

Minute of Meeting

Audit Committee
Tuesday 12 March 2019
Item No: 4.1



Midlothian

Audit Committee

Date	Time	Venue
Tuesday 29 January 2019	11.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

Present:

Peter Smail (Chair)
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Peter de Vink (Independent Member)

In attendance:

Grace Vickers	Chief Executive
Mary Smith	Director of Education, Communities and Economy
Allister Short	Director of Midlothian Health and Social Care Partnership
Gary Fairley	Head of Finance and Integrated Service Support
Stephen Reid	Ernst and Young, External Auditors
Sarah Croft	Ernst and Young, External Auditors
Jill Stacey	Chief Internal Auditor
Alan Turpie	Legal Services Manager
Janet Ritchie	Democratic Services Officer

1. Welcome and Apologies

- 1.1 Apologies were received from Mike Ramsay (Independent Chair) and Councillor Parry.
- 1.2 In the absence of Mike Ramsay, the independent Chair, Councillor Smail took the Chair which had previously been agreed at the Audit Committee at its meeting on 11 December 2018.

2. Order of Business

The order of business was as set on the Agenda.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

- 4.1 The minute of 11 December 2018 was submitted and approved as a correct record.

4.1.1 Matters Arising:

The Chief Internal Auditor highlighted Item 5.8 Mid Term Performance Report 2018/19 from the Previous Minutes where the Audit Committee approved three pieces of work to be deferred to 2019/20. The Chief Internal Auditor advised that she was seeking approval for an additional piece of work, ICT Operational Processes to be deferred and all these would be reflected in the draft Audit Plan which would be presented to the Audit Committee in March 2019. The Audit Committee approved this.

- 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 June 2019.
- 2) 'Follow-up Review of Audit Recommendations' - To note the action was closed at the last meeting.
- 3) 'Briefing – Informal Audit Committee Session' - To note this had taken place prior to the Audit Committee meeting and this action was now complete.
- 4) 'Local Government in Scotland Financial Overview 2017/18' - To note this was included on the Agenda for discussion.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Audit Scotland Report: Local Government in Scotland: Financial Overview 2017/18 (Audit Scotland, November 2018)	Head of Finance and Integrated Service Support
Outline of report and summary of discussion		
<p>There was a report presented to the Audit Committee by the Head of Finance and Integrated Services Support providing the Audit committee with a summary of the Audit Scotland report, 'Local government in Scotland: Financial Overview 2017/18' and the Council's position in relation to the report's findings and a link to this full report was provided in the report.</p> <p>The Head of Finance and Integrated Service Support highlighted the key messages contained within the report. Thereafter he responded to questions and comments raised by members of the Committee.</p> <p>Several members of the Committee raised their concerns with regards to the Scottish Government settlement cut and the impact this will have on services. It was also acknowledged the extent of the challenges the Council face in delivering a Balanced Budget for this year and future years. The Chief Internal Auditor highlighted that as well as the publication from the Accounts Commission there are also some useful supplements on the Audit Scotland website one of which is a scrutiny tool for Councillors to assist them in scrutinising financial performance.</p>		
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:
5.2	Final Internal Audit Report – Payroll	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this audit was to review the review the adequacy of the control framework over starters and leavers within Midlothian Council.</p> <p>The Chief Internal Auditor provided a summary of the details of the report highlighting there are a number of effective controls in place and examples of good practice as listed in the report. The audit identified areas of improvement and four recommendations were made, three of the recommendations are now complete and plans are in place to implement the final recommendation by its due date of 31 March 2019.</p>		
Decision		
The Audit Committee noted the report.		

Report No.	Report Title	Submitted by:
5.3	Internal Audit Recommendations Progress Report	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this report was to inform 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 Chief Internal Auditor advised the Committee in comparison to previous years there has been an improvement in the implementation of the recommendations, however there were some long standing actions and in discussion with Officers it was highlighted that setting more realistic due dates would enable them to implement these actions. Also highlighted was that additional monitoring of the actions was in place to ensure these are implemented by the due date.</p> <p>Thereafter the Chief Internal Auditor responded to a question raised by the Chair with regards to the process of the Internal Audit being inspected by another local authority.</p>		
Decision		
<p>The Audit Committee is asked to:</p> <ul style="list-style-type: none"> • Noted the content of the report; • Approved the revised implementation dates as shown in Appendix 1. • Noted that Internal Audit will continue to monitor for completion of the outstanding recommendations and will provide reports to the Audit Committee. 		
Action		
Internal Audit		

