

# MINUTES

# A&B - Public

## **Audit Committee**

**Council Chamber, Town Hall, Lerwick**

**Tuesday 17 November 2015 at 10am**

### **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/Chief Internal Auditor  
J Riise, Executive Manager – Governance and Law  
K Adam, Solicitor  
J MacLeod, Performance and Improvement Adviser  
B Kerr, Communications Officer  
L Adamson, Committee Officer

### **Chairperson**

Mr Duncan, Chair of the Committee, presided.

### **Circular**

The circular calling the meeting was held as read.

### **Declarations of Interest**

None

### **Minutes**

The Committee confirmed the minutes of the meetings held on (a) 18 August 2015 on the motion of Ms Manson, seconded by Mr Fox; and (b) 22 September 2015 on the motion of Ms Wishart, seconded by Ms Westlake.

#### **30/15      Statutory Performance Indicators 2014-15**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-26-15-F), which presented the 2014/15 Statutory Performance Indicators as part of the Statutory Requirement for Public Performance Reporting.

The Chair highlighted an amendment to the report at Section 3.2, which should read “In comparison to 2013/14; 5 indicators have improved and 9 have declined”.

The Performance and Improvement Adviser introduced the report.

In referring to Indicators SPI01.a.iii and SPI01.b.iii, which reported on an increase in long-term sickness during 2014/15, the Chair enquired if any further action could be taken to alleviate this situation. The Performance and Improvement Adviser

advised on the target drop in Long Term sickness within the Council in 2013/14, and confirmed that further work is being done by staff in the Human Resources Service to address this matter.

In response to questions regarding the Council's performance relative to Indicator SPI02.b.iii, "percentage of Council employees in the top 5% earners that are women", the Performance and Improvement Adviser reported that the main reason for the Council's poor ranking relates to the marine sector being a predominately male dominated workforce, however he advised that steps are being taken to encourage a more diverse range of recruits into the Service. The Performance and Improvement Adviser reported on the exercise undertaken a few years ago when the marine sector had not formed part of the calculations, which resulted in the Council performance on this indicator being comparable to other Local Authorities. In that regard, the Committee agreed for a similar exercise to be undertaken during the next Performance Indicator reporting, and for the findings to be circulated to Members.

Reference was made to Indicator SPI05a, "Cost of collecting Council Tax per dwelling", where a Member made comment in regard to the significant increase in recharges and sought clarity on comparisons with other Local Authorities. The Executive Manager - Finance acknowledged that in terms of numbers there has been quite a dramatic shift over the 3 years, however he said that the Council is in the middle of the performance table. He said that direct costs are similar to previous years, however some costs are impacted around how teams are managed and supervised, and the allocation in that regard can be different year on year. The Executive Manager – Finance commented that to a certain extent the 2013/14 position had been quite low.

In noting the steady decrease in the proportion of operational accommodation that is in a satisfactory condition, at Indicator SPI08a.ii, a Member enquired on what proportion of the 84.1% for 2014/15 could be attributed to the issues at the Aith Junior High School. The Performance and Improvement Adviser said that he was aware that the problems had been with a boiler, however the works were now scheduled to take place and this would change the category from 'c' to 'b'. The Performance and Improvement Adviser undertook to seek clarity on the circumstances that have resulted in the Aith Junior High School being graded below the satisfactory level, and provide further detail to Members. In response to a question, the Performance and Improvement Adviser said that he would provide Mr Burgess with information on the different defects taken into account for a property to be considered to be below the satisfactory level. Reference was made to the recent decision of the Council, regarding the role of corporate landlord, and the Director of Corporate Services proposed to provide more regular updates to Members, by way of briefing notes.

In response to questions relating to SPI12a, "Number of Library Visits", the Performance and Improvement Adviser undertook to provide Mr Coutts with clarity on what constitutes a 'virtual visit' and breakdown of virtual vs physical visits. He confirmed that the Indicator represents Shetland's public and school libraries.

#### **Decision:**

The Committee reviewed the Performance indicators for 2014/15 as outlined in Appendix A to the report.

**Internal Audit – Six-monthly Internal Audit Progress Report 2015/16**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-27-15-F) which detailed the progress made to date against the Audit Plan approved for 2015/16.

The Executive Manager – Audit, Risk and Improvement summarised the main terms of the report.

The Chair said that before any questions, he would like to draw attention to page 1 of the Appendix, to the audit issues raised in relation to Community Care Resources. The Chair advised that he has discussed this audit in detail with the Chief Internal Auditor, and would like the Committee to be given further assurances that the issues raised in the audit are being addressed. However, he did not want the Committee to get bogged down with the detail today, and therefore should any Members have questions or wish more detail at this time, he would refer Members to either the Chief Internal Auditor or himself, after the meeting. The Chair proposed that before the end of this calendar year, the Social Services Committee, or the Integration Joint Board (IJB) (whichever is the appropriate body at the time), should receive a report on the audit and agreed Action Plan from the Director of Community Health and Social Care, and that the Committee/IJB's response should be reported to the Council's Audit Committee before the end of this financial year. The Chair sought the Committee's agreement to that proposal.

