

MINUTE

A & B

Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Monday 23 August 2010 at 10.00am

Present:

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

Apologies:

A Doull

In attendance (Officers):

A Buchan, Chief Executive
G Greenhill, Executive Director – Infrastructure
G Johnston, Head of Finance
C Medley, Head of Housing
J Riise, Head of Legal and Administration
J Smith, Head of Organisational Development
D Bell, Head of Human Resources
S Pearson, Service Manager – Insurance, Safety and Risk
P Peterson, Policy Manager
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.

30/10	<u>Minute</u> The minute of meeting held on 7 June 2010 was confirmed, on the motion of Mrs F B Grains.	
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Min. Ref.	Subject	Action / Info
29/10	<p><u>Governance</u></p> <p>Mrs F B Grains welcomed the Chief Executive to his first Committee meeting since his recent appointment and said that the Committee was looking forward to his help in taking forward matters of Governance, and invited the Chief Executive to address the meeting.</p> <p>The Chief Executive said he was delighted to be at this meeting after a considerable lead-in time to this opportunity. He said he appreciated the offer to say a few words on this agenda item regarding Governance. He said firstly that it was clear that almost all the items on today's agenda were related to matters that Members were familiar with, and were not just about matters raised in the Accounts Commission report, but were areas that the Council should be addressing in any case, many of which had already been identified by officers and Members.</p> <p>The Chief Executive went on to say that he thought it was essential that the whole Council, all Members and senior Officers, have an interest in the report and range of measures necessary on the back of that, and maintain an integrated package of measures that are needed to take the Council forward. He said he was worried about fragmentation of issues, and said it would be of no help to the Council to take them in isolation, but instead should be looked at in the round, and as a platform to help the Council move forward.</p> <p>Referring to the Accounts Commission report, the Chief Executive said that he had been looking at other local authorities who have been in similar circumstances, and it was clear that there was a significant risk if the Council was to get into individual plans and strategies too early, before addressing the core issues. He said that he had been accused of being too coy or slow in coming forward with plans, but he said the sole reason was that he was determined to make sure that the Council had sensible and competent plans and strategies but was not deflected from the core issues.</p> <p>Regarding Governance, the Chief Executive said that in discussing the definition, he said that his view was that it was to do with the question of leadership and management and assistance to support that. He said that this was a big and important issue, and wanted to assure the Committee that he was working hard and fast to take plans forward. The Chief Executive thanked the Chairperson for allowing him the opportunity to address the Committee.</p> <p>Mrs F B Grains said that she was looking forward to hearing from the Chief Executive at future meetings as Governance</p>	

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	<p>issues were taken forward.</p> <p>Mr A Duncan asked if the Chief Executive would be willing to participate in a question and answer session on Governance issues today. However, the Chief Executive said that whilst he was pleased to answer any questions, he would prefer to be a bit further on with the work in this area, and was mindful of the potential for fragmentation.</p> <p>Mr G Robinson said that the decision of the Committee was that this issue would remain with Audit and Scrutiny, and part of the decision was that as there was no Chief Executive in post and part of the argument was therefore to wait until there was someone in post. Mr Robinson said that the issue of Governance was one that had to be discussed by the full Council, and moved that the remit for this be sent back to the Council for discussion rather than keeping it with the Audit and Scrutiny Committee. Dr J Wills seconded.</p> <p>Dr J Wills said that he was seconding the motion to refer this matter back to the Council because it had not got anywhere with this Committee. He said that what he wanted to see was a detailed paper coming before the full Council outlining the possibilities, adding that he had argued last year that the Committee structure should be changed, without disrupting staff, such as a separate Education Committee. Dr Wills said that a report should be prepared by the Council leadership, assisted by the Chief Executive, on what the options are, what was in place in other places, and to consider separation of the role of Council Leader and Civic Head. He said that the report should consider whether a Finance or Policy and Resources Committee was required, and set out the arguments for and against. Dr Wills said that the Accounts Commission report had made particular criticism of the political failure of the Council, and therefore this should be given priority.</p> <p>Regarding the Accounts Commission report, Dr Wills said that he took grave exception to what it said about the Head of Finance, and he was extremely annoyed that they had picked on one official. Dr Wills asked that the meeting agree with him that the Council had full confidence in its Head of Finance.</p> <p>Dr Wills reiterated that the Committee should ask the Council leadership to come with a detailed proposal to the full Council as soon as possible about re-organising the committee structure.</p> <p>Mrs F B Grains said she agreed, and that the Chief Executive had given an undertaking that these matters would be taken forward.</p> <p>Mrs L Baisley said she agreed in part with Dr Wills. She said</p>	

