

Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Monday 21 February 2011 at 10.00 a.m.

Present:

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

Apologies:

C Miller

In attendance (Officers):

A Buchan, Chief Executive
G Greenhill, Executive Director Infrastructure Services
G Johnston, Head of Finance
J Riise, Head of Legal and Administration
J Smith, Head of Organisational Development
B Hill, Acting Divisional Manager Legal Services
C McIntyre, Service Manager – Internal Audit
J MacLeod, Project Manager – Audit and Scrutiny Support
S Moncrieff, ICT Unit Manager
D Polson, Service Manager – Air, Bus and Vehicle Fleet
S Thompson, Project Manager - Executive Support
A Cogle, Service Manager - Administration

Also:

I J Hawkins
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.

Min. Ref.	Subject
08/11	<u>Minute</u> The minute of meeting held on 17 January 2011 was confirmed, on the motion of Mrs F B Grains.

09/11	<p><u>Audit and Scrutiny Committee - Matters Arising</u></p> <p>The Committee considered a report by the Project Manager – Audit and Scrutiny Committee Support (Appendix 1), which provided Members with an update on outstanding items from previous meetings, and overdue “Work Programme” items.</p> <p>In response to questions from Members, the Project Manager – Audit and Scrutiny Committee Support confirmed that information relating to savings generated by using Scotland Excel would be sought and a report presented in due course.</p>	J Macleod
-------	---	-----------

10/11	<p><u>Improvement Plan – Progress Report</u></p> <p>The Committee considered a report by the Chief Executive (appendix 2) which provided an update on progress made on achieving the outcomes set out in the Council’s Improvement Plan.</p> <p>In response to questions from Members, the Chief Executive advised that one spend to save project had utilised some of the £1m budget, which had been established to fund development and delivery of the Improvement Plan. He added that whilst no figures were available at the meeting today, only a small proportion of that budget had been utilised in the current year, and the remainder would carry over into the next financial year.</p> <p>The Chief Executive went on to confirm that discussions had been held at senior management team level with regard to the restructuring of the committee system, and that other officers had not been involved whilst the debate was at a political level, but they would be fully informed as the matter develops.</p> <p>With regard to the qualification of accounts, the Chief Executive confirmed that Counsel opinion was still being sought, in conjunction with the Shetland Charitable Trust, and the Council would have an opportunity to consider that advice when it is provided, in terms of the wider structural issues and funds management.</p> <p>The Chief Executive agreed to a request from Members that future progress reports would avoid jargon and abbreviations where possible.</p> <p>The Committee noted the report.</p>	A Buchan
-------	---	----------

11/11	<p><u>Shetland Islands Council Vehicle Fleet – Update and FMU Update</u></p> <p>The Committee considered a report by the Service Manager – Air, Bus and Vehicle Fleet (Appendix 3) which provided an update on the current situation of the Council’s vehicle fleet.</p> <p>After hearing the Service Manager introduce the report, the Committee agreed to record its congratulations to all the staff involved in achieving the savings reported. Members agreed that the report was an excellent demonstration of what could be achieved through improved asset management and procurement procedures. The Chief Executive agreed that the report was very encouraging.</p> <p>With regard to the review of management and structures within the Department, the Executive Director – Infrastructure Services said he was confident that this could be achieved within a target of 18 months, allowing time to ensure that proper procedure and processes were followed in relation to terms and conditions of employment.</p> <p>In response to questions from Members, the Service Manager – Air, Bus and Vehicle Fleet advised that consideration is given to the hiring of plant locally, particularly for those specialist items that are used only occasionally, as a cheaper alternative to leasing or purchasing. He added that local suppliers would be encouraged to include themselves on the Scotland Excel list of suppliers so that they would have the opportunity to tender for longer term contracts. The Service Manager went on to say that whilst statistics may illustrate an under-utilisation of vehicles or plant, further work is required to ascertain what tasks are involved and whether combining resources could be achieved in order to further reduce costs. He added that work was being done on the development of a Service Level Agreement, and the introduction of new procedures would provide an audit trail for requests and reviews.</p> <p>The Committee otherwise noted the terms of the report.</p>	
-------	---	--

