

# MINUTES

## A & B - Public

**Audit and Standards Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Thursday 7 March 2013 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):**

P Crossland, Director of Infrastructure Services  
N Grant, Director of Development Services  
S Shaw, Director of Community Care Services  
R Sinclair, Executive Manager – Capital Programme  
J Smith, Executive Manager – Performance and Improvement  
H Tait, Accountancy Team Leader  
A Cogle, Team Leader - Administration  
L Adamson, Committee Officer

### **Also:**

M Bell, SIC  
C Hislop, Audit Scotland

### **Chairperson**

Mr A Duncan, Chair of the Committee, presided.

### **Circular**

The circular calling the meeting was held as read.

### **Declarations of Interest**

Mr Duncan advised that he would take no part in any discussions relating to the Pension Fund.

### **01/13      Minutes and Action Updates**

The Minutes of Audit and Standards Committee held on 13 December 2012 were confirmed on the motion of Mr Smith, seconded by Mr Fox.

### **02/13      Matters Arising**

A report by the Performance and Improvement Adviser (IP-04-13-F) provided an update on items from previous meetings, items raised by Members and any forthcoming or overdue "Work Programme" items.

Members raised a number of questions in relation to the response provided by the Executive Manager – Capital Programme following the request in June 2012 for reports on "Properties with Peppercorn Rents". During the discussion, Members requested a comprehensive report detailing all properties currently

owned by the Council, including those with peppercorn rents, properties leased on a commercial basis, and confirmation on the insurance status of each of the properties, to be presented to Audit and Standards Committee on 9 May.

In response to questions, the Executive Manager – Capital Programme confirmed that the Council's Asset Register, which is held by the Finance Service, contains details of all assets held by the Council. Members noted that the Capital Programme Service provides a valuation service on a 5 yearly basis, and that the data in the current Asset Register is to be transferred to Integra by the end of March.

Reference was made to the request in February 2012, for a report to Committee on the reduction in hours worked in wards/geographical areas as a result of budget savings. It was suggested that as the call for the report had been made during the previous Council and that the budgeting approach has now changed, that rather than the need for a specific report to Committee the effect of budget reductions would be reported through the normal budget monitoring process. The Committee agreed.

The Executive Manager – Performance and Improvement confirmed that the "Financial Investigation" report would be presented to the next meeting of the Committee in May.

In referring to the first graph of the Appendix "Percentage Rate of Sickness in the Whole Council from September 2011 – November 2012", the Chair enquired on the reasons for the significant reduction in sickness from March/April 2012 onwards. The Executive Manager – Performance and Improvement advised that he would e-mail Members with an explanation of what led to the improvement in sickness levels, and lessons that have been learned.

Reference was made to the statement provided by the Executive Manager – ICT in response to the assurance sought from Committee that the Council's ICT contracts are being managed efficiently. During the discussion, the Executive Manager – Performance and Improvement explained that the request from Committee had originated from a report from Audit Scotland reporting on 3 national contracts, and he confirmed that no particular issues have been raised with the Council's ICT projects and that, as requested by Committee, the Executive Manager – ICT had explained the arrangements in place. In response to questions, it was explained that PRINCE 2 is the process based method that the Council adheres to for effective management for ICT projects, and the system can be adapted in a manner appropriate to the scale of each project, with the required number of staff to manage the level of risks. The Director of Infrastructure Services advised on a piece of work being undertaken, which forms part of the change management process, to find out how many Council staff have gained PRINCE 2 qualifications at foundation and practitioner levels. The Director of Infrastructure Services undertook to e-mail the information to Members when it becomes available.

In referring to the Council's current spend on ICT projects, Mr Stout said that Members would benefit from further understanding, insight and assurance on the processes involved in managing ICT projects, and a request was made for a report to Committee from the ICT Management Board.

In response to a question, the Executive Manager – Performance and Improvement confirmed that the ICT Strategy will be presented to Executive Committee during the next cycle of meetings.

In referring paragraph 3.6 of the report, the Chair advised of his concerns regarding the Government's proposed changes to Welfare Reform, and the serious implications this will place on the Council, and on all Councils throughout Scotland. He reported on the anticipated increase in rental arrears, and advised on the need for the Council to be ahead of the game. In referring to paragraph 3.17, the Chair noted the significant increase in costs associated with the utilisation of B&B/hotel type accommodation for housing homeless applicants, and he questioned what extent the increase related to the provisions in the new Housing (Scotland) Act. During the discussion that followed, the Director of Development Services advised on the work being undertaken by the Executive Manager – Housing and her staff, and confirmed that a comprehensive report would be presented to Social Services Committee, which would provide an update on implications from the welfare reform proposals and inform on the increased spend on temporary accommodation at BB/hotels. He confirmed that the report would be prepared after the financial year end. Reference was made to a recent workshop where Members had been reassured that the Housing Service is aware of the situation, and a request was made for the Committee to be kept informed.