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	<p>that the Services Committee was too large and it was frustrating when there was not enough time to discuss important items. Mrs Baisley said she also agreed with his comments regarding the Head of Finance. However, she said that the Council was already in danger of fragmentation, and respected what the Chief Executive had proposed and he should take time to come forward with cohesive ideas.</p> <p>Mr A Duncan agreed that a full report was needed, adding that 80% of the Council's budget was under the remit of the Services Committee, and this should be addressed and consideration given to breaking it down into three committees. Regarding the Head of Finance, Mr A Duncan said he also had full confidence and trust in him and the way in which he carries out the procedures and processes adopted by the Council.</p> <p>Mrs C Miller said she also agreed that the Committee should put forward a recommendation that the Council consider a Finance or Policy and Resources Committee, or a structure that can better match services with budgets, and that this should be an early priority. She went on to say that there were too many working groups and minutes were not always being fed back to Councillors, and that had to stop. Mrs Miller said she believed that after three years in operation, the Services Committee was just too cumbersome and really had to be broken down into sections, allowing a greater understanding of areas of growth or development, such as community care and education.</p> <p>Mr R Henderson said he agreed that the Services Committee needed to be split up into smaller groups, as having 80% of the Council's budget in one Committee was too big, and a lot of items do not get the discussion time that they deserve.</p> <p>Mrs F B Grains said that Members looked forward to the Chief Executive's reports.</p>	

31/10	<p><u>Matters Arising</u></p> <p><u>Min. Ref. 24/10 – Internal Audit Annual Report 2009/10</u></p> <p>Dr J Wills asked when, if and who was going to investigate the spending of money on lawyers and Council staff time on the complaint about him to the Standards Commission. He said that whilst related matters may be water under the bridge, this was a matter that was not properly accounted for.</p> <p>The Chief Executive said that it was inevitable that such a matter would end up with him, although he said that he was not</p>	
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	<p>yet fully up to speed on this particular matter. He said that he would look into it and respond to Dr Wills in the first instance, but that at the end of the day it would be a matter for the Council as a whole.</p> <p>Mr A Duncan referred to page 6, and to the reporting of a failure to observe Standing Orders, and asked if that had been reported and what the outcome was. Ms C Hislop advised that the matter had been reported to the Auditor, and would be disclosed in the Transport Partnership's financial statement. She added that the Auditor's Technical Services section had advised that disclosure of this within the Statement of Financial Control was adequate.</p> <p>Regarding Disclosure checks and related training, the Head of Human Resources confirmed that training had been provided and recruitment and selection training continued to be carried out throughout the year.</p> <p><u>Min. Ref. 26/10 – Update on Audit Qualification with regard to Grouping Accounts</u></p> <p>Dr J Wills asked for an update on this matter. He said that reference was made to public money, but the SCT money belonged to the inhabitants of Shetland. He said that in order to refute Audit Scotland's arguments, the Council needed a list of the services provided by the SCT in order to clarify if any were in performance of any of the Council's statutory services, or if they were charitable. Dr Wills asked that this update be brought to the next meeting of the Committee.</p> <p>The Head of Finance said that these and other aspects of this issue will have to be considered by the Council, not least because of the recommendations in the Accounts Commission report. He confirmed that this was a matter of priority, but asked that some latitude be given on the timescale in order that the matter can be progressed through the appropriate channels, bearing in mind that the Council must report on this matter within three months of the Accounts Commission report. Dr Wills said he was happy to accept that progress would be made.</p>	
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31/10	<p><u>2009/10 Review of Internal Controls</u></p> <p>The Committee considered a report by the Head of Finance (Appendix 1).</p> <p>At the invitation of the Chairperson, Ms C Hislop explained what the Audit Scotland report covered, advising that it formed part of the annual audit of internal and financial controls. She said she was encouraged by the results of the study and Finance staff had to be congratulated, with the only exception</p>	
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to the report relating to the Capital Accounting System. Ms Hislop said that no testing was able to be conducted on the system because of problems with its operation, and this had created a lot of extra work for auditors. However, she said that no material errors had been found and overall the outcome of the report was very positive. She also referred to the National Fraud Initiative and to the fact that this had not been given the priority expected and had therefore been highlighted within the Planned Management Action.

