

Minute of Meeting



Audit Committee

Date	Time	Venue
Tuesday 12 December 2017	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

Present:

Mike Ramsay (Chair)
Councillor Baird
Councillor Hardie
Councillor Milligan
Councillor Parry
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	Legal Services Manager
Suzanne Ross	Solicitor
Elaine Greaves	Internal Audit Manager
Jill Stacey	Chief Auditor, Scottish Borders & Midlothian Council
Ricky Moffat	Head of Commercial Operations
Ian Johnson	Head of Communities and Economy
Alison White	Head of Adult Services
Heather Mohieddeen	Senior Auditor
James Polanski	Auditor
Amber Ahmed	Auditor
Janet Ritchie	Democratic Services Officer

1. Welcome and Apologies

2. Order of Business

The order of business was amended as follows and included the additional paper 5.12 Local Code of Corporate Governance 2017 which had been previously circulated.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

On a motion by Councillor Muirhead and seconded by Councillor Hardie the minutes of the Audit Committee meeting of 26 September 2017 were submitted and approved as a correct record.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Shared Chief Auditor Post between Midlothian and Scottish Borders Councils	Chief Executive
Outline of report and summary of discussion		
<p>There was a report submitted to the Audit Committee by the Chief Executive advising of a 12 month pilot arrangement over the sharing of a Chief Auditor/Audit Manager Post between Midlothian and Scottish Borders Councils which will also create the opportunity for a wider exploration of joint working activities and benefits.</p> <p>The Chief Executive welcomed the newly appointed shared Chief Internal Auditor, Jill Stacey to the meeting and provided the Committee with an outline of the report highlighting the potential benefits as well as the challenges of sharing the Chief Auditor/Audit Manager post across both Councils.</p> <p>Thereafter the Chief Executive responded to questions raised by Members which included:</p> <ul style="list-style-type: none">• The protocol for the allocation of tasks for both Councils and the structure in place for managing this.• The net savings to Midlothian Council of £30,000 relative to the appointment to the full time management position in the previous structure.		

- The External Auditor confirmed that this pilot programme supports the recommendation relevant to Item 11 within the Action Plan in the External Auditor's Annual Report regarding transformational change.
- Wider exploration of joint working across other Councils.

The Chair added his welcome to Jill Stacey and looked forward to working with her in the future.

Decision

The Audit Committee noted:

- i) the interim appointment of a shared Chief Internal Auditor post between Midlothian and Scottish Borders Council with effect from 1 December 2017 for a period of 12 months;
- ii) that there will be a wider exploration of joint working activities and benefits on the proposals set out in this report;
- iii) that a detailed programme for implementing the shared post arrangements set out in this report including wider staff and trade union consultation will be developed; and
- iv) that a further report will be presented to the Committee after an initial 6 month period.

Action

Chief Executive

Report No.	Report Title	Submitted by:
5.2	Risk Management, Update for 1 July 2017 – 30 September 2017	Risk Manager
Outline of report and summary of discussion		
<p>There was a report dated 22 November 2017 submitted by the Risk Manager with the 2017/18 quarter 2 strategic risk management update, covering the period 1 July 2017 – 30 September 2017.</p> <p>The Head of Commercial Operations presented the report to the Committee highlighting the main sections from within the report. Thereafter Executive Officers responded to questions raised by Members which included:</p> <ul style="list-style-type: none"> • The impact of the pay and grading review. The Director Resources confirmed there will be a report presented to Council in the next quarter with details of benefits from the terms and conditions and also the investments in the staffing. • An explanation to why the Pension fund has not been included as a significant risk to Midlothian in this report. The Head of Finance and Integrated Service Support explained that the Accounts make provision for the Council's own pension liabilities. 		

- The City Deal that has now been agreed and will this impact on the risk evaluation. The Chief Executive explained that although the Heads of terms were signed off in July 2017 the process to develop detailed business cases for all aspects of the City Deal was still ongoing and the Council was working closely with partners to complete this with a target date of the end of March 2018.

Decision

The Audit Committee noted the quarter 2 2017/18 Strategic Risk Profile report and considered the current response to the issues, risks and opportunities highlighted.

Report No.	Report Title	Submitted by:
5.3	National Fraud Initiative Update 2016/17	Internal Audit Manager
Outline of report and summary of discussion		
<p>A report dated 30 November 2017 was presented by the Senior Auditor updating the Audit Committee on the completion of the National Fraud Initiative data matching exercises for 2016/17, and the outcomes of these exercises.</p> <p>Thereafter the Executive Officers responded to questions raised by Members with regards to the figures detailed in Appendix 1 on payroll and blue badges.</p>		
Decision		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.4	Internal Audit Report – Health and Safety	Internal Audit Manager
Outline of report and summary of discussion		
<p>A report dated November 2017 was presented by the Internal Auditor which reviewed the adequacy of the control framework designed by management to allow compliance with Health and Safety legislation. The Council has a legal duty to put in place suitable arrangements in response to statutory requirements and ultimately to manage and control key health and safety risks creating a safe and healthy working environment.</p> <p>Thereafter the Head of Commercial Operations responded to questions raised by Members which included what actions had been taken to address the issues highlighted in the report; the outstanding items from the action plan 2013-16 and the collaboration with East Lothian Council’s Health and Safety Team.</p>		

The Head of Commercial Operations continued by explaining that an Action Plan is now in place and all outstanding items are being addressed and will be completed by the end of the financial year, the benefits of having a shared Risk Manager for both Midlothian and East Lothian Council and that both Councils will be at the same stage by March 2018.

