

Minute of Meeting

Audit Committee
Monday 24 June 2019
Item No: 4.1



Audit Committee

| Date | Time | Venue |
|---------------------|----------|--|
| Tuesday 28 May 2019 | 10.00 am | Council Chambers, Midlothian House, Dalkeith, EH22 1DN |

Present:

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|------------------------------------|
| Mike Ramsay (Chair) |
| Councillor Hardie |
| Councillor Milligan |
| Councillor Muirhead |
| Councillor Alexander (substitute) |
| Councillor Cassidy (substitute) |
| Peter de Vink (Independent Member) |

In attendance:

| | |
|----------------|--|
| Grace Vickers | Chief Executive |
| Mary Smith | Director of Education, Communities and Economy |
| Kevin Anderson | Acting Director Resources |
| Allister Short | Joint Director Adult Health and Social Care |
| Gary Fairley | Head of Finance and Integrated Service Support |
| Grace Scanlin | External Auditor, Ernst and Young |
| Jill Stacey | Chief Internal Auditor |
| Elaine Greaves | Principal Auditor |
| Chris Lawson | Risk Manager |
| Alan Turpie | Legal Services Manager |
| Peter Arnsdorf | Planning Manager |
| Janet Ritchie | Democratic Services Officer |

1. Welcome and Apologies

The Chair, Mike Ramsay welcomed everyone to the meeting, following which there was a round of introductions.

Apologies were received from Councillors Smail, Parry and Baird. It was noted that Councillor Cassidy and Councillor Alexander were substituting for Councillors Parry and Baird.

2. Order of Business

The order of business was confirmed as outlined in the agenda.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

4.1 The minute of the meeting of 12 March 2019 was submitted and approved as a correct record having been proposed by Councillor Muirhead and seconded by Councillor Hardie.

4.2 The Action log was submitted and the following agreed:

- 1) 'Annual Governance Statement 2017/18' - To note the completion date for this was amended to September 2019.
- 2) 'Briefing – Informal Audit Committee Session' - To note this will take place after today's Audit Committee meeting and this action would then be complete.
- 3) 'Delivering Excellence – Governance Arrangements' - To note this would be addressed through the BTSG and reported back to the Audit Committee, as required
- 4) 'Risk Register – Lothian Buses Pension Fund – To note that a further report would be presented to the Audit Committee in September 2019.

5. Public Reports

| Report No. | Report Title | Submitted by: |
|--|---|------------------------|
| 5.1 | Final Internal Audit Report Follow-up Review of Developer Contributions | Chief Internal Auditor |
| Outline of report and summary of discussion | | |
| A final Internal Audit Report, dated 19 April 2019 was submitted by the Chief Internal Auditor on Follow up Review of Developers Contributions. The Chief Internal Auditor advised the Committee that in March 2016 an Internal Audit report was presented to the Audit Committee on the controls in place over Developer Contributions. | | |

In total 11 recommendations were made in the report to improve controls within this area focusing on Governance, Monitoring and Procedures. From the 11 recommendations 5 were found to be completed satisfactorily and 6 partially completed although it was noted that improvements had been made. Section 4 of the report provides details on the findings and conclusions of these partially completed recommendations. Section 5 sets out the Recommendations and the timescales for completion. The Audit Committee was asked to review and endorse the recommendations agreed within the report.

Various questions were asked by the Committee with regards to Developers Contributions, Legal Agreements and the Recommendations contained within the report.

The Director of Education, Communities and Economy and the Planning Manager responded to the questions raised by the Committee confirming that all Developer's contributions had now been collected and a late penalty fee had been applied to a Developer for the delay. Also confirmed was that all Recommendations contained within the report were now 100% complete and that all the data was now inputted into the new database system which would allow Officers to monitor Developments and respond to trigger points more quickly.

Following further discussion it was noted that the Director of Education, Communities and Economy would arrange to provide a training session for Members of the Planning Committee to provide further clarity on Developer's Contributions.

Decision

The Audit Committee endorsed the agreed recommendations.

Action

The Director of Education, Communities and Economy

| Report No. | Report Title | Submitted by: |
|------------|---|------------------------|
| 5.2 | Final Internal Audit Report Performance Management LGBF | Chief Internal Auditor |

Outline of report and summary of discussion

A final Internal Audit Report, dated 11 April 2019 was submitted by the Chief Internal Auditor on Performance Management: Local Government Benchmarking Framework (LGBF). The purpose of the review was to validate the Council's Performance Indicators which are reported on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF).

