

MINUTES

A & B

Audit Committee

Council Chamber, Town Hall, Lerwick

Wednesday 15 June 2016 at 2pm

Present:

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

Apologies:

A Manson
M Stout

In attendance (Officers):

J Belford, Executive Manager – Finance
C McIntyre, Executive Manager – Audit, Risk and Improvement
P Wishart, Solicitor
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 meeting held on 25 May 2016 on the motion of Ms Wishart, seconded by Mr Fox.

The Chair thanked Mr Stout for chairing the meeting at short notice, and also to the Committee for their good wishes during his recent absence from Council business.

14/16 Internal Audit – Annual Report 2015/16

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-13-15-F), which presented the Annual Report of the activity of the Internal Audit Service for 2015/16.

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

A Member made reference to the key issue identified from the audit of Planning – Development Management, that there was no Service Plan in place for 2015/16, and an explanation was sought in that regard. The Executive Manager - Audit, Risk and Improvement advised that while no Service Plan is in place, the Planning Service abide by the Planning Performance Framework national requirements. During a brief discussion, it was agreed that the Executive Manager – Planning

email Members of the Audit Committee to provide an explanation as to why a Service Plan is not in place.

Reference was made to the key audit issues identified from the audit of Asset and Properties, and further information was sought in terms of the rentals from third parties and whether there had been any breaches of Council policy, and also for an update on the "Corporate Landlord" model to evidence that the issues have been resolved. It was agreed for the Executive Manager – Capital Programme to email all Members in regard to the information sought.

Concern was expressed at the list of audit issues identified during the corporate review of the use of the Council's Vehicle Usage Policy. The Executive Manager – Audit, Risk and Improvement confirmed that the Vehicle Usage Policy was currently being reviewed by the Director of Infrastructure Services, and advised that the review has included discussion with the Council's Insurers. The Executive Manager – Audit, Risk and Improvement confirmed that the issues identified during the audit were being rectified and systems were being put in place to ensure procedures are followed and he agreed that a progress report would be a useful starting point. During the discussion, particular concern and alarm was reported in terms of the fourth bullet point, namely "drivers of Council vehicles are not always acquiring authorisation from insurance". During the discussion, assurance was sought that all drivers of Council vehicles are fully insured, as concern was highlighted at the potential consequences where one incident could result in a tragedy that would leave the Council wide open to liability. The Committee were advised that the issue where insurance had not been authorised related to two drivers, and it was confirmed that appropriate authorisation was now in place and the matter has been resolved. The Solicitor reported that the Council's Insurance Section had advised that a new form and procedures are in place which should ensure there is no repeat of instances where drivers of Council vehicles are not insured. He advised that policies and procedures are in place and that these should be followed to make sure employees are competent to drive, and that risks are diminished significantly when drivers undergo the required checks. He added, however, that there is still an element of risk should a driver not tell the truth, for example, on any health issues. The Executive Manager – Finance reported on the relationship between the Council getting formal insurance through its Insurer, and for the Council to choose to self insure, and on the need to strike the right balance while considering its position in terms of the extent to take on risks.

In response to a question, the Executive Manager – Audit, Risk and Improvement acknowledged that it is the responsibility of management to ensure staff have appropriate insurance cover to drive a Council vehicle.

A Member advised of his concern in terms of the statement that the "Vehicle Usage Policy in its current form is vague resulting in inconsistent application of policy requirements", and sought assurance for the Policy to be reviewed as soon as possible, and reported to this Committee. The Chair reported that the Policy had been reviewed approximately three years ago, when assurance had been given at that time that all matters had been resolved. He said that the recent audit issues identified are evidence that procedures are not being applied properly, and that monitoring is being overlooked. In that regard the Chair agreed for the Policy to be reviewed immediately, and he called for a detailed report to Committee. During the discussion, and in response to a question, it was agreed that the report would also inform on the number of Council employees insured to drive Council vehicles.

Concern was also expressed at the findings in the fifth bullet point, namely, “an employee is taking a vehicle home and also receiving essential car user allowance” where further information was sought as to the circumstances. The Executive Manager – Audit, Risk and Improvement advised that the issue identified related to one member of staff, who is no longer in receipt of essential care user allowance.

In response to a question, the Executive Manager – Audit, Risk and Improvement advised that the audit of the Vehicle Usage Policy had sampled 73 drivers of Council vehicles. He confirmed that the issues identified from the audit of the Policy have been reported at CMT and should therefore have been communicated across the Council.

