

MINUTES

A & B - Public

Audit and Standards Committee
Council Chamber, Town Hall, Lerwick
Monday 23 September 2013 at 10am

Present:

A Duncan	S Coutts
B Fox	A Manson
M Stout	A Westlake
V Wishart	

Apologies:

T Smith	Dr J Wills
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In attendance (Officers):

M Boden, Chief Executive
J Gray, Executive Manager – Finance
C McIntyre, Executive Manager - Internal Audit
J Riise, Executive Manager – Governance and Law
J Smith, Executive Manager - Improvement and Performance
K Adam, Solicitor
M Gordon, Team Leader - Human Resources
C Bain, Treasury Accountant
G Gray, Financial Accountant
J MacLeod, Performance and Improvement Adviser
L Adamson, Committee Officer

Also Present

G Cleaver, SIC
C Hislop, Audit Scotland
I Lochhead, 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 Fox declared an interest in Item 4 “Pension Fund Final Audited Accounts 2012/13”, as his wife is a beneficiary of the Pension Fund through her employment at Shetland Amenity Trust. Mr Fox said that he had taken a judgement that this was not a significant interest, and he would therefore take part in the discussion.

Mr Duncan advised of an interest as a Trustee of Shetland Charitable Trust (SCT) and an interest in relation to his involvement in the former Police and Fire Boards.

Ms Westlake and Ms Manson declared an interest as Trustees of SCT.

Mr Duncan advised that he intended to vacate the Chair and leave the Chamber during Item 4 “Pension Fund Final Audited Accounts 2012/13”, as this item his wife is a beneficiary of the

Pension Fund. In the absence of the Vice-Chair, and following nominations, Mr Fox was appointed interim-Chair for agenda item 4.

19/13 **Minutes**

The Minutes of Audit and Standards Committee held 27 June 2013 were confirmed on the motion of Mr Fox, seconded by Ms Wishart.

20/13 **Committee Work Programme - Update**

A report by the Performance and Improvement Adviser (IP-16-13-F) provided an update on items from previous meetings, items raised by Members and any forthcoming or overdue "Work Programme" items.

In introducing the report, the Performance and Improvement Adviser highlighted the new title for this standing report to Committee, and provided updates as follows:

Procurement

The Committee were informed that revised Standing Orders had been approved by Council on 1 September 2013, which would address the request for a report as raised at Committee on 7 March 2013.

Committee Refresher Training

Members of the Committee were encouraged to complete the current on-line survey "Questions for Councillors" as the results would be used to focus the training event for Members of the Committee which will be run in November 2013. It was confirmed that the training would be provided to all Members at a later date.

Cash Security

The Committee noted the Council's current Cash Handling Procedures, attached as an appendix to the report, which addressed the issue relating to Cash Security raised at Committee on 9 May 2013.

Anderson High School – Knab Site

It was reported that an Officer Group had been set up to consider the future use of the Knab site.

In regard to the request made at Committee in May 2013 for a report on the £5m spent on the Anderson High School project at the Knab site, a number of suggestions were made on how best to progress this matter. During the discussion some Members supported the suggestion for a small Member/Officer Working Group to be tasked to review the project up until the end of the contract and report back to Committee. However some Members questioned the actual benefits from that exercise and whether it would be the best use of officers time when lessons have already been learned and resources could be better focused to determine the future use of the Knab site.

Following some further discussion, the Chief Executive made reference to the two day Project Management training recently provided to Senior Managers, and he suggested that the training could be provided to all Members with the case study being the AHS project at the Knab Site. Members welcomed this suggestion as a means to examine the project, which would give a better understanding of the processes that had been followed and lessons learned.

Community Care Staffing Levels

Members were advised that this work item is being taken forward by the Chief Executive, and will be reported to Committee in due course.

During the discussion, Mr Fox said that the information was needed as a priority to ensure Members are fully informed when making decisions relating to the Social Care Service.

In referring to the number of requests for updates on items from previous meetings included within the report where the information requested is to be “presented at a future meeting”, a request was made that an indication of when the information would be presented to Committee should be provided within the report. During the discussion it was noted that a number of issues included within the update report had ongoing litigation issues, and some other work would be addressed through the relevant service Committee. It was agreed however that projected timescales for when the information would be reported to Committee should be included in future “Committee Work Programme” reports.

Decision:

The Committee **RESOLVED** to note the contents of the report.

