

MINUTES

A & B - Public

Audit Committee

Council Chamber, Town Hall, Lerwick

Tuesday 27 May 2014 at 10am

Present:

A Duncan	S Coutts
B Fox	A Manson
T Smith	M Stout
V Wishart	

Apologies:

A Westlake

In attendance (Officers):

C Ferguson, Director of Corporate Services
S Bokor-Ingram, Director of Community Health and Social Care
M Sandison, Director of Infrastructure Services
A Edwards, Executive Manager – Quality Improvement
J Smith, Executive Manager – Improvement and Performance
C Bain, Treasury Accountant
L Brown, Management Accountant
A Michael, Principal Auditor
C Anderson, Senior Communications Officer
L Adamson, Committee Officer

Also in Attendance:

C Hislop, Audit Scotland

Chairperson

Mr A Duncan, Chair of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

Mr Duncan declared an interest in Item 2, “Review of Internal Controls 2013/14 and Action Plan – Shetland Islands Council Pension Fund”, as his wife is a beneficiary. Mr Duncan advised that he intended to leave the Chair and leave the Chamber during the discussion on that item. In the absence of the Vice-Chair, and following nominations, Mr Fox was appointed Interim-Chair for Item 2.

13/14 Minutes

The Minutes of Audit and Standards Committee held on 29 April 2014 were confirmed on the motion of Mr T Smith, seconded by Ms Wishart.

Min Ref: 10/14: Audit Scotland Reports

The Chair referred to the first paragraph on Page 3, and asked for an update to Members on the proposed Seminar to cover rent arrears, tenant evictions and homelessness issues.

Min Ref: 12/14: Items for Future Discussion

In response to a question, the Executive Manager – Improvement and Performance provided updates on the items for further discussion raised at the previous Committee. He gave assurance that he would liaise with the relevant departments on progress required, and the remaining items would form part of the business programme for the Committee.

14/14

Review of Internal Controls 2013/14 and Action Plan – Shetland Islands Council

The Committee considered a report by the Executive Manager – Finance (F-028-F), which presented the findings of the review of internal controls by Audit Scotland in relation to the 2013/14 Council accounts and sought approval of the Action Plan to address the weaknesses identified.

The Management Accountant introduced the report.

Ms C Hislop, Audit Scotland, highlighted the findings from the audit testing, being that “our overall conclusion is that Shetland Islands Council’s systems of internal control are operating satisfactorily”. She reported however on the areas identified where improvements are to be made that are outlined in the Action Plan at Appendix A. She added that Audit Scotland will now monitor progress on the risk areas identified and a further report will be presented in October.

A Member referred to the recent changes to the Council’s Contract Standing Orders, which had included the removal of a Member to attend at tender openings, and he enquired whether attendance by a Member at tender openings would be the preference of Audit Scotland. Ms Hislop said that Audit Scotland would have no preference as to whether a Member should be in attendance, but the important factor is that procedures are agreed in advance and fully adhered to.

In response to questions relating to Sections 20 and 23 of Audit Scotland’s report (Standing Orders for Contracts), Ms Hislop advised that to date there is no evidence that EU regulations have been breached. She confirmed this is an area where work is ongoing and systems are being monitored. She acknowledged that if it is found that EU regulations have been breach there could be financial loss to the Council. The Director of Infrastructure Services provided assurance to Members that processes are now in place to ensure compliance with Contract Standing Orders which will protect the Council from future breaches. She added that compliance with Standing Orders and contracting processes now forms part of the Performance Indicator quarterly reporting to both Environment and Transport Committee and Harbour Board, where Members will have the opportunity to be assured that tendering processes are following the agreed Standing Orders.

Reference was made to the value of Ports and Harbours inventories at 31 March 2013, being £3.44m, and to the risk identified whereby “Stock discrepancies are not identified and the value of stock is incorrectly stated”. In response to a question, Ms Hislop advised that there is no evidence that any stock has gone missing however this could occur should stock procedures not be improved. The Director of Infrastructure Services informed the Committee on the effective stock control systems in place at the Council’s Gremista Store, and that staff resources have been transferred from Gremista to support staff at Ports and Harbours and relay the good practices to be followed. The Director of Infrastructure Services added that she would provide an update to Members.

On the motion of Mr Fox, seconded by Ms Wishart, the Committee approved the recommendation in the report.

Decision:

The Committee **RESOLVED** to approve the Action Plan.

(Mr Duncan left the Chamber).

(Mr Fox took the Chair).

15/14 **Review of Internal Controls 2013/14 and Action Plan – Shetland Islands Council Pension Fund**

The Committee considered a report by the Executive Manager – Finance (F-029-F), which presented the findings of the review of internal controls by Audit Scotland in relation to the 2013/14 Pension Fund accounts and sought approval of the Action Plan to address the weaknesses identified.

The Management Accountant introduced the report.

Ms Hislop advised on the positive report from Audit Scotland in regard to the Council's Pension Fund and that the items to be addressed are included in the Action Plan at Appendix A.

On the motion of Ms Wishart, seconded by Mr Stout, the Committee approved the recommendation in the report.

Decision:

The Committee **RESOLVED** to approve the Action Plan.

(Mr Duncan returned to the meeting and resumed the Chair).

16/14 **Local Government Benchmarking Framework – Reporting on 2012/13 Data**

The Committee noted a report by the Executive Manager – Improvement and Performance (IP-10-14-F) that presented the second set of public results from a national benchmarking exercise carried out across all Scottish Councils through a joint project.