Further information was sought in terms of audit issues identified during the Voluntary Severance audit. The Executive Manager – Audit, Risk and Improvement advised on the scope of the review, and confirmed that the decisions made on redundancies had been appropriate at the time.

In response to questions relating to the main findings from the Credit Card audit, the Executive Manager – Audit, Risk and Improvement clarified that credit card transactions were relatively small amounts, and credit cards are normally only used when there are no other options for payments to be made. The Executive Manager – Finance advised that currently there are approximately 20 credit cards authorised for use across the Council, and the cards are mainly used to book travel, and for low value items. He confirmed that the use of credit cards is clearly controlled, with a strict list of who is in receipt of the cards, with authorisation monitored on a monthly basis. The Executive Manager – Finance advised on the process that is followed for use of credit cards, which follows procurement and purchasing rules. In response to a comment, the Executive Manager – Finance acknowledged that the audit had identified a number of basic issues, which had been brought to his attention. He would therefore ensure that employees who have authorisation to use credit cards make the right purchasing decisions and follow the correct processes. In response to a question regarding the policy on procurement where repeat purchases on credit cards could lead to an accumulation of spend, the Executive Manager – Finance gave assurance that the Council’s Procurement Manager and the Procurement Team review all new commodities and expenditure on credit cards to estimate the total spend. He also advised on the recent approval by the Council of the Commissioning and Procurement Strategy, which sets out the processes in place across the Council to identify spend in terms of letting contracts.

(Mr Coutts left the meeting).

Reference was made to the additional issue identified from the Credit Card audit relating to the purchase of ICT equipment, where a comment was made in terms of compatibility to fit with the existing network and security arrangements of the Council. The Executive Manager – Finance gave assurance that face to face training is provided to staff receiving credit cards and will ensure this is highlighted and reinforce that ICT equipment is purchased centrally.

In response to questions, the Executive Manager – Audit, Risk and Improvement explained the terms of the audit undertaken on Contractual Agreements with Individuals, which had identified that appropriate contracts were not in place for two individuals. He confirmed however that the issues identified were being addressed. In response to a question as to whether smaller contracts being continually renewed could breach Council Policy, the Executive Manager – Finance gave

assurance that the Council continues to be vigilant in terms of letting contracts, and he advised on the new procurement rules that came into effect in April 2016. He advised on the obligation on the Council to receive best value assessments, where the invitation to tender defines the criteria in terms of price and quality. In referring to the audit issues identified, the Executive Manager – Finance advised on the need for documentation to be clear on contractual arrangements, and to be mindful in terms of smaller contracts. The Executive Manager – Audit, risk and Improvement confirmed that the policies and procedures that require to be followed in terms of contractual agreements have been reported to CMT. In response to questions, assurance was given in terms of checks that would be undertaken should it be necessary to confirm that a contractor is registered with the Inland Revenue. It was acknowledged however that a signed contract would greatly reduce the risk to the Council of any claims from the HMRC.

While a comment was made on the failures identified during the audits undertaken in 2015/16, reference were made to the covering report where it informed on staff development, performance on the Audit Plan, and confirmation in terms of the Council's Internal Audit Service compliance to Public Sector Internal Audit Standards. In that regard, the Executive Manager – Audit, Risk and Improvement and his team were thanked for their hard work, the positive outcomes and for the detail in the report.

In referring to the Annual Report from the Chair of the Chief Internal Auditors' Group, at Appendix 2, the Chair questioned the omission of any consideration of financial matters in the Group's vision as set out in Section 1.2. The Executive Manager – Audit, Risk and Improvement advised that he would relay the comment to the Group. The Chair referred to Section 2.1, where he noted that the meetings of the Group had been held in the central belt area. In that regard, he suggested that an invitation be sent for a future meeting of the Group to be held in Shetland. The Executive Manager – Audit, Risk and Improvement advised that he has on occasion suggested that a meeting be held in Shetland, however to date the cost of travel to Shetland has been a deterrent. He advised that he would however put forward the suggestion at the next meeting.

During debate, comments were made that the audit issues identified were generally isolated instances and while there was potential for ramifications to be serious, it was reassuring that Internal Audits are being undertaken and are being reported in an honest and open manner which can give assurance that any issues identified are addressed.

Decision:

The Committee noted the content of the Annual Report.

The meeting concluded at 2.55pm.

.....
Chair