Report No.	Report Title	Submitted by:
5.4	Final Internal Audit Report on Revenue Budget Monitoring	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this audit was to review the overarching arrangements for setting and monitoring the Revenue Financial Budget within Midlothian Council.</p> <p>The scope of this audit was to examine and evaluate the following areas:</p> <ul style="list-style-type: none"> • Financial sustainability in setting the revenue budget, including the utilisation of reserves; • Financial budget monitoring reporting for elected members including assessment of scrutiny and challenge of those reports by elected members; and 		

- Budget monitoring processes and information at service level and senior management level.

The Chief Internal Auditor highlighted the main sections of the report and advised the Committee that this report should be read alongside the Internal Audit report on the Delivering Excellence Programme, as these two areas are inextricably linked.

There followed a discussion on the scrutiny and challenge of the financial information by Elected Members and Officers, thereafter Officers responded to questions and comments raised by Members of the Committee.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.5	Final Internal Audit Report – Delivering Excellence Programme	Chief Internal Auditor
Outline of report and summary of discussion		
<p>The purpose of this audit was to review the overarching arrangements for setting and monitoring the Revenue Financial Budget within Midlothian Council.</p> <p>The scope of this audit was to examine and evaluate the following areas:</p> <ul style="list-style-type: none"> • The compilation and governance of the programme and its delivery; • based on a sample of projects: <ul style="list-style-type: none"> ➤ the appraisal and analysis undertaken in order to arrive at the savings proposed and assessment of whether they are realistic, achievable and aligned to the Council’s priorities and outcomes; ➤ a review of the evidence used to support the calculation of planned savings, key assumptions and cost drivers; • a high level review of processes in place for monitoring delivery of savings. <p>The Chief Internal Auditor highlighted the main sections from within the audit report and that the Delivering Excellence Programme had delivered savings in some Service areas but in recent years it has not delivered the cost savings and efficiencies consistently across all Service areas. She outlined some of the key findings of the audit and the recommendations to improve internal control and governance of the Delivering Excellence Programme.</p> <p>Thereafter followed a discussion during which Officers responded to questions and comments raised by members of the Committee.</p>		
Decision		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.6	Treasury Management and Investment Strategy 2019/20 & Prudential Indicators	Head of Finance and Integrated Service Support
Outline of report and summary of discussion		
<p>A draft of the Treasury Management and Investment Strategy 2019/20 & Prudential Indicators report is being presented today to Audit Committee.</p> <p>The report was presented in draft and subject to ongoing work on the Loans Fund Review. In addition, any comments on this report from Audit Committee shall be included in the final report to Council. The purpose of the report was to seek the agreement of Council to the Treasury Management and Annual Investment Strategies for 2019/20 and the Prudential and Treasury indicators contained therein.</p> <p>The Head of Finance and Integrated Service Support highlighted the main sections contained within the report and advised the Committee that this report was written for Council and presented to the Audit Committee for comments. It was noted that the main comments from today's meeting would be around permitted investments and counterparty limits.</p> <p>The External Auditor responding to questions from the Chair confirmed that his only comment at this stage would be with the governance process and he had noted the significant level of increase in borrowing and this would be commented within his annual report.</p> <p>Councillor Milligan gave his congratulations on the Council performing better than 31 other Councils yet again this year. He stated that although he accepts the need to be critical of the requirement to increase our borrowing the school estate urgently needs to expand and the very ambitious social housing programme if not completed would be more expensive to the Council. He further expanded on some of the issues the Council are facing with slippage in the capital plan which are due to factors out with their control.</p> <p>Thereafter the Head of Finance and Integrated Service Support responded to questions raised by Members of the Committee with regards to the investments made by West Lothian Council. He advised the Committee that he would investigate the investments made by West Lothian Council and take this into consideration when finalising the Treasury Management Strategy.</p>		
Decision		
<p>The Audit Committee commented on this draft report and strategy prior to the final report and strategy being presented to Council on 12 February 2019.</p>		

6. Private Reports

No private business was discussed.

7. Date of Next Meeting

The next meeting will be held on Tuesday 12 March 2019

The meeting terminated at 12.45 pm