Agenda Item

1

Shetland Islands Council

Audit and Standards Committee **7 June 2012**

Assurance and Improvement Plan Update 2012-15 National Scrutiny Plan for Local Government 2012/13	
IP-011-F	
Report from: Performance and Improvement Adviser	**Corporate Services**

1.0 Summary

1.1 This agenda item has been requested by the Council's External Auditors to enable them to present the "Shetland Island Council – Assurance and Improvement Plan Update 2012-15" (Appendix 1).

1.2 Appendix 2 contains the "National Scrutiny Plan for Local Government 2012/13" and the 2012/13 "map" showing proposed scrutiny dates.

2.0 Decision Required

2.1 Members should consider the attached reports and recommend any actions required, bearing in mind the Council's own Improvement Plan which is before Council in June 2012.

3.0 Comment on the Content of Appendix 1

3.1 Sections 13 and 14 of the report show that in most areas there is no change in the risk assessment from 2011/12 to 2012/13. Section 15 shows that assessments in the following areas **have** changed:

Area	2011/12 assessment	2012/13 assessment	Change
Housing	Area of uncertainty	No significant scrutiny risks identified	Better
Vision & Strategic Direction	Significant scrutiny risks	Area of uncertainty	Better
Use of resources – financial position	No significant scrutiny risks identified	Area of uncertainty	Worse

3.2 Section 19 of the report confirms that the forthcoming formal Best Value audit has been moved to 2013/14 to allow time for the Council's current initiatives to work through more fully.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The accompanying report is an external opinion on whether the Council is delivering on its established Corporate Priorities.

4.2 Community /Stakeholder Issues – NONE

4.3 Policy And/Or Delegated Authority – In accordance with Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit and Standards Committee has responsibility to promote good internal control, financial management, risk, governance and performance management.

4.4 Risk Management – Failure to react to issues identified by the Council's external inspections will risk the Council's reputation.

4.5 Equalities, Health And Human Rights – NONE

4.6 Environmental - NONE

Resources

4.7 Financial – No direct implications

4.8 Legal – No direct implications

4.9 Human Resources – No direct implications

4.10 Assets And Property – No direct implications

5.0 Conclusions

5.1 This short report introduces an update on the Council's Assurance and Improvement Plan, put together by the Council's main inspection agencies. They provide observations on the performance of the Council.

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24 May 2012

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2012/13 National Scrutiny "map" showing proposed dates

Shetland Islands Council

Assurance and Improvement Plan Update

2012–15

Introduction

1. The first Assurance and Improvement Plan (AIP) for Shetland Islands Council (the council) was published in July 2010. That document set out the planned scrutiny activity for the Council for the period April 2010 to March 2013 based on a shared risk assessment (SRA) undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies.

2. The aim of the SRA process was to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period. The AIP gave an overview of the information that informed the risk assessment and showed how this links to the proposed scrutiny response.

3. The LAN met again in November 2010 to update the AIP for the period 2011-14. The AIP Update was published in May 2011.

4. This report is the result of the SRA which began in November 2011. The update process drew on evidence from a number of sources, including:

- The annual report to the Controller of Audit and elected members for 2010/11 from the council's appointed external auditors.
- The council's own performance data and self-evaluation evidence.
- Evidence gathered from Education Scotland, Care Inspectorate and the Scottish Housing Regulator (including published inspection reports and other supporting evidence).

5. The outcomes of that exercise are contained in this short report which summarises changes to risk assessments and proposed scrutiny responses. Appendix 1 to this report sets out a timetable for proposed audit and inspection activity between April 2012 and March 2015 which reflects the revised and updated scrutiny risk assessment.

Summary

6. During 2011, the council underwent a significant period of change. The council developed an improvement plan to address areas of weakness previously identified by the Accounts Commission. In

December 2011, the Commission issued a follow up report indicating that the council had taken prompt action to address the issues highlighted in audit reports and in the Accounts Commission's findings and had made good progress to date on implementing many important elements of its improvement plan. There are, however, areas where further improvements could be made.

7. The council has been working well with its partners to develop a long term vision for the Shetland Islands. Other areas of progress include establishing new political management arrangements and a new management structure. In addition, good progress has been made in developing new governance arrangements. Improvements have also been made in the financial planning and budgeting arrangements, although further progress can be made in these areas.

