

Item: 3



Orkney & Shetland Valuation Joint Board



Special Orkney and Shetland Valuation Joint Board
Remote – MS Teams
Monday 28 September 2020 at 3pm

A & B

Members:

Orkney

A Drever D Dawson
B Foulkes S Heddle
H Johnston

Shetland

A Cooper A Duncan
J Fraser G Smith
T Smith

Officers:

Orkney

J Mundell, Chief Executive, OIC
G Mitchell, Head of Legal Services, OIC
D Stevenson, Assessor and Electoral Registration Officer
G Waterson, Head of Finance Services, OIC

Shetland

M Sandison, Chief Executive, SIC
J Manson, Acting Proper Officer for Finance, SIC
J Riise, Executive Manager – Governance and Law, SIC
M Gordon, Executive Manager – Policy and Employment Support Team, HR, SIC
M Forrester, Senior Assistant Accountant, SIC
K Collins, Financial Accountant, SIC
L Adamson, Committee Officer, SIC

Also In Attendance:

C Healy, Audit Manager, Deloitte LLP

Apologies:

None

Circular

The circular calling the meeting was held as read.

Chairperson

Mr Drever, Convener of the Board, chaired the meeting.

Minutes

The Board confirmed the minutes of the meetings held on 20 August 2020, on the motion of Mr Dawson, seconded by Mr T Smith.

11/20 **Management Accounts 2020/21 - Projected Outturn at Period 4**

The Board considered a report by the Acting Proper Officer for Finance, SIC (VF-007-F) which presented the Management Accounts showing the projected outturn as at Period 4; the end of July 2020 [Appendix 1].

In introducing the report, the Acting Proper Officer for Finance advised that the activities of the Board have been impacted by the COVID-19 pandemic and therefore variances are different to what had been expected when the budget was set earlier in the year.

The Acting Proper Officer for Finance reported on the projected outturn underspend of £51k, which he said was largely due to the ongoing vacancy in the Depute Assessor role. He advised on the main variances as detailed in the appendices, and the Board noted the estimated financial impact of the COVID-19 pandemic, being a net saving of £21k during 2020/21.

There were no questions or debate, and the Board noted the report.

Decision:

The Board NOTED the report.

12/20 **Annual Audit Report on the 2019/20 Audit - Orkney & Shetland Valuation Joint Board**

The Board considered a report by the Acting Proper Officer for Finance, SIC, (VF-006-F) that presented the annual Audit Report and the Audited Accounts for 2019/20 [Appendix 2].

In his introduction, the Acting Proper Officer for Finance advised that the audit this year has taken place entirely remotely due to the COVID-19 pandemic. He said that while this had presented a number of challenges, given the circumstances, the process has worked quite well.

The Acting Proper Officer for Finance advised that since the draft financial statements were presented to the Board in July 2020, one material misstatement has been identified in respect of pension liability, and that correction has been made. One further error was noted in respect of pension liabilities, however that was not adjusted as it was below materiality. He advised that some further presentational changes were made, including to the Annual Governance Statement, in terms of the principles of good governance and where improvements can be made, as set out of pages 10 to 12 of Appendix 2. He advised that the external auditor has confirmed an unmodified

opinion, in that the annual accounts present a true and fair view of the Board's financial position at the year ended 31 March 2020.

In concluding, the Acting Proper Officer for Finance highlighted the three recommendations as a result of the audit, set out on page 39 of Appendix 1, which he said the Board would be encouraged to address in some urgency.

In introducing the audit report at Appendix 1, Mr Healy, Deloitte LLP, advised on the decision made for a wider scope audit to be undertaken this year. He referred to the exceptional circumstances with the audit being undertaken remotely, however he advised that despite all challenges the deadline to complete the audit by 30 September 2020 had been achieved. In that regard, he commended the staff of the Board, and officers in SIC and OIC.

Mr Healy outlined to the Board in detail the findings from the wider scope audit undertaken on the four wider audit dimensions, namely financial management, financial sustainability, governance and transparency and value for money. In referring to page 32, 'Best Value', Mr Healy provided a summary of the weaknesses identified during the audit, namely "the VJB's financial capacity, insufficient engagement with internal audit, ineffective workforce planning, non-existent medium-term financial planning, risks to resourcing of the VJB, weaknesses in leadership and governance, a lack of clarity on roles and responsibilities and reactive decision making which is not evidence based and which exposes the VJB to an unnecessary level of risk." In terms of Best Value, he advised on the opinion of the external auditor being that "it is not clear that the VJB has sufficient arrangements in place to ensure continuous improvement and deliver Best Value." He then referred the Board to the recommendations for improvement, which he said would be followed up to ensure progress is made.