The Director of Corporate Services said however, that with the significant number of issues highlighted from the audit report clearly the role of the Audit Committee is to ensure those are addressed, and it would be expected that the relevant service Committee would address these matters in detail. She said that where there are particular areas of concern, it would be right for Members of the Audit Committee to express their views and any specific aspects of concern to the Social Service Committee/IJB to ensure that the Social Services Committee follows up on the detail and reports back to Audit Committee.

In making reference to the key audit issue which relates to the inappropriate employment of relief workers, a Member said that as the situation necessitated the employment of relief workers, he sought further explanation on the concerns identified. The Executive Manager – Audit, Risk and Improvement explained that the wording "inappropriate employment" has been included as, by definition, relief workers should not be permanently employed nor working long hours, and that such arrangements can lead to both contractual and pension issues.

In response to a question on the audit issue highlighted in regard to the use of Webroster, the Executive Manager – Finance confirmed that officers have met to resolve this issue, and a new process should be in place in early 2016.

In commenting on the Chair's preamble, a Member said that whilst he accepted the principle of the statement, he was minded that the main role of Audit Committee is to ask questions, where he was unsure that the opening remarks supported that stance. The Chair said that having taken legal advice, he continued to support his proposal in regard to the Community Care Resources audit, as previously advised.

A Member said that as the two key audit issues have previously been reported it was therefore obvious that no improvements have been made. The Executive Manager – Audit, Risk and Improvement confirmed that the issues were still outstanding. However, the Director of Corporate Services reported that both of the

key audit issues identified are in hand, and although they are difficult to tackle they are not high risk in terms of clients or employees. In referring to some of the additional issues raised during the audit, and particularly the drug and medication training and fire drills, a Member stressed the importance for the Council to be fully compliant in those areas. The Director of Corporate Services confirmed that an Action Plan is in place and the issues identified are being prioritised. She added that drug and medication training and fire drills are specific areas where the Audit Committee can look for reassurance, following the report to Social Services Committee. The Committee formally agreed that the Social Services Committee/IJB receive a report on the audit and agreed action plan before the end of 2015, and that the Committee/IJB should report back to Audit Committee before the end of the financial year.

In referring to the audit of Building Services, a Member outlined to Committee the key audit issues identified which he stated were all quite concerning. In that regard, he noted that there were no recommendations or Action Plan in place to address the issues. The Chair said that in order to allow discussion on the concerns raised, he moved that the Committee agree to exclude the public from the meeting in terms of the relevant legislation during consideration of this item. Ms Westlake seconded.

*(The media representatives left the meeting).*

*Following some discussion on the need for the meeting to go into private, the Committee agreed to a brief adjournment.*

*(The media representatives were invited to return to the meeting).*

*(The meeting reconvened).*

The Chair advised on his decision to withdraw his earlier motion, for the meeting to go into private. This received the consent of his seconder.

Mr T Smith referred to his earlier question, that there were a number of concerning points identified during the audit of Building Services however there was no explanation given as to how any of these issues are to be addressed. The Executive Manager – Audit, Risk and Improvement reported that an Action Plan is now in place to address the matters, with various target dates, ranging from the end of this calendar year, to the end of the financial year.

In response to questions relating to the Review of Overtime Working, Members were informed on the valid reasons for increased overtime working, with the main one being to cover when vacancies have not been filled to ensure services can be provided. The Executive Manager – Audit, Risk and Improvement advised on an audit issue identified, that in some cases it had been found that overtime claims had not been authorised. The Executive Manager – Audit, Risk and Improvement advised that an Action Plan has been prepared by the Executive Managers – Finance and Human Resources, and the matters highlighted will be addressed corporately throughout the Council.

A Member said he welcomed the report that ICT's security issues had now been resolved. It was confirmed that the issues identified had all been resolved with improved awareness around security, and that the stringent requirements to maintain PSN Compliance can give confidence that the system is working well. The Executive Manager – Governance and Law referred to the workshops recently

provided by the Information Commissioners Office, where their overall findings was that the Council was ahead of the game and had good observance of all data protection principles, including data security. Mr Stout commented that security solutions can create a number of impediments for individuals to do their job, which he added was not a criticism of the Council's security policy and good working practices.

In response to a question, the Executive Manager – Audit, Risk and Improvement explained that the review of Revenue Security on Buses will be undertaken as part of the Audit Plan for 2016, when the required staff resources and systems will be in place within the Transport Planning Service.

**Decision:**

The Committee noted the contents of the Annual Report.

