

Minute of Meeting



Audit Committee

Date	Time	Venue
Tuesday 7 February 2023	1.00pm	Council Chamber

Present:

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

In Attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Executive Director Place
Morag Barrow	Director Health and Social Care
Derek Oliver	Chief Officer Place
David Gladwin	Acting Chief Financial Officer
Duncan Stainbank	Chief Internal Auditor
Sinead Urquhart	Executive Business Manager
Elaine Greaves	Principal Internal Auditor
Gary Thomson	Senior Finance Business Partner
Alan Turpie	Legal and Governance Manager / Monitoring Officer
Robert Dick	Audit Scotland
Patricia Fraser	Audit Scotland
Andrew Henderson	Democratic Services Officer

1. Welcome and Apologies for Absence

Apologies were submitted on behalf of Fiona Robertson and Gillian Woolman (Audit Scotland).

2. Order of Business

The Chair outlined that item 5.6 would be taken in advance of item 5.1 with the remaining items being heard in the order as outlined 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 minute of the meeting of 06 December 2022 was submitted and approved as correct record, moved by Councillor McKenzie and seconded by Councillor McEwan.

4.2 The Action log was submitted and noted.

With regard to action point 1, the chair acknowledged that this would be an ongoing action along with a future paper being submitted on CSG and ethical depositing coming later in the year.

5. Public Reports

Report No.	Report Title	Submitted by:
5.6	Internal Audit Service – Update on Shared Internal Audit Service between Midlothian and East Lothian Councils	Executive Director Place
Outline of report and summary of discussion		
Kevin Anderson provided a brief overview of the report making reference to the new Internal Audit arrangements with East Lothian Council which are now in place. The Chair took the opportunity to welcome the Chief Internal Auditor to Midlothian Council's Audit Committee.		
Decision		
Audit Committee noted that the Shared Internal Audit Service between Midlothian and East Lothian Councils is now formally agreed and has commenced.		

Report No.	Report Title	Submitted by:
5.1	Treasury Management and Investment Strategy 2023/24 & Prudential Indicators,	Acting Chief Financial Officer
Outline of report and summary of discussion		
<p>David Gladwin provided a brief overview of the report and appendices making reference to the Treasury Management Code of Practice, which outlines that the annual Treasury Management & Investment Strategy (TMIS) & Prudential Indicators report which is required to be scrutinised before being recommended to the Council. David Gladwin outlined that the Midlothian Council's Treasury Management and Investment Strategy was in line with those of other local authorities and took the opportunity to confirm the exclusion of Qatar from preferred partners.</p> <p>A brief discussion ensued in relation to ethical treasury management and the capability for Council to react quickly on occasions where members saw a potential issue. David Gladwin confirmed that member's views were taken into account when formulating the strategy and that members could flag potential issues for discussion at any time.</p> <p>In response to comments regarding existing counter parties, Gary Thomson confirmed that Midlothian Council's deposit with Lloyds Bank Corporate Partners was non-ring fenced and designed for corporate clients and medium sized enterprises such as local authorities.</p> <p>A further discussion ensued in relation to a Midlothian Energy Ltd shareholder injection for 24/25, The Acting Chief Financial Officer confirmed that as this would feed through as capital expenditure it would sit within the Treasury Management and Investment Strategy and agreed to reflect this going forward.</p>		
Decision		
<ul style="list-style-type: none"> a) Audit Committee approved the restriction of the Authorised Limit to the value of the Capital Financing Requirement at 31 March 2024 (£472.662 million), pending finalisation of the General Services Capital Plan Prioritisation; and b) Noted the ongoing review in respect of incorporating ESG criteria into the decision making process for making deposits, and that officers will continue to monitor and evaluate emerging approaches as the marketplace develops; and c) Noted that there are no other material changes proposed to the Treasury Management and Investment Strategy (TMIS) for 2023/24 from the strategy currently in place, other than to update the Prudential Indicators (Section 5 and Appendix 2), to reflect the revised capital plans; and d) Noted the retention of the current approach for the repayment of loans fund advances as outlined in Section 7; and e) Approved the Treasury Management and Investment Strategy for 2023/24. 		

