

MINUTES

A & B

**Audit and Standards Committee
Council Chamber, Town Hall, Lerwick
Tuesday 14 August 2012 at 10.00am**

Present:

A Duncan	J Wills
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 Gray, Executive Manager - Finance
C McIntyre, Executive Manager - Internal Audit
J Riise, Executive Manager - Governance and Law
R Sinclair, Executive Manager - Capital Programmes
J Smith, Executive Manager - Improvement and Performance
A Rolfe, Team Leader - Asset and Properties
C Anderson, Senior Communications Officer
J MacLeod, Performance and Improvement Adviser
L Adamson, Committee Officer

Chairperson

Mr A Duncan, Chair of the Committee, presided.

Circular

The circular calling the meeting was held as read.

In referring to the Audit and Standards Committee remit which includes the obligation to ensure that effective measures are in place for the management of risk and the health, safety and well being of the Council's staff, the Chair advised that during the last cycle of meetings, the Executive Committee and Council approved reports for improving the structures of both the Central Safety Committee and the Risk Management Board. In both instances, the Council's corporate management team have appointed a 'champion' for these functions who will be responsible to Chair the relevant Committee. As well as strengthen the reporting mechanisms, and the rigorous identification of management responsibilities for risks and safety, it is also important that managers are effectively trained to undertake their roles. The in-house training undertaken to National Standards has resulted in two managers being awarded first and second place for their examination results – Ms L Boxall, Head Teacher at Whiteness awarded 1st place, and Ms M Raiks, Head Teacher at Ollaberry receiving 2nd place. This was a great tribute to the individuals concerned but also to those who were responsible for preparing and delivering the Health and Safety training.

Declarations of Interest

Mr Duncan declared an interest in Item 4, "Review of Internal Controls 2011/12 and Action Plan", and would vacate the Chair during any discussion on the Pension Fund.

13/12

Minutes, and Action Updates

The Minutes of Audit and Standards Committee meeting held on 7 June 2012 were confirmed on the motion of Dr Wills, seconded by Ms Wishart.

09/12 – Assurance and Improvement Plan 2012-15

National Scrutiny Plan for Local Government 2012/13

Mr Fox provided the Committee with a synopsis from his attendance at a Scotland Excel meeting in Glasgow, in June. He advised that the meeting had included an informative presentation on the advantages and pitfalls relating to procurement (he undertook to circulate the slides to all Members). Mr Fox advised that he had found the meeting very useful and had been impressed with the work being undertaken by Scotland Excel. He had subsequently met with the Council's Procurement Team and the Executive Manager – Capital Programmes, who are happy with the benefits the Council is receiving from Scotland Excel.

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32/12 - Matters Arising

In response to questions, Members were reassured that the issue of ethical investments will be addressed in the Fund Managers Review, and the Executive Manager – Finance agreed to follow up on the offer of free advice on ethical investments from Ethical Investment Research Service, London.

11/12 – Internal Audit – Annual Report 2011/12 and Operational Plan 2012/13

Employee Performance Reviews

In response to a question, the Executive Manager advised that a corporate review of Employee Performance Reviews would be undertaken to run concurrently with a corporate review of absence management.

14/12 Matters Arising

A report by the Performance and Improvement Adviser (IP-15-F) presented an update on items from previous meetings, items raised by Members and forthcoming or overdue Work Programme items.

Absence Management

Reference was made to correspondence circulated in some service areas, reporting to staff on the achievement that more than half of Council employees had not had a day's sickness absence in the last year. It was noted that this information could be conceived as insensitive reporting to staff who have had to be absent from work due to ill health during that time, but it was also a good news story in terms of reporting good practice within the Council.

Impact of Savings in Ward Areas

In response to questions, the Performance and Improvement Adviser explained that many proposed savings are still at the review stage, and impacts will only become apparent following an evaluation assessment of each area of budget savings, which will be reported to Council.

Concern was expressed regarding the need for the public to be made aware of the Council's serious financial situation and on the level of savings being achieved. The Executive Manager – Finance advised that Members and the public would be informed on the level of savings at Quarter 1, commencing at tomorrow's meeting of the Environment and Transport Committee. This will provide an opportunity for discussions to take place with officers on any areas where the necessary savings are not being met.

Similar reports will be presented at each functional Committee, the Executive Committee, and at the Council meeting on 20 September.

During the discussion, the Executive Manager – Finance reassured Members that savings were being made, and a clearer picture of performance against savings targets will be reported to Council on 20 September.

The Executive Manager – Finance reported that so far this year the draw on reserves has been £4m, compared to £12m at this time last year. In response to a question, the Executive Manager – Finance advised that should Members agree to lower the floor of reserves this would drive the speed of savings that have to be achieved and form the budget for 2013/14.

The Executive Manager – Finance confirmed that meetings were being held with Union representatives to discuss the financial situation.