21/13

Audit Scotland Reports

A report by the Performance and Improvement Adviser (IP-17-13-F) provided links to reports produced by Audit Scotland since the last meeting of the Audit and Standards Committee.

In introducing the report, the Performance and Improvement Adviser reminded Members that the Audit Scotland reports provide valuable information to the Council on Scottish wide issues and projects.

Transport for Health and Social Care

The Chair outlined to Members one of the key messages from the report, that “The Scottish Government, Regional Transport Partnerships, Council, NHS Board and the ambulance service are not working together effectively to delivery transport for health and social care or making best use of resources”, and he asked for an update on improvements in this area locally. The Chief Executive confirmed that progress has been made and further improvements will transpire as the different organisations work together in a more co-ordinated way. He added that following conclusion of the public transport review, a review is to be undertaken on transport for adults with ASN.

Community Health Partnerships

In referring to page 2 of the report, the Chair outlined the key recommendations specific to NHS Boards and Councils, and enquired whether the recommendations had been followed up since June 2011. The Chief Executive advised that the extensive progress made to date is presented in a report to today’s meeting of the Social Services Committee, and that the current legislative compliance is in place and emerging changes will be addressed as required.

During the discussion, the Chair highlighted a number of the key issues from the linked reports, and Members acknowledged the importance for all relevant Committees and Boards to be informed and act on the findings in the Audit Scotland reports. In response to a question, the Executive Manager – Improvement and Performance said that a role of the Audit and Standards Committee in regard to

the information in the Audit Scotland reports is to act as an interface to encourage the information as regular business at the relevant Committees, and to be able to demonstrate that the issues have been taken onboard. In response to a suggestion, the Committee agreed for the table at Appendix A to be populated to inform on the relevant Committee, timescale and action taken to address the issues as reported from Audit Scotland.

Decision:

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

22/13

Statutory Performance Indicators

The Committee considered a report by the Performance Improvement Adviser (IP-15-13-F), which presented the Statutory Performance Indicators for 2012-13.

In introducing the report, the Performance and Improvement Adviser advised that the follow up report informing on the Council's performance in relation to other Local Authorities would be presented to Committee in November.

SPI23ai – Net Cost of Refuse Collection per Premise

Following a request for an explanation for the significant increase reported on the cost of refuse collection, it was confirmed that the information would be included in the update report to the next meeting.

SPI01.b.iii – The average number of working days per employee lost through sickness absence for: other Local Government Employees

In noting the improvement reported for 2012/13, the Chair commended the work undertaken by the Performance and Improvement Adviser and Team Leader - Human Resources on absence management within the Council. He added that statistics for April/May 2013 showed a marked improvement, and with the new Policy in place he anticipated further improvements will be achieved on sickness absence within the Council.

The Chair went on to advise that an area where he continued to have concern was in regard to the Council's Infection Control Policy, and queried whether there was a requirement for all staff working in care homes/caring for people in their home, who are absent from work with an infectious condition to be off work for a period of 48 hours following their last symptom. He understood the need for this constraint where staff are involved in the preparation of food but highlighted a discrepancy between the Council and NHS, where nursing staff are expected to report for work as soon as their symptoms have gone. The Chair said that if care staff could return to work earlier this would reduce overtime costs and ensure continuity and familiarity between the employee and client. The Team Leader - Human Resources advised that the new Maximising Attendance Policy allows for discussion between Manager and employee on whether any reasonable adjustments could be made or alternative duties undertaken that would allow the employee to return to work at an earlier time. She added that following the implementation of the new Policy in April the indication at this early stage is an improvement in the Council's absence figures and she anticipated that next year's SPIs would give a more favourable report.

During the discussion, reference was made to the link between absence from work and staff morale within the Council, and it was questioned whether there could be

any means to measure staff morale. The Team Leader - Human Resources advised of the staff Satisfaction Survey that is conducted every 2 years, and suggested that a Survey could be included within their work plan. Ms Westlake advised of her concern at the sickness absence figures as included in the report, and went on to question whether the findings from a questionnaire to staff would give a clear indication of staff morale within the Council. She suggested that with sickness absence rates at such a high level for a small authority to look at sickness absence from a cultural aspect would be more significant.

