

# MINUTES

# A & B

**Audit and Standards Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Thursday 16 February 2012 at 10.00 a.m.**

**Present:**

F B Grains	L F Baisley
A G L Duncan	R S Henderson
C H J Miller	G Robinson
J W G Wills	

**Apologies:**

A T Doull

**In attendance (Officers):**

N Grant, Director of Development Services  
M Craigie, Executive Manager – Transport Planning  
C McIntyre, Executive Manager – Internal Audit  
J Riise, Executive Manager – Governance and Law  
J Smith, Executive Manager – Improvement and Performance  
H Sutherland, Head of Finance  
J MacLeod, Performance and Improvement Adviser  
L Adamson, Committee Officer

**Also:**

C Hislop, Audit Scotland

**Chairperson**

Mrs Grains, Chair of the Committee, presided.

**Circular**

The circular calling the meeting was held as read.

**Declarations of Interest**

Mrs Miller declared an interest in Item 5 “Viking Energy Guarantee”, as a Trustee of Shetland Charitable Trust and appointed as a Director of Viking Energy. Mrs Miller confirmed that she would leave the Chamber during the discussion.

Mrs Baisley declared an interest in Item 5 “Viking Energy Guarantee” being a Trustee of Shetland Charitable Trust. As this was not a financial interest, she intended to take part in the discussion. Mr Duncan, Mr Henderson and Mr Robinson indicated an interest in similar terms.

01/12 **Minutes**

The Minutes of Audit and Standards Committee held on 15 December 2011 were confirmed on the motion of Mr Duncan, seconded by Mrs Grains.

**32/11 – Items for Future Discussion**

In referring to the request for a review of the Council’s ethical investments policy, Dr Wills said that in his opinion the report that had been presented to Executive Committee was incomplete, and he requested that the matter be brought to Audit and Standards Committee for further discussion.

In response to the request for an update on School Transport Policy, following concerns that changes to contracts could be detrimental to small rural businesses, the Executive Manager – Transport Planning reported on the decision to package bus contracts together, with public bus service and school transport contracts being put out to tender at the same time. This would give operators the opportunity to link routes more effectively, and encourage a larger degree of collaboration between operators. In response to questions, the Executive Manager confirmed that meetings would be held with operators to explain the proposals. He advised of the aspiration for operators to use buses equipped for multi-use, which would reduce the number of buses required, and he said that it was anticipated that operators would supply the vehicles. Members advised of their support for the proposals, which would generate efficiencies and rationalise Shetland's public transport network.

#### 02/12 **Audit and Standards Committee – Matters Arising**

A report by the Improvement and Performance Adviser (HR-013-F), provided updates on items from previous meetings, items raised by Members and any forthcoming or overdue "Work Programme" items.

The Improvement and Performance Adviser introduced the report.

In response to questions relating to the trial for electronic alternatives to paper agendas, assurance was given that the trial would be comprehensive, with potential to continue the trial into the new Council to ensure a full evaluation of the proposals.

The Committee noted the high absence rates reported on the sickness category "Mental Health and Behavioural", which would include stress related absences. Following an update on the level of support provided to Council employees who suffer from stress related issues, it was suggested that a report could be prepared for a future meeting of the Committee to consider the measures in place.

In response to questions concerning the Council's Policy on Return to Work Interviews, the Improvement and Performance Adviser gave assurance that a paper was to be presented to CMT next week with proposals that further emphasis be placed on return to work interviews and sickness absences.

During the discussion, Members referred to the Monthly Overtime Trend graph and commended the steady reduction in overtime working within the Council. Following suggestions from Members for the information on overtime working and absence levels to be provided in different formats, it was reported that future reporting in these areas would be more comprehensive and detailed.

#### **Decision:**

The Committee NOTED the contents of the report.

#### 03/12 **Audit Scotland Reports**

A report by the Executive Manager – Improvement and Performance (IP-004-F) presented a number of Audit Scotland Reports.

In introducing the report, the Executive Manager – Improvement and Performance advised that the Council's response to Audit Scotland's audit plans for the Council and the Pension Fund would be considered at the Council meeting in March.

Ms C Hislop, Audit Scotland, summarised the main terms of the Council's Annual Audit Plan.

In referring to the comments in the report relating to governance arrangements, Dr Wills advised of his concern with the new arrangements that fewer items are being presenting to Committees, which gives less opportunity for Members to scrutinise and ask questions on routine progress reports. He said that the management structure of the Council was still too top heavy, and that in his opinion, there is no requirement for a Director of Corporate Services, as the duties should be tasked to the Chief Executive. The current Corporate Services department should be amalgamated with the Chief Executive's department, and that there should be a permanent Chief Executive appointed for the new Council. Dr Wills also called for the word 'strategic' to be removed from all Council documents, and in relation to paragraph 28 of Audit Scotland's report, he considered that the report on the Council's financial position was rather optimistic.