8. Concerns remain over areas such as aspects of financial management, including finalising the financial statements, the ongoing qualification of the accounts and resourcing of the finance function. An Executive Manager – Finance was appointed in January 2012 to replace the interim Head of Finance. The new executive manager will require a period of time to settle in to the roles and responsibilities of the post. Other current workforce concerns are that a number of senior posts have interim appointees in place.

9. Also, while some progress has been made in developing performance management and planning framework (PPMF) arrangements, further work is needed. For example, in July 2011, the council agreed a Policy Direction for the PPMF but as this has yet to be fully implemented, further evidence on the effectiveness of it will be required. We will continue to keep this area under review during the annual audit process.

10. The LAN is committed to maintaining its engagement with the council between now and the next SRA/AIP refresh so that we can retain an overview of how the council is managing its response to the significant financial challenges that it and all other Scottish public sector bodies face.

National risk priorities

11. A number of core national risk priorities will be applied to all 32 councils. These are:

The protection and welfare of vulnerable people (children and adults) including access to opportunities:

- No significant scrutiny risks were identified and the LAN considered that the risk assessment remains unchanged from last year and no additional scrutiny work is planned.

- The latest Initial Scrutiny Level Assessment completed by the Care Inspectorate in April 2010 indicated moderate risk with adequate performance and moderate activity on improvement work. The Care Inspectorate conducted scrutiny work in August 2010 and the council is currently working on the three recommendations made in the inspectorate's report of June 2011.

- The council's Fostering and Adoption Services were inspected in August 2010 and received good grades for all quality themes inspected.

- There have been no upheld complaints or enforcement action against any of the council's services registered with the Care Commission in the past 4 years.

- No services provided by the council have been assessed as high RSA (Regulatory Support Assessment) and no services have been graded as weak or unsatisfactory.

- In January 2012, a joint inspection report on the protection of children and young people in Shetland included examples of good practice and reported that there were particular strengths in Shetland that made a difference to children and families. Three areas were identified that needed improvement and the council has agreed an action plan for improvement.

Assuring public money is being used properly:

- As part of its improvement plan the council has made significant changes to its political management arrangements. The Accounts Commission's report of December 2011 stated that *'the council approved new political management arrangements and made appointments to various posts and committees. Though the arrangements have not been in place that long, the initial indications are that they are helping the council to conduct business in a more focussed and organised way.'* The report also stated that *'The council has made significant progress in reviewing, updating and improving its governance arrangements. Though the new arrangements are still relatively new and are bedding in, the early indications are that improvement is being achieved'.* While the council has made progress developing the new arrangements, the LAN considers that these arrangements need to be assessed over a longer period of time to obtain sufficient evidence of improvement. When more evidence is received, the LAN expects that in future years the risk assessment for governance and accountability will be improved from its current position as having significant concerns and risks.

- In the area of financial management, the council has made a number of improvements although further work is required. The Accounts Commission's report of December 2011 stated that *' Some aspects of financial management have improved; the council has introduced more effective financial planning and budget setting arrangements and agreed a strategic budget plan and agreed principles to underpin its reserves policy. Budget monitoring reports to elected members have improved, but need to improve further. Some aspects of financial management remain an area of significant concern however. The latest budget monitoring report indicated that the council has significant challenges in delivering its 2011/12 budget. The process of finalising the annual accounts was problematic, the financial statements were again qualified due to the exclusion of the results of the Shetland Charitable Trust and the annual audit report to the Controller of Audit and elected members raised concerns about the resourcing of the finance function.'*

- The council addressed some of these issues in January 2012 with the appointment of the Executive Manager – Finance and the appointment of a financial accountant. These are positive developments by the council although the benefits of the new appointees may not be achieved immediately.

- The LAN considers that, until further improvements can be evidenced, the risk assessment for financial management remains unchanged from last year with significant concerns and risks. There is no planned additional scrutiny work for governance and accountability or financial management as these areas will be covered by Audit Scotland's annual audit which will include a follow-up of the council's progress on its improvement plan.

How councils are responding to the challenging financial environment:

- In December 2011, the Scottish Government issued the proposed financial settlement for 2012/15. This indicates that the council will receive £92.401m in 2012/13 which is a reduction of £0.969m (1%) from 2011/12. The proposed financial settlements providing planning figures for 2013/14 and 2014/15 indicate that there will be similar levels of reductions in these years. Other external factors such as the risk of further recession or the downgrading of economic growth could have an impact on the local government settlement.