In introducing the report, the Executive Manager – Improvement and Performance advised that the 2012-13 Benchmarking Data in Appendix 1 had also been reported during this cycle of meetings to the relevant Committee in their Directorate Plans.

During the discussion, officers responded to questions from Members as follows:

Indicator CHN2 – Cost per secondary school pupil

Concern was expressed in regard to the narrative in the Performance Statement, that "Almost all of our secondary schools are very small and employ full time specialist staff who do not always have a full timetable". In response to questions from Members, the Executive Manager – Quality Improvement advised on the 13.4 FTE staff reductions from Secondary schools since August 2013 through voluntary exits and in sharing staff between schools. However, she said that there are still inherent inefficiencies and further reductions in staff will be pursued through early retirement and voluntary redundancies. The Executive Manager – Quality

Improvement advised the Committee on a recent example of rationalisation of posts, where a teacher now shared her time equally between two schools, and confirmed that similar opportunities would be looked at in the future.

Indicator CHN3 – Cost per pre-school place

In response to questions, the Executive Manager – Quality Improvement advised on the reductions made in pre-school teaching staff, which will show in the Performance Indicators next year. She made reference to the Scottish Government's pledge to increase pre-school education to 600 hours from August 2015, and the impact this will have on the Service and the associated cost pressure on the Medium Term Financial Plan; however she gave assurance that the most effective solution will be found to deliver pre-school education.

Indicator CHN8A – The gross cost of “children looked after” in residential based services per child per week

In response to a question relating to the high cost ranking relevant to Shetland, the Executive Manager – Quality Improvement advised on the feedback she had received from the Children's Resources service, in that the costs had been calculated on the low number of looked after children in care at that time, and the budget headings used to inform the performance indicator did not reflect purely looked after children costs.

Indicator SW1 – Home care costs for people aged 65 or over per hour

The Director of Community Health and Social Care advised on the dialogue that is taking place with the Scottish Government to resolve errors on performance reporting in regard to this indicator, and he said that it was anticipated that the amended figures will be published next month. The Management Accountant added that the anomalies would appear to result from a miscalculation of figures following a change in reporting this year on the allocation of care at home/residential care. Colleagues from Community Care and Finance have arranged a meeting to review and correct the allocations for going forward.

Indicator ENV2 – Gross waste disposal cost per premise

A Member made reference that Shetland has the highest ranking in regard to this indicator. The Director of Infrastructure Services explained that Shetland is the only local authority area in Scotland to have an Energy Recovery Plant and the reporting does not include the income stream received from disposal of the heat. In response to a question, the Director of Infrastructure Services advised that she would prepare a report to Environment and Transport Committee to inform Members on the net cost of waste disposal, and on the relationship between the Energy Recovery Plant and Shetland Heat Energy and Power (SHEAP).

Indicator ENV4A – Road Maintenance cost per kilometre

The Director of Infrastructure Services informed on the error in reporting on this indicator, in that while there has been a reduction in spend on roads maintenance the Council's ranking had increased in 2011/12. She confirmed that work is ongoing to seek a resolution.

In response to questions, the Director of Infrastructure Services reported that different modelling options are being considered for road maintenance as part of the financial Asset Investment Plan (AIP) for reporting in August 2014. She advised that the condition of the A Class Roads in Shetland have been quite well maintained over recent years, having been targeted for roads maintenance works, however this is at the detriment to the B and C class road network. She added that

the actual expenditure of what would be required to achieve a standstill position will be included in the AIP.

The Chair advised on a further accident that had occurred at Channerwick. The Director of Infrastructure Services undertook to investigate any further actions that can be taken to reduce accidents in the area.

The Chair raised a concern in regard to possible recompense to the Council following damage to road verges. Following a brief discussion, the Committee were advised that this was a legal matter, and Members would be kept informed as appropriate.

CORP1 – Support services as a % of total gross expenditure

Reference was made to the error in reporting on this indicator, where Shetland had moved from the lowest ranking in 2011/12 to being the highest in 2012/13. The Management Accountant advised that following a review of the support ledger some non-support costs were removed, which improved the ranking.

During the discussion, reference was made to a number of variations and anomalies in the data submitted from Councils to inform the indicators. It was noted that in some cases national indicators do not fit well for Shetland due to the different ways of delivering services in an island community. It was questioned whether the indicators could have an effect on the settlements the Council receive from the Scottish Government, and it was advised that some of the underlying data from the indicators could be taken into account in the calculations. A Member advised of his concern in regard to the relevance of performance indicators in their current format, and said that for the indicators to be more meaningful and effective improvements need to be made in regard to more accurate reporting. The Director of Corporate Services undertook to look into this further, and would report back to Members.

Decision:

The Committee discussed the contents of the report and highlighted areas requiring further explanation through this Committee and other Committees.

17/14

Committee Business Programme 2014/15

The Committee considered a report by the Team Leader – Administration (GL-07-14-F), which informed on the planned business to be presented to Committee over the remaining quarters of the current financial year to 31 March 2015, allowing discussion with Officers regarding any changes or additions required to the Programme.

The Executive Manager – Improvement and Performance introduced the report. Members were informed that the Council's Assurance and Improvement Plan will be reported to the next meeting of the Committee on 18 June 2014.

Decision:

The Audit Committee noted its business planned for the remaining quarters of the current financial year up to 31 March 2015.

The meeting concluded at 11.05am.

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Chair