In response to a question from the Chair with regard to the RIVO system not meeting the Council's information security policy but whether it met East Lothian's information security policy, the Head of Commercial Operations agreed to provide feedback on this matter.

Decision

The Audit Committee otherwise noted the content of the report.

Action

Head of Commercial Operations

Report No.	Report Title	Submitted by:
5.5	Internal Audit Report – Monitoring of External Care Homes	Internal Audit Manager

Outline of report and summary of discussion

A report dated November 2017 was presented by the Internal Auditor which provided an opinion on the adequacy of Midlothian Council's monitoring arrangements over the third party suppliers it has appointed to provide care home services.

Thereafter the Head of Adult Services responded to questions raised by Members which included:

- The number of issues raised and confirmation that all actions have been addressed.
- Data protection weaknesses and the risk of individual information being accessed. External providers not using the Egress system but confirmation that this is more anonymised data than individual data.
- Confirmation that all Care Homes are externally audited by the Care Inspectorate.
- The issue of whether external agencies are adhering to the Council's systems and it was confirmed that the problem is not widespread and this can happen when there is a change of management in the care home.
- The functionality of both Mosaic and the new internal monitoring system CM2000 and the fact that these systems are for recording different data.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.6	Internal Audit Report – Tyne Esk LEADER	Internal Audit Manager
Outline of report and summary of discussion		
<p>A report dated November 2017 was presented by the Internal Auditor which reviewed the adequacy of the internal controls in place for the administration of the Tyne Esk LEADER Programme.</p> <p>Thereafter Executive Officers responded to questions raised by Members which included:</p> <ul style="list-style-type: none"> • Clarification on the eligibility of tendering quotes and the connected parties. • Overdue claims that do not meet Scottish Government Service Level agreement. 		
Decision		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.7	Internal Audit Report – Follow-up Review of Audit Recommendations	Internal Audit Manager
Outline of report and summary of discussion		
<p>A Report dated November 2017 was presented by the Internal Audit Manager highlighting that this follow-up audit reviewed a sample of recommendations that have been signed off as complete in 2016/17 to determine whether they had been implemented satisfactorily and thus give assurance over the ongoing improvement of internal control.</p> <p>The Internal Audit Manager responded to a question raised by Councillor Smail with regards to the inclusion of the Transformation Programme in this audit review and she explained that only a sample of recommendations were selected from the Pentana system for this review.</p> <p>The Chair suggested that due to the importance of the Business Transformation Programme that when planning the Audit Plan for 2018/19 that the focus is on this critical area.</p>		
Decision		
The Audit Committee agreed that the Business Transformation Programme is considered when planning the Audit Plan for 2018/19 and to otherwise note the content of the report.		
Action		
Internal Audit Manager		

Report No.	Report Title	Submitted by:
5.8	Internal Audit Recommendations Progress Report	Internal Audit Manager
Outline of report and summary of discussion		
<p>A report dated 15 November 2017 was presented by the Internal Audit Manger informing the Audit Committee of the number of recommendations raised by Internal Audit over the last 4 years and the Council's performance in addressing these issues by the agreed implementation dates.</p> <p>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 of this. The Director Resources agreed to follow this up with colleagues.</p> <p>Thereafter the Executive Officers and the External Auditor responded to questions raised by Members which included:</p> <ul style="list-style-type: none"> • Management review current risk score and confirmation that there are arrangements in place to monitor these agreements. • The outstanding action with regards to Petty Cash was due to the move to E-forms and that progress has been made on this. • The External Auditor provided an explanation on the ways that the external audit focusses on the management implementation of actions and the importance that progress was being made. 		
Decision		
<p>The Audit Committee agreed:</p> <ul style="list-style-type: none"> • That feedback would be provided by the Director Resources with regards to issues involving pre-school provision partnership providers. • To note that Internal Audit will continue to monitor for completion the outstanding issues and will provide reports to the Audit Committee. • To otherwise note the content of the report. 		
Action		
Director Resources		

Report No.	Report Title	Submitted by:
5.10	Audit Scotland Report: Local government in Scotland: Financial Overview 2016/17 (Audit Scotland, November 2017)	Chief Executive

Outline of report and summary of discussion

A report dated 28 November 2017 was presented by the Chief Executive providing the Audit Committee with a summary of the Audit Scotland report, 'Local government in Scotland; Financial Overview 2016/17' and the Council's position in relation to the report's findings. The report provides a high-level, independent view of the Councils financial performance and position in 2016/17.