- In November 2011, the council agreed a strategic budget plan for 2012/13 and beyond. The plan requires recurring revenue savings of £26m to be found by 2013/14 so that a balanced budget is achieved. The level of savings required presents a significant challenge to the council. However, at a meeting in February 2012 to discuss the 2012/13 budget, councillors approved spending cuts totalling £16 million and a total revenue budget of £120 million. The council will require to identify further cuts of up to £14 million to achieve its 2013/14 budget.

- The council's management accounts overview for the first six months of 2011/12 indicated that, while significant progress had been made in identifying savings, budget revisions and additional and unexpected costs mean that there would be an overall deficit of £4m from a total budget of £127m. If no corrective action is taken, this would result in a larger draw on reserves in 2011/12 than planned. The report also highlighted an expected 2011/12 capital expenditure underspend of £7.2m from a budget of £36.8m

- In December 2011, the council reported an expected year-end reserve balance of £219m. The council's reserves policy sets out its intention to re-instate the reserves to a minimum level of £250m over a 10 year period. The council's plan to maintain a minimum level of reserves is subject to the actual rate of return of investments which is dependent on stock market conditions.

- The risk assessment on the council's financial position has changed from last year from 'no significant scrutiny risks identified' to an 'area of uncertainty'. This is mainly due to the significant challenges faced by the council in meeting its budget for the current year and beyond, against the

background of financial restraints imposed by the government. There is no planned additional scrutiny work for this area as it will be covered by Audit Scotland's annual audit.

12. The LAN is committed to maintaining its engagement with the council between now and the next SRA/AIP refresh so that we can retain an overview of how the council is managing its response to the significant financial challenges that it and all other Scottish public bodies face.

Areas continuing with an assessment of 'No significant risks'

13. This update focuses predominantly on those areas assessed as being uncertain or having significant risk. However, in the interest of providing a broader view of the council's overall risk assessment, it is important to highlight those areas that were previously assessed as having no significant risks which, based on additional evidence in the current year, including the Accounts Commission's review and the work of the annual audit, continue to be so. These assessment areas are:

Service Areas	Corporate Assessment	Outcomes
Education	Partnership working and community leadership	Smarter
Social Care	Community engagement	Healthier
Infrastructure Services	Equalities	Fairer
Economic Development Unit	Sustainability	Safer
Ports & Harbour Operations		Stronger
		Greener
		Wealthier

Areas of unchanged scrutiny risk assessments

14. The following comments relate to issues where perceived risks in the council's processes and activities remain unchanged since the 2011/12 AIP Update.

Area	Assessment	2011/12 Update
Governance & Accountability	**Significant scrutiny risks**	The council has recently reviewed and updated its governance arrangements. While progress is being made, more time is required before an assessment can be made on whether the new arrangements have been successfully implemented. In 2010/11, for the 6th successive year, the council's financial statements were qualified as the results of Shetland Charitable Trust were omitted. The 2010/11 financial statements submitted for audit were not Code compliant and arrangements require to be in place to

Area	Assessment	2011/12 Update
		ensure this is not repeated for 2011/12. This includes ensuring sufficient finance service resources A new S95 Officer was appointed in January 2012 but will need time to settle in. The Council's revised governance arrangements were approved in May 2011 and include ○ a new committee structure ○ a new executive management structure ○ updated codes of conduct for members and officers A training programme has been developed for Members, including financial management and governance The YourBusiness@Risk survey in May 2011 found good and improving awareness of ICT issues and policies although some areas for improvement were identified. The Council is working on developing best practice guidelines. The National Fraud Initiative review completed by Audit Scotland showed that the council had given the exercise more priority than in previous years. There are no issues regarding arrangements to detect and prevent fraud. This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.
Performance Management & Improvement	**Area of uncertainty**	In December 2011 the Accounts Commission reported that *'There has been some improvement in performance management and planning arrangements, but further improvement is needed in this area.* *In its improvement plan, the council committed to developing a planning and performance management framework (PPMF). The intention was that the framework would support the production of service plans and inform the budget process for 2012/13. The council also aims to implement the PPMF to support the community planning arrangements.* *In July 2011, the council agreed a Policy Direction for the PPMF and while the report contains references to the core elements of a framework (objectives, strategic drivers, accountability arrangements and a planning and budgeting timetable) the framework is rudimentary at present. For the parts of the council where planning and budgeting arrangements are already well developed, the PPMF provides a checklist to help ensure the basics are covered. Where planning and budgeting arrangements are less well developed, the PPMF alone would not be sufficient to support the improvement the council wants to make. The council has recently developed additional guidance to supplement the PPMF policy framework to improve its delivery of the objectives of this work-stream.'* The Commission also found that *'the council has made improvements to a number of supporting systems and processes which help it to do business more effectively. Some of the commitments in the improvement plan are behind schedule and*

