

Minute of Meeting

Audit Committee
Tuesday 1 May 2018
Item No: 4.1



Audit Committee

Date	Time	Venue
Tuesday 13 March 2018	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

Present:

Mike Ramsay (Chair)
Councillor Baird
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Smail
Peter de Vink (Independent Member)

In attendance:

Kenneth Lawrie	Chief Executive
John Blair	Director Resources
Gary Fairley	Head of Finance and Integrated Service Support
Stephen Reid	Ernst and Young
Alan Turpie	Monitoring Officer
Joan Tranent	Head of Children's Services
Chris Lawson	Risk Manager
Jill Stacey	Chief Internal Auditor
Elaine Greaves	Principal Auditor
James Polanski	Internal Auditor
Amber Ahmed	Internal Auditor
Janet Ritchie	Democratic Services Officer

1. Welcome and Apologies

Apologies were received from Councillor Parry.

2. Order of Business

The order of business was amended as agreed with the Chair to include an additional item in private under 6.1 Self-Assessment.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

4.1 The minutes of the meeting of 12 December 2017 were submitted and approved as a correct record having been proposed by Councillor Hardie and seconded by Councillor Milligan.

4.2 Matters Arising:

Item 5.4 - The Chair asked for feedback regarding security policies and access levels of the RIVO system. The Risk Manager advised that the work was ongoing but confirmed that the provider's specifications would meet both Midlothian and East Lothian security policies.

Item 5.8 - The Chair raised a question with regards to the actions in the review of controls operating over pre-school provision partnership providers and who takes responsibility for this. The Director Resources agreed to report back at the next meeting.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Financial Strategy 2018/19 to 2021/22 and Financial Monitoring 2017/18	Director Resources
Outline of report and summary of discussion		
<p>There was a report submitted to the Audit Committee by the Director of Resources bringing the Committee's attention to the reports presented to Council on 13 February 2018 by the Head of Finance and Integrated Service Support, in relation to the Financial Strategy 2018/19 to 2021/22 and Financial Monitoring 2017/18. Also appended to this report was the motion that was approved by Council on 13 February 2018.</p> <p>Thereafter responses were provided on questions and comments raised by the Committee regarding the Financial Strategy; the Council Tax increase of 3% and Teacher/Pupil ratio.</p>		

Also raised was the difference in the net expenditure figure detailed in the Revenue account (appendix 7) and the figure provided in the External Auditors report. The Head of Finance and Integrated Service Support explained the difference in these two figures and that a more detailed budget book would be published which will list the gross and net expenditure for each service and will give a much more detailed analysis of the budget service by service.

It was agreed that this detailed budget book would be available to members of the Audit Committee.

Decision

The Audit Committee noted the content of the Report.

Action

Head of Finance and Integrated Service Support.

Report No.	Report Title	Submitted by:
5.2	Internal Audit Report Review of Controls Operating over Accounts Payable	Internal Audit
Outline of report and summary of discussion		
<p>A report dated 21 February 2018 was presented by the Internal Auditor. The objective of the audit was to provide an opinion on the adequacy of controls over payments to suppliers through the Accounts payable (Integra) system.</p> <p>Thereafter the Head of Finance and Integrated Service Support responded to questions raised by the Committee explaining the implementation of the purchase to pay system and the move from paper to electronic systems which will limit the risk of payment errors, fraudulent payments and provide a more detailed level of committed expenditure. Also raised was the tightening up of the use of sundry suppliers and duplicate overpayments and how this is pursued.</p>		
Decision		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.3	Internal Audit Report Complaints	Internal Audit
Outline of report and summary of discussion		
<p>A report dated 22 February 2018 was presented by the Internal Auditor. The Audit reviewed the Council's policies, procedures and systems in place to support the Council's complaints process. All local authorities are legally required to comply with the Scottish Public Services Ombudsman's (SPSO) Complaints Handling Procedure (CHP). Some weaknesses have been identified in the controls and improvements are possible.</p>		