The Chief Internal Auditor presented the report highlighting the main sections within the report and advised that 3 recommendations were made to improve production of figures in a sustainable way. The Audit Committee was asked to review and endorse the agreed recommendations.

There followed a discussion on the purpose of benchmarking and that there was no consistent approach in collecting information across Councils. The Chief Executive highlighted that she would raise this with COSLA.

Decision

The Audit Committee endorsed the agreed recommendations.

| Report No. | Report Title | Submitted by: |
|------------|---|------------------------|
| 5.3 | Final Internal Audit Report – Sales to Cash | Chief Internal Auditor |

Outline of report and summary of discussion

A final Internal Audit Report, dated 9 May 2019 was submitted by the Chief Internal Auditor on Sales to Cash. The purpose of the review was to review the adequacy of the control framework over the income collection on the ICON receipting system.

The Chief Internal Auditor presented the report highlighting the main sections from within report and advised that 4 recommendations were made. The Audit Committee was asked to review and endorse the agreed recommendations.

Thereafter she responded to questions raised by Members of the Committee on the updating of policies regarding anti-money laundering and the processes of refunds.

Decision

The Audit Committee endorsed the agreed recommendations.

| Report No. | Report Title | Submitted by: |
|------------|---|------------------------|
| 5.4 | Final Internal Audit Report Pupil Equity Fund | Chief Internal Auditor |

Outline of report and summary of discussion

A final Internal Audit Report, dated 14 May 2019 was submitted by the Chief Internal Auditor on Pupil Equity Fund. The purpose of this audit was to assess the arrangements in place to administer the Pupil Equity Fund (PEF) and to ensure that it was being utilised in line with the National Operational Guidance issued by the Scottish Government which was presented to Cabinet in February 2017.

The Chief Internal Auditor presented the report highlighting the main sections from within report and advised that 5 recommendations were made. The Audit Committee was asked to review and endorse the agreed recommendations.

Thereafter a discussion took place regarding the Council's procurement process and Officers responded to comments and questions raised by the Members of the Committee.

Decision

The Audit Committee endorsed the agreed recommendations.

| Report No. | Report Title | Submitted by: |
|---|---|------------------------|
| 5.5 | Internal Audit Report ICT Security Controls | Chief Internal Auditor |
| Outline of report and summary of discussion | | |
| <p>An Internal Audit Report, dated 26 April 2019 was submitted by the Chief Internal Auditor on ICT Security Controls. The purpose of this audit was to review the framework in place to assess the adequacy of the physical access and environmental controls to ICT (Information Communication Technology) equipment, software and data to prevent unauthorised access / damage, including third party access and Public Services Network (PSN) compliance.</p> <p>The Chief Internal Auditor presented the report highlighting the main sections from within report and advised that 7 recommendations were made. The Audit Committee was asked to review and endorse the agreed recommendations.</p> <p>Thereafter the Head of Finance and Integrated Service Support responded to questions raised by the Members of the Committee. He then advised the Committee that the Council had received two external 2019 accreditations for their Cyber Security.</p> | | |
| Decision | | |
| The Audit Committee endorsed the agreed recommendations. | | |

| Report No. | Report Title | Submitted by: |
|--|--|-----------------|
| 5.6 | Audit Scotland Report Local Government in Scotland Performance and Challenges 2019 | Chief Executive |
| Outline of report and summary of discussion | | |
| <p>The purpose of this report dated 1 May 2019 was to provide the Audit Committee with a summary of the Audit Scotland report, 'Local government in Scotland: Challenges and performance 2019' and the Council's position in relation to the report's findings.</p> <p>The Chief Executive presented this report highlighting the main sections from the report and advised that the report covered the following three areas:</p> <ul style="list-style-type: none"> • Part 1 - The current and future challenges facing councils. • Part 2 – How Council are responding to these challenges. • Part 3 – The impact on performance in key service areas and public satisfaction. <p>Also to assist Councillors the 'Scrutiny tool checklist for Councillors' was attached as appendix 1.</p> <p>The Chief Executive responded to a question raised by Mr de Vink with regards to where Midlothian Council fitted in with other local authorities and advised that there were supporting tables available providing this information and the links would be sent to the Members of the Committee.</p> | | |

Thereafter a discussion followed and Elected Members raised concerns on the lack of administrative support for Officers and Elected Members and also training requirements on specific areas. It was agreed that the Quality and Scrutiny Manager would facilitate any training requirements for Elected Members.