Area	Assessment	2011/12 Update
		need further development, but they do not compromise the improvement plan overall' The Care Inspectorate found that there was room for improvement in the council's self-evaluation regarding child protection arrangements. Since 2008/09 the council has been reviewing and updating its risk registers. Due to the significant restructuring of the council this process is not yet complete. In July 2011 the Council approved a new Planning & Performance Management Framework. This includes • Use of Covalent • staff performance appraisal arrangements • benchmarking This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.
Use of resources – asset management and procurement and information management.	**Significant scrutiny risks**	The council's 2009 Procurement Capability Assessment (PCA) score of 16% was significantly lower than the Scottish average. Actions were identified for the council to improve the score however the council's PCA score for 2010 had not improved from the 2009 level. In 2010 the council established a new procurement section and established a procurement network to help progress procurement practices across the organisation. In 2011 an Audit Scotland follow-up on "Improving Public Sector Purchasing" found the council's procurement strategy had not been updated. A revised strategy was due to be approved by the end of October 2011 but this has been delayed and a draft was submitted to the Executive Committee in February 2012 for approval. The council intends to use this revised strategy as the basis of an action plan for focussing on the high priority areas identified by the PCA. There has been significant slippage of the 2011/12 capital programme with an expected underspend of £7.2m from a budget of £36.8m In April 2011 the post of Asset Strategy Manager was filled. In December 2011 the Executive Committee recommended that the council approve a new Asset Strategy. The Council has maintained good progress in providing a stable information management environment The Council makes good use of ICT to support and deliver services This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up

Area	Assessment	2011/12 Update
		of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.
Use of resources – people management.	**Area of uncertainty**	There has been a significant restructuring of senior management posts over the summer and most of the new positions have been filled. The post of Director of Corporate Services has not yet been filled on a permanent basis. The levels of sickness days lost in 2010/11 has not improved (teachers: 6.2, others: 12.2) and nationally SIC remains in the bottom quartile. Key posts are vacant, under review or post-holders are due to leave. There is significant uncertainty and low staff morale in some areas. There may be risks to service delivery and to taking forward improvements if vacancies continue. A Workforce Efficiency Strategy has been developed which reports to the Executive Committee An Efficiency Partnership Group is being developed which will oversee the impact on efficiency programmes on staff. A Vacancy Management Panel was introduced to review the council's approach to recruitment. While there has been a lot of activity in this area it is too early to assess how effective this activity has been. This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.
Use of resources – financial management.	**Significant scrutiny risks**	Although the council has introduced an improved budget setting process, reports issued by the council in October 2011 indicated that the council is expecting to breach its former minimum reserves floor of £250m in the current financial year. The council must ensure that budget information is comprehensive and accurate enough to support the decisions required to be made by members. The Council has reviewed and updated its budget process.A Financial Planning & Budgeting Framework was agreed in July 2011. A new reserves policy has been developed that sets out the minimum balance to be held for each reserve and the amounts that should be drawn to support the Strategic Budget Plan The Budget Plan aims to achieve a balanced expenditure budget by 2013/14 (i.e. no deficit requiring to be funded from reserves) The Budget Plan sets out a total savings target of £26m to be achieved over the next 2 years. The Council has established a 'Future Finances' team to oversee the budget process. The Team will provide progress reports to the CMT and will report regularly to the Council through the Executive

Area	Assessment	2011/12 Update
		Committee. The Council's Financial Regulations have been reviewed and will be updated during 2011/12 There is still room for improvement in the format and content of financial reporting. Financial management remains an area of significant concern. This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.

