

Minute of Meeting



Audit Committee

Date	Time	Venue
Wednesday 29 June 2022	11.00am	Virtual Meeting by MS Teams

Present:

Councillor Milligan (Interim Chair)
Councillor McEwan
Councillor McKenzie
Councillor Scott
Councillor Small

In Attendance:

Grace Vickers	Chief Executive
Alan Turpie	Legal and Governance Manager / Monitoring Officer
Gary Fairley	Chief Officer Corporate Solutions
Derek Oliver	Chief Officer Place
Jill Stacey	Chief Internal Auditor
David Gladwin	Financial Services Manager
Myra Forsyth	Continuous Improvement Officer
Saty Kaur	Executive Business Manager
Michelle Strong	Education Chief Operations Officer
Fiona Clandillon	Head of Development
Lesley Aitken	Senior Finance Business Partner
Lisa Young	Accountant Communities and Wellbeing
Stephen Reid	External Auditor, E.Y.
Marco Reece-Heal	Business Analyst
Janet Ritchie	Democratic Services Officer
Andrew Henderson	Democratic Services Officer

1. Welcome and Apologies for Absence

The Clerk took the opportunity to welcome new and returning members to the Midlothian Council Audit Committee and in the absence of an independent non-voting chair invited members to nominate an interim chair who was a non-cabinet member. A discussion ensued in relation to who was most appropriate member to be nominated as chair of the committee. Councillor McKenzie, Seconded by Councillor Smail nominated Councillor Milligan as the interim Chair of the Audit Committee.

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 minutes of the meeting of 14 March 2022 were submitted for noting with the Amendment that audit committee are recommending that the Risk Management Strategy highlighted under item 5.5. Be approved by full Council.
- 4.2 The Action log was submitted, it was noted that a report on building maintenance would be presented to BTSG. The Chief Officer Place confirmed that this would be brought to the next meeting of BTSG.

Councillor McEwan enquired into further training for elected members. The Legal and Governance Manager/Monitoring Officer agreed to liaise with the Continuous Improvement Officer to ensure comprehensive training was given to existing and new members.

5. Public Reports

Report No.	Report Title	Presented by:
5.1	Membership, terms of reference and appointment of interim chair	Democratic Services
Outline of report and summary of discussion		
In reference to the earlier discussion, members confirmed the appointment of Councillor Milligan as the interim chair of the audit committee, noted the terms of reference.		
Councillor Milligan indicated that at the next meeting a discussion should take place on the options that were open to the committee in reference independent chair and independent non-voting member acknowledging that candidates with a local government background would be preferable.		

The Chief Internal Auditor highlighted that the previous independent chair's report that the requirement for training of members of the audit committee was recognised particularly in reference to the more technical aspect. The Chief Internal Auditor further highlighted that training was centred on what members lacked knowledge and experience on and that this could be pursued via external providers.

The Chief Internal Auditor also made reference to the update in best practice guidance from CIPFA that tool kits and training guidance were also available. Cllr Milligan suggested that external providers would be preferable for the sake of transparency and openness.

Decision

The Committee noted the contents of the report.

Action

Executive Director Place

Report No.	Report Title	Presented by:
5.2	Counter Fraud Annual Report 2021/22	Chief Internal Auditor

Outline of report and summary of discussion

The Chief Internal Auditor provided an overview of the report, making reference to the Council's counter fraud responsibilities and the activities of the Integrity Group and Corporate Fraud team in liaison with other Services over the past year as part of the arrangements to tackling fraud at the Council. In addition to the necessities of having robust fraud prevention and investigation methods and the impact of the Counter Fraud Strategy previously approved by Council on the 25th of August 2020. The Chief Internal Auditor then took the opportunity to respond to points of clarity.

The Chief Internal Auditor confirmed that in as part of the Counter Fraud Initiative, internal transactions are audited including pay elements but acknowledge and that external elements are also covered.

Regarding the misuse of blue badges, the Chief Internal Auditor confirmed that the guidance on calculating the savings was being followed from the Cabinet office and Audit Scotland and was captured as a notional saving. The Chief Internal Auditor also highlighted ongoing work to ensure linkage with the tell us once service to ensure that notification was given to ensure that blue badges were cancelled when the holder had deceased.

In response to a question with regard to what the quoted figure of £53,000 for fraudulent COVID support grants and what work was being carried out to ensure that individuals who had fraudulently applied for COVID funding paid it back, the Chief Internal Auditor highlighted that due diligence checks had been carried out to ensure that the correct people were in receipt of the funds whilst acknowledging the speed at which the Scottish Government had required COVID grants to be processed. The Chief Officer Corporate Solutions highlighted that across the financial year, 20/21 and 21/22 that grants had been administered by the Scottish Government and that for the wider Edinburgh area around £25 million had been issued.