In response to questions, the Team Leader - Human Resources confirmed that lessons have been learned from the NHS absence management procedures, and she said that the Council has set clear expectations with clear roles and responsibilities for Managers and staff. The Team Leader - Human Resources commented that work was ongoing to change the culture in relation to the management of absences within the Council, and she suggested that a report could be presented to the next Committee to address the various issues raised by Members today. She went on to advise that the current focus is on ways to speed up monitoring of absences throughout the Council to ensure the information is more up to date when it is viewed by Members in performance reports such as the one before Members today.

SPI09ai – Number of people aged 65+ receiving homecare

The decrease in this SPI was questioned, given the Council's Policy for more provision for care in the home. It was agreed that further clarity would be provided in the update report to the next meeting.

SPI17.a.viii – Not low demand stock: Average time to re-let houses

A request was made for the number of houses that would be included within the 'Not low demand stock' category. This information would be made available in the update report to the next meeting.

SPI19.a.P.iv2 – Homelessness

A request was made for additional detail in the update report in regard to challenges facing the Housing Service with the Council to secure housing for the homeless.

The Committee were informed that a number of the titles of the SPIs were being changed, and would be more appropriate and meaningful to the Council in future years.

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

Decision

The Committee **RESOLVED** to review the Performance Indicators for 2012-13 and highlighted areas where further investigation was required.

(Mr Duncan left the meeting).

(Mr Fox took the Chair).

The Committee considered a report by the Executive Manager – Finance (F-046-F), which presented the final signed and audited Pension Fund accounts for 2012/13 and Audit Scotland's Annual Report on the 2012/13 Audit.

In introducing the report, the Executive Manager – Finance advised that he was pleased with the processes that had been followed, and he thanked the team in Finance, and in particular Colin Bain and Alan McIver, for the work undertaken in preparing the accounts.

Ms Hislop advised that Audit Scotland had received the financial statements ahead of the deadline accompanied by a good set of working papers. No financial adjustments had been found, with only minor changes to be made to the narrative sections. Ms Hislop thanked the staff in Finance who had been involved in the preparation of the Pension Fund accounts.

During the discussion, the Executive Manager – Finance provided clarity to Members on a number of areas of the Accounts. In response to a concern regarding potential implications to the Pension Fund and the Council should any of the admitted bodies go into liquidation, the Executive Manager – Finance explained the requirements on admitted bodies before they can become part of the Scheme and the process that would be followed should this situation arise.

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

Decision

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

- The final signed and audited Pension Fund accounts for 2012/13; and
- Audit Scotland's Annual Report on the 2102/13 Audit.

(Mr Duncan resumed the Chair).

The meeting adjourned for a short break at 11.40am

The meeting reconvened at 11.50am

24/13 **Final Audited Accounts 2012/13**

The Committee considered a report by the Executive Manager – Finance (F-043-F), which presented the final signed and audited accounts for 2012/13 and Audit Scotland's report to those charged with governance on the 2012/13 Audit.

In introducing the report, the Executive Manager – Finance advised that the work required in preparing the 2012/13 Final Accounts had been spread across a number of employees within the Finance Service, rather than in previous years when one member of Finance staff had been tasked to carry out the work. He said that this new arrangement had worked well. He thanked the team in Finance and Ms Hislop and the team in Audit Scotland for their contributions in preparing the accounts, and advised Members of several instances recently where he had been aware of Council's Accounts for 2012/13 being held as an example of good practice.

Ms Hislop, Audit Scotland, confirmed that the accounts had been delivered in advance of the required date and had been accompanied by a comprehensive set of working papers. She said that the Audit Scotland team had found that having a number of staff within the Finance Service involved in the preparation of the accounts had helped throughout the process. She advised that only minor adjustments had been identified during the Audit process, and confirmed that the Council's accounts have been highlighted in other Councils and by Audit Scotland as an area of good practice. Ms Hislop thanked the staff in Finance for their help during the Audit process and said that she looked forward to working with them again.

In response to questions from Members, it was explained that the change in accounting treatment of the Shetland Charitable Trust (SCT) as an associate of the Council is the approach taken in order to comply with accounting standards. In regard to the question of any conflict of interest for Trustees of the SCT, it was confirmed that Members who are Trustees of the SCT had rightly declared their interest in this matter at the start of the meeting. However it was advised that the grouping of the SCT was not considered as a financial interest, but rather a general financial interest, and therefore would be regarded as an exemption under the Councillors Code of Conduct.

