

MINUTES

B - Public

Audit Committee

Council Chamber, Town Hall, Lerwick

Wednesday 18 June 2014 at 10am

Present:

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

Apologies:

A Manson

In attendance (Officers):

J Gray, Executive Manager – Finance
C McIntyre, Executive Manager – Internal Audit
R Sinclair, Executive Manager – Capital Programme
J MacLeod, Improvement and Performance Adviser
K Johnston, Solicitor
C Anderson, Senior Communications Officer
L Adamson, Committee Officer

Also in Attendance:

C Hislop, Audit Scotland
D McConnell, Audit Scotland

Chairperson

Mr A Duncan, Chair of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

18/14 Minutes

The minutes of Audit Committee held on 27 May 2014 were confirmed on the motion of Mr Stout, seconded by Ms Wishart.

Min Ref: 13/14 – Minutes

- Min Ref 10/14 – Audit Scotland Reports

In response to a question from the Chair, the Executive Manager – Finance confirmed that the Members Seminar, which will cover rent arrears, tenant eviction and homelessness issues, will be arranged prior to the Council's summer recess.

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

- Indicator CHN2 – Cost per secondary pupil

The Executive Manager - Finance advised on a report being prepared for Education and Families Committee on 1 July, which will provide further information to Members on the cost per secondary pupil in Shetland.

Reference was made to the concerns raised at the meeting in regard to the number of errors in the data provided and to the relevance of the indicators in their current format. The Executive Manager - Finance advised that currently there are no set criteria provided to Local Authorities in regard to the information to be included to inform each of the indicators, however he advised that this is an area where improvements will be made to better align the information provided from the Council with that of other local authorities.

- Indicator ENV2 – Gross waste disposal cost per premise

Mr Stout confirmed that the report 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), had been presented to the June meeting of Environment and Transport Committee.

(The Chair welcomed Ms Hislop and Mr McConnell, representatives from Audit Scotland, to the meeting).

19/14

Assurance and Improvement Plan Update 2014-17

The Committee considered a report by the Executive Manager – Improvement and Performance (IP-11-14-F), which enabled the Council's External Auditors to present the "Shetland Islands Council – Assurance and Improvement Plan (AIP) Update 2014-17".

In introducing the report, the Improvement and Performance Adviser referred Members to Section 3.1, and highlighted the improvement reported that, "there are no areas characterised as 'scrutiny required' compared to Shetland Islands Council's 8 'Red Cards' in 2010".

The Chair referred to Section 3.5 of the covering report, which made reference to the new Anderson High School (AHS) project being the main development planned for the period to 2017. He questioned what the proposals would be for further funding towards the new AHS project should the agreed budget be overspent. The Executive Manager - Finance said that he was confident that the project would come in within the overall envelope of funding, which he advised includes £2.5m of contingency. However, he advised that the project was still to progress through the procurement stage, which will establish the overall budget for the project. He added however that should the project go over budget dialogue would take place with the Scottish Futures Trust where it would be anticipated that two-thirds funding would be forthcoming, with one third funded by the Council through borrowing.

Reference was made to Section 3.6 of the covering report, where it was noted that procurement had been highlighted as an area with issues of non-compliance. The Executive Manager – Finance advised that some of the issues had partially stemmed from the devolved system of procurement across the Council to work along with the Procurement Section, however improvements have since been made. He went on to advise that the specific area of non-compliance, as

highlighted in the report, is being addressed by the Director of Infrastructure Services and action is being taken to get the issues of non-compliance resolved.

A Member made reference to the area of public performance reporting as outlined in the table at Section 41 of the AIP report, and questioned how improvements can be made in regard to meeting the reporting requirement obligations. The Improvement and Performance Adviser gave assurance that this is an area being looked at in consultation with Audit Scotland and it is expected that with better informed submissions the outcomes will improve in future years.

In response to a question relating to the comment in the table in the AIP report that “the new ferry ticketing system is due to be completed in 2014”, Mr Stout advised that he would ask the Director of Infrastructure Services to provide an update on progress to all Members.

Mr D McConnell, Audit Scotland, provided the Committee with a summary of the main points in the AIP report. He concluded there has been a fairly consistent improvement across categories, with no areas highlighted as “scrutiny required”, however he added that there are a number of areas where further information is required and therefore some issues are still ongoing.