Decision

- a) Members noted the counter fraud work undertaken during the year to 31 March 2022 in support of the Council's counter fraud policy and strategy.
- b) Members noted the outcomes of the counter fraud activity 2021/22.

Action

Chief Internal Auditor

Report No.	Report Title	Presented by:
5.3	Internal Audit Work to May 2022	Chief Internal Auditor

Outline of presentation and summary of discussion

In reference to the report the Chief Internal Auditor outlined the details of recent work completed by internal audit with recommendations and findings and actions agreed by management to improve the guidance and improve internal controls and governance arrangements. The Chief Internal Auditor then took the opportunity to respond to members questions.

Making reference to the internal audit annual plan for 22/23, the Chief Internal Auditor highlighted that procurement is taken into account as part of the scope of wider audit activity r together with specific focused audit work. The Chief Internal Auditor highlighted in relation to previous audits of capital projects had taken place and that discussions with officers for a sample of projects would be held to ensure compliance.

A discussion then ensued in relation to the impact of inflation, the Chief Officer Corporate Solutions highlighted that a paper had been brought to BTSG on this respect and that a paper had been submitted to Council in respect of EESSH. With reference to the capital plans, the Chief Officer Corporate Solutions confirmed that the inflation impact inflation was an acute feature and also with reference the Scottish Government Capital funding review that set out gash flat capital settlements for future years. Members noted the report with the request that inflationary issues be reflected within the Capital plan that will affect the deliverability of projects.

Decision

- a) Members noted the Executive Summaries of the final Internal Audit assurance reports issued associated with the delivery of the approved Internal Audit Annual Plan 2021/22;
- b) Members noted the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal audit Charter;
- c) Members noted and Acknowledged the assurance provided on internal controls and Governance arrangements in place for the areas covered by this Internal Audit work.

Action

Chief Internal Auditor

Report No.	Report Title	Presented by:
5.4	Internal Audit Annual Assurance Report 2021/22	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The Chief Internal Auditor provided an overview of the Internal Audit Annual Assurance Report for the year to 31 March 2022 and highlighted the Chief Internal Auditor's independent assurance opinion on the adequacy of Midlothian Council's overall control environment with specific reference to sections 2.4, 2.5 and 2.6.</p> <p>A discussion ensued in relation to the governance, risk management and internal controls process of contracts and issues in relation to contracts running out that required re tendering and the input of audit into this procedure. The Chief Officer Corporate Solutions highlighted that the internal controls operated were a 'whole system' approach and that review of the procurement capacity was underway in accordance with the managing change policy which would when implemented ensure that the procurement team could support and assist managers in ascertaining what needed to be procured and why to ensure best value. After further discussion the Chief Executive suggested that a session with members be set up with the Chief Procurement Officer following the approval of the procurement business partner model at CMT. Members agreed to this and noted the contents of the report.</p>		
Decision		
<p>a) Members considered and noted the Internal Audit Annual Assurance Report 2021/22 (Appendix 1) and assurances contained therein;</p> <p>b) Session on procurement to be set up with the Chief Procurement Officer</p>		
Action		
Chief Executive/Chief Procurement Officer		

Report No.	Report Title	Submitted by:
5.5	Draft Annual Governance Statement 2021/22	Chief Internal Auditor
Outline of report and summary of discussion		
<p>In reference to the report, Grace Vickers invited members to consider and approve the draft annual governance statement for 2021/22. Grace Vickers outlined the responsibilities of Midlothian Council to ensure that business was conducted in accordance to the law and proper standards and made reference to the Councils Local Code of Corporate Governance, which had been approved by council on the 23rd of March 2021 which had been used to assist with the annual assurance process for 2021/22. Grace Vickers highlighted that as the draft governance statement approved prior to the approval of the National Care Service (Scotland) Bill that she be given additional time to insert further details into the final annual governance statement to reflect pressures going forward. Grace Vickers then took the opportunity to thank the Chief Internal Auditor for her work as Chief Internal</p>		

Auditor for Midlothian Council in recognition of this being the Chief Internal Auditor's final audit committee meeting.

Members then took the opportunity to thank the Chief Internal Auditor for her work with Midlothian Council's Audit Committee and agreed to the recommendations, as amended by Grace Vickers.

Decision

- a) Members Considered and noted the details of the draft Annual Governance Statement 2021/22 at Appendix 1 to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledge the actions identified by Management to improve internal controls and governance arrangements;
- b) Members approved that that additional time be given for further details to be inserted into the final annual governance statement to reflect the future impact of the National Care Service (Scotland) Bill which would then be put into the Council's Statement of Accounts 2021/22, and noted the requirement for the final Annual Governance Statement to be signed by the Chief Executive and Leader of the Council at the conclusion of the external audit process.

