

# MINUTE

# A & B

**Audit and Scrutiny Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Wednesday 17 June 2009 at 10.00am**

**Present:**

F B Grains	L F Baisley
A T Doull	A G L Duncan
R S Henderson	C H J Miller
G Robinson	J W G Wills

**Apologies:**

J W G Wills (for lateness)

**In attendance (Officers):**

C McIntyre, Internal Audit Manager  
H Tait, Management Accountancy Service Manager  
D Hughson, Financial Accountant  
M Craigie, Head of Transport  
A Rolfe, Acting Asset and Properties Manager  
C Symons, Technical Support Manager  
S Pearson, Safety and Risk Manager  
D Bell, Human Resources Manager  
P Peterson, Performance Management Co-ordinator  
L Adamson, Committee Officer

**Also:**

M Ferris, Audit Scotland  
L Brown, Audit Scotland

**Chairperson**

Mrs F B Grains, Chairperson of the Committee, presided.

**Circular**

The circular calling the meeting was held as read.

**Declarations of Interest**

Mr A G L Duncan declared an interest in Agenda item 3 as he had a pension with the Council, however he would be asking questions relevant to the report.

**Minute**

The minute of the meeting held on 6 May 2009, was confirmed on the motion of Mrs C H J Miller, seconded by Mr A G L Duncan.

**07/09 – Strategic Audit Risk Analysis 2008-09**

The Chairperson advised that a special meeting of the Audit and Committee would be arranged for Members, the Chief Executive and the Head of Finance to meet with Mr Ferris, the Audit Manager.

**17/09 – Items for Future Discussion**  
**Housing Voids**

Mr A G L Duncan provided a brief update on the improvements being made on housing voids and the time taken to relet properties. He said that although the progress was welcome news, further improvements could still be made. Members noted that a full report would be presented to the next meeting of the Committee.

#### 11/09 – Audit Scotland Annual Audit Plan 2008-09

Mrs C H J Miller asked for an update on whether the Council could get a rebate for part of the local authority audit fee. The Chairperson advised that this was a matter for discussion with the external auditors, and would be discussed at the Special meeting of the Committee.

Mr M Ferris explained that the fee proposal was negotiated annually with the Head of Finance, and that the fee consisted of two components, with the fixed element representing the work associated with the Best Value Audit, and national and support functions, and the second part being the indicative fee which is based on the level of strategic risks.

Mr A G L Duncan stated that he was deeply concerned that a small island community was being charged such a large fee, and suggested that this charge should be reduced significantly.

Min. Ref.	Subject	Action/Info
18/09	<p><b><u>Annual Audit and Scrutiny Committee Activity Report</u></b></p> <p>The Committee considered a report by the Performance Management Co-ordinator (Appendix 1).</p> <p>The Performance Management Co-ordinator introduced the report, which he said highlighted a number of areas where the Committee has intervened and improvements have been made as a result.</p> <p>In response to a question from Mr A G L Duncan, the Performance Management Co-ordinator suggested that Manager could be consulted again to get their views on how the Committee was performing.</p> <p>Mrs C H J Miller commented that the investigation into Council vehicles had been taken seriously, and had ultimately resulted in the Executive Director reviewing both the type of vehicles and the numbers required. Mrs Miller referred to the reduction in the Council's overall sickness rate to 5.8%, but noted that the target rate was 4.5%. Members noted that a report on the Council's Sickness Absence would be presented to the next meeting of the Committee.</p> <p>Mr G Robinson referred to the recent investigation into the private use of Council vehicles, and explained that he was aware of a situation whereby an individual who was entitled to use a Council vehicle could not carry passengers, and therefore the household had to use two vehicles to travel to work, which went against the carbon reduction policy. During the discussion, the Safety and Risk Manager advised that this had come up as an issue some years ago and that individual departmental policies currently prohibited such use however she confirmed that from both insurance and health and safety perspectives there was not a problem with drivers carrying</p>	

