

# Minute of Meeting



## Audit Committee

Date	Time	Venue
Tuesday 20 September 2016	11.00am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

Peter Smaill (Independent Chair)	Michael Thomas (Independent Member)
Councillor Baxter	Councillor Bryant
Councillor de Vink	Councillor Muirhead
Councillor Parry	

### In attendance:

Paul Dossett	Grant Thornton UK LLP
Paul Jacklin	Grant Thornton UK LLP
Steven Reid	Ernst & Young LLP
Peter Perkins	Ernst & Young LLP
Kenneth Lawrie	Chief Executive
John Blair	Director Resources
Eibhlin McHugh	Joint Director Health and Social Care
Gary Fairley	Head of Finance and Integrated Service Support
Chris Lawson	Risk Manager
Graham Herbert	Internal Audit Manager
Elaine Greaves	Internal Audit Manager
James Polanski	Auditor
Amber Ahmed	Auditor
Mike Broadway	Democratic Services Officer

## 1. Apologies

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Apologies were received from Councillor Milligan.

## 2. Order of Business

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The order of business was confirmed as outlined in the agenda that had been previously circulated.

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Previous Meetings

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The minutes of the Audit Committee meeting of 21 June 2016 were submitted and approved as a correct record.

## 5. Reports

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Report No.	Report Title	Presented by:
5.1	Annual Report to Members and the Controller of Audit for the Financial Year ended 31 March 2016	Paul Dossett/Paul Jacklin

### Outline of Report

There was submitted the Annual Report to Members and the Controller of Audit for the Financial Year ended 31 March 2016, prepared by the External Auditors, Grant Thornton. The report advised, inter alia, that the external auditors intended to issue an unqualified opinion on the financial statements for the financial year ended 31 March 2016. In addition, the report provided detailed information on Financial Management; Financial sustainability; Governance and Transparency; and Best Value and Value for money.

### Summary of Discussion

The Committee, having heard from the External Auditors in amplification of their report, discussed a number of issues arising therefrom, viz:- the level of useable reserves; debt recovery and bad debt; PPP commitments; and IT control environment.

### Decision

- (a) To note and approve the Annual Report;
- (b) To note that it was intended to report on reserves to Council and that this report could then be brought forward to the Committee for its interest;
- (c) To note the position in relation to bad debt and that debt recovery provisions were in place;
- (d) To note that the Council's PPP commitments were being examined as part of the work being undertaken to address the ongoing financial challenges faced

- by the Council;
- (e) To record the Committee's appreciation of the work undertaken by the Finance Team in assisting the Auditors in the preparation of the report; and
  - (f) To record the Committee's thanks to Grant Thornton, whose period of tenure as the Council's External Auditors had now come to an end.

Report No.	Report Title	Presented by:
5.2	Letter of representation to Grant Thornton UK LLP - Financial Statements for the year ended 31 March 2016	Gary Fairley

#### Outline of Report and Summary of Discussion

There was submitted a draft letter of representation to the External Auditors, in respect of the Statements, prepared by the Head of Finance and Integrated Service Support.

#### Decision

To approved the draft letter of representation.

Report No.	Report Title	Presented by:
5.3	Midlothian Council – Introduction to Ernst & Young LLP	Stephen Reid/Peter Perkins

#### Outline of Report

There was submitted an introduction to the Council's new External Auditors, Ernst & Young LLP, who had been appointed by the Accounts Commission for the period 2016/17 to 2020/21.

#### Summary of Discussion

Having heard from Stephen Reid, who responded to Members questions, the Committee discussed Ernst & Young's appointment as the Council's new External Auditors.

#### Decision

To note the report and welcome Ernst & Young's appointment.

Report No.	Report Title	Presented by:
5.4	Risk Management, Update for 1 April 2016 – 30 June 2016	Chris Lawson

#### Outline of Report

There was a report submitted to the Audit Committee from the Risk Manager dated 24 August 2016 providing the Committee with the 2016/17 quarter 1 strategic risk

management update, covering the period 1 April to 30 June 2016.

#### Decision

The Committee agreed that in view of the late circulation of the report which some Members' indicated that they had not received to continue consideration of the quarter 1 2016/17 Strategic Risk Profile report and considered it along with the quarter 2 report at the next meeting.

