

**MEETING: 11 AUGUST 2022**

**REPORT BY: SECRETARY TO THE COMMISSION**

**BEST VALUE ASSURANCE REPORT: SHETLAND ISLANDS COUNCIL**

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**Purpose**

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Best Value Assurance Report (BVAR) for Shetland Islands Council.

**Background**

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports.
3. The attached BVAR (**Appendix 1**) is on Shetland Islands Council. This is the first BVAR on the council and reports on the progress made by the council since previous Best Value reporting.
4. An Accounts Commission Audit of Best Value and Community Planning took place in 2005 with a follow up in 2007. The findings of the follow-up report were published in [January 2007](#) and are set out in **Appendix 2**.
5. Following a Section 102 report in 2009 highlighting a number of concerns at the council, a series of statutory reports were prepared. The Controller of Audit most recently reported to the Accounts Commission on the council in a statutory follow-up report in December 2012 and the Commission's findings were published in [January 2013](#) (set out in **Appendix 3**). The Commission's findings from the previous statutory report were published in [January 2012](#) and are set out in **Appendix 4**. Since then, aspects of Best Value work have been reported within the annual audit.

**The Controller of Audit report**

6. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
7. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
  - the accounts of local authorities audited under the Act;
  - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
  - the performance by a local authority of their statutory duties in relation to best value and community planning.

8. A copy of the report is being sent to the council, which is obliged to supply a copy to each elected member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the council it is effectively in the public domain.
9. The report concludes with a series of recommendations made by the Controller of Audit which are to be part of the Commission's considerations.

### **Procedure**

10. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - direct the Controller of Audit to carry out further investigations
  - hold a hearing
  - state its findings.
11. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
12. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
13. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

### **Conclusion**

14. The Commission is invited to:
  - a) consider the Controller of Audit's BVAR on Shetland Islands Council
  - b) decide in private how it wishes to proceed.

**Paul Reilly**  
**Secretary to the Commission**  
**2 August 2022**

**BEST VALUE ASSURANCE REPORT: SHETLAND ISLANDS COUNCIL**

See separate paper

**SHETLAND ISLANDS COUNCIL: THE AUDIT OF BEST VALUE AND COMMUNITY PLANNING - PROGRESS REPORT**

**COMMISSION FINDINGS**

**JANUARY 2007**

When the Commission made findings on the Best Value report on Shetland Islands Council in March 2005 we required a further report by the Controller of Audit on the progress made by the council during 2005/6 and on the extent to which the objectives of Shetland's Improvement Plan had been achieved, and we accept this report as fulfilling that requirement. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and does not attempt a comprehensive review of all service delivery. We acknowledge the cooperation and assistance given to the audit process by members and officers of the council.

The Commission accepts the conclusion of the report that Shetland Islands Council has made a start in addressing the issues raised in the Commission's previous findings. In particular we acknowledge:

- The introduction of a Corporate Improvement Plan and service planning and performance management frameworks.
- Moves towards achieving the longer term ambition of financial sustainability.

We remain concerned, however, about the pace and extent of change as a number of initiatives are relatively recent and are not yet fully established. We wish to place particular emphasis on the need for early improvement in the following areas:

- the development of Community Planning
- clarity of lines of accountability between the council and Trusts

The Commission welcomes the steps that the council has taken in the direction of establishing better scrutiny processes. We believe, however, that it is essential to have an Audit Committee that is separate from other deliberative and decision-making bodies.

Accordingly we urge the council to increase the pace of change in delivering the Improvement Plan. Progress will be monitored through the annual audit process.

**SHETLAND ISLANDS COUNCIL: STATUTORY FOLLOW-UP REPORT**

**COMMISSION FINDINGS**

**JANUARY 2013**

1. The Controller of Audit made this report to update the Accounts Commission on the progress made by Shetland Islands Council on its improvement plan. The council had approved its improvement plan on 10 November 2010, when it accepted the Commission's recommendations arising from a public hearing which the Commission held in June 2010. In December 2011, the Commission welcomed the prompt action and progress made by the council with its improvement plan, but emphasised the need for such positive direction to be sustained and consolidated. Consequently, the Commission requested that the Controller of Audit provide it with a further report in 12 months' time.

2. The Commission accepts this latest report by the Controller of Audit. It welcomes the significant progress made by the council, particularly in continuing to develop a culture of continuous improvement.

3. The Commission is encouraged by improving relations between elected members, and between elected members and officers. This is helping to deliver clear strategic direction and leadership. Better training of elected members has played an important role in improving this leadership.

4. The council is showing how it can learn from good practice elsewhere in developing its management capacity, which it will need to deliver its ambitious improvement agenda. There have been significant improvements in how it manages finances and information. Indeed, it is particularly pleasing to note that the financial statements of the council have been given an unqualified opinion by the external auditor for the first time since 2004/05.

5. The Commission is mindful of the significant challenges faced by the council in reshaping services on a more sustainable basis. It will need to have a full appreciation of costs and carefully consider a wide range of options for delivering services. It is encouraging that the council is engaging well with its communities in discussing these challenges with them. It is therefore vital that the positive momentum of the council demonstrated in the Controller of Audit's report is maintained.

6. The Commission notes that the council's progress will be monitored as part of the annual audit process.

**SHETLAND ISLANDS COUNCIL: STATUTORY FOLLOW-UP REPORT**

**COMMISSION FINDINGS**

**JANUARY 2012**

1. The Controller of Audit made this report to update the Accounts Commission on the progress made by Shetland Islands Council on its improvement plan. The council had approved its improvement plan on 10 November 2010 when it accepted the Commission's recommendations arising from a public hearing which the Commission held in June 2010.
2. The Commission accepts the report by the Controller of Audit. It welcomes the prompt action and progress made by the council with its improvement plan. It is encouraged that the council has now put in place many of the basic but essential building blocks of Best Value, including new political and management arrangements.
3. The Commission emphasises the need for this positive direction and change to be sustained and consolidated, especially in the context of some considerable challenges to be faced by the council in the near future. The Commission believes that these challenges include: a continuing need to address financial constraints; the need to appoint a new Section 95 officer; the longer term appointment of a chief executive; and forthcoming council elections.
4. There are positive indications that the council is developing a culture of continuous improvement: this change needs to be continued and the council needs to ensure that it has the capacity to do this.
5. The council also needs to do more to demonstrate more effective strategic financial management and to improve the capacity of its finance function, for example to avoid similar difficulties that were experienced this year in the timely and accurate preparation of accounts.
6. The Commission is seriously concerned to note that the auditors have given a qualified opinion on the council's financial statements, due to the omission of the Shetland Charitable Trust results from the group accounts. This is the sixth year in succession that there has been a qualification of those statements. This means that, in the year to 31 March 2011, the council's grouped financial statements did not include some £220 million of public funds, which raises the risk that the people of Shetland are not presented with a comprehensive picture of public resources. But the Commission notes that the council is committed in its improvement plan to addressing this situation during 2012.
7. The Commission requests that the Controller of Audit provides it with a further report in approximately 12 months' time, to enable the Commission to review the council's progress in implementing actions and in maintaining the improvements it has made over the last 12 months.