

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Council Chambers, Midlothian House, Buccleuch Street, Dalkeith on Tuesday, 17 June 2014 at 11.00 am.

Present: - Mr Smaill (Independent Chair); Councillors Baxter, Bryant, Milligan, Muirhead, Thompson and de Vink.

1 Order of Business

On the suggestion of the Chair, it was agreed to advance consideration of agenda item No. 9 – Risk Management Audit – to immediately after consideration of the Corporate Review of Risk Management.

2 Declarations of Interest

The Chair intimated to the Committee that he had been appointed as a Trustee of the Scottish Civic Trust.

3 Minutes

The Minutes of Meeting of 6 May 2014 were submitted and approved.

4 Corporate Review of Risk Management

There was submitted report by the Risk, Safety & Civil Contingencies Manager updating the Committee on the Council's Corporate Risk Management Arrangements; the suitability of the risk management approach within the Council; and enhancements made to the approach. The report advised (a) a revised Risk Management Policy, which was incorporated into the report, was approved by the Corporate Management Team (CMT) on 26 February 2014; (b) a range of briefing sessions for the benefit of Elected Members, Chief Officers and Managers were regularly provided in house with the support of the Council's Insurance providers; (c) it was accepted that the training currently provided required to be refreshed, with future training focused on the particular roles required in the risk management approach; (d) the development and systematic review of the Council's Risk Registers had not been integrated as part of the Annual Service Planning Process which created the potential to focus on risks which were no longer a real issue and potentially fail to adequately highlight/address new and emerging risks; (e) It was proposed to change the format of the risk register reports presented to CMT and Audit Committee to make the link between Service objectives and Service/Organisational risks clearer; (f) the work undertaken to revise the Service Planning Process had afforded the opportunity to integrate risk management as part of the Service Planning process and would ensure the information held in the register was critically examined on at least an annual basis and refreshed to reflect the risks facing the Council in the year ahead with a particular focus on delivering on key organisational objectives. To this

end, work had already taken place to incorporate risk management into the Service Planning guidance provided for Chief Officers; and (g) Services would be required to revise their Service Risk Register on an annual basis in-line with any changes to service delivery priorities. Support would be provided by the Risk Management Group particularly in relation to the identification of new/emerging risk.

Decision

- (i) To approve the changes to the current risk management approach set out within the report, specifically:
- The annual revision of Service & Corporate register(s) prompted by the Service planning process
 - The Risk Management Group input to the revision of Risk Registers.
 - That Risk Management group meetings be aligned with risk management performance reporting, to support the development of Risk Management reports to CMT & Audit Committee.
 - The revised remit for Risk Management Group
 - The revision of the risk matrix on Covalent, to reflect the risk rating approach set out with the revised Risk Management Policy
 - The new report layout for reporting of risk register to CMT & Audit Committee to clarify the link between risks and Service/ Council Objectives;
 - The development of a new 'top 5' issues report for consideration by the CMT;
- (ii) To raise the profile of risk management/visibility through the development of a dedicated Intranet Micro Site;
- (iii) To approve the revised Risk Management Strategy and Policy as shown in the **Appendix** Hereto; and
- (iv) To note that regular reviews of the Council's Insurance cover were undertaken in conjunction with the Council's insurers and that detailed information in this respect was available from the Head of Finance and Integrated Services.

(Action: (i) – (iii) Risk, Safety & Civil Contingencies Manager; (iv) Head of Finance and Integrated Services).

5 Risk Management Audit

There was submitted report, dated 19 May 2014, by the Internal Audit Manager, advising the Committee of a proposal to postpone a planned review of Risk Management until Quarter four 2014/15 to take full account of improvement activity currently being undertaken in respect of risk management as outlined in the report referred to in paragraph 5 hereof.

Decision

- (a) To approve the postponement of the Internal Audit of the Council's risk management system until Quarter four 2014/15; and
- (b) To note the areas for improvement identified through the initial Internal Audit review which had been agreed with the Risk Safety Health and Civil Contingencies Manager

(Action: Internal Audit Manager).

6 National Fraud Initiative – 2012/13 Outcomes

There was submitted report, dated 2 June 2014, by the Revenues Manager, Security and Systems, providing the Committee with a final update on the outcomes of the National Fraud Initiative (NFI) for 2012/1. The report also provided new information in relation to Council Tax and Electoral Roll matches and NFI planning for 2014/15. The report provided a summary of the matches received along with details of the outcomes of the checks.

