

**Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Monday 7 June 2010 at 10.00am**

Present:

F Grains	L Baisley
A Duncan	A Doull
R Henderson	C Miller
G Robinson	J Wills

In attendance (Officers):

H Sutherland, Depute Chief Executive
G Greenhill, Executive Director – Infrastructure
H Budge, Head of Schools Service
S Cooper, Head of Environment and Building Services
J Riise, Head of Legal and Administration
W Shannon, Assistant Chief Executive
J Smith, Head of Organisational Development
S Pearson, Service Manager – Insurance, Safety and Risk
P Peterson, Policy Manager
C McIntyre, Service Manager - Internal Audit
H Tait, Service Manager - Management Accountancy
A Michael, Principal Auditor
A Cogle, Service Manager – Administration

Also:

C Hislop, Audit Scotland

Chairperson

Mrs F Grains, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minute

Except as undernoted, the minute of meeting held on 26 April 2010 was confirmed, on the motion of Mrs F B Grains.

Page 3 – 9th line – reference to “44% of the Council’s income” should refer to “74% of the Council’s income”.

Page 9 – Mrs Baisley left the meeting after the voting, and not before.

Min. Ref.	Subject	Action / Info
20/10	<p><u>Devolved School Management</u></p> <p>The Head of Schools said that, nationally, there were guidelines which the Council followed, but the Council was not able to devolve the same level of funding than other local authorities. She said that the funding level related mainly to secondary staffing levels, but this was never stated in Shetland due to the affect this would have on the smaller Junior High Schools and full time specialist subject teachers. The Head of Schools said another difference was the number of single Teacher schools, and staffing levels could not have supply built in to cover illness, maternity leave, and so on, and so was dealt with on a case by case basis and therefore the supply Teacher budget was administered centrally. She said that this had been looked at with regard to the larger schools, but not all of the budget could be devolved out because the funding received from the Scottish Government was complemented by funding from reserves. The Head of Schools said that the Council spent more on education than was received from the Scottish Government. She said the Council was able to devolve out some spend for operational costs, but if there were bigger schools, more staff and resources then it would be easier to put in a similar scheme to other local authorities.</p> <p>Mrs L Baisley asked what percentage of the Schools budget was devolved. The Head of Schools said that the Scheme set out an amount for each school, which included an allocation for the school plus a cost per pupil. She went on to say that there were 7 Devolved School Managers, who worked with schools staff in a number of schools in a cluster. They had a broader role than just financial one, including administration of expenses, travel, absence management, etc.</p> <p>In response to further questions, the Head of Schools confirmed that any unspent devolved budget would be put into the savings pot, and that had been an effective way of managing savings, particularly those achieved due to a high turnover of staff. She said that regular meetings were held throughout the year with Devolved School Managers and Head Teachers, so that their budgets were being monitored closely and any issues arising which may require additional budget were planned for. She added that the Schools Service were conscious of the issue regarding 'panic spending' but was confident that the measures already in place would address any such concerns.</p> <p>Mrs L Baisley said she was particularly interested in this matter following consultation meetings regarding the Blueprint for Education, when some staff were saying that they felt they could manage the budgets better, particularly with regard to supply staff costs. The Head of Schools said that Head</p>	

Min. Ref.	Subject	Action / Info
	<p>Teachers were managing their budgets effectively with regard to supply staff, and the matter was raised regularly at Head Teacher meetings that they should utilise staff from within the school to cover for short absences, rather than using supply staff.</p> <p>Mrs Baisley thanked the Head of Schools for the information, adding that it had been most helpful</p>	

