



MINUTES

A & B

Audit and Standards Committee
Council Chamber, Town Hall, Lerwick
Thursday 15 December 2011 at 2.00 p.m.

Present:

F B Grains	A T Doull
A G L Duncan	R S Henderson
G Robinson	J W G Wills

Apologies:

L F Baisley	C H J Miller
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In attendance (Officers):

B Lawrie, Interim Director – Corporate Services
C McIntyre, Executive Manager – Internal Audit
J Riise, Executive Manager – Governance and Law
H Sutherland, Head of Finance
M Gordon, Human Resources Adviser
J MacLeod, Single Status Project Manager
S Pearson, Safety and Risk Manager
L Adamson, Committee Officer

Chairperson

Mrs Grains, Chair of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

23/11 **Minutes**

The Minutes of Audit and Standards Committee held on 27 September 2011 were confirmed on the motion of Mr Henderson, seconded by Mr Duncan.

24/11 **Final Audited Accounts 2010/11**

A report by the Head of Finance (F-042-F) presented the final signed and audited accounts for 2010/11 for approval, and Audit Scotland's Annual Report on the 2010/11 Audit.

In introducing the report, the Head of Finance drew Members' attention to the risk areas raised by Audit Scotland during their audit of the accounts, and to the Action Plan that sets out how the issues are to be addressed. In response to a request,

the Head of Finance provided further explanation on each of the risk areas outlined in paragraph 3.3 of the report.

(Mr G Robinson attended the meeting).

During the discussion, the Interim Director – Corporate Services advised on progress with recruitment for the new Executive Manager of Finance, with the closing date for applications being 30 December. He reported on the Chief Executive's decision that the Executive Manager – Finance would be a full member of the Council's Senior Management Team, as this would be imperative in terms of financial control and to give strength to discussions on financial matters. Members advised of their support, and agreed that it was important that the Finance Officer was involved at the highest level of decision making.

The Chair advised on the Council's huge debt of gratitude to the Head of Finance in dealing with the accounts, and Members added their congratulations to the Head of Finance and her team at Finance.

In referring to the 1st point on the Action Plan, being the Group Accounts, the Interim Director – Corporate Services explained that even if the target date of September 2012 is met to include the results of the Shetland Charitable Trust (SCT) in the group accounts, there would remain a possibility that the Council's 2011/12 accounts would carry a qualification, and even if the SCT's structure is changed that would not necessarily remove the requirement for grouping. However it was hoped that the qualification would be removed for the 2012/13 accounts. In response to a question, the Interim Director explained that there were no financial hazards to the Council or other organisations in grouping accounts, however the Council is required to produce accurate accounts, which would include the SCT Accounts. The Chair requested that an update on the Group Accounts is reported to each meeting of the Committee to ensure progress, and a resolution is achieved.

Mrs Grains moved that the Committee approve the recommendations contained within the report. Mr Duncan seconded.

Decision:

The Committee considered the Annual Report, the Action Plan and the Finance Service Improvement Plan.

25/11

Pension Fund Final Audited Accounts 2010/11

Mr Duncan declared an interest in this item, and advised of his intention to leave the meeting during the discussion. Dr Wills declared an interest as a member of the Pension Fund, advised that his wife was also a member of the Pension Fund, and referred to the exemption whereby he could take part in the discussion. The Executive Manager – Governance and Law said that he had previously advised Members regarding the exemptions in the Councillors' Code of Conduct which relate specifically to Councillors' pensions, and there could be a reason why an individual Member may wish to leave the meeting during discussions relating to the Pension Fund.

(Mr Duncan left the meeting).

The Committee considered a report by the Head of Finance (F-049-F), which presented the final signed and audited Pension Fund accounts for 2010/11 for approval and Audit Scotland's Annual Report on the 2010/11 Audit.

After hearing the Head of Finance introduce the report, Mrs Grains moved that the Committee approve the recommendations contained within the report. Mr Robinson seconded.

Decision:

The Committee RECOMMENDED that the Council:-

- a) approve the final signed and audited Pension Fund accounts for 2010/11; and
- b) note Audit Scotland's Annual Report on the 2010/11 Audit and approve the Action Plan.

(Mr Duncan returned to the meeting).

26/11

Internal Audit – Six-monthly Internal Audit Progress Report 2010/11

A report by the Executive Manager – Internal Audit (F-050-F) presented Members with details of progress made to date against the Audit Plan approved for 2011/12, and highlighted the main issues identified during Internal Audit assignments.

After introducing the report, and in response to questions, the Executive Manager – Internal Audit provided updates on the following key audit issues:

Community Care

The main issue related to the large number of people undertaking relief work as opposed to contracted staff in Community Care, which costs over £1 million per year. The Executive Manager understood work is ongoing to establish the actual requirement for FTE staff for each Unit. Members acknowledged that it can be difficult to balance client requirements with allocating resources, and it was suggested that contracts of employment could be reviewed.

Social Care – Children's Services

An Action Plan has been drawn up to ensure the issues identified are resolved.

Housing

Mr Duncan congratulated the Executive Manager, and his staff, on the key issue identified in relation to overtime working that was being routinely worked without prior authorisation, costing approximately £100,000 per year.

Performance Reviews

Following evidence that a significant number of performance reviews had not been performed last year, a report has been presented to CMT, and Directors given responsibility for improvements to be made through an agreed Action Plan. A Member questioned whether there could be a possible correlation between the current lack of focus given to performance reviews and sickness absences.

Audit Reports

The Executive Manager – Internal Audit reminded Members that all Audit reports were available on the Internet. The Chair requested that reports on the main issues

identified are passed to the relevant Committees, and she congratulated the Service on its continued accreditation.

Mr Robinson moved that the Committee approve the recommendation in the report. Dr Wills seconded.