In response to a request for clarity on the maintenance costs for the existing Anderson High School, the Executive Manager – Finance advised that he would provide Members with the budget allocation for 2013/14.

In response to a question, the Committee were informed that the letter of guarantee held by the Council on behalf of Viking Energy in respect of the potential interconnector link expired in March 2013, and has not been renewed. The Council has no locus in Viking Energy, and any decision to renew the guarantee would have to come before the Council.

In response to questions relating to the Council's lease arrangements for land at the Sullom Voe Terminal, it was advised that this was a historic arrangement between the Council, SCT and BP, and although it was acknowledged that this was not the most practical solution, the cost to the Council was minimal and related only to staff time to make the annual transaction.

Reference was made to Note 21 in the accounts, to the obligation on Councils to purchase Carbon Reduction Commitment allowances in relation to carbon dioxide emissions. It was advised that Councils effectively have to purchase credits to cover pollution levels, and this requirement was an incentive to encourage Council's to lower their carbon content.

(Mr Coutts left the meeting).

The Chair referred to the arrears reported in the Table on page 99 of the accounts, and expressed concern in regard to the significant increases at the "three to six months" and "more than one year" categories, and said that this was an area that should be monitored closely. The Executive Manager – Finance commented that a few debtors could skew the figures, and he undertook to provide Members with further analysis.

During the discussion, Members expressed their appreciation to the staff in the Finance Service and to the Audit Scotland team for the work undertaken during the preparation and audit of the accounts. Comments were made in regard to the good working relationship between staff in the Council's Finance Service and the Audit Scotland team and the significant improvements reported.

Mr Fox moved that the Committee approve the recommendation contained in the report. Ms Wishart seconded.

Decision

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

- approve the final signed and audited accounts for 2012/13; and
- note Audit Scotland's report to those charged with governance on the 2012/13 Audit.

25/13

Review of Internal Controls 2012/13

The Committee considered a report by the Executive Manager – Finance (F-047-F), which presented the findings of the review of internal controls by Audit Scotland in relation to the 2012/13 Council accounts and sought approval of the Action Plan to address the weaknesses identified.

The Executive Manager – Finance introduced the report.

Ms Hislop, Audit Scotland, advised that only minor issues had been highlighted during the audit, and in referring to Appendix A, she summarised the 8 Risk Areas that had been identified as areas for further improvement and the planned actions to rectify these. In response to questions, Ms Hislop advised that during the past 4 years the annual reviews have found the Council's systems of internal controls to be of a good standard. She added that Audit Scotland will continue to monitor progress which should result in a reduction in the audit fee.

Action Point 5 – Inventories

Concern was expressed that the risk identified during the previous year's audit relating to Ports and Harbours stock control arrangements had not been resolved. Assurance was given that the issue would be addressed at the next stock count.

Action Point 1 – Internal Audit – review of council contracts and tendering

With reference to the issues and breaches of standing orders highlighted by internal audit in their review of the Council's Contracts and Tendering, some Members questioned whether there was a need for further reviews of contracts to be carried out. It was reported that new Standing Orders for Contracts had recently been approved by the Council, with the emphasis now to ensure staff fully understand and apply the new Standing Orders robustly and consistently. The Executive Manager – Internal Audit confirmed that once the new procedures had bedded in a further corporate review would be undertaken by Internal Audit in accordance with the Audit Plan.

Mr Duncan moved that the Committee approve the recommendation contained in the report. Ms Westlake seconded.

Decision

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

26/13 **Items for Future Discussion**

A further report on sickness absence within the Council was requested, to focus on when staff are off work for more than 4 weeks and longer-term sickness.

A request was made for an audit to be undertaken to find out whether all Council employees meet the essential criteria requirement of their posts in regard to qualifications and experience. It was advised that a review of all posts had been undertaken during the Single Status project, and therefore it was suggested that in the first instance a discussion should take place with the Executive Manager – Human Resources to focus the request to move ahead.

Concern was expressed regarding the cost of mileage incurred because care workers are often travelling longer distances to provide care to clients in another area of Shetland when other care workers may live closer to that client. This practice was questioned when costs could be minimised by deploying staff to care for clients within the same locality. It was advised that mileage costs for Social Care staff are reported as part of the performance monitoring to Social Services Committee. If Members are not satisfied with improvements as reported to Social Services Committee, the issue could be directed to the Audit and Standards Committee.

The meeting concluded at 12.40pm.

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Chair

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Interim-Chair