21/10	<p><u>Risk Management Development Plan</u></p> <p>The Committee considered a report by the Service Manager – Safety & Risk (Appendix 1).</p> <p>After hearing the Service Manager introduce the report, Mr A Duncan referred to page 5, and asked if there were any costing available with regard to the 2300 recorded incidents. The Service Manager advised that where any of the incidents had given rise to a claim, the direct costs would be apparent, but in many instances there would be indirect costs only, and these would be ongoing until such time as the cause and effect of the incidents can be addressed and the resulting costs reduced or removed. She advised that these costs were not recorded, but it was evident from recent events that effective risk management planning and business continuity plans could reduce the cost of incidents in terms of service delivery. For example, she said that the recent flooding of the Finance Service premises had resulted in their business continuity plan being put in place, and the service was back up and running within one and half hours.</p> <p>Mr A Duncan said it was particularly appreciated that the Finance Service was able to get up and running so quickly, particularly the Benefits and Cashiers Services, and this proved that risk management planning can work well. Mr Duncan congratulated all the staff involved.</p> <p>Dr J Wills said there was a need to ensure that other organisations have the same approach to risks, and asked if there was any possibility of them operating to the same standards as the Council. The Service Manager agreed that if the standards adopted by other organisations working alongside the Council were not robust enough, this in itself would be a risk to the Council. However, she said that all the Council's partner organisations had good risk management initiatives in place, and meetings were held every six months to ensure that each organisation is mindful of the impact each organisation can have on each other, with a view to working in harmony. As an example, the Committee noted that the</p>	
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	Community Health and Care Partnership had a joint Risk Register. The Committee noted the report, and that outstanding issues were being reported regularly to the Executive Team.	
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22/10	<p><u>Overtime Expenditure</u></p> <p>The Committee considered a report by the Head of Finance (Appendix 2).</p> <p>After hearing the Service Manager – Management Accountancy summarise the report, Mr A Duncan said that overtime expenditure was a very serious concern for this Council, and something had to be done about it. He said that other savings could be made to prevent overtime, including those matters referred to in the report as being causes, such as the Knab Golf Course, supervision of changing facilities and ferry crewing. With regard to ferry crewing, Mr Duncan said that consideration should be given to staffing patterns, flexible working, and the number of ferry runs being restricted to fewer hours.</p> <p>Mr R Henderson said that careful consideration would have to be given to withdrawing or restricting the hours for the ferry services, bearing in mind that the North Isles were of a “commuter culture”, with the bulk of those travelling to work on the mainland. Mrs C Miller said she agreed that overtime on Ferry Services was exceptionally high, and asked that this be brought to a future meeting of the Audit and Scrutiny Committee, to see if there was any way of reducing the burden on the Council. She said a report should be prepared by the Head of Transport, and provide information on shift patterns and manning levels.</p> <p>The Head of Organisational Development said that the information in this report referred to the outturn for last financial year, and said that the Depute Chief Executive would be updating the Council with proposals and recommendations for areas where radical changes can be made in service provision. In this regard, he said that work on this had already started, and overtime activity would form part of those reviews. He added that the Committee would continue to receive annual statistics.</p> <p>Mrs L Baisley said that there was a period of change within services, but there was a perception that there was a culture of people supplementing their income by working overtime whenever possible, and this had to be looked at. She said that she appreciated the work already being done, and that staff should not be asked to produce more reports when work was already being done to address the overtime issue.</p>	
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	<p>Dr J Wills said that overtime accounted for just over 3% of the total wage bill, and overall it was not excessive, but there were one or two service areas where the amount of overtime was a cause for concern. Dr Wills said that the Committee should not seek another report, but register its concern that the figures raise, and the Committee encourages managers to continue to address them.</p> <p>Mrs Grains thanked the Service Manager – Management Accountancy for a very detailed report, noting that a lot of overtime was due to sickness absence, and would have to be monitored.</p> <p>The Committee noted the report.</p>	
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23/10	<p><u>Diesel Usage Update</u></p> <p>The Committee considered a report by the Policy Manager (Appendix 3).</p> <p>After some discussion, Dr J Wills moved that the Committee approve the recommendation in the report, and agreed to record their congratulations to staff for their efforts to save fuel. Mrs C Miller seconded.</p>	
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24/10	<p><u>Internal Audit – Annual Report 2009/10</u></p> <p>The Committee considered a report by Service Manager – Internal Audit (Appendix 4).</p> <p>Mr A Duncan asked that the Committee record its congratulations to Ms Anona Michael for achieving her qualification, and to Mr Ryan McNeillie for the progress made with his qualification.</p> <p>Mr Duncan went on to say that there were matters of concern to him within the report regarding the outstanding issues relating to Legal Services and Transport Services. Mr Duncan moved that a progress report from both these services be presented to the Committee within 6 months rather than a year. Mrs C Miller seconded.</p> <p>The Head of Legal and Administration advised that a number of issues had resulted in the current situation, but assured Members that those issues were being addressed through the high level service planning and that these would be progressed over the next 6 months.</p>	
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The Head of Transport advised that fluctuations in staffing over the past couple of years had given rise to a number of service and performance problems. He said that staffing levels were now at 100% and gave a commitment to resolving issues through improved forward planning and development over the next 6 months.

Dr J Wills declared an interest as he had a business loan from the Shetland Development Trust, but raised a number of queries regarding the issues raised within the report relating to Economic Development. The Service Manager – Internal Audit advised that the tax implications related to the transfer of assets from the Trust to the Council, and the issues were mainly to do with doing things more efficiently. He added that completeness of income related to the Whitefish Quota which was administered by a third party and the surplus funding was being distributed without any terms and conditions being provided. He confirmed that these issues were all being addressed.