Decision:

The Committee RESOLVED that the six-monthly progress for Internal Audit in 2011/12 was satisfactory.

27/11

Audit Scotland Reports

The Committee considered a report by the Executive Manager (IP-003-F), which provided a number of links to recent Audit Scotland reports.

Decision:

The Committee noted the contents of the report.

28/11

Scrutiny and Performance Management Review

The Committee considered a report by the Executive Manager - Improvement and Performance (IP-002-F), which provided information regarding managerial, Committee and Council scrutiny and performance activity since approval of the Council's new governance structure and planning and performance management framework earlier this year.

The Interim Director – Corporate Services provided an update on the proposals to improve performance management reporting, and advised that a report would be prepared in February/March to highlight the improvements, which would be linked to an update from other Councils.

Mr Robinson moved that the Committee approve the recommendations contained within the report. Mr Henderson seconded.

Decision:

The Committee RECOMMENDED to the Executive Committee that:

- 1) All Committees receive a review of progress from relevant Directors in the next cycle against their PPMF work plan approved in June 2011, followed by a summary report by the Executive Manager – Improvement and Performance to the next Audit and Standards Committee meeting.
- 2) The Executive Manager – Improvement and Performance reports a detailed statement of managerial Performance Management activity to that same meeting.
- 3) The annual report from the Monitoring Officer reviewing the Council's Code of Corporate Governance is also reported to that same meeting.

29/11

Overtime Trends

The Committee considered a report by the Single Status Project Manager (HR-010-F), which provided information regarding the extent and cost of overtime worked during the 14 months to September 2011.

In introducing the report, the Project Manager highlighted the marked reduction in the cost of overtime over the past year, and advised that an instruction had been circulated to staff to encourage a moratorium on overtime wherever possible.

During the discussion, requests were made for future overtime reports to include a trend line in the graphs, that the monthly overtime trends be given in hours, and some detail provided on the reasons for the peaks and troughs in the overtime worked.

Mr Duncan acknowledged the reduction in overtime costs, however he said that the level of overtime worked in the Council was still too high, when savings have to be made. In response to questions, it was explained that the double-manning of the snow plough was a safety requirement, the current practice whereby the crew of the Yell Sound ferry work 5 hours overtime per week would be picked up during the review of ferry operations, and that general discussions on employees terms and conditions would form part of the Council's restructuring process.

In referring to the summary of overtime costs by service area at Appendix A, Mr Duncan congratulated the Head of Community Care on the significant reduction in overtime working within Community Care within the past year. He also thanked the Project Manager for the work involved in preparing the report.

Decision:

The Committee noted the extent of overtime worked and actions taken.

30/11

Sickness Absence Patterns

A report (HR-011-F) by the Single Status Project Manager presented data on weekly and monthly sickness absence rates in the past year.

The Project Manager introduced the report.

In response to questions, the Human Resources Adviser explained that she was in regular contact with the NHS and was keen to learn from their improvements in reducing sickness levels. She referred to the NHS's clear management culture whereby all return to work interviews are expected to be carried out, which she said was an aspiration of the Council.

In response to a question regarding the increase in single day absences being on a Monday and two-day absences on Monday/Tuesdays, the Human Resources Adviser explained that if a sickness pattern was emerging the expectation would be that this would be addressed during the Return to Work Interviews between the employee and Manager.

The Chair requested further detail on the Council's short-term/long-term sickness ratio.

In response to a question regarding the difference in absence levels between teaching and non-teaching staff, the Interim Director – Corporate Services explained that the methodology for recording teachers absences was different from non-teaching staff. The Human Resources Adviser said it was important to recognise that the majority of staff have extremely good attendance records, and where a service may appear to have a bad attendance record this could be due to one

employee's long-term sickness absence. Dr Wills said that it was important that Managers comply with the current Policy, and although he acknowledged that there was room for improvement he said that most staff do their best to attend work where possible. Dr Wills moved that the Committee approve the recommendations contained within the report. Mr Robinson seconded.

The Interim Director – Corporate Services advised that it would be appropriate to remind all Managers of their responsibilities in relation to the Absence Management Policy and practices. He added that the Policy would be reviewed as part of the restructuring review, and Managers held accountable if they fail to adhere to Policy.

Following a brief discussion on the scope of the recommendation, Dr Wills confirmed that his motion included a reminder to Managers of the expectation that all Return to Work Interviews are to be carried out according to Policy.

Decision:

The Committee noted the report, and made the following comment on the Council's Sickness Absence levels:

- That all Managers are reminded that Return to Work Interviews are to be carried out according to Policy.

31/11

Audit and Standards Committee – Matters Arising

The Committee considered the report by the Single Status Project Manager (HR-012-F).

In introducing the report, the Project Manager – Audit and Standards Support advised that there was currently no "work programme" for the Committee, with most issues having been completed or passed for action to the relevant Committee.

In referring to Section 3.3 of the report, Mr Duncan requested that all costs associated with damage to Council houses are recorded, and the information passed to the Social Services Committee.

Decision:

The Committee noted the contents of the report, and highlighted the following issue to be taken forward:

- All costs associated with damage to Council houses should be recorded, and the information passed to the Social Services Committee.

32/11

Items for Future Discussion

The Committee agreed that consideration be given to including the following items on the work plan:

- Request for a report on the audit trail for the £1.9m contingent liability for the Viking Energy project.
- Invite newly appointed Directors to Committee for a general discussion on their Service areas.

- Full/worse case figures for total contingent liabilities, including information on the insurance fund.
- Council's investments, with a suggestion that ethical investments could be reviewed.
- Report on School Transport Policy, following concerns that changes to contracts could be detrimental to small rural businesses.

The meeting concluded at 3.45 p.m.

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Chair