

# Minute of Meeting

Audit Committee  
Monday 14 March 2022  
Item No: 4.1



## Audit Committee

Date	Time	Venue
Tuesday 25 January 2022	11.00 am	Virtual Meeting by MS Teams

### Present:

Mike Ramsay (Independent Chair)
Councillor Cassidy
Councillor Milligan
Councillor Muirhead
Councillor Parry
Councillor Smail
Peter de Vink (Independent Member)

### In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Morag Barrow	Joint Director Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Derek Oliver	Chief Officer Place
Jill Stacey	Chief Internal Auditor
Colin McCabe	Quality Improvement Manager (Digital Learning)
Stephen Reid	External Auditor, E.Y.
Alan Turpie	Legal Services Manager
Gary Thompson	Senior Accountant, Corporate Finance, Projects & Treasury
Myra Forsyth	Continuous Improvement Manager
Mike Broadway	Democratic Services Officer

## 1. Welcome and Apologies for Absence

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The Chair, Mike Ramsay welcomed everyone to the meeting. Apologies for absence were intimated on behalf of Councillor Hardie.

## 2. Order of Business

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It was noted the order of business was as per the agenda previously circulated.

## 3. Declarations of interest

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No declarations of interest were intimated at this stage of the proceedings.

## 4. Minutes of Previous Meetings

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- 4.1 The minutes of the meeting of 7 December 2021 were submitted and approved as a correct record having been proposed by Councillor Muirhead seconded by Councillor Cassidy.
- 4.2 The Action log was submitted and having received updates on the various action points detailed therein, the Committee agreed as follows:-
- (i) to close off as complete those action points addressed at either the December 2021 meeting or on today's agenda; and
  - (ii) that the remaining actions be updated accordingly.

## 5. Public Reports

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Report No.	Report Title	Presented by:
5.1	Treasury Management and Investment Strategy 2022-23 & Prudential Indicators	Chief Officer Corporate Solutions
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to present a draft copy of the Treasury Management and Investment Strategy 2022/23 &amp; Prudential Indicators report which was due to be considered by Council on 15 February 2022 to the Audit Committee for scrutiny in accordance with the Treasury Management Code of Practice.</p> <p>The report explained that the purpose of the report to Council would be to provide an update on the implementation of the Council's Treasury Management &amp; Investment Strategy (TMIS) 2021/22, and to make recommendations to facilitate consideration of the 2022/23 Strategy, specifically the TMIS for 2022/23, the 2021 update to the Prudential and Treasury Management Codes, the Prudential and Treasury indicators contained therein, and the approach to the statutory repayment of loans fund advances. Any revisions arising from consideration of the draft Report by the Audit Committee would be incorporated into the final version of the report prior to its submission to Council on 15 February 2022.</p>		

The Chief Officer Corporate Solutions, having highlighted the main sections contained within the report and confirmed to the Committee that this report was written for Council and presented to the Audit Committee for comments, responded to questions and comments raised by Members of the Committee. In particular, the Committee discussed – how the potential cost of carry of borrowing was calculated; the importance of training for Members not just on Treasury Management but on all Audit related matters; the return on current deposits; and the processes for valuing the Council’s assets.

**Decision**

The Audit Committee, having commented on the draft report:-

- (a) noted that the report and strategy would be presented to Council for approval on 15 February 2022; and
- (b) noted that training for Audit Committee members would be addressed as part of the elected Member training package being put in place for delivery following the Local Government elections in May.

**Action**

- a) Chief Officer Corporate Solutions b) Continuous Improvement Manager

Report No.	Report Title	Presented by:
5.2	Internal Audit Work to December 2021	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to provide details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.</p> <p>The Chief Internal Auditor outlined the main sections contained within the report and responded to questions and comments raised by Members. With regards those relating to remote/hybrid working arrangements, which was an area of particular interest to Members in light of recent announcements from the First Minister, the Chief Officer Corporate Solutions updated the Committee on the current position.</p>		
<b>Decision</b>		
<p>The Committee:-</p> <ul style="list-style-type: none"> <li>(a) noted the Executive Summaries of the final Internal Audit assurance reports issued;</li> <li>(b) noted the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; and</li> <li>(c) acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.</li> </ul>		
<b>Action</b>		
Chief Internal Auditor		