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	<p>passengers and that from a Road Safety perspective she would support car sharing as this would reduce the number of vehicles on the road. The Performance Management Co-ordinator was asked to follow this up.</p> <p>In moving that the Committee approve the recommendation in the report, Mrs Miller said that policies should be altered where possible to allow drivers to carry passengers. Mr A G L Duncan seconded.</p>	PP
19/09	<p><b><u>Internal Audit – Annual Report 2008/09 and Operational Plan 2009/10</u></b></p> <p>The Committee noted a report by the Internal Audit Manager (Appendix 2).</p> <p>The Internal Audit Manager summarised the main terms of the report.</p> <p>Mrs C H J Miller referred to Section 4.4 of the report, and stated that she was appalled to read that staff were continuing to ignore requests to complete disclosure applications. Mrs Miller said that this had to be a priority, and suggested that a time limit be set for all disclosures to be complete. The Internal Audit Manager explained that progress had been made, however he suggested that the Committee could relay an instruction to the Service area. Mrs C H J Miller moved that the Committee recommend that Services be instructed to adhere to the disclosure policy. In seconding, Mrs F B Grains proposed that an update report should be presented to the next meeting.</p> <p>In response to a question from Mrs Miller relating to the issues raised in relation to the Ferry Service, the Internal Audit Manager reported that in some instances the Council's Standing Orders were not being adhered to. Regarding the inconsistencies between the master deck log-books and the ferry ticketing reports, he advised that this was a general problem in all ferries, however improvements had been made since the last Audit, and work was ongoing to improve this area.</p> <p>Mr A G L Duncan referred to Section 6.2 of the report, and congratulated the Audit and Finance Assistant on passing her exams toward the AAT qualification, and also to the Technical Assistant in progressing well in his studies.</p> <p>Mr Duncan stated that the audit reports on the Ferry Service and the Transport Service were appalling and disgraceful. Policies and procedures were being totally ignored, there was a lack of staff supervision and staff training was inadequate. Mr</p>	

	<p>Duncan noted that eight major audit issues had been identified in the Transport Service which included an overspend relating to school transport provision, and he also highlighted two issues which had been identified relating to Ports and Harbours. Some discussion took place on the detail of the information Mr Duncan's was reporting, however the Internal Audit Manager clarified that the full copies of the internal audit reports from which Mr Duncan was reading were made available on the Internal Audit webpage, and this had been explained to Members in the covering report to the attached summary reports.</p> <p>In response to comments from Mr Duncan, the Chairperson advised that a decision had already been made that a report would be presented on the audit areas highlighted in the Education/Schools Service, and she suggested that reports should also be prepared on the issues raised from the audits on the Transport Service and Ferry Service. The Internal Audit Manager reported that he was aware that the Transport Service had moved towards addressing a number of the issues, and confirmed that it was normal practice for Audit and Scrutiny to call for a report from the service only if issues had not been resolved after a follow up audit.</p> <p>The Head of Transport explained that the issues raised by Internal Audit had been taken very seriously and he said that the Service had exceeded its budget and performance requirements and had in effect delivered nearly £500k of saving on 2008/09 budgets, and was committed as a service to continue moving ahead to play its role in addressing the Council's aim to achieve sustainable use of resources. Mr G Robinson said that Internal Audit had highlighted issues of concern, which would be addressed by the Head of Transport, and only instances where no improvements have been made should a report be brought to Committee. The Internal Audit Manager advised that it had been agreed that service areas would provide update reports and that the Committee would address any outstanding issues.</p> <p>In response to a question from Mr Robinson, the Safety and Risk Manager explained that it was first necessary to get the broad framework in place for Risk Registers, before developing Strategic Risk Assessments with partner organisations.</p> <p>In referring to the appendix, Ms L F Baisley requested that page numbering should be included in future Internal Audit reports.</p>	CM
20/09	<p><b><u>Internal Key Financial Controls 2008/09: External Audit Assurance Report</u></b></p> <p>The Committee noted a report by the Head of Finance (Appendix 3).</p>	