Changes to 2011/12 risk assessments

15. The following table relates to risk assessments that have been changed from the 2011/12 AIP Update.

Area	2011/12 Risk Assessment	2012/13 Risk Assessment	Reason for Change
Housing	**Area of uncertainty**	**No significant scrutiny risks identified**	In June 2011, the Scottish Housing Regulator carried out self assessment and on-site scrutiny activity around areas of significant risk: allocation of housing, income maximisation, asset management strategy and planning, investment, response repairs, assessment of homeless people and securing accommodation. They found progress in a number of areas and highlighted where further improvements are required. The Council is currently working to address areas requiring improvement. We will require further assurances on the Council's progress towards meeting the SHQS and ministerial targets in 2015. The council compares very well to others in terms of housing condition indicators.
Vision & Strategic Direction	**Significant scrutiny risks**	**Area of uncertainty**	In April 2011 the council approved new political management arrangements and made appointments to various posts and committees. These arrangements need time to settle in. Management restructuring has led to changes in key senior social work management posts. As a result there is uncertainty about future direction among front line staff. Progress on the Council's Improvement Plan is regularly reported to committee A new Planning & Performance Management Framework has been developed. A new Financial Planning & Budgeting Framework

Area	2011/12 Risk Assessment	2012/13 Risk Assessment	Reason for Change
			has been agreed A new reserves policy has been developed The council has been working effectively with partners to develop a long term vision for the Shetland Islands. There has been significant turnover in the Chief Officers' group and other priorities have impinged on the time available to focus on priorities in some key areas. Chief Officers have yet to establish a joint approach which provides effective leadership to staff working across services to protect children. While there has been much activity in this area it is too early to assess how effective this activity has been. This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.
Use of resources – financial position	No significant scrutiny risks identified	**Area of uncertainty**	The council's strategic budget plan requires recurring savings of £26m to be found by 2013/14 to achieve a balanced budget. This significant level of required savings presents a challenge to the council. In February 2012 the council approved spending cuts totalling £16 million and a total revenue budget of £120 million. The latest financial monitoring report (Dec 2011) indicates an overall deficit of £4m from a total budget of £127m if no corrective management action is taken. This would result in a larger draw on reserves in 2011/12 than planned The report also highlighted an expected 2011/12 capital expenditure underspend of £7.2m from a budget of £36.8m The council's reserves have fallen below £250 million for the first time in several years and, in December 2011, the council reported an expected year-end reserve balance of £219m. The council's policy to re-instate the reserves to a minimum level of £250m over a 10 year period is subject to investment returns from the stock market and in the current economic climate the required returns may be difficult to achieve. This area will be monitored by Audit Scotland as part of the annual audit process. Audit Scotland will also perform a follow-up of the council's progress on its improvement plan. This area will also continue to be monitored by the LAN.

Review of 2011/12 scrutiny activity

16. In September 2011, on behalf of the Accounts Commission, Audit Scotland conducted a review of the progress the council had made on its improvement plan and the report was issued in December 2011. The findings of the Commission's report have been reflected in the LAN's risk assessments.

17. The Scottish Housing Regulator carried out self-assessment and on-site scrutiny around areas of significant risk and the results of this work have been considered by the LAN when conducting the risk assessments.

18. In October 2011, the Care Inspectorate carried out a joint inspection of the protection of children and young people in Shetland. The report was published in January 2012 and the findings are in included in the LAN risk assessments.

Scrutiny plan changes

19. The LAN's risk assessment did not result in any planned scrutiny activity beyond the existing national or planned scrutiny work. Audit Scotland's planned scrutiny in 2012 will focus on the annual audit but will include a follow-up on the progress of the council's improvement plan. The planned formal BV audit has been moved to 2013/14 to allow time for the council's current initiatives to work through more fully. SHR will consider possible further scrutiny work following their review of the council's annual SHQS return due in September 2012. The Care Inspectorate have no additional scrutiny work planned beyond their planned inspections. Similarly, Education Scotland does not have any planned additional scrutiny outwith their agreed inspection programme.

Scrutiny plans

Scrutiny activity in the shaded rows does not result from the shared risk assessment but is either at the request of the council e.g. supported self evaluation work or national activity e.g. national follow up work or work requested by Ministers.

