

MINUTE

A & B

Special Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Thursday 24 September 2009 at 9.30am

Present:

F Grains A Doull
A Duncan R Henderson

Invited to Attend

I J Hawkins J Budge

Apologies:

C Miller L Baisley
G Robinson J Wills

Apologies (Invited to Attend)

A Cooper S Cluness
B Fullerton A Hughson
C Smith A Wishart

In attendance (Officers):

G Johnston, Head of Finance
D Hughson, Financial Accountant
C McIntyre, Internal Audit Manager
M Craigie, Head of Transport
S Pearson, Safety and Risk Manager
P Peterson, Performance Management Co-ordinator
L Adamson, Committee Officer

Also:

M Ferris, Audit Scotland
L Brown, Audit Scotland

Chairperson

Mrs F Grains, Chairperson of the Committee, presided.

Declarations of Interest

None.

Min. Ref.	Subject	
34/09	<u>Strategic Audit Risk Analysis – Update Report</u> The Committee considered a report by the Performance Management Co-ordinator (Appendix 1).	

Min. Ref.	Subject	
	<p>The Performance Management Co-ordinator introduced the report, advising that a Best Value Audit report had been presented to Council in 2005, with a progress report highlighting improvements submitted in 2007.</p> <p>The Performance Management Co-ordinator advised that the Strategic Audit Risk Analysis (SARA) report had been presented to Committee in May, highlighting what Audit Scotland had agreed as the key high-level risks and how they could be managed. At that meeting, the Committee had agreed that an invitation be extended to the Audit Manager, Mr Ferris, to attend a future meeting, and that all Members should be invited to attend.</p> <p>The Committee noted the Key Risk Plan at Appendix A which included the actions required to manage the risks, presented to Committee in May, and Appendix B being an up to date version, showing progress made on the individual risk areas.</p> <p>Mr M Ferris, Audit Manager, advised that an Annual Report and an updated SARA report would be presented to the October meeting of the Council.</p> <p>In response to a question from the Chairperson, the Audit Manager advised that following discussion with the Council's Senior Officers, the main high risk areas identified were procurement and the capital programme.</p> <p>In response to questions from Mr A Duncan regarding the Council's group accounts, the Head of Finance reported that having discussed this with Audit Scotland, the intention was to present a report to Council in October which would obtain and clarify Members' views. It was reported that the accounts of the Shetland Development Trust had been included in the group accounts for 2008/09, and that should the Council concede that the Shetland Charitable Trust's accounts could be included, this would include all SCT subsidiaries.</p> <p>Mr A Duncan referred to Pages 5 and 6 of Appendix 2, and enquired whether there were any specific issues relating to the two areas of Risk Management where 'no progress to date' had been indicated. The Safety and Risk Manager explained that there had in fact been progress on both issues. With regard to Partner Organisations risk management arrangements, a letter had been prepared and would be sent out as soon as the accompanying form template had been finalised, and in relation to the identified risk that there is no formal reporting process to ensure that risk identification, assessment and management are part of the decision making process, she advised that a report to address this was being presented to the Risk Management Board and the next Audit and Scrutiny Committee</p>	

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	<p>meeting as per the action detailed in the Risk Management Development Plan.</p> <p>In response to a question regarding progress with the Risk Registers, the Safety and Risk Manager reported that an update report was being presented to the Risk Management Board next week, with the recommendation that all Service Managers had to ensure that their service areas had completed their risk registers by the end of October, and any outstanding areas would be reported to this Committee.</p> <p>The Chairperson referred to the “Key Messages” on Page 1 of the SARA report and said that the main issue was the 1st bullet point, “to establish an overarching action plan that clearly links the single outcome agreement, the corporate plan, the community plan and the best value recommendations”. She said that it was also important that progress was being made on the individual risk areas. The Audit Manager advised that staff at Organisational Development were working to address one coherent action plan to monitor progress.</p> <p>In response to questions from Mr A Duncan relating to the risk associated with the ICT security policy on page 43 of Appendix A, it was reported that the Policy had been developed and was being implemented. In relation to the reference that “data is not fully recognised”, the Audit Manager clarified that the Council’s Security Policy addresses the issue.</p> <p>Mr A Duncan reiterated his concerns regarding the fees being charged by Audit Scotland, with the Council being such a small Local Authority. The Audit Manager outlined the process that was followed to determine the fee, which he explained was dependent on the risks associated with the individual Council. The Head of Finance explained that although the Council was small, it was a complex Local Authority providing a full range of services and therefore struggles with the complexities of a full set out accounts, and as a consequence, the Council generates a great deal of work for Audit Scotland, which relates to the fee charged.</p> <p>In response to a question from Mrs I J Hawkins, the Audit Manager reported that Best Value 2 had been implemented in five pathfinder Councils, and would be rolled out in 2009/10, however to date no timetable had been issued.</p>	