*(Dr Wills left the meeting).*

In referring to the comments provided by the Executive Manager – Roads in response to the request from Committee for information on measures to alleviate the ongoing decline in the condition of the road network, Mr Stout advised that he had some concern with the problems that will arise in the future when the condition of a proportion of the road network will come to the end of its useful life at a similar time. The Director of Infrastructure Services explained that in line with the medium term financial plan and the current spending plan, the Roads Service has to concentrate resources on maintaining the network, target treatments to areas that are deteriorating, and look to make best use of resources in terms of treatments, with the focus on extending the life of the network, rather than replacement.

Ms Manson moved that the Committee approve the recommendation in the report. Mr Stout seconded.

#### **Decision:**

The Committee noted the contents of the report, and highlighted issues that should be monitored or further addressed through this Committee, other Committees or Council management.

03/13

#### **Audit Scotland Reports**

A report by the Performance and Improvement Adviser (IP-05-13-F) provided links to reports produced by Audit Scotland since the last meeting of the Audit and Standards Committee.

In introducing the "Shetland Islands Council Annual Audit Plan 2012/13", Ms C Hislop, Senior Audit Manager, advised on Audit Scotland's responsibilities, their approach to the audit of the financial statements, and on the deadline for the

unaudited accounts and working papers to be submitted by 30 June 2013. Ms Hislop provided a summary of the issues and risks that will be kept under review as part of the audit, and Members noted the 9.3% reduction in the audit fee.

The Chair commented on the favourable report, but said it was important that work continues to rectify the outstanding issues.

In referring to paragraph 23 of the Plan, the Chair advised of his concern at the time being taken to progress up to date Departmental Risk Registers and to prepare the corporate Risk Register. Following a brief discussion, the Executive Manager – Performance and Improvement advised on the target date to present the Corporate Risk Register to Executive Committee in June, however he undertook to relay the Chair's concerns to the Corporate Management Team and to the Executive Manager – Governance and Law.

In response to a question regarding the decision by Internal Audit to develop the use of Covalent software, Ms Hislop explained that Internal Audit will follow the same working arrangements but the information will be recorded in a different way.

In response to a comment from the Chair regarding the audit fee and the possibility of further reductions in future years, Ms Hislop advised on the extent of the work undertaken by external auditors with the Council being a large organisation, and confirmed that the scope for further reductions would be monitored.

In referring to the audit work being undertaken on the Council's Fixed Asset Register, Mr Fox advised of his concern that the information was incomplete in regards to properties with peppercorn rents. Ms Hislop confirmed that this matter would be followed up by External Audit staff.

Ms Hislop introduced the "Shetland Islands Council Pension Fund Annual Audit Plan 2012/13". She summarised a number of the issues and risks, and it was confirmed that the Pension Fund budget for 2013/14 will be presented for approval this cycle. Members noted that the audit fee had reduced by 6%.

In response to a question relating to the linked "Protecting Consumers" report, it was advised that a report would be presented to Environment and Transport Committee on the potential for shared services/working in Trading Standards/Food Hygiene.

On the motion of Ms Manson, seconded by Mr Stout, the Committee approved the recommendation in the report.

#### **Decision:**

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

04/13

#### **Performance Benchmarking**

A report by the Executive Manager – Performance and Improvement (IP-06-13-F) presented the first public results from a national benchmarking exercise carried out across all Scottish Councils. The Benchmarking Data (Appendix 1)

was tabled at the meeting, which compared Shetland Islands Council's performance with other Scottish Councils.

In introducing the report, the Executive Manager – Performance and Improvement advised that the exercise should generate a set of costs, quality and satisfaction against key services across the whole of Scotland and help Local Authorities identify good practices and areas where improvements can be made. He asked Members will note that the data was not current and that it related to the activities of the previous Council.

In response to a request, the Executive Manager – Performance and Improvement advised that detailed analysis of the benchmarking data is provided on the national website, which would include island and rural comparisons, and he undertook to inform Members on the relevant comparative data between Shetland, Orkney and the Western Isles.

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

**Decision:**

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

05/13

**Items for Future Discussion**

The Committee agreed that further consideration be given to including the following items into a Work Plan:

- A request was made for the Committee to scrutinise the construction programme of the new AHS. It was agreed that the role of the Committee in scrutinising the project was to be confirmed.
- Discussions to be held with the Chair and Vice Chair of Committee on delivery of the overall change programme, and report back to Committee.
- Report requested to Committee on the processes and standard procedures followed by all Directorates in relation to procurement within the Council.
- Request for clarity and timescales for the Chairs and Vice-Chairs of the Committees to attend Audit and Standards Committee to discuss their Committee's work.
- Request for a full and comprehensive report on Mareel to be presented to a future meeting.

The meeting concluded at 11.40am.

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Chair