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SHETLAND ISLANDS COUNCIL							2012-13						
Scrutiny activity year 1	**Date TBC**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
No specific scrutiny activity planned													
National or planned work which is not as a result of the risk assessments should be listed in the shaded rows													
BV focussed work - Follow-up of the council's progress with its improvement plan.													
Maintaining Scotland's Road's a follow-up report – Audit Scotland													
Housing Benefit Audit													
							2013-14						
Scrutiny activity year 2		Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
No specific scrutiny activity planned													
National or planned work which is not as a result of the risk assessments should be listed in the shaded rows													
BV audit (specific timing to be confirmed)													
							2014-15						
Indicative scrutiny activity for rolling third year		Potential scrutiny bodies involved											
No specific scrutiny activity planned													
National or planned work which is not as a result of the risk assessments should be listed in the shaded rows													

Footnotes

- The focus of the AIP Update is **strategic scrutiny activity**, that is scrutiny activity which is focused at corporate or whole service level, but there will also be baseline scrutiny activity at unit level on-going throughout the period of the AIP. This will include, for example, school and residential home inspections.
- At the request of Scottish Ministers the Care Inspectorate will lead a **Joint Inspection of Children's Services** in each local authority area in Scotland. These inspections will commence in 2012/13 starting with a development site in April/May 2012 and a cycle of inspection of services for children which will report publicly from Autumn 2012. The selection of local authority areas for inspection will be based on intelligence and risk and take account of the Shared Risk Assessment. LAN leads will be advised in due course.
- In addition, Audit Scotland will be working with scrutiny partners to pilot an approach to assessing the **delivery of outcomes by community planning partnerships**. Pilot sites will be confirmed with the LAN lead in due course.
- Audit Scotland undertake an annual rolling programme of **thematic performance audits**. The fieldwork sites are identified as part of the development of the scope for each individual audit. Fieldwork sites will be confirmed with LAN leads as each audit is developed.
- The **annual audit** of local government also comprises part of the baseline activity for all councils. In April 2008, the Accounts Commission agreed to a request from the Department for Work and Pensions (DWP) to take over the Benefit Fraud Inspectorate's responsibility for inspecting housing and council tax benefit (benefits) services in Scotland. As Audit Scotland has no inspection function, this '**benefits performance audit**' work has been incorporated into the annual audit of local government. The exact timing of the audits will be confirmed through the LAN lead.
- **Education Scotland**, through the District Inspector, will continue to support and challenge Education Services regularly and as appropriate the **Care Inspectorate** will regulate care services and inspect social work services based on the Public Services Reform (Scotland) Act 2010.
- Scrutiny bodies also reserve the right to make unannounced scrutiny visits.

National Scrutiny Plan for Local Government 2012/13

A summary of Local Government Strategic Scrutiny Activity

Prepared by the Local Government Scrutiny Coordination Strategic Group
May 2012

ACCOUNTS COMMISSION

AUDIT SCOTLAND

HMICS HM INSPECTORATE OF CONSTABULARY FOR SCOTLAND

Healthcare Improvement Scotland

Education Scotland Foghlam Alba

Scottish Housing Regulator

care inspectorate

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 Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Background

Following the publication of the Crerar report on the *Independent Review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland* in September 2007, the Scottish Government undertook to develop a simplified and more coherent approach to local government scrutiny, as part of its wider approach to improving the arrangements for the external scrutiny of public services.

A key aspect of this was the need to better coordinate and streamline strategic scrutiny work at corporate and service level, while continuing to provide assurance to the public. This marked a fundamental shift from scrutiny which had typically been based on standard audits and inspections done on a routine cyclical basis, to a more risk-based and proportionate approach.

In March 2008, the Cabinet Secretary for Finance and Sustainable Growth asked the Accounts Commission to undertake a transitional 'coordinating and gatekeeping role' in the planning of scrutiny activity in local government in Scotland. The Accounts Commission's transitional role was subsequently placed on a permanent footing by the Cabinet Secretary in March 2011 when he wrote to the chair of the Accounts Commission confirming that, "facilitating and coordinating… scrutiny relating to the corporate and strategic role of local government" should now be regarded as one of the accepted functions of the Accounts Commission.

We have sought to be open and transparent when preparing the National Scrutiny Plan and have therefore included all strategic scrutiny activity of which we are currently aware, as well as assisted self-evaluation work requested by councils which is designed to support improvement and build self evaluation capacity. In line with the phased approach requested by the Cabinet Secretary, our focus has been on planned scrutiny activity which assesses whole services or corporate functions. The plan does not, therefore, focus on scrutiny activity carried out at service unit or institution level, eg school or care home inspections. The annual financial audit is also not included in the National Scrutiny Plan as this was considered by the by the Cabinet Secretary to be baseline scrutiny activity.

The *National Scrutiny Plan for Local Government* has been jointly prepared by the Local Government Scrutiny Coordination Strategic Group. This group includes the Accounts Commission, Audit Scotland, Education Scotland (ES), the Care Inspectorate (CI), Scottish Housing Regulator (SHR), Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) and Healthcare Improvement Scotland. Details of each body can be found in Appendix 1; they are collectively referred to as 'scrutiny bodies' in this report.