Report No.	Report Title	Presented by:
5.5	Annual Governance Statement	Kenneth Lawrie

#### Outline of report and summary of discussion

With reference to paragraph 5.3 of the Minutes of 10 May 2016, there was submitted report, dated 7 September 2016, by the Chief Executive, advising the Committee of a small number of additions to the Annual Governance Statement recommended by the Council's External Auditors, Grant Thornton. The report therefore incorporated a final draft of the Governance Statement which contained the recommended changes.

#### Decision

To approve, subject to any final changes, the final draft Annual Governance Statement for its interest.

Report No.	Report Title	Presented by:
5.6	Internal Audit Report – Self Directed Support	James Polanski

#### Outline of Report

There was submitted report, dated August 2016, by the Internal Audit Manager, in respect of a review of the arrangements surrounding Midlothian Council's implementation of Self-Directed Support. The objective of the audit was to assess the adequacy of the controls in place regarding the implementation of Self-Directed Support (SDS). This included evaluating the operational arrangements and control environment. The review had concluded that management had made good progress in implementing systems, internal controls, and procedures for the delivery of self-directed support. A number of weaknesses had however been identified in the controls where improvements were possible. The report therefore contained a management action plan to address these weaknesses and thus reduce risk and this was incorporated into the report. The management action plan had been accepted by management.

#### Decision

- (a) To note the strengths and weaknesses that had been identified;
- (b) To approve the management action plan; and
- (c) To authorise release of this report for information to the Integration Joint Board Audit and Risk Committee.

Report No.	Report Title	Presented by:
5.7	Internal Audit Report – Transformation Programme, Follow-up Review	Graham Herbert

#### Outline of Report

With reference to paragraph 5 of the Minutes of 28 October 2014, there was submitted report, dated September 2016, by the Internal Audit Manager on a follow-up audit undertaken in respect of the Council Transformation Programme.

#### Summary of Discussion

The Internal Audit Manager presented this report to the Committee highlighting that the purpose of the report was to follow up on the issues raised in the Transformation Programme Audit. It was noted that Transformation was now only one strand of the Finance Strategy and that a further review was to be undertaken in 2016/17 encompassing these additional areas. The majority of Audit actions were identified as having been completed satisfactorily however some issues had been identified where further work was required to fully implement the original audit recommendations. The report therefore contained a management action plan to address these issues and this was incorporated into the report. The management action plan had been accepted by management.

#### Decision

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

Report No.	Report Title	Presented by:
5.8	Internal Audit Report – Review of Controls Operating Over Petty Cash, Follow-up Review	Elaine Greaves

#### Outline of Report

With reference to paragraph 8 of the Minutes of 17 March 2015, there was submitted report, dated September 2016, by the Internal Audit Manager on a follow-up audit undertaken in respect of the Controls Operating over Petty Cash.

#### Summary of Discussion

The Internal Audit Manager presented this report to the Committee highlighting that the purpose of the report was to determine whether the recommendations made in the 2014/15 Audit of Petty Cash had been implemented. Additionally, the audit had also assessed the level of compliance with the Council's updated Petty Cash Guidelines for a sample of petty cash imprest accounts. Although it was recognised that a number of improvements had been made since the last review to comply with the recommendations and subsequent revised procedures, further recommendations were considered appropriate to bring the Council up to full

<p>compliance with the revised Petty Cash Guidelines. The report therefore contained a management action plan to address these issues and this was incorporated into the report. The management action plan had been accepted by management.</p>
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<p><b>Decision</b></p>
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| <ul style="list-style-type: none"> <li>(a) To note the follow-up report; and</li> <li>(b) To approve the management action plan.</li> </ul> |
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## **6. Private Reports**

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In view of the nature of the business to be transacted, the Committee agreed that the public be excluded from the meeting during discussion of the undernoted item, as contained in the Addendum hereto, as there might be disclosed information as defined in paragraphs 1, 6 and 9 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Internal Audit Report – Review of Controls Operating over Care at Home – To note the report and to approve the management action plan.

## **7. Date of Next Meeting**

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The next meeting of the Audit Committee would be held on Tuesday 13 December 2016 at 11.00 am.

The meeting terminated at 12.25 pm.