

MINUTES

B – Public

Audit Committee

Council Chamber, Town Hall, Lerwick

Wednesday 25 May 2016 at 10am

Present:

M Burgess	B Fox
A Manson	T Smith
M Stout	V Wishart

Apologies:

A Duncan	A Westlake
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In attendance (Officers):

C Ferguson, Director of Corporate Services
J Smith, Acting Executive Manager – Ports and Harbours
C McIntyre, Executive Manager – Audit, Risk and Improvement
J Belford, Executive Manager – Finance
K Adam, Solicitor
C Anderson, Senior Communications Officer
L Adamson, Committee Officer

Also in Attendance:

P Fraser, Audit Scotland
G Samson, Audit Scotland

Chairperson

In the absence of the Chair and Vice Chair, Mr Stout was appointed interim Chair.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The Committee confirmed the minutes of the meeting held on 13 April 2016 on the motion of Ms Wishart, seconded by Mr Burgess.

09/16 Audit Scotland and Other External Audit Reports

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-12-15-F), which provided an opportunity to consider and monitor progress on 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.

Decision:

The Committee:

- Considered the progress statements provided by Lead Officers in Appendix 1, and
- Noted that reports previously presented to Social Services Committee will now be presented to the IJB, and that reports may also be presented to the relevant Audit Committee.

10/16 **Review of Internal Controls 2015/16 and Action Plan – Shetland Islands Council and Shetland Islands Pension Fund**

The Committee considered a report by the Executive Manager – Finance (F-034-F), which presented the findings from the 2015/16 review of internal controls by Audit Scotland for both Shetland Islands Council (the Council) and Shetland Islands Pension Fund (the Pension Fund), and sought approval of the Action Plan to address the weaknesses identified.

The Executive Manager – Finance introduced the report.

Mr G Samson, Audit Scotland, advised that there were no significant findings from the review that would merit any change to the audit approach.

In response to questions, the Executive Manager – Finance reported on the current authorisation procedures for payment of invoices, being a manual system with an electronic element to allow automatic transmission of invoices around the Council. He confirmed that the planned action has already progressed and additional steps have been implemented to ensure expenditure is subject to appropriate authorisation.

On the motion of Ms Manson, seconded by Mr Burgess, the Committee approved the recommendation in the report.

Decision:

The Committee **RESOLVED** to:

- Note the 2015/16 Review of Internal Controls Report; and
- Approve the Action Plan at Appendix 1 to the report.

11/16 **Audit Scotland: Financial Reporting and Scrutiny: Why the Accounts Matter**

The Committee considered a report by the Executive Manager – Finance (F-036-F), which summarised the key findings arising from a review of financial reporting in all Councils and provides a series of questions for Members to consider as part of the scrutiny and approval process of the Annual Accounts.

In his introduction, the Executive Manager – Finance apologised for the late circulation of this report.

Ms P Fraser, Audit Scotland, advised that the list of questions as set out in the Audit Scotland Report will assist Members in the scrutiny and understanding of financial statements and better inform decision making going forward.

In response to comments from Members, the Executive Manager – Finance said that while it is necessary to present the full set of detailed financial statements, an

approach will also be taken to provide a separate simplified report on the accounts that highlights the key messages. Ms P Fraser, Audit Scotland, advised that the list of questions presented could be used as a framework for training for Members, and in particular for new Members on the Council.

In referring to Question 2 in the checklist, a Member sought assurance in terms of adequate checks and controls to deal with catastrophic events. The Executive Manager – Finance advised that while it is difficult to calculate risks from unknown situations he gave assurance on the different level of risks that are taken into account. He advised that the risks that may be faced in a year would be in terms of the budget setting process, and confirmed that there are different measures of contingency in the General Fund reserves should a catastrophic risk transpire.

The Executive Manager – Finance advised that while officers have a role to prepare the budgets, the input from Members and the information discussed at meetings and Seminars are extremely helpful when setting the budgets. The Director of Corporate Services referred to the next Building Better Budgets exercise that will take place during the summer and said that the increasing involvement by Members and the community has been extremely helpful and it is hoped this will continue.

In response to a comment, Ms P Fraser, Audit Scotland undertook to source information on how the Council compares to some other Local Authorities in terms of conduct of scrutiny and audit.

In response to a question, Ms P Fraser confirmed that Audit Scotland are aware that Members Seminars take place to discuss matters in depth prior to reporting at meetings, and that there are no formal records from these Seminars.

On the motion of Mr Fox, seconded by Mr T Smith, the Committee approved the recommendation in the report.

Decision:

The Committee **RESOLVED** to:

- Note the Audit Scotland: Financial Reporting and Scrutiny: Why the Accounts Matter report (Appendix 1); and
- Approve Appendix 1 of the report to be used as a framework for part of the covering report to the Annual Accounts.

12/16

Committee Business Programme 2016/17

The Committee considered a report by the Team Leader – Administration (GL-25-16-F), which informed of the planned business to be presented to Committee for the financial year 1 April 2016 to 31 March 2017 and sought discussion with Officers regarding any changes or additions required to that Programme.

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

Decision:

The Committee considered its planned business for the financial year 1 April 2016 to 31 March 2017 and **RESOLVED** to approve the Business Programme, as presented.

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

13/16 **Solan and Bonxie – Conclusion of Sale**

The Committee considered a report by the Director of Infrastructure Services which confirmed that the sale of Solan and Bonxie has been concluded and establishes the lessons learned from the procurement of the tugs Solan and Bonxie into a framework for risk mitigation for future vessel replacement projects.

The Acting Executive Manager – Ports and Harbours introduced the report and responded to questions.

(Ms Wishart left the meeting).

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

Decision:

The Committee:

- Noted the information in the report and appendices; and
- Considered the adequacy of the protective factors and control measures in addressing risk in future procurement exercises.

Mr Stout wished Mr Duncan a speedy recovery, and the Committee concurred.

The meeting concluded at 11.25am.

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Chair