In developing this plan we have engaged with COSLA and SOLACE on an ongoing basis and we acknowledge the input we have had from them and councils to date in taking forward this scrutiny improvement work.

Part 1. Context

1. This third National Scrutiny Plan has been developed against the backdrop of significant change in the public sector and scrutiny landscape of Scotland. The new scrutiny bodies created in 2011, the Care Inspectorate and Education Scotland, continue to develop and consolidate. On 1 April 2012, the Scottish Housing Regulator status will change from an executive agency to a non-ministerial department and will exercise new functions provided for in the Housing (Scotland) Act 2010.

2. At the request of Scottish ministers, the Care Inspectorate will lead a joint inspection of children's services in each local authority area in Scotland. These inspections will commence in 2012/13 starting with a development site in April/May 2012 and a cycle of inspections of services for children which will report publicly from autumn 2012. The selection of local authority areas for inspection is based on intelligence and risk and takes account of the shared risk assessment. The selection of local authority areas includes Angus, Edinburgh, Argyll & Bute, Orkney, East Dunbartonshire and North Ayrshire Councils.

3. In addition, the Care Inspectorate is currently developing an approach to inspecting adult care services drawing on its experience of implementing multi-agency strategic inspections of children's services. The adult care services inspection sites have not yet been finalised and these will be added to the National Scrutiny Plan in due course.

4. At the request of Scottish ministers, Audit Scotland is developing an approach to auditing community planning partnerships and the delivery of local outcomes. The CPP audit model will be tested during 2012/13 in a number of councils. The CPP audit sites will be included in the National Scrutiny Plan once they are identified.

5. Scrutiny bodies continue to work with councils to support self evaluation activity. The scrutiny bodies will consider opportunities to further develop this type of support activity over the coming year.

6. Local Government continues to adapt and change in relation to significant budget pressures and in response to the four pillars of the Scottish Government's public sector reform agenda; shifting resources to preventative activity, integrated local services driven by better partnership working, workforce development and transparent and improving performance.

Part 2. The National Scrutiny Plan for Local Government 2012/13

7. Since 2008, the main scrutiny bodies for local government have worked together through the Local Government Scrutiny Coordination Strategic Group to identify and agree the key risks in each individual council and to develop a plan of scrutiny activity to respond to those specific risks. This approach, called Shared Risk Assessment (SRA), is designed to ensure proportionate and focused scrutiny and reduce the overall amount of external scrutiny activity in local government, while continuing to provide public assurance and help councils to improve.

8. The 32 Local Area Networks (LANs) of representatives of the scrutiny bodies meet annually to share intelligence and agree the scrutiny risks for each council. Each LAN prepares an Assurance and Improvement Plan update containing a scrutiny plan setting out the planned scrutiny activity over a rolling three-year period from 2012/13. These individual plans are aggregated to form the National Scrutiny Plan.

9. The National Scrutiny Plan for Local Government is one of the key outputs from the SRA work. The plan for 2012/13 is the third such plan and summarises the strategic scrutiny work from April 2012 to March 2013 as described in each of the 32 council's individual scrutiny plans.

Appendix 1.

The Local Government Scrutiny Coordination Strategic Group Members

The Accounts Commission

The Accounts Commission is a non-departmental public body (NDPB). The Accounts Commission is the public's independent watchdog for local government in Scotland. Its role is to examine how Scotland's 32 councils and 45 joint boards manage their finances, help these bodies manage their resources efficiently and effectively, promote Best Value and publish information every year about how they perform.

Audit Scotland

Audit Scotland is a significant national body. Audit Scotland is a statutory body providing services to the Accounts Commission and the Auditor General for Scotland (AGS). Working together, the Accounts Commission, the AGS and Audit Scotland ensure that public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Education Scotland

Education Scotland (ES) is an executive agency. ES is the Scottish Government's national development and improvement agency for education. It is charged with providing support and challenge to the education system, from the early years to adult learning, in furtherance of the government's policy objectives.

The Care Inspectorate (Social Care and Social Work Improvement Scotland)

The Care Inspectorate is a non-departmental public body (NDPB). The Care Inspectorate's purpose is to provide assurance and protection for people who use care, social work and children's services.

