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Press release

Monday 16 August 2010. Immediate release.

Accounts Commission announces findings following public hearing at Shetland Islands Council

The Accounts Commission says Shetland Islands Council has serious problems with leadership, vision and strategic direction, governance, financial management and accountability. The council needs to address these issues urgently by implementing an improvement programme.

Today's findings have been made following the hearing held by the Commission in Lerwick, Shetland on 28 and 29 June.

The Commission has serious concerns about how the council has been run. It finds an absence of clear, decisive and consistent leadership at councillor level and limited evidence of effective leadership from the corporate management team. The council has struggled to agree and communicate a clear purpose and this has been made more difficult by significant tensions between councillors and between councillors and officers.

John Baillie, Chair of the Accounts Commission, said: "Shetland Islands Council has taken a positive step towards better working by appointing an interim chief executive, although there is a danger that unrealistic expectations will be placed on him. It is essential that the council now pulls together and addresses its shortcomings. All councillors need to accept their responsibilities for making sure the council is run properly, with leadership from the convener and effective support from the corporate management team."

The Commission characterises the council's approach to governance as 'haphazard' and also criticises its processes and procedures. One area of particular concern is the council's approach to dealing with conflicts of interest.

John Baillie commented "Every council needs to ensure it is run properly, through good governance. But that has not happened at Shetland. The council needs to develop a shared understanding of what good governance means and requires. This is about individuals' behaviour and also about making sure the council has and uses rigorous systems to support leadership, transparency and clear decision-making."

The Commission has further serious concerns about financial management and accountability, including the accounting treatment of Shetland Charitable Trust which has resulted in repeated qualification of the council's accounts by the external auditors.

John Baillie said "Shetland Islands Council faces many challenges in the years ahead and needs to be in the best possible shape to tackle them. There are significant weaknesses in the way in which the council currently manages its finances. It is essential that the council takes action to improve on this."

The processes used in the recruitment and employment of the former chief executive are also criticised. The Commission notes that the negotiated settlement resulted in considerable anger in the local community and the actions of some councillors damaged the council's position.

In its recommendations the Commission says the council should put in place a comprehensive programme of improvements as a matter of urgency, with clear objectives, milestones and timescales for delivery. This should cover:

- The council's approach to governance, to ensure that rigorous systems are in place to support clear and transparent decision making
- Councillors working together to ensure that they have a shared understanding of the requirements of the Code of Conduct for elected members
- Training and development for councillors and senior officers to help develop clear and authoritative leadership, mutual respect and a clear understanding of their respective responsibilities

- Processes to ensure that the council can put its use of resources in line with its financial strategy and demonstrate that its services provide Best Value
- Addressing the weaknesses in the council's finance function and ensuring that the accounts are not qualified again in 2010/11
- Procedures for the creation and filling of all posts, and performance management and appraisal of all staff
- Procedures for consulting and communicating with the local community
- Engagement with the wider local government community and learning from good practice

John Baillie concluded: "Shetland Islands Council has serious problems. Councillors and officers need to accept the need for change, to pull together and act quickly and decisively to implement our recommendations and ensure Best Value for people in Shetland."

Legislation requires the council to consider these findings at a meeting of the council within three months of receiving them, and to decide what action to take in response to them.

The Commission will continue to monitor the council's circumstances through the council's external auditors, and has asked for a further report by the Controller of Audit in 12 months' time on progress made by the council. The Commission will give consideration at that point to any further measures that need to be taken.

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Notes to Editors

1. Audit Scotland is the external auditor appointed to Shetland Islands Council.
2. In May 2010 the Commission chose to hold a public hearing in light of the serious issues raised in a report from the Controller of Audit, as requested from her in December 2009. Today's findings are based on the Controller of Audit's May 2010 report, written submissions, and evidence given at the Hearing.
3. Today's findings, the Controller of Audit's report, a full transcript of the hearing proceedings and further background materials are available at www.audit-scotland.gov.uk
4. More information about the Accounts Commission for Scotland is available at <http://www.audit-scotland.gov.uk/about/ac/>
5. The Accounts Commission for Scotland checks whether local authorities, fire and police boards spend public money properly and effectively. It operates independently of central and local government.

Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Accounts Commission for Scotland.

The Accounts Commission is sometimes mistakenly referred to as the Audit Commission. The Audit Commission is a completely separate organisation that operates only in England.