The Chief Executive highlighted the notable items from the Audit Scotland Report which included Exhibit 9 (p22), 11(P24) and 13 (26).

Thereafter the Head of Finance and Integrated Service Support responded to questions raised by Members on the rules regarding the use of various Reserves and the projected level of Reserves and the reasons why money should not be moved to and from different funds.

The External Auditor stated there are specific statutory requirements for each of the Reserves and their role is to ensure that the Council Officers apply the rules accordingly.

Decision

The Audit Committee noted the Audit Scotland report and the position of Midlothian Council in relation to the report's key messages.

Report No.	Report Title	Submitted by:
5.11	Equal Pay in Scottish Councils	Head of Finance and Integrated Service Support

Outline of report and summary of discussion

A report dated 30 November 2017 was presented by the Head of Finance and Integrated Service Support informing the Audit Committee of the findings in the Accounts Commission report 'Equal Pay in Scottish Councils' published on 7 September 2017 (the 'AC Report') and the actions taken by the Council in relation to the issues identified in the report.

Thereafter arising from questions from Members it was clarified that there was provision within the accounts for the number of outstanding pay claims and the number of claims is no longer a risk for the Council. Also raised was other forms of pay and equality and the pay differentials across all grades.

Decision

The Audit Committee noted:

- a) The key messages in the Accounts Commission Report;
- b) The current positive position of the Council with regard to the issues and questions raised by the Commission;
- c) The relatively small number of remaining claims which Legal Services are seeking to resolve;
- d) The actions being taken for governance and oversight of equal pay in the future.

Report No.	Report Title	Submitted by:
5.12	Local Code of Corporate Governance 2017	Director Resources
Outline of report and summary of discussion		
A report dated 5 December 2017 was presented by the Monitoring Officer advising the Audit Committee of the terms of the draft Local Code of Corporate Governance which has been prepared following an updated framework document from CIPFA/SOLACE and which it is intended to be presented to Council to seek formal adoption.		
Decision		
The Audit Committee noted the content of the report.		

At the request of the Chair, the Committee agreed to consider the private report item no. 6.1 Internal Audit Report – Stores at this point in the meeting prior to returning to the final public report, item no. 5.9 Financial Monitoring 2017/18 and Financial Strategy 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	Internal Audit Report – Stores	Internal Audit Manager
Decision		
The Audit Committee noted the content of the report.		

5. Public Reports continued

Report No.	Report Title	Submitted by:
5.9	Financial Monitoring 2017/18 and Financial Strategy 2018/19 to 2021/22	Director Resources
Outline of report and summary of discussion		
<p>A report dated 30 November 2017 was presented to the Audit Committee by the Director Resources and the Head of Finance and Integrated Service Support bringing to the committee's attention to the most recent reports presented to Council by the Head of Finance and Integrated Service Support, in relation to Financial Monitoring and Financial Strategy. The report refers to the following reports:</p> <ul style="list-style-type: none"> • Financial Monitoring 2017/18 – General Fund Revenue • General Services Capital Plan 2017/18 • Housing Revenue Account • Financial Strategy 2018/19 to 2021/22 • Treasury Management Mid-Year Review Report <p>Thereafter due to the time constraints the Chair asked the Committee if it was appropriate to hold an interim meeting in the New Year to consider this report once the figures had been updated.</p> <p>Councillor Smail highlighted that as the Council meeting was in February and the next scheduled Audit Committee was not until March he believed that an additional meeting of the Audit Committee prior to the Council meeting was essential.</p> <p>The Chair pointed out that the purpose of the Audit Committee was to ensure the governance structure was being maintained and that these figures will be going to other Council meetings for scrutiny.</p> <p>Councillor Parry therefore sought clarification on the purpose of the additional meeting as these financial matters would be discussed at the full Council and she believed that this item should not have been moved from the original position on the agenda and that a full discussion could have been had during the meeting and any issues raised at that time and that she would move against an additional meeting.</p> <p>The Chief Executive stated it was a matter for the Committee whether to hold an additional meeting and in terms of the role of this Committee that their primary function was to scrutinise and question whether the processes in place were satisfactory.</p> <p>After further discussion the Chair agreed that a formal vote be taken on the matter of holding an interim meeting prior to the February Council meeting.</p>		

As a motion Councillor Smaill, seconded by Councillor Hardie moved that an additional meeting to consider the structure and the content of the savings programme and the associated papers relating to the finances of the Council for the forthcoming year and the five year period be held on an agreed date prior to the Council meeting on 13 February 2018.

As an amendment Councillor Parry, seconded by Councillor Baird moved that there was no requirement for an additional meeting as these financial matters would be discussed at the full Council meeting.

On a vote being taken two members voted for the motion and two for the amendment with two abstentions.

Having taken advice from the Monitoring Officer the Chair cast his deciding vote in favour of the amendment which accordingly became the decision of the Committee.

Decision

The Audit Committee noted the content of the report.

The meeting terminated at 1.07 pm