented this report outlining that Internal Audit has made reasonable progress in the first half of the year towards completing the approved Internal Audit Annual Plan 2021/22, despite lower than planned Internal Audit capacity.

Decision

The Audit Committee:

- a) Noted the progress Internal Audit has made with activity in the Internal Audit Annual Plan 2021/22 by the mid-year point;
- b) Confirmed that it is satisfied with the performance of the Internal Audit service provision.

Report No.	Report Title	Presented by:
5.5	Internal Audit Follow-up of Recommendations Progress	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report was to provide an update to members of the Audit Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports.</p> <p>Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Midlothian Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.</p> <p>The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes (by way of making audit recommendations); and objectively provides relevant assurance. The Remit of the Audit Committee includes "To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions", as part of its high level oversight of the Council's governance, risk management and control framework.</p> <p>The Chief Internal Auditor presented this report highlighting the main sections contained within the report and progress made by Management in implementing the audit recommendations as detailed within the report.</p>		
Decision		
<p>The Audit Committee:</p> <ul style="list-style-type: none">a) Acknowledge the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, to		

mitigate risks, and consider whether it is satisfied with the progress made by Management; and
b) Noted that Internal Audit will continue to monitor for completion the outstanding recommendations and will provide update reports to the Audit Committee.
Action
Chief Internal Auditor

Report No.	Report Title	Presented by:
5.6	Risk Management Update, Quarter 2 2021/22	Chief Officer Place
Outline of report and summary of discussion		
<p>The purpose of this report was to provide Audit Committee with an update on the risk responses Midlothian Council has implemented during Quarter 2 2021/22 to respond to the current risk climate; and to provide assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to each of the identified risks.</p> <p>The Chief Officer Place, Derek Oliver, presented this report to the Audit Committee highlighting for the Council the critical Strategic issue is COVID and the highest Strategic Risks were Early Years Expansion and the Scottish Child Abuse Inquiry and also provided details on the Strategic Opportunities to the Council as set out in the report.</p> <p>Thereafter Mr Oliver responded to questions and comments raised by members of the committee relating to the UK exit from EU confirming there was no significant impacts regarding operations but remain mindful of any EU exit implications on the local economy.</p> <p>Also raised was the two Capital projects, Midlothian Energy and Destination Hillend, and having a direct focus on these two major projects. Mr Oliver and Mr Anderson in responding advised that with regards to the Risk Management strategy these would be given consideration and both these projects would be included in the future quarterly reporting, it was also highlighted that Destination Hillend due to the size of this project had its own Risk Register.</p> <p>There followed a discussion regarding UK exit from EU and the reporting of any impacts relevant to the Local Authority.</p>		
Decision		
The Audit Committee noted the current risk landscape and organisational response to the most significant risks in Quarter 2 2021/22.		
Action		
Chief Officer Place		

Report No.	Report Title	Presented by:
5.7	Draft Risk Management Policy and Strategy	Chief Officer Place
Outline of report and summary of discussion		
<p>Mr Oliver advised that the draft Risk Management Policy and Strategy was presented to provide assurance to Members that a review of Risk Management is underway. The Strategy reflects the approach and process that the Council undertakes and identifies in managing risk together with its revised objectives.</p> <p>Mr Oliver provided an update on the new Risk Management and Resilience Group which has a strategic oversight on all strategic risks and he provided further details on some of the main items contained within the report.</p> <p>He further advised that the purpose of highlighting this version at this stage was to test these proposals in the coming weeks and also to request feedback from this committee for consideration in the next version with a view to finalising this Strategy in the New Year.</p> <p>The Chair highlighted that on reviewing this he had expected the management of risks would be risk score related and that risks that nothing could be done about should perhaps only be reported on yearly whereas medium risks perhaps quarterly and high/critical risks monthly. There followed a brief discussion relating to this and Mr Oliver advised that this would be given consideration and it was agreed that perhaps only the risks where there has been a change in or any emerging risks should be reported on a monthly basis although it was confirmed that the risks would continue to be monitored by Officers. It was also confirmed by the Chief Internal Auditor that Internal Audit would also be involved in the Risk Management and Resilience Group as a critical friend and would continue to work with Derek and his Managers with regards to the review and update of the Risk Management Policy and Strategy. The Chair also highlighted that guidance for those assessing risks should be included so they had a framework to assess where the impact comes.</p>		
Decision		
The Audit Committee noted the report and provided feedback for consideration.		
Action		
Chief Officer Place		

6. Private Reports

No private reports were submitted.

7. Date of Next Meeting

The next meeting will be held on Tuesday 25 January 2022 at 11 am

The meeting terminated at 12.58 pm