Mr Healy also referred the Board to page 45, "Quality of Public Audit in Scotland" where he advised on the standards achieved by Deloitte LLP, and in that regard gave assurance on the quality and robustness of the audit undertaken for the O&SVJB.

During the discussion, clarity was sought on the findings in the audit report whereby it had been perceived that decisions made had been based on personal feelings. In responding, Mr Healy said that the wider scope audit by its nature is subjective, while it is based on evidence to make judgements. He went on to advise that for this audit, judgements were made following information sought on the all the minutes and reports from the year. This was then reviewed by Senior Management, the Director and by quality control, then submitted to the audit body - the VJB - to be shared more widely with SIC and OIC. He said that based on that robust process, and while subjective to a degree, the judgement was that decisions had been based on some personal feelings and loyalty.

In referring to the statement in the audit report at "Effectiveness of relationships", that "We note from our discussions with the relevant parties that there are concerns that the approach preferred by the other parties are

unreasonable, misguided or pose unnecessary risks to the VJB”, clarity was sought on who had been involved in those discussions. Mr Healy advised that the information had been from management and from the minutes and reports, and emails between SIC and OIC. However, in terms of this specific point, Mr Healy advised that dialogue had taken place with 3 officers in both SIC and OIC, and with the Convener of the Board, and that ‘unreasonable’, ‘misguided’ and “exposed to unnecessary risks” had formed part of the responses received. He confirmed that Board Members would not usually be involved in the audit process.

In referring to a statement in the audit report at “Roles and responsibilities”, namely “...whereby Board members ventured quite clearly into operational matters”, clarity was sought as to whether the Board, at any time, had acted ultra vires. Mr Healy advised that as far as the auditors are aware there has been no instance of the Board acting Ultra vires, however he said that there had been a risk that the Board could have acted ultra vires. He went on to say that as there had been a risk, and although it had been picked up at the time, it was concluded there was a need for clarity on roles and responsibilities to ensure such situations do not arise at some time in the future.

There were no further questions at this point.

Mr Dawson moved that the Board approve the recommendations in the report, and Mr Heddle seconded.

During further discussion, concern was raised at the serious recommendations for improvement as a result of the audit, and on the need for these recommendations to be progressed as a matter of urgency. The Convener however suggested the need for the appointments of the Clerk and Treasurer to the Board to take place in the first instance, and then to move forward to address the issues raised in the audit and then to update the Board on the proposed timescales.

The Chief Executive, SIC, referred the Board to the Action Plan on page 39 of the audit report, which includes a management response to each of the recommendations made, and timescales for these to be progressed. She advised on the priority to be given to act on the recommendations, and that an update would be provided with descriptions on how the actions will be carried out. The Chief Executive, OIC, advised the Board that he concurred with the comments made by the Chief Executive, SIC, and confirmed that he was happy to work to the timescales set to move this work forward.

In responding to a concern that some of the actions would not be completed until the target date of 31 March 2021, the Chief Executive, OIC, advised that the Governance Review would be undertaken following the appointments of the key officers, which he said would be made at this meeting or soon thereafter. Mr Healy advised that should there be any concern by the Board on progress being made on any of the actions, updates could be provided to the Board throughout the period until the completion dates.

Further comment was made on the need for some of the more urgent items to be addressed well before the 31 March 2021.

Decision:

The Board RESOLVED to:

- NOTE the findings of the 2019/20 audit as contained in the external auditor's Annual Report at Appendix 1;
- APPROVE the agreed Action Plan as outlined in the Annual Report; and
- APPROVE the audited Annual Accounts for 2019/20 (Appendix 2) for Orkney & Shetland Valuation Board for signature.

13/20

Appointment of Clerk and Treasurer to the Board

The Board considered a report by the Chief Executive, SIC, (VGL-20-20-F) which presented information on the requirement for the Board to appoint a Clerk to the Board and Treasurer to the Board, following the resignation of both position holders.

The Chief Executive, SIC, summarised the main terms of the report. She advised on the proposal at this time, that the key roles of the Clerk and Treasurer now be undertaken by OIC, however the day to day functions of finance, HR and Committee Services could continue to be delivered by SIC, by way of a Service Level Agreement (SLA).

In referring to the decision to be taken by the Board on the new pay and grading model at the meeting in November 2020, which would no longer align pay and grading with that of SIC, the Chief Executive, SIC, suggested that could be an ideal time to consider external HR and personnel management support for the Board. The Chief Executive, SIC, added that until that time HR support would continue through current arrangements.