Capital and Procurement Issues

The Executive Manager – Capital Programmes reported that work was progressing on the disposal of empty Council premises, and details of affected properties are included in the Asset Strategy and draft Implementation Plan.

Following some discussion on the request at the previous meeting for a report on “Properties with Peppercorn Rents”, the Executive Manager – Capital Programmes undertook to prepare a paper. It was suggested that the report should include any alternative options for increased income to the Council, and address the legal risks relating to the occupiers, maintenance and other liabilities but at the same time addressing also the opportunities that may be available.

Financial Investigation

Reference was made to the request at the February meeting of Audit and Standards Committee for a “thorough investigation on how the Council’s current financial situation has come about”, and to the question of whether a thorough investigation would be considered the best use of Council resources at this time. During the discussion, Members were of the opinion that some level of explanation was needed to inform Members and the wider public, and to ensure lessons are learned from past mistakes and bad practise. The Director of Corporate Services advised that information could be collated which would inform on how the Council got into this financial situation, and a report presented to the December Committee.

Decision:

The Committee **NOTED** the contents of the report.

15/12 **Audit and Standards Work Programme**

A report by the Executive Manager - Performance and Improvement (IP-14-F) set out proposals for a forward work programme for the Audit and Standards Committee.

In introducing the report, the Executive Manager – Performance and Improvement provided a summary of the main themes which would form an agenda for meetings of the Committee, being external scrutiny, internal scrutiny, Committee focus and Members business focus. He advised that the proposed format would be discussed further at the Audit and Standards Committee training on 30 August.

Dr Wills advised of his support for the new format for meetings, which would involve regular discussions with Chairs of Committees and proposals for positive reporting on good practise.

Mr Duncan moved that the Committee approve the recommendations in the report, and that the Audit and Standards Committee Work Programme be commended to the Council. Mr Stout seconded.

Decision:

The Committee endorsed the proposals for the Audit and Standards Committee forward work programme, and it was recommended that the Work Programme be commended to the Council.

16/12 Audit Scotland Reports

A report by the Performance and Improvement Adviser (IP-16-F) provided links to reports produced by Audit Scotland since the last meeting of the Committee.

In the absence of a representative from Audit Scotland, the Performance and Improvement Adviser introduced the report. He advised that the paper most relevant to the Council was the report "Midlothian Council: The Audit and Best Value and Community Planning". The Performance and Improvement Adviser said that any questions would be passed to Audit Scotland, and could be reported at the next meeting.

In response to a query from the Chair, it was suggested that video conferencing facilities could be utilised in instances where Audit Scotland representatives are not in Shetland at the time of a Committee meeting.

Decision:

The Committee **NOTED** the contents of the report and the links to the various reports produced by Audit Scotland.

17/12 Review of Internal Controls 2011/12 and Action Plan

The Committee considered a report by the Executive Manager – Finance (F-033-F), which presented the findings of the review of internal controls by Audit Scotland in relation to the 2011/12 Council accounts and Pension Fund accounts.

In introducing the report, the Executive Manager – Finance advised on Audit Scotland's key findings from the audit of internal controls, that "Our overall assessment is that the key controls operating over the Council's main financial systems are operating satisfactorily." He provided a summary of the issues that had been identified during the review, and the actions required by the Council.

In response to a question on the audit findings relating to the use of corporate credit cards, the Executive Manager – Finance advised that the Council currently has 66 credit cards, which are mainly used when there is no easier alternative to make payment, for example, for booking flights and internet payments. In response to a report on an instance when a Member had to make payment for flights using their own credit card, and claim back the amount, and to a suggestion that there could be unfairness in credit card use between employees and Members, the Executive Manager – Finance said that he was not aware of any disparity, but he would look into the situation.

In response to a comment from a Member regarding the length of time between road improvement works being carried out at his property and the invoice being submitted, the Executive Manager – Finance undertook to look at ways to improve on current procedures.

In response to a comment regarding the proposed completion date for the majority of key actions being 31 March 2013, the Executive Manager – Finance explained that the date for the next review by Audit Scotland was March 2013, however he reassured Members that all actions would be in place before the review date.

(Mr Duncan left the meeting).

(Dr Wills, Vice Chair, took the Chair).

The Executive Manager – Finance provided a summary of Audit Scotland's findings in relation to Pension investments, and confirmed that the planned management action would be incorporated in the overall Pension Fund Investments review.

(Mr Duncan returned to the meeting and resumed the Chair).

Dr Wills moved that the Committee approve the recommendation in the report. Ms Manson seconded.

Decision:

The Committee **RECOMMENDED** to the Executive Committee approval of the Action Plan.

18/12 Items for Future Discussion

Members of the Committee were asked to consider items for future inclusion into the work programme, for discussion at the Audit and Standards Committee training on 30 August.

The meeting concluded at 11.10am

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Chair