Action

Chief Internal Auditor/Chief Executive

Report No.	Report Title	Submitted by:
5.6	Unaudited Annual Accounts 2021/22	Chief Officer: Corporate Solutions

Outline of report and summary of discussion

The Chief Officer Corporate Solutions provided an overview of draft unaudited accounts and as part of that highlighted that Audit Committee were being asked to consider the unaudited annual accounts at this stage. With reference to the presentation further details were provided to support the Committees consideration of the accounts. The Chief Officer Corporate Solutions then took the opportunity to respond to members questions.

The Chief Officer Corporate Solutions agreed to provide feedback to Councillor Scott in relation to the fluctuations in the mortality rate in relation to pension. The Chief Officer Corporate Solutions also highlighted that in relation to under 22 bus travel that he wasn't close enough to see the impact of this policy but acknowledged that Lothian Busses had previously provided a dividend to Midlothian Council. The Chief Officer Corporate Solutions then provided a brief overview in relation to VAT contingent asset disclosure highlighting that work was being led by h KPMG and that a report would be brought to council in the future with further details.

With regard to over borrowing, The Chief Officer Corporate Solutions acknowledged that borrowing had occurred when interest rates were low and agreed to add a note highlighting that this was in line with the treasury management plan.

Decision

Members considered and noted the unaudited annual accounts.

Action

Chief Officer: Corporate Solutions

Report No.	Report Title	Submitted by:
5.7	Annual Treasury Management Report 2021/22 - Report by: Chief Officer Corporate Solutions	Chief Officer: Corporate Solutions

Outline of report and summary of discussion

The Chief Officer Corporate Solutions provided an overview of the report inviting members of the Audit Committee to consider this report before the final report is presented to Council. The Chief Officer Corporate Solutions then took the opportunity to respond to members questions.

Members then agreed to the report recommendations and issued their thanks to the Finance Team for their efforts and acknowledged the Councils performance in this areas compared to other Councils.

Decision

Members noted the Treasury Management activity undertaken in 2021/22 and the Year-end position.

Action

Chief Officer: Corporate Solutions

Report No.	Report Title	Submitted by:
5.8	Risk Management Update, Quarter 4 2021/22	Chief Officer Place

Outline of report and summary of discussion

In providing an overview of the report, the Chief Officer Place provided Audit Committee with an update on the risk responses Midlothian Council has implemented during Quarter 4 2021/22 and provided assurances that Midlothian Council took a proportionate and planned approach to prepare and respond to each of the identified risks. Members agreed to note the report.

Decision

Members noted the current risk landscape and organisational response to the most significant risks in Quarter 4 2021/22 (January to March 2022).

Action

Chief Officer: Place

Report No.	Report Title	Submitted by:
5.9	Financial Governance – Financial Directives	Chief Officer Corporate Solutions
Outline of report and summary of discussion		
In speaking to the report the Chief Officer Corporate Solutions provided an update on the refresh of the financial directives and continued to outline the next stage of review work aimed at providing a fully comprehensive and up to date set of Financial Directives.		
Decision		
a) Members endorsed the interim updates to the Financial Directives as set out in appendix 2 b) Members noted the next stage of review to be undertaken to complete a full refresh of the Financial Directives as outline of progress made in appendix 1.		
Action		
Chief Officer: Corporate Solutions		

Report No.	Report Title	Submitted by:
5.10	Local Government in Scotland Overview 2022	Chief Officer: Corporate Solutions
Outline of report and summary of discussion		
The Chief Officer Corporate Solutions provided an overview of the report outlining the difficult year Councils had faced, making reference to the response to the COVID 19 pandemic and the ongoing response in a complex and uncertain environment. Members agreed note the contents of the report.		
Decision		
Members noted the publication of the Local Government in Scotland Overview 2022 report by Audit Scotland on 26 May 2022 and considered the report findings for Midlothian Council.		
Action		
Chief Officer: Corporate Solutions		

6. Private Reports

No private reports were submitted.

7. Date of Next Meeting

Councillor Milligan took the opportunity to thank members for their attendance and encouraged officers in their pursuit for suitable applicants for the position of independent chair and independent non-voting member and requested that elected members be sighted on applicants. Councillor Milligan continued to highlight that should the appropriate applicants not come forward, consideration should be given as to how the committee could move forward.

Date of Next Meeting: Tuesday 27 September 2022 at 11am.

The meeting terminated at 13.06 pm