Ms C Hislop referred to the issues in relation to the failure to observe Standing Orders relating to tenders and contracts, and said that External Audit was of the view that this was a very serious breach and would have to be reported. The Head of Transport said that the breach had been recognised as being very serious and understood the financial, legal and reputational risks that this had raised for the Council. However, he said that the cause had been due to under-resourcing and problems with recruitment, but that there was a commitment to resolving those issues. He went on to say that he was confident that there were now adequate processes and procedures in place to ensure that Standing Orders would be followed in the future.

Ms L Baisley raised concerns regarding the failure to carry out Disclosure Scotland checks, and that staff should be suspended until the required checks had been fulfilled. Mr A Duncan agreed, adding that this matter needed to be resolved as soon as possible, and the Committee noted that the Education and Social Care Department was actively addressing the issues concerned as a high priority, which would include training for managers. It noted that whilst the number of issues arising related to isolated incidents, the Committee encourages Managers to ensure that the relevant staff are Disclosure checked.

With regard to the issues identified at ICT and Shetland College, the Service Manager Internal Audit confirmed that all reports were checked for Data Protection and Freedom of Information compliance before being published. However, he said that there were technical matters in some reports that had to be omitted as to leave them in would give rise to security implications for the Council. However, the Committee noted that many issues, including those raised by Members with

	<p>regard to integrity of the e-mail system, were being actively addressed by the ICT Unit and Head of Organisational Development, and that he would bring forward reports in the near future, hopefully giving Members a re-assurance that the Council's system is robust and fit for purpose.</p> <p>Dr J Wills asked when Internal Audit would be providing its view on the unauthorised spending of Council funds on legal advice, which he had been told was not sought on behalf of the Council.</p> <p><i>[The Depute Chief Executive left the meeting, as Dr Wills question was directed at an action in which she had an interest.]</i></p> <p>The Service Manager Internal Audit advised that this was not an issue that Internal Audit had been involved in, and would not be part of the plan for this year. Dr Wills asked where he should raise this matter. Mrs Grains advised that this matter was not on the agenda for today and would not be discussed. The Head of Organisational Development advised that whilst this was a matter that may need to be reported on, there would be no definitive position made today, and no response provided to Dr Wills' query in this forum. Dr Wills said that, in that case, he would continue to conduct the debate in public.</p> <p><i>[The Head of Legal and Administration left the meeting.]</i></p> <p>Dr Wills referred to his draft Notice of Motion which was being circulated and said that any Member not signing it was condoning the improper disbursement of over £3000 of public money.</p> <p><i>[The Depute Chief Executive and Head of Legal and Administration returned to the meeting.]</i></p>	
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25/10	<p><u>Annual Update and Scrutiny Committee Activity Report</u></p> <p>The Committee considered a report by the Policy Manager (Appendix 5).</p> <p>After hearing the Policy Manager summarise the terms of the report, Mr A Duncan referred to the work carried out on Promoting Attendance, and asked if there was any indication as to why there were now substantial improvements in this area.</p> <p>The Depute Chief Executive said that this was probably due a combination of factors, including more emphasis on return to work interviews and improved practice in dealing with long term sickness, in terms of helping people to move on if community</p>	
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care work is not for them. She said that community care work was more physically and mentally demanding than some thought, and sometimes people just needed to be helped to recognise that it is not an area they can progress in. The Depute Chief Executive agreed with later comments made by Mrs Baisley that some improvements could be due to staff being required to undertake training and vocational qualifications, and that in itself can make people more aware of the physical demands and what they can and cannot do, but also can help build self esteem.

Referring to the Strategic Audit Risk Analysis, Ms C Hislop said she was pleased that the Council was using this Action Plan on an operational basis to progress those matters raised. She added that new procedures were now being put in place nationally, in consultation with other inspectorate agencies, and which would require an Improvement and Assurance Plan to be produced, and the format for this would be finalised next cycle.

Dr J Wills said that the report was very encouraging, but said there was no mention of governance issues, and there seemed to be no activity in this area, despite repeated requests made by him at meetings to have those issues discussed.

Regarding LEAN processes, the Depute Chief Executive said that this approach was more suited to process and systems rather than people, and recognised that many systems affected the services that people received, such as payroll, absence management and data sharing and these internal business processes would be addressed.

Mr A Duncan asked if the senior officers felt that the Committee had made any difference to current processes.

The Depute Chief Executive said that there had to be a distinction made between policy and performance matters for the Committee, and what were considered operational issues. She said quite a bit of what the Committee discussed was relevant business for the Executive business management team, such as Disclosure Checks, but that the officers needed to be able to give reassurances that these things were happening and officers were working on that sort of management information regarding absences, return to work interviews, disciplinaries, complaints and so on. She said that the Audit and Scrutiny Committee should focus on the policy and performance which would remove some of the detail from the Committee discussions. The Depute Chief Executive said that most of the detailed discussions at Committee had arisen out of the figures for statutory performance indicators. However, she said that the Council needed to take a fresh look at all service activities, the core services, alongside the financial difficulties that the Council was facing.

