

# MINUTES

# A & B

**Audit and Standards Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Thursday 27 September 2012 at 10.00am**

**Present:**

|            |           |
|------------|-----------|
| S Coutts   | B Fox     |
| T Smith    | M Stout   |
| A Westlake | V Wishart |

**Apologies:**

|          |          |
|----------|----------|
| A Duncan | A Manson |
| J Wills  |          |

**In attendance (Officers):**

P Crossland, Director of Infrastructure Services  
D Coupe, Executive Manager - Roads Maintenance  
J Gray, Executive Manager - Finance  
C McIntyre, Executive Manager - Internal Audit  
N Sneddon, Financial Accountant  
R Wood, Assistant Accountant  
J MacLeod, Performance and Improvement Adviser  
A Cogle, Team Leader - Administration  
L Adamson, Committee Officer

**Also:**

G Cleaver, SIC  
C Hislop, Audit Scotland  
D McConnell, Audit Scotland  
I Lochhead, Audit Scotland

**Chairperson**

In the absence of the Chair and Vice-Chair, Ms Wishart was appointed interim Chair.

**Circular**

The circular calling the meeting was held as read.

**Declarations of Interest**

None.

19/12     **Minutes, and Action Updates**

The Minutes of Audit and Standards Committee meeting held on 14 August 2012 were confirmed on the motion of Mr Stout, seconded by Mr Smith.

There were no matters arising.

20/12     **Statutory Performance Indicators**

A report by the Performance and Improvement Adviser (IP-17-12-F) presented the Statutory Performance Indicators for 2011-12.

In introducing the report, the Performance and Improvement Adviser reported that a comprehensive report would be prepared for the next meeting reporting on SPI comparisons with other Local Authorities.

During the discussion Members expressed their concern at the increases reported on the Sickness Absence performance indicators, being significantly higher than the national average and that this issue could be costing the Council approximately £3m per annum in lost production. The Performance and Improvement Adviser reported that the Council's Promoting Attendance Group have been actively progressing improvements to absence management procedures and policies within the Council and would be reporting on the progress made within the next 2 months.

In response to questions, the Performance and Improvement Adviser explained the Council's policy on managing sickness absence, which follows national requirements, and advised that he would provide further clarification with regard to self-certification criteria in the follow up report. He also undertook to provide Mr Cleaver with revised figures for sickness absence for teaching staff and all other Local Government employees relative to the number of days worked per year.

With reference made to the two Housing Quality indicators that reported a worse return than last year and to the strain on the Council's Housing budget, assurance was sought that the Housing Service was working towards improving the outcomes. The Performance and Improvement Adviser said that he would expect the Council would compare favourably on the housing indicators to other Local Authorities in Scotland. It was reported that the National Targets for Scottish Housing Standards was to achieve 100% by 2015.

Regarding the Carriageway Condition Indicator, which has reported a steady increase in the percentage of road network that should be considered for maintenance treatment, the Director of Infrastructure Services said that given the current financial situation priority would be given to carriageway maintenance rather than non-statutory functions and this should result in an improved result for this indicator in future years.

During the discussion, and in response to concerns from Members, it was agreed that further analysis and explanation was required on the following indicators, with reports presented to the next meeting of the Committee:

- The 5 Indicators reporting worse than last year relating to Adult Social Work/Home Care.
- Indicator 23a, which reported a 30% increase in the net cost per property for refuse collection.
- The 2 Indicators reporting worse than last year relating to "Development Services".

#### **Decision:**

The Committee **RESOLVED** to review the contents of the report and highlighted a number of areas for further investigation and reporting.

A report by the Performance and Improvement Adviser (IP-18-12-F) provided links to reports produced by Audit Scotland since the last meeting of the Audit and Standards Committee.

#### Shetland Islands Council – Maintaining Scotland’s Roads – Follow-Up report

In response to questions, the Executive Manager – Roads Maintenance advised that the Council’s Roads Service has been a member of the Association of Public Service Excellence (APSE) for a number of years and actively communicates with other Local Authorities in Scotland and England to assess and compare performance on winter maintenance, highways and street lighting. He confirmed that the Roads Service recycle roads materials, which saves on quarrying expenses and is a cost effective process. In regards to the requirement to update the Road Asset Management Plan (RAMP), he advised that the work was an ongoing process and confirmed that staff resources were available.

#### Managing ICT Contracts

Following a request for assurance that the Council’s IT Contracts are being managed efficiently, it was agreed that an update report should be sought from the ICT Management Board.