12/11	<p><u>Diesel Usage Update</u></p> <p>The Committee considered a report by the Service Manager – Air, Bus and Vehicle Fleet (Appendix 4) which provided an update on diesel usage across all service areas.</p> <p>The Committee noted the report, and agreed that a more detailed report on diesel usage by the Marine Operations Service be provided to a future meeting.</p>	D Polson
-------	---	----------

13/11	<p><u>Legal Services Update – Review of Conduct of Council House Sales</u></p> <p>The Committee considered a report by the Acting Divisional Manager – Legal Services (Appendix 5) which provided an update on the key audit issue relating to the processing of Council house sales.</p> <p>In response to questions from Members, the Head of Legal and Administration said that a summary audit report had been issued with the agenda as a much more detailed audit report had been produced which provided information relating to individual transactions and cases, and as was often the case with detailed audit reports, this would not be made public nor routinely made available to Members. He said the detailed report provided important information for management to enable corrective actions to be planned and acted upon, but the summary report brought out the main areas of concerns for Members to be informed of.</p> <p>With regard to any possible compensation for tenants, the Head of Legal and Administration advised that tenants had a right to lodge a default notice, but this had only been lodged on one occasion. However, he explained that in the event of a default notice being lodged the rental amount would be set off against the value of the property, and in this regard the cost to the Council would be neutral. Regarding the revenue effects, the Head of Finance confirmed that whilst any delays would result in a delay in receiving the capital receipt, rent would continue to be received, and so again the cost to the Council was neutral.</p> <p>The Chief Executive added his assurance that the Head of Legal and Administration would have his support and commitment to resolving the problems identified, and the fact that the Council was reporting this problem publicly was to be commended.</p> <p>In response to further questions, the Head of Legal and Administration confirmed that corrective action would not require any new resources, but would involve training staff and improving existing procedures.</p> <p>The Committee noted the report, acknowledged the recommendations for improvement, and agreed that a comprehensive update be provided to the Committee within a period of 6 months.</p>	J R Riise
-------	--	-----------

14/11	<p><u>E-Mail Security Report</u></p> <p>The Committee considered a report by the ICT Unit Manager</p>	
-------	--	--

	<p>report, and in response to concerns regarding the issue of grouping of accounts, she advised that Audit Scotland wanted to remove this qualification from the accounts. She agreed with the points made that the Shetland Charitable Trust was a separate organisation, its funding was clear, and the services it provided were also understood, but there was a requirement to comply with International Financial Reporting Standards (IFRS), and noted that the outcome of Counsel opinion was awaited. The Chief Executive advised that this issue tended to overshadow the progress being made by the Council in addressing its Improvement Plan, and this concern had recently been raised by the Accounts Commission.</p> <p>Regarding the Council's Reserves, Ms Hislop said the report was not suggesting an appropriate level of reserves, which was a matter entirely for the Council, but that the Council should provide the rationale behind the level set. She went on to confirm that problems with the Capital Accounting System were software related, but that the Finance Section were working closely with Logotech, and she was hopeful that these issues would be resolved.</p> <p>Members noted that concern regarding the timing of the Audit and Scrutiny Committee would be addressed during the review of the Committee structure.</p> <p>Some discussion took place concern the Audit fees, and Members noted that the current fee was in the top range of fees charged, and could only be reduced by addressing the problems identified, holding regular meetings and planning in more detail, improving the standard of working papers and ensuring that the Finance Service is supported and resourced. The Chief Executive confirmed that the Council was working with the external auditors in a constructive and supportive way with a view to reducing the amount of problems identified, and thereby working together to reduce the fees.</p> <p>In response to Members questions regarding the timescales, the Head of Finance advised that the issues were being addressed through the Council's Improvement Plan, and a report would be brought to the Council in March.</p>	
--	--	--

