

# MINUTES

## A&B - Public

### **Audit Committee**

**Council Chamber, Town Hall, Lerwick**

**Tuesday 18 August 2015 at 10.00am**

#### **Present:**

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

#### **Apologies:**

None

#### **In attendance (Officers):**

C Ferguson, Director of Corporate Services  
J Belford, Executive Manager – Finance  
C McIntyre, Executive Manager – Audit, Risk and Improvement  
S Brunton, Team Leader - Legal  
M Mullay, Performance and Improvement Officer  
L Adamson, Committee Officer

#### **Also in Attendance**

P Lindsay, Audit Scotland  
G Samson, Audit Scotland

#### **Chairperson**

Mr Duncan, Chair of the Committee, presided.

#### **Circular**

The circular calling the meeting was held as read.

The Chair welcomed the Audit Scotland representatives, Mr G Samson and Mr P Lindsay, to the meeting.

#### **Declarations of Interest**

Mr Duncan said that should there be any discussion on the Pension Scheme during consideration of agenda Item 1, "Audit Scotland Shetland Islands Council Local Scrutiny Plan 2015/16", he would leave the Chamber.

#### **Minutes**

The minutes of Audit Committee held on 29 June 2015 were confirmed on the motion of Mr Stout, seconded by Mr Fox.

#### **18/15 – Zetland Educational Trust (ZET): Annual Report and Financial Statements to 31 March 2015**

Members were advised that a report would be prepared for Education and Families Committee in September 2015, to inform on the current situation and opportunities to change the investment to achieve a better return.

19/15      **Audit Scotland Shetland Islands Council Local Scrutiny Plan 2015/16**

The Committee considered a joint report by the Executive Manager – Finance and the Executive Manager – Audit, Risk and Improvement (IA-15-15-F) which presented the Local Scrutiny Plan 2015/16 for Shetland Islands Council.

The Executive Manager – Audit, Risk and Improvement introduced the report.

Mr Lindsay, Audit Scotland, advised that the Council's Local Scrutiny Plan replaces the Assurance and Improvement Plan that has been produced in previous years. In providing an overview from the Local Scrutiny Plan, Mr Lindsay reported that no areas of risk have been identified which will require specific scrutiny, but there are a number of areas that will be monitored as part of the ongoing audit and scrutiny process.

Mr Lindsay advised that an update, on the risks identified, will form part of their annual audit report to Committee in September. He added that no significant issues have been identified during the audit of the financial statements of the Council or Pension Fund accounts, and that liaison with staff in the Finance Service had been very good.

In response to a question, Mr Lindsay advised that an area of concern highlighted in previous years was the requirement for departmental risk registers. He said however that arrangements are now in place to establish the risk registers at both departmental and directorate level. The Executive Manager – Audit, Risk and Improvement advised that a Risk Management report and Action Plan is being prepared for reporting to Committee.

The Director of Corporate Service responded to a question, where she reported on the current arrangements in place for the Council's Section 95 Officer. Members were advised that work has commenced on the 6 month review of the arrangements and the findings will be reported to Policy and Resources Committee in due course. She added that the report would also be informed by the delivery of the Audited Accounts for 2014/15, budget setting, financial planning and monitoring work undertaken during the 6 month period.

In response to a question from a Member as to whether the reserves could be reinstated to £250m as a means to better secure financial stability for future generations, the Executive Manager – Finance advised that the minimum reserve balance of £150m as referred to in previous versions of the Medium Term Financial Plan (MTFP) was a value quoted below which investments should not fall. The long-term nature of the investments mean their value will rise and fall and therefore determining an absolute value was not necessarily the answer. However, he advised that a review of the reserve balance will form part of the work during the refresh of the MTFP. In response to questions, the Executive Manager – Finance advised that, based on the assumptions in the MTFP, the draw from reserves in 2016/17 and beyond was greater than £10m per annum that was deemed affordable. He said that work is ongoing to continue to understand cost pressures, the income to the Council and ensure we prioritise how we use our funding to achieve the best outcomes to the Council.