The Head of Finance said that problems with the capital accounting system had been going on for some time, but was common across the system's clients in Scotland, and the supplier was being pushed to get the software up to speed. He said that despite these difficulties, these problems had been overcome with extra work, and would not continue to be a key risk area in the 2009/10 accounts. He added that given the progress made in this area, it would not be cost effective to begin procurement of an alternative system.

Referring then to the National Fraud Initiative, the Head of Finance said that it was very much recognised that Audit Scotland have been pressing for the Council to put a higher priority on this, but he had been very much supportive of the judgement of the Revenues Manager in terms of prioritising this up to now. He said it was felt that through local knowledge and a capable team the Council had managed to close off risks in Shetland to a high degree and, as the report stated, no issues had been identified in the current year, and therefore no material issues required to be reported to Members. The Head of Finance said that this matter would be given the appropriate priority given that it was not a significant problem in the local context, but recognising the need to prioritise it for audit purposes.

Dr J Wills declared an interest as a Member of the Council's Pension Fund, but asked for more information on the suggestion that the investment principles and fund managers were not complying with legislation. The Head of Finance said that these were identified as low risk, but quarterly reviews had been put in place as part of the ongoing annual review process of Fund Managers, and a review of the investment principles would be brought forward in February 2011.

Due to further questions from Members, it was agreed that a report on the National Fraud Initiative would be reported to the next meeting of the Committee, and the Benefits Manager would be asked to attend in order to provide detailed information on the processes and resources required.

Mrs C Miller referred to Internal Audit comments in relation to records management, and asked what internal checks were made with regard to compliance with Data Protection legislation, and how that duty was managed within the Council.