	<p>The Management Accountancy Service Manager summarised the main terms of the report and highlighted the four areas to be addressed from the Action Plan, which were outlined in Section 4 of the report.</p> <p>In response to a question from Mr A G L Duncan relating to the problems with the Logotech Capital Accounting software, the Management Accounting Service Manager explained that there were very few providers of the service in the marketplace, and that all authorities were experiencing the same issues. She added that an update report on progress would be presented to Committee.</p> <p>In response to a question from Mrs C H J Miller, Mr M Ferris advised that a number of systems were operated in Scottish Councils, and different options were available for each Council to consider. The Management Accounting Service Manager advised that the Council was considering a system with Orkney Islands Council.</p> <p>[Dr J W G Wills attended the meeting].</p> <p>In response to a question from Mrs Miller relating to the possible merger of the Local Government Pension Funds in Scotland, Mr M Ferris advised that there was a possibility that pensions would be raised from 2010/11 and the Pension Fund could then require a separate audit certificate.</p> <p>Mr Duncan highlighted a number of issues from Audit Scotland report, attached as an appendix to the report. In his responses, Mr Ferris provided some explanation on the processes involved from their assessment of key control systems, and steps taken to ensure that the correct procedures are in place.</p>	
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21/09	<p><b><u>Risk Management Strategy 2009-2014</u></b></p> <p>The Committee considered a report by the Service Manager – Safety and Risk (Appendix 4).</p> <p>The Safety and Risk Manager summarised the main terms of the report, advising that the Strategy provided a broad framework to pull in the relevant strands for good risk management. The Safety and Risk Manager then highlighted a number of key areas in the Risk Management Strategy document.</p> <p>In response to a question from Ms L F Baisley, the Safety and Risk Manager advised that the main work involved to implement the measures in the Strategy would be undertaken by Safety and Risk staff, and she did not consider it would require any significant amount of time from staff in other service areas. She advised that all Heads of Service would be involved through the Risk Management Board.</p>	
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	<p>Dr J W G Wills moved that the Board endorse the Risk Management Strategy, but to include that the Council asks for an urgent risk analysis of the new Anderson High School project, in view of the fact that the project appears to carry 7 of the 11 risks outlined in paragraph 1.4 of the Strategy document. Mr G Robinson seconded.</p> <p>Mrs C H J Miller moved as an amendment that the Board endorse the Risk Management Strategy. Ms L F Baisley seconded.</p> <p>In response to a question from Mr A G L Duncan as to whether the comments on risk management in the Strategic Audit Risk Analyses had prompted the production of the updated Strategy, the Safety and Risk Manager explained that the review of the previous Risk Management Policy had been planned for some time as it was no longer sufficient to meet the demands of modern government, and whilst Audit Scotland had recently picked up on this, no serious risk management failings had been highlighted, however it was simply time to replace the previous policy with a more sophisticated strategy that could harness the full range of risk the Council was exposed to.</p> <p>In response to questions from Mr Duncan, the Safety and Risk Manager explained that the areas where improvements could be made were dotted around the Council, however the updated Strategy clearly assigns roles and responsibilities to individuals. She advised that formal risk processes needed to be established for joint working arrangements, and for all relevant staff to be aware of our partners' risk management arrangements and to ensure all areas of activity are appropriately covered.</p> <p>Mr G Robinson outlined the importance to get Strategic Risk Registers in place for the larger trust bodies. The Safety and Risk Manager advised that a Risk Register was in place for the Shetland Charitable Trust, and work with the other Trusts would commence following approval of the Risk Management Strategy. She advised that any issues emerging from the Strategy would be reported to Committee.</p> <p>After summing up, voting took place by show of hands and the result was as follows:</p> <p>Amendment (Mrs C H J Miller)      5 Motion (Dr J W G Wills)              3</p>	
22/09	<p><b><u>Asset Management in Local Government</u></b></p> <p>The Committee noted a report by the Acting Asset and Properties Manager (Appendix 5).</p> <p>The Acting Asset and Properties Manager outlined the main</p>	