18/11	<p><u>Audit Scotland- An Overview of Local Government in Scotland</u></p> <p>The Committee noted a report by the Project Manager - Audit and Scrutiny Support (Appendix 10) which provided an overview of the main issues arising from Audit Scotland's work in local government during 2010.</p>	
-------	--	--

19/11	<p><u>Audit Scotland – Accounting for Local Authority Pension Funds</u></p> <p>The Committee noted a report by the Project Manager - Audit and Scrutiny Support (Appendix 11) which informed Members of the changes in accounting practice relating to pension funds.</p>	
-------	--	--

20/11	<p><u>Internal Audit – Interim Internal Audit Progress Report 2010/11</u></p> <p>The Committee noted a report by the Service Manager – Internal Audit (Appendix 12) which provided detail of progress made to date against the Audit Plan for 2010/11, as well as highlighting main issues identified during Internal Audit assignments.</p> <p>Reference was made to the findings in relation to Absence Management, and the Committee noted that training for managers was being promoted, and the Chief Executive was to issue a directive to all Managers in this respect.</p> <p>Members noted that due to the Council's care home services, this may appear to put the Council at a disadvantage in terms of absence management national performance indicators, and that Human Resources could be asked to provide figures that removes Social Care from the overall figures in order to provide a more realistic comparison.</p> <p>With regard to the review of contracts and breach of Standing Orders, the Committee noted that senior Management Team were taking this matter seriously, and noted also that Audit Scotland would refer to this matter in the Accounts for this year, and the issue would remain under review.</p>	A Buchan
-------	---	----------

21/11	<p><u>Statutory Performance Indicators – Comparative Analysis</u></p> <p>The Committee noted a report by the Project Manager - Audit and Scrutiny Support (Appendix 13) which set out the Council's performance information in respect of Audit Scotland's performance indicators, compared with the figures for Orkney Islands and Western Isles Councils.</p> <p>In response to a question, the Project Manager - Audit and Scrutiny Support confirmed that further information relating to increase in the number of FTE Teachers would be provided to a future meeting.</p> <p>Members considered the comparative figures between</p>	<p>J Macleod</p> <p>J R Smith</p>
-------	--	-----------------------------------

	<p>Shetland and the other Island Councils, and queried whether services such as marine operations or social care could account for higher indicators in Shetland, including absence management figures. The Head of Organisational Development confirmed that a more detailed report would be brought to the next meeting.</p> <p>The Committee also agreed that more detail on the comparative figures could be provided in relation to section 9, Adult Social Work.</p> <p>Some Members expressed concern figures in relation to the lack of women in the top percentile of earners within the Council compared to other Councils, although it was noted again that the Marine Operations service, being predominately staffed by men, may have resulted in a figure that was not comparable with other areas. Concern was also expressed regarding the suitability of Council offices, both in terms of purpose and for accessibility by disabled persons. The Committee noted that these areas of concern had been noted and there was work in progress to improve these figures over time.</p> <p>With regard to the general collection of information, the Committee noted that the Infrastructure Services Department was developing bespoke performance indicators that would provide more meaningful information to Members at a local level, but would also take account of the national indicators. Members agreed there was no consistent national approach to measuring performance, and that local information would be a welcome addition to the statutory information.</p>	J Macleod
--	---	-----------

22/11	<p><u>Items for Future Discussion</u></p> <ol style="list-style-type: none"> 1. High spend on legal services 2009/10 – the Committee noted that this was part of an overall report on legal services, to be reported to Committee in April 2011. 2. Outcome of Standards Commission complaint made by Dr J Wills and complaint made against Dr Wills – the Committee noted that the Chief Executive would respond to a letter from Dr Wills, now that the Standards Commission had made a determination in relation to both complaints. 3. Update on Council House voids. 	<p>J Riise</p> <p>A Buchan</p> <p>J Macleod</p>
-------	---	---

The meeting concluded at 12.20 p.m.

.....
F B Grains
Chairperson