The Convener posed a question, in terms of the continued services of HR, SIC, should the new pay and grading model be rejected by the Board. The Chief Executive, SIC, advised that the SLA that SIC can offer to the Board can continue to deliver those services should the new pay and grading model not be accepted.

The Chief Executive, OIC, said that the offer from SIC was hugely helpful during these challenging circumstances with existing workloads and staffing levels in OIC. In terms of the Clerk to the Board, the Chief Executive, OIC, proposed that Ms Greaves, Head of Executive Support, OIC, take on that role. He advised that Ms Greaves has agreed to the role, subject to agreement by the Board.

The Chief Executive, OIC, reported however that it would be possible for the Board to choose an alternative route, to appoint to the roles of Clerk and Treasurer to the Board from outside either Council.

In terms of the Treasurer to the Board appointment, the Chief Executive, OIC, advised that while discussions have taken place with an officer in OIC, these have unfortunately not been concluded for today's meeting. He advised that he did however have some issues of concern in terms of the proposal, with an OIC officer having line management responsibility and oversight of work by employees outwith OIC, and also to take up the role of Treasurer to the Board part way through the financial year was not ideal.

In response to a question from the Convener as to whether the Acting Proper Officer Finance, SIC, appointment could be extended until such time as the Treasurer was in place in OIC, the Chief Executive, SIC, explained that the appointment of the Acting Proper Officer of Finance, SIC, had only been up until the signing of the accounts, and therefore at this point that appointment ceases. She advised however that the finance functions would continue to be provided by SIC. In terms of the appointment of the Treasurer within the financial year, she advised that similar appointments would have happened on numerous occasions in the middle of the financial year rather than at the start of a financial year. She also advised that the SLA to be developed would provide assurance to OIC on how to deal with any issues of staffing with officers in the neighbouring authority.

In response to a question, the Chief Executive, OIC, advised that he would hope to be in a position to inform on the appointment to the Treasurer to the Board, prior to the meeting in November 2020, and therefore a further meeting would be called if necessary.

In referring to the challenging audit report, and the clear recommendations for improvement in the Action Plan to be progressed as soon as possible, reassurance was sought that the delay to appoint to the Treasurer to the Board would not hold up progress being made. The Chief Executive, SIC, said that she would not want to see any delay to the actions in the recommendations, and advised on the work that would be undertaken before the November meeting to start the scoping process for the Governance Review and on training requirements for Members and the proper officers when appointed.

The Chief Executive, SIC, drew to the Board's attention, that one of the roles the former Clerk had provided, was that of legal advice to the Board. She said that in approving the appointment of the Clerk in OIC as proposed, that officer is not legally qualified, and therefore there is a need to be clear on arrangements for legal advice to the Board going forward. In that regard, she suggested that rather than there being conflicting legal advice from the two authorities, in the first instance legal advice would be drawn from OIC. There would be a discussion between the two legal services should any areas of disagreement arise. The Chief Executive, OIC, confirmed that approach would be adopted.

During the discussion, there was agreement that an interim meeting would be arranged, prior to the November meeting, for the appointment to be made to

the Treasurer to the Board and to present the SLA from SIC. It was advised that there was no requirement to appoint an interim Treasurer at this time, and the finance functions would continue at SIC until the appointment was made at the interim meeting. Mr Healy advised on the obligation on the Board to appoint a Treasurer, but that there was no specification of timescale. In that regard, it was noted that reasonable steps were being taken by the Board to comply with legislation.

On the motion of Mr Johnston, seconded by Mr Cooper, the Board RESOLVED to:

- NOTE the statutory provisions in respect of appointment of a Clerk and a Treasurer, as contained in Section 4 of Schedule 2 to the Valuation Joint Boards (Scotland) Order 1995; and
- NOTE the history of appointments of a Clerk and a Treasurer to the Board since 1995 (detailed at Section 4 of the report); and
- NOTE the resignations of the Clerk to the Board and the Treasurer to the Board on 29 April 2020; and
- NOTE the offer from Shetland Islands Council (paragraphs 4.9 – 12) to continue to provide support services in relation to the functions performed by the Clerk and the Treasurer to the Board; and
- APPOINT Ms Greaves, Head of Executive Support, OIC, as Clerk to the Board; and
- AGREE for an interim meeting to be arranged, to appoint the Treasurer to the Board and to present the Service Level Agreement from SIC.

The meeting concluded at 4.15pm.

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Chair