35/09	<p><u>Report to those Charged with Governance on the 2008/09 Audit</u></p> <p>The Committee considered a report by the Head of Finance</p>	
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(Appendix 2). Members were provided with a revised version of Audit Scotland's report.

The Head of Finance introduced the report, advising that the two concerns highlighted were the repetition of the qualification in terms of grouping of accounts, which Members noted would be reported to Council, and the second being the valuation of bonds on the balance sheet.

The Audit Manager provided the Committee with a summary of the content of the report and the appendix, and advised that following the meeting the accounts would be signed off to meet the statutory deadline.

In response to a question from Mr A Duncan in relation to paragraph 10 where it stated that "...some of the core financial statements within the group did not reconcile", it was reported that discussions had taken place with the Council's Financial Accountant, and these had been rectified. The Head of Finance referred to Audit Scotland's comments in paragraph 14, "The Council is heavily reliant on the financial accountant for the production and submission of the annual financial statements....", and explained that the Financial Accountant operates a small and efficient team, with a lot of reliance on the Financial Accountant for the work to be done within the challenging timetable.

The Head of Finance reported that the Council runs a lean Financial Accountancy Service that strives to cope with the high level of changes, and therefore it may be necessary at some point to consider further the level of resources for this section. The Audit Manager clarified that the comments in the report was not intended as a direct criticism of the Service, however there was some concern relating to the amount of work primarily on one person, and with the additional requirements the workload could potentially get worse.

In response to a question from Mr A Duncan relating to paragraph 24, and to the identification that both the debtors and creditors balances had been overstated in the unaudited accounts, the Head of Finance reported that this technical point had been rectified in the revised Financial Statements, and had been accepted by Audit Scotland in the course of the audit. He added that had the Financial Accountancy Service been better resourced this error could have been picked up prior to submission.

In response to a query from Mr A Duncan which related to the Council's Pension Fund at paragraph 25, it was reported that the error had been rectified, with the investments being valued at their fair value instead of the mid price valuation, in the revised financial statements.

In response to a question from Mr Duncan relating to

	<p>paragraph 26, the Head of Finance explained that the Statement of Total Recognised Gains and Losses was an area that has been subject to substantial changes, becoming immensely technical and complex. The Financial Accountant said the submission relating to the Statement had been the best available in the time allowed, however further clarity had been provided.</p> <p>In response to a question from Mr Duncan relating to paragraph 27 “Impairment of Financial Instruments”, the Head of Finance reported that he was in continuing dialogue with the Audit Manager and his team to rectify this matter.</p> <p>In response to comments from Mrs I J Hawkins, the Financial Accountant reported that his Service plans ahead to meet the June deadline, however each year there are additional complexities in preparing the financial statements. The Head of Finance confirmed that the timetable was always extremely tight, and with the additional burdens and complexities the Financial Accountant strives to meet the deadlines. The Chairperson commented that the Council could possibly have to consider additional resources for the Service.</p> <p>Mr Duncan acknowledged the pressures with new legislation and said that he appreciated the work being done by both the Head of Finance and the Financial Accountant.</p>	
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The meeting concluded at 10.20am.

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F B Grains
Chairperson