#### **Decision:**

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

22/12

#### **Pension Fund Final Audited Accounts 2011/12**

The Committee considered a report by the Executive Manager - Finance (F-045-F), which presented the final signed and audited Pension Fund accounts for 2011/12 and received Audit Scotland’s Annual Report on the 2011/12 Audit.

Ms Hislop, Audit Scotland, referred to the good quality of the financial accounts and working papers that had been received prior to the deadline of the end of June. She summarised the findings of the Audit, advising that no weaknesses in the accounting and internal control systems had been identified. One minor issue had been highlighted in regards to the accounting of death gratuity grants and the necessary adjustment had been made. In concluding, Ms Hislop confirmed the Accounts as being unqualified, and thanked all the staff that had been involved in the preparation of the Pension Fund Accounts.

The Executive Manager – Finance thanked the members of the Audit Scotland team who have worked with staff in the Finance Service to reach the unqualified opinion on the Pension Fund Accounts. He also thanked the staff in the Finance Service, and in particular Ruth Wood, Assistant Accountant.

In response to questions relating to the performance of the Pension Fund Fund Managers during 2011/12, the Executive Manager – Finance advised that a meeting had been arranged with the Council’s Fund Managers in the next few weeks and he would report back to Committee following that meeting.

Mr Stout congratulated everybody that had been involved in preparing the unqualified Pension Fund accounts. The Committee concurred.

Mr Coutts moved that the Committee approve the recommendations contained in the report. Mr Fox seconded.

## **Decision:**

The Committee **RECOMMENDED** that the Council resolve to:

- Note the final signed and audited Pension Fund accounts for 2011/12;
- Note Audit Scotland's Annual Report on the 2011/12 Audit; and
- Approve the resolution to address the matter arising.

23/12

### **Final Audited Accounts 2011/12**

The Committee considered a report by the Executive Manager – Finance (F-044-F), which presented the final signed and audited accounts for 2011/12 and received Audit Scotland's report to those charged with governance on the 2011/12 Audit.

In introducing the findings from the Audit, Mr D McConnell, Audit Scotland, confirmed that the accounts were unqualified for the first time in 6 years with the inclusion of the SCT Accounts. He remarked on the excellent outcome and conveyed thanks to all concerned in preparing the accounts. Ms Hislop, Audit Scotland, advised that the financial statements for the Council had been received in advance of the required deadline of 30 June, and the draft accounts were of a good standard and supported by good working papers. Mrs Hislop thanked the staff in the Finance Service for their assistance during the audit process, and she looked forward to working together in the future.

The Executive Manager – Finance made reference to the £37.5m draw on reserves, and on the aim to bring it to a more sustainable position. He welcomed the comments from Audit Scotland in regards to the quality of the accounts, to the report that the accounts will compare favourably with other Local Authorities in Scotland, and on the good working relationship between Audit Scotland and the team in the Finance Service. He thanked the team at Finance, and in particular Neil Sneddon, Financial Accountant, for all the work involved in the preparation of the accounts.

In response to questions, the Executive Manager – Finance confirmed that the Council would not take any additional liability with grouping the SCT accounts with that of the Council. He explained that the grouping of accounts was an accounting standards requirement to bring in certain bodies based on accounting rules, rather than a legal definition.

During the discussion that followed, some Members expressed their thanks to the Executive Manager – Finance, the staff in the Finance Service and the Audit Scotland team for the work involved in preparing the unqualified accounts.

In response to questions, the Executive Manager – Finance said that in his opinion the grouping of the SCT accounts had never been a significant issue. Ms Hislop added that in previous years Audit Scotland had put forward the view that it was not a major exercise to consolidate accounts however the decision had been taken not to group the SCT accounts. It was reported that the requirement to group the SCT accounts in future years would be dependent on the nature of the new governance arrangements of the Trust, and would be subject to external audit opinion.

Mr Smith moved that the Committee approve the recommendation in the report.  
Mr Fox seconded.

**Decision:**

The Committee **RECOMMENDED** that the Council resolve to:

- Approve the final signed and audited accounts for 2011/12; and
- Note Audit Scotland's report to those charged with governance on the 2011/12 Audit.

24/12

**Items for Future Discussion**

The Performance and Improvement Adviser reported that a Seminar is to be arranged in early November to agree the Committee's future Work Programme.

The Director of Infrastructure Services advised that the Infrastructure Services Performance Indicators will be reported to Environment and Transport Committee, and he will report to a future meeting of the Audit and Standards Committee.

The meeting concluded at 10.45am

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Interim-Chair