	<p>The Head of Legal and Administration confirmed that the Council regularly monitored Data Protection compliance in a variety of ways, and corporate compliance was monitored by the Service Manager – Administration and her staff, and performance review information was produced regularly.</p>	
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32/10	<p><u>Assurance and Improvement Plan</u></p> <p>The Committee considered a report by the Head of Organisational Development (Appendix 2).</p> <p>Ms C Hislop and the Head of Organisational Development summarised the terms of the report.</p> <p>Mr A Duncan referred to page 40, and said that it should be noted that not all 22 Councillors were Trustees of the SCT, 1 was not. Mr A Duncan said that it should be noted that 72% of the strategic priorities were at green level and presented no significant scrutiny risks, and that was an important factor that should be highlighted.</p> <p>With regard to the assessment by the Local Area Network, Ms C Hislop confirmed that this had been in place since October last year, and replaced the Strategic Audit Risk Assessment process. Regarding performance, the Head of Organisational Development confirmed that matters concerning the need to obtain benchmarking data from other local authorities was recognised, and referred to within the Improvement Plan under the governance and accountability sections. Reference was made to the Council's use of reserves against the need to make efficiency savings, and the Head of Finance confirmed that a report would be presented to the Council next month with a view to consideration of the Council's financial policy position and to modification of policy, as appropriate.</p> <p>In response to further questions from Members, the Chief Executive confirmed that he would be seeking a comprehensive engagement with Members with a view to seeking clarification on the respective roles and responsibilities of Members and officers.</p> <p>The Committee approved the recommendations in the report, on the motion of Mr G Robinson, seconded by Mrs L Baisley.</p>	
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33/10	<p><u>Efficiency Statement 2010</u></p> <p>The Council considered a report by the Policy Manager (Appendix 3).</p>	
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	<p>After hearing the Policy Manager outline the terms of the report, Mr A Duncan said that staff had to be congratulated for the efficiencies made so far. With regard to management of sickness absence, the Human Resources Manager confirmed that a report on this was planned for the next meeting of the Committee.</p> <p>Dr J Wills questioned the benefit of Scotland Excel in relation to procurement savings, and the Head of Organisational Development agreed to seek an update report from the Capital Programme Service on that matter for the next meeting. Dr Wills also advised that school staff should be reminded to switch off computers overnight, as routinely leaving them on standby was at a cost. He added that he was glad to see more use being made of video conferencing, but that teleconferencing was another alternative.</p> <p>Mrs C Miller referred to the Accommodation Working Group, and said that it had not met for some time. She said that the Group should meet to discuss a range of corporate property issues, particularly the use of redundant office space when the North Ness offices were occupied. Mrs Miller said that finance may need to be sought to convert office buildings back to housing for people in Shetland.</p> <p>Regarding workforce development, Mrs Miller said that more work was needed in this area. Mrs L Baisley agreed, adding that she was glad to see Investors in People was being used, as this would provide a huge improvement and increase officer morale. Mrs L Baisley said that it would be useful for the Committee members to have a look at a map and a list of Council properties, and a first step would be through the Audit and Scrutiny Committee. The Head of Organisational Development agreed to add this to the Committee's work plan.</p> <p>Mr G Robinson said he was disappointed to see the level of cost savings, and suggested that with regard to colour copies, ICT be asked to set all printers at black and white copies only, as colour was 10 times more expensive. Mr Robinson also suggested that the quality and provision of refuse sacks should be reconsidered. The Executive Director Infrastructure Services advised that Environmental Services were addressing internal energy cost savings, and that whilst the cost and provision of refuse sacks could be reconsidered, they were currently being provided to the agreed British Standard.</p> <p>The Committee accepted and noted the report.</p>	
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34/10	<p><u>Council Housing – Property Damage over 5 Years</u></p> <p>The Committee considered a report by the Service Manager –</p>	
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Safety and Risk (Appendix 4).

Mr A Duncan thanked the Service Manager Safety and Risk for an excellent report. Regarding needless damage to Council property, Mr Duncan expressed his concern at damage caused by tenants, particularly in one recent incident which had cost the Council around £4k for repairing the damage to one property. Mr Duncan asked if these incidents had an effect on the Council's insurance premium. The Service Manager Safety and Risk advised that the Council's insurance premium had not increased. The Head of Housing said it was important to note that there was no evidence that the damage referred to in this report was done by Council tenants, and that the figures in the report were not to be confused with damage which results in insurance claims.

With regard to the recovery of payments due to damage caused by tenants, the Head of Housing advised that charges were raised through the Finance Service, and debt recovery details were reported annually to Members. The Head of Finance advised that this could be researched and information provided to Members in due course.

Mr A Duncan queried how much was lost with void properties due to damages. The Head of Housing advised that had not been calculated and would need a lot of research to provide that information. He went on to say that the problems with void properties was that some were left in appalling conditions and had to be put right before the property could be re-let. He said the point remained that the Council had a responsibility for housing those people, and the answer perhaps lay in trying to prevent damages by working with those individuals to teach them life skills. He said that this was done by a combination of Social Work, family support and housing outreach workers, and a whole range of activities were being carried out in this area.

Mr A Duncan said he very much appreciated what staff were doing in this respect. He went on to ask whether it would be possible for tenants to pay a deposit when a tenancy is given. The Head of Housing said he would have some doubt over the legality of such a proposal. The Head of Legal and Administration confirmed that the implementation of such a scheme may be discriminatory, and certainly would create issues regarding its administration and cost to the Council, but also a legal issue with regard to establishing a fund of money that did not belong to the Council.

