

Minute of Meeting



Audit Committee

Date	Time	Venue
Tuesday 27 September 2022	11.00am	Virtual Meeting by MS Teams

Present:

Councillor Smaill (Interim Chair)
Councillor McEwan
Councillor McKenzie
Councillor Scott

In Attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Fiona Robertson	Executive Director Children, Young People and Partnerships
Morag Barrow	Joint Director Health and Social Care
Gary Fairley	Chief Officer Corporate Solutions
Alan Turpie	Legal and Governance Manager / Monitoring Officer
Derek Oliver	Chief Officer Place
David Gladwin	Financial Services Manager
Myra Forsyth	Continuous Improvement Officer
Saty Kaur	Executive Business Manager
Michelle Strong	Education Chief Operations Officer
Lesley Aitken	Senior Finance Business Partner
Stephen Reid	External Auditor, E.Y.
Rachel Wynne	External Auditor, E.Y.
Marco Reece-Heal	Business Analyst
Andrew Henderson	Democratic Services Officer

1. Welcome and Apologies for Absence

The Clerk took the opportunity to welcome members to the meeting of Audit Committee and invited members to nominate a chair for the meeting who was a non-cabinet member. A discussion ensued in relation to who was most appropriate member to be nominated as chair of the committee. Councillor Scott, Seconded by Councillor McEwan nominated Councillor Smaill for the position of interim chair. Councillor Smaill agreed and continued to preside as interim chair for the meeting.

Apologies were noted on behalf of Councillor Milligan.

2. Order of Business

The order of business was as detailed in the agenda.

3. Declarations of interest

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

4. Minutes of Previous Meetings

- 4.1 The minutes of the meeting of 14 March 2022 were submitted and approved as correct record,
- 4.2 The Action log was submitted, Kevin Anderson provided a brief update in relation to each of the action points.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Annual Audit Report to Members and the Controller of Audit - year ended 31 March 2022	EY, External Auditors
Outline of report and summary of discussion		
Stephen Reid, External Auditor EY, provided an overview of the draft Annual Audit Report for 2021/22, outlining the terms of appointment as highlighted in the report and summarised the key conclusions from the external audit process. Stephen Reid made specific reference to 9 adjustments that had been made including 6 that were a result of errors in housing valuations. With reference to the 'wider scope dimensions' Stephen Reid outlined that financial management was classified as amber, financial sustainability was classified as red, urging council to make the serious decisions that would be required to ensure a balanced budget was achieved, and that best value was classified as amber and that management had been provided with 8 recommendations which they had accepted.		

Stephen Reid and Gary Fairley took the opportunity to respond to members questions. With regard to housing valuations Gary Fairley clarified that the council maintained a register of assets and that 200 out of 1000 property assets had been evaluated across the year with 6 requiring adjustments and confirmed that this was being looked into to ensure that a solution was implemented. Stephen Reid also highlighted that the valuation of assets was approved alongside the annual of accounts and that external auditors are required to evaluate whether the valuations are 'true and fair'.

Decision

Audit Committee noted the contents of the draft report.

Action

All to note.

Report No.	Report Title	Submitted by:
5.2	Annual Accounts for the year ended 31 March 2022	Chief Officer Corporate Solutions

Outline of report and summary of discussion

The Chief Officer Corporate Solutions presented the Annual Accounts for the year ended 31 March 2022 advising that the Audit Committee is recommended to approve the 2021/22 audited accounts for signature. He further advised that the unaudited annual accounts had been submitted before the standard date 30 June 2022. Gary Fairley took the opportunity to thank EY External Auditors for their work with Midlothian Council highlighting the end of their appointment and confirmed that should the accounts be approved they would be formally signed off by the end of the week.

Gary Fairley then took the opportunity to respond to member's questions in relation to the legislation in relation to the debtor's book, building maintenance services. With regard to the need to make a declaration in relation to overborrowing, Gary Fairley highlighted that this was in line with the financial strategy and Stephen Reid confirmed that there was no requirement for a declaration to be made. With regard to the valuation of the Lothian Buses assets, Gary Fairley highlighted that Midlothian based the valuation on net assets. In responding to a question in relation to the vulnerability of pensions in relation to inflation, Gary Fairley confirmed that confirmed that the pension scheme was 100% funded, that economic factors are taken into account and that Midlothian are compliant with the code of practice on pensions.

Councillor Smail then took the opportunity to thank officers for the well formatted document and along with the Chief Executive continued to thanked Gary Fairley and Stephen Reid for their work on both Annual Audit Report and the Annual Accounts.

Decision

Audit Committee approved the 2021/22 audited accounts for signature in light of the appointed auditor's report for 2021/22.

Action

Chief Executive

Report No.	Report Title	Submitted by:
5.3	Risk Management Update – Strategic Risk Profile Quarter 1 2022/23	Chief Officer Place
Outline of report and summary of discussion		
<p>Derek Oliver provided an overview of the Risk Management Update – Strategic Risk Profile Quarter 1 2022/23 report referencing the risk responses Midlothian Council has implemented during Quarter 1 2022/23 to respond to the current risk climate; and to provide assurance that Midlothian Council took a proportionate and planned approach to prepare and respond to each of the identified risks.</p> <p>A brief discussion followed in relation to the impact of increased costs to the City deal and the impact that this was having to the value of projects, with specific reference being made to the Sherrifhall Project. Derek Oliver confirmed that the City deal maintained its own risk register and how these risks are related to Midlothian and strategic opportunities are highlighted. Grace Vickers highlighted that the Sherrifhall project was a Transport Scotland project and agreed to share slides amongst members from a recent presentation on the project. Kevin Anderson highlighted that the Joint Committee had also provided an update on the A701 and that guarantees had been made by the Scottish Government in relation to Sherrifhall project funding commitment.</p>		
Decision		
Audit Committee noted the risk landscape and organisational response to the most significant risks in Quarter 1 (Q1) 2022/23.		
Action		
All to note.		

Report No.	Report Title	Submitted by:
5.4	Audit Committee – Independent Chair & Independent Non-Voting Member	Executive Director Place
Outline of report and summary of discussion		
<p>In speaking to the report Kevin Anderson outlined that no applications had been received for the position of Independent Chair and Independent Non-Voting member and asked members to consider the recommendations within report, and that Council would also be sighted on the report for a final decision.</p> <p>A brief discussion ensued in relation to the importance of a standalone Audit Committee and the possible options in relation to chairing the committee. Following a motion from Councillor McEwan which was seconded by Councillor Scott, it was agreed that Audit Committee's recommendation to council would be for Audit Committee to remain as a standalone committee with a chair being selected from its membership in accordance to the scheme of administration appended to standing orders.</p>		
Decision		

Audit Committee to recommend to Council that the Audit Committee continue as a standalone committee with an elected member being elected as chair in accordance to the scheme of administration as appended to standing orders.

Action

Executive Director Place.

6. Private Reports

6.1 Shared Chief Auditor post between Midlothian and East Lothian report by Director Place

7. Date of Next Meeting

Date of Next Meeting: Tuesday 6 December 2022 at 11am.

The meeting terminated at 13.06 pm