Report No.	Report Title	Submitted by:
5.2	Internal Audit Work to December 2022	Chief Internal Auditor
Outline of report and summary of discussion		
<p>Duncan Stainbank provided a brief overview of the report making reference to the Internal Audit Annual Plan 2022/23, the final internal audit annual assurance reports as attached to the report and acknowledged that all recommendations had been acknowledged by management. Duncan Stainbank then took the opportunity to respond to points of clarity.</p> <p>In response to comments regarding future utility prices, David Gladwin confirmed that the decision had been taken to provide supplementary budget on 2022/23 to meet higher than expected energy costs and that inflation projections for this sector were included in Medium Term Financial Strategy projections.</p> <p>With regard to the impact of inflation David Gladwin confirmed that procurement bodies are undertaking forward purchasing. Derek Oliver also took the opportunity to highlight that energy consumption is monitored across assets and that inflation was added to create a forecast of future expenditure.</p>		
Decision		
<p>a) Audit Committee noted the Executive Summaries of the final Internal Audit assurance reports issued; and</p> <p>b) Noted the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; and</p> <p>c) Acknowledged the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.</p>		

Report No.	Report Title	Submitted by:
5.3	Internal Audit Mid-Term Performance Report 2022/23	Chief Internal Auditor
Outline of report and summary of discussion		
<p>In speaking to the report Duncan Stainbank outlined that it was intended to inform Audit Committee about the progress made in the 9 months leading up to December 2022. Duncan Stainbank continued to summarise the key comments and status of audits as outlined in Appendix 1 and made reference to the Internal Audit Annual Plan as approved by Audit Committee on the 14 March 2022.</p> <p>A discussion ensued in relation to Building Maintenance Services, Elaine Greaves confirmed that an audit had previously been conducted and that some of the actions were being carried out as part of the service review. Derek Oliver agreed that he would bring a report following up actions to a future meeting of Audit Committee.</p> <p>In response to comments regarding contracts, Derek Oliver confirmed that the full procurement of contracts was contained within the service review and that additional resource has been sought to complete this and that this would be in line with the local procurement strategy. Derek Oliver further advised that payments of</p>		

contractors was done as quickly as possible but that due diligence was also required.

Decision

- a) Derek Oliver agreed to bring a report following up audit actions in relation to building maintenance services in future.
- b) Audit Committee noted the progress Internal Audit has made with activity in the Internal Audit Annual Plan 2022/23 to the end December 2022; and
- c) Confirmed it's satisfaction with the performance of the Internal Audit service provision.

Report No.	Report Title	Submitted by:
5.4	Risk Management Update – Strategic Risk Profile Quarter 3 2022/23	Chief Officer Place
Outline of report and summary of discussion		
<p>Derek Oliver provided a brief overview of the Risk Management Update making reference to the risk responses implemented during quarter three, assured members of the planned approach to response to the current risk climate and provided an overview of the current risk evaluation and requested that Audit Committee take note of the change in risks.</p> <p>Responding to comments regarding the usage of the Borders Railway and the 101 bus service, Derek Oliver confirmed engagement with bus partners had indicated that following the switch to hybrid working there had been a shift in usage to different days and times.</p>		
Decision		
<p>Audit Committee noted the current risk landscape and organisational response to the most significant risks in Quarter 3 (Q3) 2022/23 (1 October to 31 December 2022).</p>		

Report No.	Report Title	Submitted by:
5.5	Scotland's Public Finances: Challenges and Risks	Acting Chief Financial Officer
Outline of report and summary of discussion		
<p>David Gladwin provided a brief overview of the Audit Scotland report summarising the key points of the report and outlined the three main messages.</p> <p>A brief discussion ensued in relation to lag times associated with Scottish Government Grant funding, David Gladwin confirmed that lag times were linked to population growth and that this was very nuanced depending of the area of distribution. In response to comments relating to the usage of data to outline population growth, Grace Vickers highlighted that Scottish Government growth unit examine various datasets and agreed to circulate the NRS data and forward.</p>		
Decision		
<ul style="list-style-type: none"> a) Grace Vickers agreed to circulate NRS data and forward profiles to Audit Committee Members; and b) Considered and noted the Audit Scotland report; and 		

- c) Noted that the key messages have been considered by Council Officers and are embedded in the Medium Term Financial Strategy Report considered by Council on Tuesday 31st January and also the quarter 3 suite of financial governance reports to be presented to Council on Tuesday 21st February.

6. Private Reports

None

7. Date of Next Meeting

Date of Next Meeting: Tuesday 7 March 2023 at 11am.

The meeting terminated at 1:53 pm