A Member made reference to the view expressed by the Local Area Network that elected Members must work together with officers to ensure the savings plans in the MTFP are delivered effectively, while it was acknowledged that Members may have their own views on particular policy areas. Mr Lindsay explained that the point being made is that there will be different views on policy areas, and should

decisions made go against those to achieve particular savings, it is important that advice is sought from the Finance Service to ensure the delivery of the MTFP. Mr Lindsay added that no additional scrutiny is required in this area, other than oversight and monitoring. A Member advised on the recent decision for the Council to take a more outcome focused approach rather than a financial one, and to have regard for political salience, which will hopefully produce more positive changes going forward.

In response to questions, the Executive Manager – Finance informed Members on the rigorous procurement process for the Anderson High School Project. He confirmed that financial close was achieved last month, which sets both the Council and Scottish Government's contributions to the project, and that the construction risk now transfers in the main to the contractor. The Executive Manager – Finance stated, that in terms of the new school and halls of residence, the contract now lies with the private sector to deliver the school for the price agreed.

### **Decision:**

The Committee noted the Local Scrutiny Plan 2015/16.

20/15

### **Audit Scotland and other External Audit Reports**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-17-15-F), which provided an opportunity to consider and monitor progress on any recommended actions resulting from Audit Scotland and External Audit body reports which have been or will be presented to the functional Committees.

The Executive Manager – Audit, Risk and Improvement introduced the report. In referring to the list of external reports that had missed the deadline for reporting to the relevant Committee, as detailed in Section 3.4, he advised that “EA0017 Accounts Commission – An overview of local government in Scotland 2015” and “EA0028 Audit Scotland – An update on developing financial reporting” would be presented to Policy and Resources Committee on 26 October 2015.

During the discussion, some Members advised of their concern in regard to the current reporting process to monitor actions resulting from external reports. In particular, it was questioned whether there was any requirement for Audit Committee to be informed when external reports have been presented to the relevant Committee when no actions are required, and whether there was a need to develop an Action Plan from every report. Mr Lindsay advised that Audit Scotland's recommendation is that a process has to be in place, where the need to report from the relevant Committee to Audit Committee depends on the topic of the report and relevance of reporting. Following some discussion, it was agreed that the current system of reporting would be reviewed and improved options would be reported to Members.

The Chair stated that he did not agree with the Progress Statement relating to report “EA0032 Care Inspectorate – Walter and Joan Gray (Support Service)”, where the Lead Officer had indicated, “The Walter and Joan Gray Home in Scalloway does not belong to the SIC and I will not be presenting this report to Committee”. The Chair said that with the Council's financial involvement in the Home, the report should be presented to Social Services Committee. The Director of Corporate Services advised on the Council's responsibility for the commissioned

service, and she undertook to relay to the Lead Officer the requirement for reporting to Social Services Committee.

Ms Wishart advised on an omission from the Appendix, where she confirmed that the Care Inspectorate report on the Janet Courtney Halls of Residence had also been presented to Education and Families Committee in June.

On the motion of Mr Fox, seconded by Mr Stout, the Committee approved the recommendations in the report.

**Decision:**

The Committee:

- Considered the progress statements provided by Lead Officers in Appendix 1, and made relevant comment on planned actions; and
- Noted that some reports have not been presented to the relevant Committees within the timescale required by the procedures, and made comment or instructs accordingly.

21/15

**Audit Committee Business Programme 2015/16**

The Committee considered a report by the Team Leader – Administration (GL-31-15-F), which informed of the planned business to be presented to Committee for the financial year to 31 March 2016 and sought discussion with Officers on any changes or additions required to that programme.

In response to a question, the Director of Corporate Service said that she would advise Members on a proposed date for reporting on the “Code of Corporate Governance”.

The Director of Corporate Services advised on the following reports for inclusion in the Business Programme, being “Review of IJB Governance Arrangements” to the September meeting, and “Implementation of Public Bodies Act and Delegations of the Functions to the IJB” to be added to the list of reports still to be scheduled.

The Executive Manager – Audit, Risk and Improvement indicated that the Public Performance Reporting report would be presented to Committee in September.

**Decision:**

The Committee considered its business planned for the financial year to 31 March 2016 and **RESOLVED** to approve the Business Programme, as amended.

The meeting concluded at 10.55am.

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Chair

