

# Minute of Meeting



## Audit Committee

Date	Time	Venue
Tuesday 21 June 2016	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

### Present:

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

### In attendance:

Kenneth Lawrie	Chief Executive
John Blair	Director Resources
Mary Smith	Director Education, Communities and Economy
Gary Fairley	Head of Finance and Integrated Service Support
Chris Lawson	Risk Manager
Elaine Greaves	Internal Audit Manager
Heather Mohieddeen	Senior Auditor
Kevin Anderson	Head of Housing and Customer Services
Janet R Ritchie	Democratic Services Officer

## 1. Apologies

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- 1.1 Apologies were received from Councillor Parry

## 2. Order of Business

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

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Previous Meetings

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- 4.1 The minutes of the Audit Committee meeting of 10 May 2016 were submitted and approved as a correct record.

## 5. Reports

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Report No.	Report Title	Presented by:
5.1	Risk Management, Update for 1 January 2016 – 31 March 2016	Risk Manager

### Outline of report and summary of discussion

There was a report submitted to the Audit Committee from the Risk Manager dated 1 June 2016 providing the Committee with 2015/16 quarter 4 update, covering the period 1 January to 31 March 2016. The Risk Manager presented the Report to the Committee highlighting Appendix 1 the Strategic Risk Profile Report and Appendix 2 the Single Midlothian Plan Risks. Thereafter the Risk Manager responded to questions raised by the Committee:

- An explanation on why the Climate change noted in the Strategic Risk Profile Summary as a high risk but on the following chart 'Top issues' this was not noted. The Risk Manager stated the top issues were current risks and climate change is a future risk. It was also explained that it is voluntary reporting on compliance with the climate change duties until November 2016.
- An explanation was also requested on the difference in scoring from the Strategic Risk Profile Summary and the Top issues on Balancing Budgets and why the impact figure was different for 2017/18 and future years. This is due to there being greater confidence in the figures for 2017/18 budget whereas with future years there is less clarity on the definitive nature of the potential risk.

### Decision

The Audit Committee noted the quarter 4 2015/16 Strategic Risk Profile report and considered the current response to the risks and opportunities highlighted.

Report No.	Report Title	Presented by:
5.2	Annual Report from the Chairman – Year ended 31 March 2016	Peter Smaill, Independent Chair

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee from the Independent Chair to inform the Council of the work carried out by the Audit Committee during the financial year 2015/16. The Independent Chair presented the Report to the Committee including Appendix 1, Audit Committee Self Assessment, Appendix 2 Annual Governance Statement 2015/16 and Appendix 3 Core Areas of Knowledge.

The Conclusion of the Report was:

- The Committee, in tandem with the Internal Audit function, has taken steps to streamline its workload by way of a more planned approach to subject scrutiny. It retains the flexibility to probe specific unanticipated problems, and increasingly views its work as related to assessing risks and not just enforcing good housekeeping as deficiencies become apparent, important though that function remains.
- The Committee in 2016/17 will thus continue to question any perceived weaknesses in internal controls and will also focus on the Council's forward-looking strategy for stabilising the Consolidated Income and Expenditure account. In this a continuing emphasis on Value for Money harmonises the aims of balancing the Council's financial position while generating optimal public benefit from the Council's operations.
- The Audit Committee has also been monitoring progress with the roll out of the new Health and Social Care Integration Joint Board and has received an Internal Audit report on the financial assurance process undertaken over amounts delegated by the Council to the new Board. The Audit Committee will be involved in scrutinising the outturns from this in future years.

#### Decision

The Committee agreed to note the Report.

Report No.	Report Title	Presented by:
5.3	Internal Audit Report on Follow up review of Audit Recommendations	Internal Audit Manager

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee by the Internal Audit Manager on Follow up of Audit Recommendations. The Internal Audit Manager presented this report to the Committee highlighting that the purpose of the report was to review the recommendations that had been signed off as complete in 2015/16. The majority of Audit actions were identified as being completed satisfactorily, however, one action had not been adequately completed, and some actions were reported as complete but testing revealed that these were only partially completed.

Thereafter the Committee raised questions on the following recommendations:

- The recommendation made in September 2015 that training should be delivered annually to ensure managers understood the Construction Industry Scheme (CIS) and are aware of the importance of classifying construction suppliers as subcontractors and checking the materials and labour split on the sub contractors' invoice. This recommendation was not complete and the training had been delivered in 2014 but annual training had not been delivered to staff. Discussion took place regarding this recommendation and it was agreed that a training programme should have been put in place and this will be addressed at the next Management meeting.
- The recommendation on accurate records should be maintained on the number of garage sites under Council ownership and this recommendation was not yet complete. It was clarified by the Head of Housing and Customer Services that all garage sites have been identified and rents collected and this was completed as from 20 June 2016.

#### Decision

The Committee agreed:

- The training for Managers on the Construction Industry Scheme will be raised at the next Management meeting and the Audit recommendation of annual training will be followed through.
- To otherwise note the Report.

#### Action

Director of Resources

Report No.	Report Title	Presented by:
5.4	Internal Audit Report on Follow up of Controls Operating over Developer Contributions	Internal Audit Manager

#### Outline of report and summary of discussion

There was a report submitted to the Audit Committee dated 7 June 2016 by the Internal Audit Manager on the Internal Audit Report on the Follow up of Controls Operating over Developer Contributions. The Internal Audit Manager presented this report to the Committee highlighting that the purpose of the report was to respond to the Audit Committee's request that Internal Audit follow up on the monitoring recommendations reported in the review of controls operating over Developer Contributions reported to the Audit Committee in March 2016.

Thereafter the Committee raised questions on the following:

- A new system to record all of the development and stages of completion. A procurement exercise is currently being undertaken to source the system. It is hoped this new system will be in place within the year but at the moment Financial Services and the Planning Service are working together to

complete an in depth analysis of contributions received.

- The Committee asked for confirmation that all Developer's contributions have been accounted for and there is no possibility that some of this information has been lost or destroyed.
- The Committee felt that the report lacked evidence and information on the progress of recording and monitoring of Developer's contributions and details of any loss of contributions. The Director of Education, Communities and Economy highlighted that there are several services involved in this work and that all Developer Contributions identified have either been collected or are in the process of being collected. The Internal Audit Manager advised that the purpose of the report was to give an update on the progress made in implementing the monitoring recommendations, to date, and that it was perhaps premature to follow up the recommendations as the expected completion date for many of the actions had not yet been reached.

#### Decision

The Committee agreed:

- That a fuller report would be brought to the Audit Committee on the recording and monitoring of Developer's Contributions once the Compliance Officer is recruited and the new system in place.
- To otherwise note the Report.

#### Action

Internal Audit will produce a follow up report in due course.

## 6. Private Reports

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No private reports were submitted to this meeting.

The meeting terminated at 11:46 am