The Service Manager Safety and Risk advised that where the perpetrator of the damage was identified and successfully prosecuted, the cost of damages were added on to the fine and recovered through direction of the Court. In response to questions from Members, the Head of Housing advised that the Council did liaise closely with the Police, and more work was planned in that area, but there were instances where, for

	<p>security reasons, Housing are not informed before Police action is taken which results in damage to Council property.</p> <p>The Committee agreed that most tenants were extremely careful home occupiers and the figures showed that the Council's maintenance and refurbishment programmes have significantly reduced the risk of damage from causes such as fire, flood, storm, etc. The Committee therefore noted the terms of the report, and congratulated all staff for the work involved in addressing the problems.</p> <p><i>[Dr J Wills left the meeting.]</i></p>	
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35/10	<p><u>Public Performance Reporting Framework 2010</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, Mrs L Baisley said it was an interesting report, and was surprised at how much the Council did, but asked if there was any feedback from the general public that the calendar and the information was being used. The Policy Manager confirmed that a few feedback responses had been received, and in a recent survey of the Your Voice group, 50% said they had used or kept the calendar.</p> <p>The Committee approved the recommendation in the report, and endorsed the framework, on the motion of Mrs L Baisley, seconded by Mr A Duncan.</p> <p><i>[Dr J Wills returned to the meeting.]</i></p>	
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36/10	<p><u>Investors in People</u></p> <p>The Committee considered a report by the Human Resources Manager (Appendix 6).</p> <p>After hearing the Human Resources Manager summarise the report, Mrs L Baisley said she was delighted to see the report, and hoped that it would be extended across more services and that the individuals involved, and the Council, would see the benefits of the award. Mrs C Miller seconded.</p> <p>Dr J Wills said that it was just 'box ticking', and questioned the cost in terms of how much staff time was being spent on this when they could be doing something else. In this regard, Dr Wills moved against the recommendations in the report, and</p>	
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	<p>that the Council make no new commitments in this area. This, however, received no seconder.</p> <p>The Human Resources Manager said that there was staff time involved in gathering evidence, but there were corporate systems and procedures in place that helped with that, and it should be done within existing resources, and for some services this work would have to be done in any event. She added that whilst it could be regarded as box ticking or a badge, the award was widely regarded as recognition of the efforts of individuals, and of the organisation's regard for its employees. She went on to say that recent research showed that whilst efforts were being made at providing training and development with a focus on administrative and financial procedures, there was a need to help and manage people through processes, and the Award was a method of achieving these.</p> <p>Mrs F B Grains said that the Award could be applied to Members as well as staff.</p>	
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37/10	<p><u>Audit and Scrutiny Committee – Work Programme 2010-11</u></p> <p>The Committee noted a report by the Policy Manager (Appendix 7), agreed that issues raised today would be placed within the Programme as appropriate.</p> <p>The Chief Executive said it was recognised that all 22 Members needed to be involved in the Improvement Plan going forward, but there was clearly a role for the Audit and Scrutiny Committee monitoring that into the future. He said that as the Council works up the Improvement Plan, that in time would affect the Committee's work programme, and so an appropriate level of flexibility would be built in to it.</p>	
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38/10	<p><u>Items for Future Discussion</u></p> <p>The Committee noted the following items had been highlighted for reporting to the next meeting:</p> <p>National Fraud Initiative Council Properties Sickness Absence Management Scotland Excel – Update</p> <p>Mr R Henderson asked that the role of officers at meetings be looked at. He said that often officers were sitting at meetings for half a day, only to speak for less than a minute, if at all. He suggested that agendas be drawn up with a view to officers</p>	
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	<p>being given a time when to attend. The Chief Executive said he was happy to look at that point.</p> <p>Dr J Wills said he was concerned about the recent media discussion concerning the Tesco extension and its planning application. He said that it was thought the Council could impose conditions on it, but it appeared it could not, and he felt there was some confusion about what the Council could and could not do. Dr Wills asked if some sort of inquiry into how this application was dealt with could be undertaken, and whether that would be a matter for this Committee, or elsewhere.</p> <p><i>[Mrs C Miller declared an interest as a retailer and owner of property in Commercial Street.]</i></p> <p>The Policy Manager confirmed that the terms of reference for the Committee specifically excluded consideration or scrutiny of specific decisions on applications for consents or permissions required under the Town and Country Planning Acts. The Head of Legal and Administration agreed to explore what might be possible within the realms of the request from Dr Wills.</p>	
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The meeting concluded at 12.10 p.m.

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F B Grains
Chairperson