In referring to the comments on Group Accounts, Dr Wills said that there had never been a requirement to group accounts. Dr Wills moved that the Committee request the Chief Executive to share with Members the Opinion the Council received from Roy Martin QC, on the grouping of accounts issue. Mr Robinson seconded.

Mrs Miller commented on the significant progress made in regards to the Council's financial management, and said that with the current stringent position with budgets and items for reviews the Council was going in the right direction. She referred to the improved liaison between Audit Scotland and Finance Service staff, and asked that any issues causing concern be reported to Members in early course.

During the discussion, some Members acknowledged that there had been a need for changes to the Council's Governance structure. However comments were made that the new structure had formed a gulf between Members on the Executive Committee and backbench Members, and did not allow for all Members to be involved in decision-making and debate. The new practice where motions are not accepted at meetings until directed by the Chair was also highlighted as an area that should be changed. The Chair commented that these issues would be reviewed in the new Council.

In response to questions from Dr Wills, the Head of Finance explained that the information he referred to showed the cost of each service, at source, in order that the cost of the Chief Executive Office and Corporate Services Department can be compared with the front line service departments. The overheads which are charged to the Housing Revenue Account, the Harbour Account and the Pension Fund are deducted in that Table, in order not to double count those costs. The Head of Finance said that she would prepare a short summary to explain the recharges system for Dr Wills.

Ms Hislop indicated that she would introduce Audit Scotland's report on the Pension Fund.

*(Mr Duncan declared an interest, and left the meeting. Mrs Miller declared an interest, as her son is an employee of the Council. Mrs Miller left the meeting).*

Ms Hislop summarised the main terms of the report on the Pension Fund.

The Chair congratulated Ms Hislop and the team at Audit Scotland, and Hazel Sutherland and Finance Staff for the work done in preparing the financial statements and in achieving a reduction in the Audit Fee.

**Decision:**

The Committee noted the contents of the report, and agreed that the Chief Executive write to Roy Martin QC, to seek legal opinion on the grouping of accounts, and that the response be shared with all Members.

*(Mr Duncan and Mrs Miller returned to the meeting).*

04/12     **Scrutiny and Performance Management Review**

A report by the Executive Manager – Improvement and Performance (IP-005-F) described an update on managerial, Committee and Council scrutiny and performance activity.

The Executive Manager – Improvement and Performance introduced the report.

During the discussion, Mr Duncan proposed that the report is presented to the first Audit and Standards Committee of the new Council to allow any concerns to be debated.

In response to comments relating to the function of the current Audit and Standards Committee, the Executive Manager – Governance and Law advised that the role and remit of the Committee had been approved as part of the Council's constitutional arrangements, and that the new Council would be provided with an induction in terms of Audit and Standards. He acknowledged that a proper balance has to be found in regards to when the Committee would be involved in scrutiny issues, and that this would be addressed by the new Committee, and taken forward as a piece of work in the new Council.

**Decision:**

The Committee NOTED the scrutiny and performance management activity, and encouraged Audit and Standards Committee Members of functional Committees to promote the discussion and consideration of the upcoming performance reports in this cycle.

05/12     **Contingent Liabilities**

A report by the Head of Finance (F-012-F) fulfilled a request for information from the previous meeting on “the full/worst case figures for total contingent liabilities, including information on the insurance fund”.

The Head of Finance summarised the main terms of the report.

**Decision:**

The Committee NOTED the contents of the report.

06/12     **Viking Energy Guarantee**

A joint report by the Director of Corporate Services and the Director of Development Services (F-013-F) fulfilled a request from the previous meeting for information on “the Audit Trail for the £1.9M contingent liability for the Viking Energy project”.

The Director of Development Services summarised the main terms of the report.

In response to questions from Members, it was reported that no upper limit had been set for the guarantee, but that the guarantee sum has been closely monitored and reviewed on a 6 monthly basis, and is reported in the Council's Accounts. It was clarified that the guarantee was not for the Viking Energy windfarm project, but for the interconnector, and was retained by the Council due to the significance of an inter-connector to Shetland, the need to be able to influence the project and to secure infrastructure for Shetland.

*(Mr Duncan left the meeting).*

During the discussion, Mr Robinson advised of his concerns relating to the reporting on the negotiations and the decision in relation to the guarantee. In response to comments, it was reported that discussions had taken place in regards to Shetland Charitable Trust taking on the guarantee, however these had not been fruitful towards a resolution.

#### **Decision:**

The Committee NOTED the contents of the report.

#### **07/12 Items for Future Discussion**

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

- An analysis of the total hours to be saved by Council staff in each ward or area as a result of the budget savings. This should show if any area is suffering a disproportionate reduction in service due to current Council cost-saving initiatives. This analysis should also indicate the gender split of any reduction in posts or hours.
- The new Audit and Standards Committee to conduct a thorough investigation on how the Council's current financial position has come about.
- The cost of the Council's Legal Services.

During and at the conclusion of the meeting, Members thanked Mrs Grains for the commitment involved while being Chair of the Committee during the term of this Council. The Committee concurred.

The meeting concluded at 11.50 a.m.

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Chair