32/15

**Internal Audit – Public Sector Internal Audit Standards (PSIAS) – External Quality Assessment of Internal Audit at Shetland Islands Council**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-28-15-F) which presented the External Quality Assessment of Internal Audit at Shetland Islands Council.

The Executive Manager – Audit, Risk and Improvement summarised the main terms of the report.

In referring to Section 2.5 of the PSIAS Assessment report, a Member enquired on any issues with the current resource management in the Audit Service. The Executive Manager – Audit, Risk and Improvement reported that while he would welcome additional staff, the current team was sufficient to deliver the Audit Plan.

Mr Stout congratulated the Audit Team on the good assessment received. The Chair concurred.

**Decision:**

The Committee considered the contents of the PSIAS – External Quality Assessment report and the action plan which, once implemented, will ensure the Council's Internal Audit Service is fully compliant with PSIAS.

33/15

**Risk Review Action Plan – Update**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-24-15-F) which updated on progress made in implementing the recommended actions in the Risk Management Review Report.

The Executive Manager – Audit, Risk and Improvement summarised the main terms of the report.

In response to a question regarding the prioritised action "Levelling Exercise", the Executive Manager – Audit, Risk and Improvement confirmed that work is ongoing with each of the Directorates to identify any duplication and consolidate risks, with the process due for completion in September 2016.

In referring to the prioritised action "Deliver Training", where progress is currently at 5%, the Chair questioned whether this action should be given a higher priority. It

was reported that the building blocks are in place, and training has been delivered to Executive Managers, with the intention to roll out to Members in the near future.

The Chair commented on the significant progress made on the Risk Review Action Plan, and thanked the staff involved.

**Decision:**

The Committee noted the progress made to implement the recommendations in the Risk Management Review report.

34/15

**Audit Scotland and other External Audit Reports – Best Value Reports**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-30-15-F) which provided the Audit Scotland Best Value reports recently issued to Falkirk Council and Aberdeen City Council.

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

In referring to the Appendices, which detailed the areas of improved action for Aberdeen City and Falkirk Councils, a Member said that he had found some of the comments from Council officers to be interesting and useful.

In response to a question, the Executive Manager – Audit, Risk and Improvement advised that the results from the employee Viewpoint Survey are soon to be published on the internet, and will be discussed at Executive Influence. The Director of Corporate Services reported that each team within the Council has been working on their Action Plans, which progress up to Executive Manager level, then Director level, and on to CMT. During the discussion a Member advised on the assurance given at the start of the Viewpoint process, in that the issues raised by staff would be addressed, and for staff participation to be a positive experience. In response to a suggestion, it was agreed that a report on the results from the Viewpoint Survey would be presented to Audit Committee.

In response to a question, the Director of Corporate Services confirmed that the review of the Employee Review and Development (ERD) process was progressing as part of the Workforce Strategy. In response to a suggestion, the Committee agreed for an update on the ERD review to form part of the reporting to Committee on the Viewpoint Survey.

**Decision:**

The Committee noted the content of the report and approved the actions required.

35/15

**Audit Scotland and other External Audit Reports**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-29-15-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 summarised the main terms of the report.

Reference was made to the 2<sup>nd</sup> bullet point of Section 3.4, where the comment relating to the delayed reporting to Development Committee on “EA0026 Audit Scotland – Scotland’s Colleges 2015” was “No intended report date advised”. The Executive Manager – Audit, Risk and Improvement confirmed that no response had been received from the Lead Officer during the agenda management process. In response to comments from the Chair, the Executive Manager – Audit, Risk and Improvement undertook to again advise the Lead Officer that the report must be presented to the relevant committee in early course.

A Member sought clarity on the conclusion reached in regard to “EA0053 Accounts Commission – renewable energy report”, that the report does not require to be reported to Committee. The Executive Manager – Governance and Law suggested that should any Member take a different view, to have dialogue with the Chair of Development Committee for the report to be added to that agenda.

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

#### **Decision:**

The Committee:

- Considered the progress statements provided by Lead Officers in Appendix 1 to the report, making relevant comment on planned actions;
- Noted that some report have not been presented to the relevant functional Committees within the timescale required by the Policy, making comment or instructions accordingly; and
- Agreed that the report is presented every second cycle and any reports where no action is required will not be reported to Audit Committee.

36/15

#### **Audit Committee Business Programme 2015/16**

The Committee considered a report by the Team Leader – Administration (GL-45-15-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 regarding any changes or additions required to that Programme.

The Executive Manager – Governance and Law introduced the report.

During a brief discussion, it was agreed that the following reports would be added to the Business Programme for reporting on 9 February 2016:

- Community Care Resources - Key Audit Issues/Action Plan
- Viewpoint Survey/Employment Review and Development Update
- EA0026 Audit Scotland – Scotland’s Colleges 2015

#### **Decision:**

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

The meeting concluded at 12 noon.

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Chair