In response to a question from the Chair relating to the comment in the AIP on the improvements in the business and performance of the Audit and Standards Committee and other Committees, Mr McConnell advised that from his attendance at meetings of the Audit and Standards Committee there has been developments over time where the level of debate and focus on issues has improved. Ms Hislop advised on the improved level of debate at the functional Committees, and on the improved knowledge and understanding of issues by Members. She added that she has seen a big difference over the five years in the way Committee business is run, and would hope that this continues, while ensuring the role of Audit Committee is maintained at the right level of scrutiny.

In response to questions on the scrutiny risk identified relating to “Community engagement and empowerment”, Ms Hislop advised on the membership of the LAN Group, who from the evidence provided and their knowledge, arrived at the conclusion that this was an area where the local audit team will continue to monitor. Ms Hislop confirmed that she would provide further detail on the areas for improvement in Audit Scotland’s Annual Report. Mr D McConnell said that this is an area highlighted for further information required and where he is aware work is being done. He added that although there could be challenges for the Council he did not consider this a major problem area.

Mr Stout said that he was delighted to see the reduction in the ‘Reds’ and that there are no longer any areas found as “requiring scrutiny”. In commenting on the steady progress and improvements made since 2010, the Chair paid tribute to the excellent work by the Executive Manager – Finance, his team, and all the staff who have been involved. He added however, that the Council can in no way be complacent as there will still be difficult challenges ahead.

Decision:

The Committee **RESOLVED** to note the report.

In order to avoid the disclosure of exempt information, Mr Duncan moved, Mr Fox seconded, and the Committee agreed to exclude the public in terms of the relevant legislation during consideration of Appendix 2 of the following item.

20/14 **Internal Audit – Annual Report 2013/14**

The Committee considered a report by the Executive Manager – Internal Audit, which presented the Annual Report of the activity of the Internal Audit Service for 2013/14.

The Executive Manager – Internal Audit introduced the report.

In response to a question, the Executive Manager – Internal Audit reported on the work being undertaken in the Council to address the areas of non compliance on risk management highlighted by Audit Scotland, and he confirmed that a Corporate Risk Register is near completion.

In response to a question regarding staff resourcing for the Internal Audit Service, the Executive Manager – Internal Audit acknowledged that with the staff changes that are taking place this will be a challenging year. He added that this is an area he intends to report on later in the year. In referring to Sections 3.13 of the report, the Chair paid tribute to the Audit and Systems Assistant who has successfully passed the Certified Information Systems Auditor examination. In referring to Section 3.14 and 3.15 of the report, he congratulated the Service on achieving 93% of the Audit Plan in 2013/14, and that issuing draft final reports within 14 days of audit testing completion has been achieved in 100% of cases.

(Members of the public left the meeting).

The Committee agreed to a brief recess, to allow time for the Executive Manager – Capital Programme Service to attend the meeting to answer questions on a specific project.

The meeting adjourned at 10.55am

The meeting reconvened at 11.05am

During the discussion, the Executive Manager – Capital Programme Service and the Executive Manager – Internal Audit responded to various questions from Members.

(In noting the reference made to the SCT, Mr Duncan and Ms Westlake declared an interest as Trustees of SCT).

Ms Westlake referred to her earlier request, for consideration to be given to a more centralised approach for procurement in the Council, and she questioned whether this could be taken forward for reporting at the same time as the centralisation of property management.

During the debate, Mr T Smith said that he looked forward to the detailed review of this project. Mr Duncan agreed, and moved that a full forensic report on the project, including a trail of events from implementation to conclusion, be presented through the appropriate Committees. Ms Westlake seconded.

During the discussion, Members agreed that clarity was required on the correct reporting arrangements for scrutiny reports, and a request was made that Members be informed on this by e-mail.

Decision:

The Committee **RESOLVED** to note the contents of the Annual Report, and that a full forensic report on the project, including the trail of events from implementation to conclusion, would be reported through the appropriate Committees.

The Chair paid tribute to Cllr J Wills in regard to his work and contribution to this Committee over the years. Ms A Westlake was welcomed as the new Vice-Chair of the Committee. Members concurred.

The meeting concluded at 11.50am.

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Chair