

MINUTES of MEETING of the MIDLOTHIAN COUNCIL AUDIT COMMITTEE held in the Committee Room, Midlothian House, Buccleuch Street, Dalkeith Tuesday 11 December 2012 at 11.00 am.

Present:- Mr P Smail (Independent Chair); Councillors Baxter, Beattie, Bryant, Milligan Muirhead and Mr R Rae (Independent Member).

Apology for Absence:- Councillor de Vink.

1 Order of Business

The Committee agreed to advance a report by the Risk and Audit Manager on Housing Allocations to item no. 5 hereof.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

The Minutes of Meeting of 30 October 2012 were submitted and approved.

Arising from consideration of the foregoing Minutes, the Committee noted that the Independent Chair had met with both Councillor Baxter and the Director, Corporate Resources on behalf of the Chief Executive and all were satisfied that adequate controls were now in place in respect of the administration of the Gourlaw/ Newbigging/Shewington Opencast Coal Fund and that as a result further discussions were ongoing in respect of the establishment of a Register of Connected Interests.

4 Rescheduling of Meetings

With reference to paragraph 10 of the Minutes, dated 30 October 2012, there was submitted report, dated 30 November 2012, by the Director, Corporate Resources, on the outcome of consultations on a proposal to bring forward the Committee's meetings to Mondays. The report advised that both of the main political groups on the Council were consulted on the proposal and each had responded by advising that, on the basis of the existing schedule, each had established a series of meetings /events predicated on the fact that meetings of the Audit Committee would be held on Tuesdays, in accordance with the Schedule of Meetings approved by the Council. Neither group was therefore willing to change the established meeting day.

Decision

To note the report.

5 Housing Allocations

There was submitted report, dated 29 October 2012, by the Risk and Audit Manager, in respect of an audit of housing allocations processes. The objective of the audit was to review a sample of housing allocations for compliance with policy and had been undertaken as a result of complaints made to Elected Members. The audit involved a sample of 30 housing allocations and tested whether or not these were processed in accordance with the relevant allocations policies and procedures. Included within the sample were a number of cases where members of the public had complained about perceived unfairness in the process because of links between members of staff or elected members and the applicant. The audit therefore looked for evidence of any favouritism to these applicants or applicants being denied property where they had made previous complaints.

In relation to new build properties, the audit accepted that there may be a perception of unfairness as, under the current allocation rules, priority was given to those on the transfer waiting list which, particularly in the case of new builds, meant that individuals with fewer need points may be re-housed ahead of those who may have a higher number of need points on the direct list. The allocations policy was however in the process of being reviewed based on applicant need following the recommendations made by the Housing Regulator and previous Internal Audit reviews. This, it was anticipated, would reduce the perceived unfairness with the allocations policy.

In relation to the specific allegations the audit had found that:-

- there was no evidence on the cases reviewed that favouritism was shown, or that allocation rules were breached, where there was a family relationship between applicant and elected member or employee;
- there was no evidence of applicants being bypassed deliberately where they had lodged complaints;
- although employees were aware that they should not personally be involved with Allocations where there was a personal link to the applicant, testing did identify some limitations with the current policy which needed to be addressed and the policy re-published;
- there was a need to improve segregations over homeless assessments;
- the current method of assessing which individual would be allocated a particular property, and those that would be bypassed, was very labour intensive and open to error and the audit trail over the decision making process needed to be improved;
- various working practices within Allocations needed to be formalised into written policies for the avoidance of doubt over the allocation process;
and

- a small number of policy failures had been identified and these had been highlighted for staff training purposes.

The report therefore incorporated a management action plan to address those issues identified by the audit.

Decision

- (a) To note that a revised Housing Allocation Policy would be presented to the Council on 18 December 2012 for approval;
- (b) To note that processes would remain in place to cater for issues such as “sensitive lets”;
- (c) To note that the Scottish Housing Regulator was due to carry out a further inspection during 2013;
- (d) To note the introduction of a 10% sample from September 2012 in respect of a segregation process whereby an allocation was signed off by a senior member of staff; and
- (e) To approve the management action plan.

(Action: Head of Housing and Community Safety; Risk and Audit Manager).

6 External Audit Report on Information Technology: Progress Report

With reference to paragraph 6 of the Minutes, dated 18 September 2012, there was submitted report, dated 3 December 2012, by the Director, Corporate Resources detailing the progress made in complying with the recommendations made by the External Auditors, in respect of Corporate IT Resilience. The report advised that the recommendations had been discussed at both the Council’s Contingency Planning Group and at meetings between IT Services and Internal Audit Unit. The report further advised that:-

- It was estimated that locating the secondary server room at a location other than Fairfield House would cost £250,000 excluding significant resource and time requirements, whilst locating the secondary server room in the PPP Campus in Dalkeith was also expensive, as was an arrangement with a Computer Bureau in terms of a ‘warm-start’ solution;
- In carrying the temporary risk until the EWIM solution was delivered, consideration had been given to compensatory controls in relation to both worst case scenarios and less dramatic threats and had recently been discussed during the six-monthly audit assessment. A copy of the audit assessment was incorporated into the report and the assessment showed that there were several mitigating controls in place to make the interim period acceptable in being able to balance and accept an element of risk;

- In respect of Testing of IT Applications Recovery, an exercise was underway to (i) confirm the staffing establishment, job titles and roles and responsibilities and accommodation within the three Council Divisions; (ii) Establish the importance of each service in terms of a community incident or an internal incident; (iii) understand the importance of critical computer systems that may have to be recovered in a short space of time; and (iv) ensure that all business recovery plans were tested and exercised on a regular and incremental basis;
- This 'Business Impact Analysis' (BIA) was an essential requirement under the Civil Contingencies legislation and would help in the updating of key building Recovery Plans. The BIA process across all three Divisions would be completed by December 2012 and would bring further certainty to business recovery. In the meantime, IT Services would continue to incrementally test critical IT systems in terms of recovery and this would continue into 2013 under the umbrella of a refreshed and updated BIA and IT Recovery Plan;
- In respect of the provision of a back-up generator for the Fairfield House Server Room, the estimated cost was in the region of £30,000 and it was considered that it may be appropriate to wait until the EWiM project was in place and have new server rooms fully supported by back-up generators;
- In respect of the provision of a fire extinguisher in the Fairfield House Server Room, this issue had been resolved.