Report No.	Report Title	Presented by:
5.3	Counter Fraud Controls Assessment	Executive Director Place
<b>Outline of presentation and summary of discussion</b>		
<p>With reference to paragraph 5.4 of the Minutes of 22 June 2020, there was submitted a report the purpose of which was to make the Audit Committee aware of the findings and necessary actions arising from the Integrity Group's assessment of counter fraud controls.</p> <p>The Executive Director Place in presenting the report to the Committee highlighting that the Integrity Group had recently received progress updates from each of the Action Owners, along with further information on additional practices that had been introduced since the counter fraud controls assessment carried out during 2020/21; the output from this review was included within the Action Plan appended to the report. The Audit Committee acknowledged the work carried out by the Integrity Group to ensure controls continued to be effective in mitigating fraud risks across the Council.</p>		
<b>Decision</b>		
<p>The Committee:</p> <ul style="list-style-type: none"> <li>(a) Acknowledged the findings from the Integrity Group's assessment of counter fraud controls 2021/22 in response to fraud risks; and</li> <li>(b) Endorsed the necessary actions to enhance the Council's resilience to fraud, as summarised in the Action Plan appended to the report.</li> </ul>		
<b>Action</b>		
Executive Director Place		

Report No.	Report Title	Presented by:
5.4	External Audit Annual Report to Members and the Controller of Audit for the year ended 31 March 2021 – Update on recommendations	Chief Officer Corporate Solutions
<b>Outline of presentation and summary of discussion</b>		
<p>With reference to paragraph 5.1 of the Minutes of 28 September 2021, there was submitted a report the purpose of which was to provide the Committee with an update on the implementation and progress of the recommendations which were set out in the External Auditor's report for the year ended 31 March 2021.</p> <p>The Chief Officer Corporate Solutions, in presenting the report highlighted the progress with implementation of the four recommendations made in the 2020/21 Annual Report.</p>		

**Decision**

The Committee noted the update on the recommendations which were set out in the External Auditor's report for the year ended 31 March 2021.

**Action**

Chief Officer Corporate Solutions

Report No.	Report Title	Presented by:
5.5	Shared Internal Audit Services and Proposed Way Forward 2022-23	Chief Executive
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to set out an evaluation associated with the provision of Internal Audit services and propose a way forward from 2022/23 onwards.</p> <p>The report provided details of the wider options for joint working that had been explored and the evaluation of the shared Internal Audit services arrangement, the operating environment for which had changed significantly since its inception. The report proposed a way forward for 2022/23 onwards for the mutual opt out of the Shared Internal Audit Services at the end of 2021/22 and progression towards a permanent staff resourcing of the Internal Audit team to maintain Internal Audit FTE staffing from 2022/23 onwards at the current level (2021/22 - 775 days).</p> <p>Having heard from the Chief Executive, who in presenting the report, acknowledged the challenges presented by these changes and sought to reassure Members that the necessary arrangements to ensure the transition would be as seamless as possible were already being put in place.</p>		
<b>Decision</b>		
<p>The Committee:-</p> <p>(a) Noted the wider options of joint working that had been explored since the 12 month pilot shared Internal Audit services arrangement and the evaluation associated with the provision of Internal Audit services; and</p> <p>(b) Noted that the Council's Corporate Management Team had endorsed the proposal to mutual opt out of the Shared Internal Audit Services at the end of 2021/22, and progress to a permanent staff resourcing of the Internal Audit to ensure provision of Internal Audit services to, and delivery of the Internal Audit Annual Plans for both Midlothian Council and the Midlothian IJB.</p>		
<b>Action</b>		
Chief Executive/Chief Internal Auditor		

Report No.	Report Title	Submitted by:
5.6	Accounts Commission Report Community Empowerment: Covid-19 Update	Chief Internal Auditor
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report was to provide the Committee with a summary of the Accounts Commission report, 'Community Empowerment – Covid-19 Update' published on 28 October 2021 and the Council's position in relation to the consideration being given to the report's findings; a link to the full report was provided in the report.</p> <p>The Chief Internal Auditor briefly highlighted some of the key messages contained within the report and thereafter responded to questions and comments raised by Members of the Committee.</p>		
<b>Decision</b>		
<p>The Committee:-</p> <p>(a) Noted the Accounts Commission report 'Community Empowerment: Covid-19 Update'; and</p> <p>(b) Noted that the Council's Corporate Management Team on 12 January 2022 had agreed to consider the report's content in full to learn from good practice and new ways of working which had emerged in response to Covid-19 and use this to help shape the Council's medium-term strategic plans and approach to supporting and empowering communities.</p>		
<b>Action</b>		
Chief Internal Auditor		

## **6. Private Reports**

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No private reports were submitted.

## **7. Date of Next Meeting**

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To be confirmed.

The meeting terminated at 12.12 pm