Decision

The Audit Committee:

- Agreed to send links to comparison information to the Members of the Committee.
- Agreed that the Quality and Scrutiny Manager would facilitate the development of Elected Members training.
- Noted the Audit Scotland report and the position of Midlothian Council in relation to the report's recommendations.

Action

Quality and Scrutiny Manager

| Report No. | Report Title | Submitted by: |
|--|--|---------------|
| 5.7 | Risk Management Update for 1 January – 31 March 2019 | Risk Manager |
| Outline of report and summary of discussion | | |
| <p>There was submitted report, dated 13 May 2019 by the Risk Manager providing the Committee with the 2018/19 Quarter 4 strategic risk management update, covering the period 1 January – 31 March 2019. The Strategic Risk Profile sought to provide a strategic look at the current issues, future risk and opportunities facing the Council.</p> <p>The Risk Manager responded to a comment raised by the Chair with regards to the order of the Risks.</p> | | |
| Decision | | |
| The Audit Committee noted the quarter 4 2018/19 Strategic Risk Profile report and noted the current response to the issues, risks and opportunities highlighted. | | |

| Report No. | Report Title | Submitted by: |
|--|---|--|
| 5.8 | Procurement and Commercial Improvement Programme (PCIP) | Head of Finance and Integrated Service Support |
| Outline of report and summary of discussion | | |
| <p>The purpose of this report, dated 14 May 2019 was to bring the Audit Committee's attention the Procurement and Commercial Improvement Programme report which was presented to Cabinet on 9 April 2019 and provided an update in relation to the Council's 2018 Procurement and Commercial Improvement Programme (PCIP).</p> | | |

The PCIP is not a mandatory assessment and it may transpire that some Councils will not take part in the PCIP due to other competing priorities. However, Midlothian Council have taken part, and the output of the assessment will be used by the Procurement Team as a tool for continuous improvement to further develop the Procurement Improvement Plan to ensure the promotion and delivery of efficient, effective procurement.

The Head of Finance and Integrated Service Support presented the report highlighting that the Council achieved a score of 66% which places Midlothian in the banding F2 with regards to procurement performance according to Scottish Government banding (the highest score being F1).

Thereafter the Head of Finance and Integrated Service Support responded to questions and comments raised by Members of the Committee.

Decision

The Audit Committee noted the Council's PCIP assessment outcome of the 2018 assessment.

| Report No. | Report Title | Submitted by: |
|------------|--|------------------------|
| 5.9 | Internal Audit Annual Assurance Report 2018/19 | Chief Internal Auditor |

Outline of report and summary of discussion

The Internal Audit Annual Assurance Report 2018/19 dated 24 April 2019 was submitted by the Chief Internal Auditor. The purpose of this report was to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2019 which included the Chief Internal Auditor's independent assurance opinion on the adequacy of Midlothian Council's overall control environment.

The Chief Internal Auditor presented the report to the Committee providing a brief outline of the main sections of the report and highlighted some of the key messages of assurances and areas of improvement contained within the report.

Decision

The Audit Committee noted the Internal Audit Annual Assurance Report 2018/19, and assurances contained therein.

| Report No. | Report Title | Submitted by: |
|------------|-------------------------------------|------------------------|
| 5.10 | Counter Fraud Annual Report 2018/19 | Chief Internal Auditor |

Outline of report and summary of discussion

There was a report dated 24 April 2019 submitted by the Chief Internal Auditor providing an update to the Audit Committee on the Council's counter fraud responsibilities and the activities of the Corporate Fraud team over the past year as part of the arrangements to tackling fraud at the Council.

The Chief Internal Auditor advised the Committee that this report had been discussed at the Corporate Management Team on 24 April 2019 and the Serious and Organised Crime group on 7 May 2019. The report provided a summary of the Corporate Fraud Team's areas of work and the preventative approach adopted.

Thereafter Officers responded to questions and comments raised by the Members of the Committee regarding the issues around Whistleblowing and appropriate training for staff.

Decision

The Audit Committee considered the counter fraud work undertaken by the Corporate Fraud Team during the year to 31 March 2019, in support of the Council's anti-fraud and corruption policy and strategy, and noted the outcomes.

6. Private Reports

No private business was discussed.

7. Date of Next Meeting

The next meeting will be held on Monday 24 June 2019.

The meeting terminated at 12.25 pm