The Director, Corporate Resources thereafter amplified on the report from which it was noted that all systems were backed up overnight with auxiliary systems saved to disk. In addition Divisions had been asked to submit information to the Contingency Planning Group on back-ups they had in place. The estimated cost of providing a purpose built back-up facility was £200,000.

Decision

- (a) To note that Internal Audit continued to carry out checks on the internal controls highlighted in the assessment;
- (b) To note that a report on Effective Working in Midlothian (EWIM) would be submitted to the Council on 18 December 2012;
- (c) That the Council's insurers be appraised of the situation;

- (d) That the Director, Corporate Resources investigate the provision of a back-up generator at Fairfield House via the Contingency Planning Group; and
- (e) To otherwise note the report.

(Action: (c) Risk and Audit Manager; (d) Director, Corporate Resources)

7 Internal Audit Plan 2012/13: Progress Report

There was submitted report, dated 17 October 2012, by the Risk and Audit Manager, detailing progress with the Internal Audit Plan for 2012/13 as at the end of November 2012. The report detailed the completed audit assignments; planned work which had commenced but had not yet been completed; and those planned and unplanned tasks which had yet to commence. It was still anticipated that all the tasks outlined in the plan would be completed on schedule although there was a slight possibility of slippage to beyond March 2013.

Decision

To note the report.

8 Internal Audit - Fuel Management

With reference to paragraph 7 of the Minutes dated 30 October 2012, there was submitted report, dated 30 November 2012, by the Risk and Audit Manager, detailing the progress made in implementing the management action plan following an audit of Fuel Management. The report advised that there was a 56% implementation rate across the 23 actions contained in the management action plan. In respect of the use of "Shell Cards" the report advised that discussions were ongoing with Shell over this issue but in the interim agreement had been reached whereby each purchase of fuel would require a signature in addition to the use of the card.

Decision

- (a) That future issues of Shell Cards be on the basis of issues to individuals each with a Personal Identification Number (PIN);
- (b) That management ensure that the usage fuel purchased via Shell Cards be recorded and tracked; and
- (c) To otherwise note the report.

(Action: (a) and (b) Head of Commercial Operations/ Risk and Audit Manager).

9 Internal Audit - Strategic Environmental Assessments (SEA)

There was submitted report, dated 23 November 2012, by the Risk and Audit Manager, on an audit undertaken in respect of Strategic Environmental Assessments (SEA). The objective of the audit was to form an opinion on the adequacy of the control environment established by management across the Council to ensure compliance with the Environmental Assessment (Scotland) Act 2005. The audit was aimed at providing assurance that strategic actions (policies, strategies, plans and programmes (PSPP)) for which the Council was responsible were being subjected to environmental assessment under the Act (Strategic Environmental Assessment - "SEA"); or that processes prescribed in the Act were being followed by which it may be concluded that SEA is not required. The audit had concluded that there was basically a sound system of internal control although there were some areas where it was viewed that improvements could be made and risk controlled further. The report therefore included a Management Action Plan to address those issues identified by the audit.

Decision

To approve the Management Action Plan.

(Action: All Heads of Service; Legal and Secretariat Manager)

10 Internal Audit Opinion – Assurance Template

There was submitted report, dated 30 November 2012, by the Risk and Audit Manager, proposing an updated template for the rating of Internal Audit opinion and providing clarity to the assurance provided to the Audit Committee, Management and External Audit. The report therefore incorporated an assurance template for consideration and approval.

Decision

To adopt the recommended Internal Audit Assurance Template.

(Action: Risk and Audit Manager/ All to note).

11 Corporate Risk Register

There was submitted report, dated 3 December 2012, by the Risk and Audit Manager, inviting scrutiny of the Council's Corporate Risk Register which accompanied the report. The report advised that the Corporate Management Team (CMT) had reviewed the corporate risks and considered the control of risk on 3 December 2013 and were scheduled to review the register again in January 2013.

Decision

To note the report.

12 Counter Fraud and Corruption and Whistle Blowing Policies

There was submitted report, dated 30 November 2012, by the Risk and Audit Manager, inviting the Committee to scrutinise and comment on draft policies in respect of Counter Fraud and Corruption and Whistle Blowing, which were incorporated into the report. The report explained that the policies had been reviewed by the Corporate Management Team on 3 December 2012 and would subsequently be submitted to the Cabinet for approval.

Decision

To approve the policies for its interest.

(Action: Risk and Audit Manager).

13 Audit Committee Reporting Calendar

There was submitted report, dated 30 November 2012, by the Risk and Audit Manager, presenting the Committee with an indicative business list for 2013 and the envisaged timetable for the submission of reports.

Decision

To adopt the Audit Committee Reporting Calendar.

(Action: Risk and Audit Manager).

14 Independent Chair's Report

The Independent Chair reported that he had met with the Chief Executive and the Risk and Audit Manager to discuss a number of issues and that it was his intention to meet similarly with the Head of Finance and Human Resources and the external auditors.

Decision

To note the report.

The Meeting terminated at 12.25 pm.