Thereafter a discussion took place regarding the number of complaints and complaint reporting should be put into context for staff and residents. It was highlighted that previously an analysis had been presented to Cabinet and Performance Review and Scrutiny Committee on complaints and it identified that a huge number of these complaints were due to missed bin collections. It was further reported the reason for the difference in some of the target dates was to reflect the new CRM system which will be in place by the end of the year.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.4	Risk Management Q3 Update for 1 October 2017 – 31 December 2017	Risk Manager

Outline of report and summary of discussion

There was a report submitted by the Risk Manager to provide the Audit Committee with the 2017/18 Quarter 3 strategic risk management update, covering the period 1 October 2017 – 30 December 2017. The Strategic Risk Profile seeks to provide a strategic look at the current issues, future risk and opportunities facing the Council.

Thereafter Officers responded to questions and comments raised by members which included:

- The review of pay and grading.
- The risk evaluation on ‘Fastest Growing Council’ rated critical as an opportunity and high as a threat and the reasons for this.
- The risk evaluation on balancing budgets in future years.
- The risk on the UK decision to leave the EU and the lack of clarity on the impact of this.

Decision

The Audit Committee otherwise noted the content of the report.

Report No.	Report Title	Submitted by:
5.5	Midlothian Council Annual Audit Plan 2017/18	Stephen Reid, EY, External Auditors

Outline of report and summary of discussion

There was submitted the Midlothian Council Annual External Audit Plan 2017/18. Stephen Reid, External Auditor presented the Plan to the Committee explaining this Annual Audit Plan is prepared for the benefit of the Council and Audit Committee and provides members with a summary and update on the planned audit approach for the audit of the financial year ending 31 March 2018. He went

on to explain that their responsibilities fall into two main areas, one in respect of the financial statements and the other in respect of their responsibility around the wider-scope public sector audit dimensions and highlighted some key sections from the Report.

Thereafter the External Auditor and Head of Finance and Integrated Service Support responded to questions and comments raised by members of the Committee.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.6	Internal Audit Charter	Chief Internal Auditor
Outline of report and summary of discussion		
<p>There was a reported submitted dated 21 February 2018 presented by the Chief Internal Auditor for consideration and approval. The report provides the Audit Committee with the updated internal Audit Charter for approval that defines the terms of reference for the Internal Audit function to carry out its role to enable the Chief Internal Auditor to prepare an annual opinion on the adequacy of the Council's overall control environment.</p>		
Decision		
<p>Having been proposed by Councillor Hardie and seconded by Councillor Baird the Audit Committee:</p> <ul style="list-style-type: none"> • Noted the changes outlined in the report. • Approved the revised Internal Audit Charter shown at Appendix 1. • Noted that the Internal Audit Charter will be reviewed annually. 		
Action		
Internal Audit Manager		

Report No.	Report Title	Submitted by:
5.7	Internal Audit Strategy and Annual Plan 2018/19	Chief Internal Auditor
Outline of report and summary of discussion		
<p>There was a reported submitted dated 14 February 2018 presented by the Chief Internal Auditor for approval to the proposed Internal Audit Strategy and Annual Plan 2018/19 to enable the Chief Internal Auditor to prepare annual opinions on the adequacy of the overall control environment of Midlothian Council, and Midlothian Health and Social Care Integration Joint Board.</p>		

The Internal Audit Strategy at Appendix 1 outlines the strategic direction for Internal Audit to provide independent and objective assurance on the systems of internal control, risk management, and governance to the relevant organisation's senior management and board/audit committee.

The Internal Audit Annual Plan 2018/19 developed by the Shared Chief Internal Auditor is presented at Appendix 2. The proposed reviews have been grouped into key themes as set out in the Internal Audit Strategy at Appendix 1.

Thereafter the Chief Internal Auditor and Chief Executive responded to questions raised by members of the Committee.

Decision

Having been proposed by Councillor Smaill and seconded by Councillor Baird the Audit Committee approved the Audit Strategy and Annual Plan 2018/19.

6. Private Reports

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 paragraph 8 and 14 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Report No.	Report Title	Submitted by:
6.1	Self-Assessment	Chief Internal Auditor
Decision		
The Audit Committee noted the content of the report.		

The meeting terminated at 3.25 pm