	<p>terms of the report, and advised that the Council's Technical Support Manager was in attendance to answer any questions relating to the condition of buildings.</p> <p>In response to a question from Mr A G L Duncan relating to Exhibit 5 on the variation in Councils' assessments of building condition, the Technical Support Manager explained that the Anderson High School would be a large proportion of the 'bad condition' percentage rate from the assessment of buildings in Shetland.</p> <p>Mr R S Henderson noted the reference that, "Councils spent over £136 million on property maintenance in 2007/08" and commented that this appeared to be an excessively high amount. The Technical Support Manager explained that Audit Scotland consider that too much work is reactive than planned, and therefore a waste of money.</p> <p>In response to a question from Dr J W G Wills relating to Exhibit 19, the Technical Support Manager explained that Shetland Islands Council would appear to spend significantly on maintenance, however he added that costs were higher in Shetland than on the Scottish mainland.</p> <p>In response to a question from Mr Duncan, the Acting Asset and Properties Manager explained that the Council aims to minimise the number of void properties, and to dispose of any void properties as soon as possible. He added that any remaining void properties would be reported.</p> <p>[Mrs C H J Miller left the meeting].</p>	
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23/09	<p><b><u>Diesel Usage Update 2008-09</u></b></p> <p>The Committee considered a report by the Performance Management Co-ordinator (Appendix 6).</p> <p>The Performance Management Co-ordinator summarised the main terms of the report, advising that the figures show some areas of improvement however there were other areas where the figures had increased.</p> <p>[Mrs Miller returned to the meeting].</p> <p>Ms L F Baisley commented that the usage rates were very interesting, and noted that there had been an overall decrease which she said was welcoming.</p> <p>The Head of Transport advised that there had recently been some progress on improving fuel additives, and a pilot study was being carried out to reduce fuel consumption through monitoring use and driver behaviour, without reducing the service.</p>	
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	<p>Ms Baisley suggested that consideration could be given to providing communal refuse bins at convenient pick up areas, to avoid the need for essay kerts to travel long distances to collect refuse from only a few houses.</p> <p>Dr J W G Wills said that he found the information very useful and he commended the staff who compiled the report. In response to a question from Dr Wills, the Head of Transport undertook to provide the figures on the cost of fuel to transport pupils to the Anderson High School, and from the school to the Clickimin Centre.</p>	
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24/09	<p><b><u>Exit Interviews</u></b></p> <p>The Committee considered a report by the Human Resources Service Manager (Appendix 7).</p> <p>The Human Resources Manager summarised the main terms of the report, and advised on the exit process carried out when staff either leave the Council or their post.</p> <p>In response to a question from Mrs C H J Miller, the Human Resources Manager explained that currently 30% of Exit Interview questionnaires are returned; however the target in the Service Plan was for a 50% return. She reported that 6 questionnaires had highlighted some areas of concern, and that these had been followed up.</p> <p>[Mr R S Henderson left the meeting].</p> <p>During the discussion, Mr G Robinson suggested that the exit interviews should be conducted by another member of staff, rather than by the employee's Line Manager.</p> <p>The Human Resources Manager advised that a graduate student was currently reviewing the exit process, and therefore the existing processes and questionnaire may need to be changed.</p> <p>[Mrs L F Baisley left the meeting].</p>	
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25/09	<p><b><u>Items of Future Discussion</u></b></p> <ul style="list-style-type: none"> <li>• The meeting with Mr M Ferris, Audit Manager to discuss the Strategic Audit Risk Analysis.</li> <li>• Housing Void Report.</li> <li>• Sickness levels.</li> <li>• Dr J W G Wills referred to the Council's agreement to his suggestion that the governance of the Council</li> </ul>	
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should be reviewed through public consultation, and suggested that the Chief Executive should be invited to attend the next meeting to provide his proposals on how the public consultation should be conducted.

Mr G Robinson said that another governance issue was the requirement for confirmation on who would deputise for the Chief Executive.

It was suggested that consideration should be given to changing future Audit and Scrutiny Committee meeting dates, so they are not held in the same week as the main Committees.

- Mr G Robinson stated that given the lack of proper planning procedures relating to the new AHS project, he moved that the new Chief Executive be asked to engage an independent, external scrutiniser to determine the extent of any interference and who may have been responsible for it. The scope should include Members and senior officials past and present and this should be carried out in a four-week timescale. Dr J W G Wills seconded.

Mrs C H J Miller stated that Mr Robinson's motion was not appropriate, legal advice had been received during the meeting of the Planning Board and the meeting had been conducted professionally. She added that she was appalled that the integrity of officers and Members was being questioned simply as some colleagues did not want the project to go ahead.

Dr Wills stated that it was clear that the project had been railroaded through, and therefore the project needs to be investigated.

The Chairperson said that although not a Member of the Planning Board, she had been in attendance at the meeting, and was satisfied that the advice given was appropriate, and she would support Mrs Miller's stance.

Mrs Miller moved as an amendment that the Committee should not accept Mr Robinson's motion. Mr A T Doull seconded.

Voting took place by a show of hands and the result was as follows:

Amendment (Mrs C H J Miller)	3
Motion (Mr G Robinson)	3

The Chairperson used her casting vote in favour of the amendment.

The meeting concluded at 11.55am.

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F B Grains  
Chairperson