Decision

- (a) To note that an update would be submitted on 28 October 2014 by which time, investigations would have concluded for any Council Tax and Electoral Roll matches and data will have been provided for the 2014/15 exercise; and
- (b) To otherwise note the report.

(Action: Revenues Manager, Security and Systems)

7 Update Report – External Auditors

There was submitted report, dated 16 April 2014, by the External Auditors (Grant Thornton UK LLP), providing the Committee with a report on progress in delivering their responsibilities as your external auditors. The report included a summary of emerging national issues and key accounting and auditing developments that were considered relevant to the Committee. The report provided detailed information on progress against the Audit Plan; a summary of Audit Scotland reports from January to April 2014; relevant Grant Thornton research and publications from December 2013 to April 2014; and emerging accounting and audit developments.

Decision/

Decision

To note the report.

8 Annual Report from the Chairman for Year ended 31 March 2014

There was submitted the Annual Report from the Chairman for Year ended 31 March 2014, on the work undertaken by the Committee during the financial year 2013/14. The report provided detailed information on the numbers of meetings; Committee membership; Governance; the Assurance Framework; Internal audit; Risk management; value for money; progress Monitoring; Effectiveness of internal Controls; External Audit; Financial Management; and Counter Fraud and Corruption. The report also proposed amendments to the Council's Standing Orders to ensure that the Audit Committee's functions and remit were in accord with the CIPFA Practical Guidance for Local Authority Audit Committees.

Decision

- (a) To note that the report would also be submitted to the Council on 24 June 2014; and
- (b) To approve the report for its interest; and
- (c) To recommend to the Council the changes to Standing Orders proposed in the report.

(Action: (c) Legal and Secretariat Manager)

9 Welfare Reform – Scottish Welfare Fund

There was submitted report, dated 29 May 2014, by the Internal Audit Manager, on an audit undertaken in respect of the adequacy of the controls in place over the Scottish Welfare Fund (SWF) Community Care Grants and Crisis Grants. The report had concluded that management had established a number of internal controls to deliver the Scottish Welfare Fund effectively and that whilst Internal Control, Governance and the Management of Risk had displayed a mixture of little residual risk, other elements of residual risk that were slightly above an acceptable level needed to be addressed within a reasonable timescale. The report therefore incorporated a Management Action Plan to address these issues.

Decision

To endorse the Management Action Plan.

(Action: Head of Customer and Housing Services).

10 Follow-up Review of Audit Recommendations

There was submitted report, dated 12 June 2014, by the Internal Audit Manager, on a review of a sample of recommendations that had been signed

off as complete, to determine whether they had been implemented satisfactorily and thus give greater assurance over the ongoing improvement of internal control. The review had determined that from the 31 recommendations tested, 28 had been found to have been completed satisfactorily; two were found to be unsatisfactory and one was partially complete. The report therefore included two recommendations to ensure compliance with the management action plans initially approved, which had been agreed with the appropriate management.

Decision

To note and endorse the report.

(Action: Internal Audit Manager)

11 Exclusion of Members of the Public

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 2, 4, 8, 9 and 10 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

Following the Public Pound – Report dated 30 May 2015 by Internal Audit Manager - (a) To note that the audit had identified that management had established a number of internal controls to help manage the risks of funding external bodies and that Internal Control, Governance and the Management of Risk had displayed a mixture of little residual risk, but other elements of residual risk that were slightly above an acceptable level and therefore need to be addressed within a reasonable timescale; and (b) to approve the management action plan proposed in the report.

The meeting terminated at 11.55 am.

ADDENDUM to MINUTES of the MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held on Tuesday 17 June 2014 at 11.00 am (relative to paragraph 11).

There was submitted report, dated 30 May 2014, by the Internal Audit Manager, in respect of an audit undertaken to provide assurance to senior management and the Audit Committee that the Council had adequate controls in place to allow compliance with (i) the Code of Guidance on Funding External Bodies, Following the Public Pound, 1996, published by COSLA (Convention of Scottish and Local Authorities) and (ii) best practice guidance. The Audit had concluded that management had established a number of internal controls to help manage the risks of funding external bodies and that whilst Internal Control, Governance and the Management of Risk had displayed a mixture of little residual risk, other elements of residual risk were slightly above an acceptable level and needed to be addressed within a reasonable timescale. The report accordingly incorporated a management action plan to address these issues.

Decision

- (a) To endorse the Management Action Plan; and
- (b) To receive a progress report in due course.

(Action: (a) All Directors/ Heads of Service (b) Internal audit Manager)