The Executive Director Infrastructure Services said that whilst

	<p>he welcomed the opportunity to be asked detailed questions and come back in a measured way that showed if there were problems they were being addressed, he said he did not believe that the Committee or Council should be involved in micro management and operational activity, but give managers the opportunity to respond. He said that, initially, the Committee had not been as focused nor provided a level of mutual respect between officers and Members, but that this had improved hugely. The Executive Director said that by continuing this improvement and working on joint agenda planning, time and effort would be focussed on tackling those areas that needed to be addressed.</p> <p>The Head of Organisational Development said that an area for development would be to consider ways that other Councillors could be asked to attend and answer to the Committee on policy and performance issues.</p> <p>The Committee noted the report.</p>	
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26/10	<p><u>Update on Audit Qualification with regard to Grouping Accounts</u></p> <p>The Committee considered a report by the Depute Chief Executive (Appendix 6).</p> <p>After hearing the Depute Chief Executive summarise the report, Ms C Hislop confirmed that this issue was still work in progress and advised that following the last Committee meeting, she had received a letter from the Head of Finance with a number of questions, and she would respond to him in due course.</p> <p>Mr A Duncan moved that this report, given its content and that all Members should be made aware of it, should be referred to the next meeting of the Council, either to the next special meeting, or to the Council on 30 June. Mrs F B Grains seconded.</p> <p>Dr J Wills said one issue causing problems was the composition of the SCT and he asked if this would cause the same problems for the Council if the SCT was simply made up of independent members. He added that the Council was waiting for information on what services the Trusts provided in partnership working with the Council, and he said that Audit Scotland had stated that the Council controls the Trust, but he said there was very little evidence of this. Dr Wills went on to say that the SCT provided facilities and services to the Council which were not statutory, but discretionary services, and if the SCT did not exist, these services and facilities would simply cease to be provided. He said that he simply did not accept</p>	
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	<p>the arguments being made by Audit Scotland in their letter, and said that the matter had to be resolved soon, and he supported the efforts of the Head of Finance and the Assistant Chief Executive in taking these matters forward with a view to removing the unjustified qualification of the Council's accounts.</p> <p><i>[Mrs C Miller left the meeting.]</i></p> <p>Ms C Hislop said that she understood the concerns being raised, but explained that they had to get to the crux of the matter whilst still being compliant with accounting practice based on the SORP (Statement of Recommended Practice). She said this was not to do with statutory levels of service, but there was not enough evidence provided so far which would change the current position. Regarding the SCT, Ms Hislop said she had met with representatives of the Office of the Scottish Charities Regulator (OSCR) who had confirmed that consolidating the SCT accounts with the Council would not jeopardise the SCT's charitable status. Ms Hislop said that the accounts had been qualified for 5 years now, and something would have to give in order to bring this matter to a conclusion.</p> <p>The Assistant Chief Executive said that the advice of OSCR was a matter that the SCT would have to address and was not a matter for the Council. The Depute Chief Executive advised that any progress would be reported to the Council on 30 June, otherwise to the next meeting of this Committee.</p>	
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27/10	<p><u>Governance – Update</u></p> <p>Mrs F B Grains said that, as agreed at the last meeting, an informal meeting of the Committee members would be held to discuss the submissions and views made by Members and officers. She advised that she would contact Members to arrange a mutually convenient date.</p> <p><i>[Dr J Wills left the meeting.]</i></p>	
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28/10	<p><u>Items for Future Discussion</u></p> <p>The Committee noted that two items had been raised today for discussion at a future meeting, including:</p> <p>Legal Services – 6 Month Internal Audit Update; and Transport Services - 6 Month Internal Audit Update</p> <p>Mr G Robinson asked that a statistical analysis on the cost of diesel usage on ferries be prepared for the Council meeting on 30 June, including an economic analysis of the cost of fuel over</p>	
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	<p>the next 5 years compared to now. The Head of Transport confirmed that he would bring that report forward.</p> <p>Mr G Robinson said he was dismayed that the Chairperson had not allowed a reasonable request from Dr Wills to discuss a matter earlier today that he believed was within the remit of this Committee. Mrs Grains said that the matter may be within the remit and may come back to this Committee, but it was not on the agenda today for discussion.</p> <p>Mr A Duncan asked for an update on Housing Voids.</p>	
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The meeting concluded at 12.25 p.m.

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F B Grains
Chairperson