The Scottish Housing Regulator

The Scottish Housing Regulator (SHR) is a non-ministerial department. The statutory objective of SHR is to safeguard and promote the interests of persons who are, or who may become: homeless; tenants of social landlords; or recipients of housing services provided by social landlords.

Her Majesty's Inspectorate of Constabulary for Scotland

Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) is a significant national body. The purpose of HMICS is to promote efficiency and effectiveness in respect of the standards of the police service in Scotland.

Healthcare Improvement Scotland

Healthcare Improvement Scotland (HIS) is a health body. The function of HIS is to improve the quality of the care and experience of every person in Scotland every time they access healthcare by supporting healthcare providers.

Appendix 2.

Glossary

Assurance & Improvement Plan (AIP)	Document which captures agreed areas of risk and the resulting scrutiny response for each council. It is the primary planning document for scrutiny bodies
Fieldwork	The part of the scrutiny work that is undertaken at the council
Local Area Network (LAN)	Representatives from all the scrutiny bodies for each council to maximise the benefit of the scrutiny knowledge and understanding of the council
LAN lead	LAN representative facilitating LAN discussions and responsible for engagement with the council and producing the AIP
National Scrutiny Plan (NSP)	The aggregation of the individual council's scrutiny plans into a national plan detailing all the scrutiny work planned across Scottish councils
Scrutiny contact days	The number of days spent in the council conducting fieldwork multiplied by the number of auditors/inspectors involved in the work
Scrutiny events	An individually defined piece of scrutiny work
Shared risk assessment (SRA)	A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk
Supported self-evaluation (SSE)	Assistance provided by the Care Inspectorate to councils on request, to help them develop their own methods and quality of self scrutiny
Validated self-evaluation (VSE)	Assistance provided by Education Scotland to councils on request, to help them develop their own methods and quality of self scrutiny

National Scrutiny Plan for Local Government 2012/13

A summary of Local Government Strategic Scrutiny Activity

If you require this publication in an alternative format and/or language, please contact us to discuss your needs.

You can also download this document in PDF, black and white PDF or RTF at:
www.audit-scotland.gov.uk

AUDIT SCOTLAND

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National Scrutiny Plan for Local Government 2012/13

Council	Date TBC	April	May	June	July	August	September	October	Novermber	December	January	February	March
Aberdeen City		ISLA 20		MR 3		HBW 2		SHR 0					
Aberdeenshire	MR 3	HBW 2 SHR SE 0						FBV 10					
Angus	HBW 2	CSI 168	SHR SE 2	MR 3									
Argyll & Bute	MR 3				SHR SE 0		VSE 66				CSI 170		
Clackmannanshire	MR 3					HBW 2							
Dumfries & Galloway	MR 3						Education 40						HBW 2
Dundee City	MR 3				FBV 15								
East Ayrshire			MR 3					SHR SE 0					
East Dunbartonshire		VSE 56			MR 3 CSI 168								
East Lothian	MR 3							HBW 2					
East Renfrewshire	MR 3		SHR/AS 12						SHR SE 0				
City of Edinburgh		CR 20	SHR SE 0	MR 3 HBW 2			BV 45	BV/CSI CSI 169					
Eilean Siar	MR 3	HBW 0		EPS 7			PBV 5						
Falkirk					MR 3								
Fife				SHR SE 0 MR 3		SHR SE 0							
Glasgow City		HBW 2		MR 3		SHR 0							
Highland	MR 3 BV (CHaP) 1												
Inverclyde	MR 3												
Midlothian	MR 3	HBW 0		EPS 8								SHR 25	
Moray	MR 3				SHR 0				FBV 10				
North Ayrshire			MR 3					VSE 56			CSI 170		
North Lanarkshire	MR 3												
Orkney Islands		MR 3						SHR SE 10 CSI 169	CI/Auditor 8				
Perth & Kinross			MR 3				CR 10		SHR 6		HBW 0		
Renfrewshire			ISLA 20	MR 3							VSE 56		
Scottish Borders			MR 3										
Shetland Islands			MR 3		HBW 2				PBV 10				
South Ayrshire		MR 3 ISLA 20										HBW 2	
South Lanarkshire	MR 3						SHR 6				HBW 2		
Stirling	MR 3							HBW 2					SHR 12
West Dunbartonshire			ISLA 20	SHR SE 20 MR 3									
West Lothian	VSE 56	MR 3	HBW 2			SHR SE 2							

KEY **73** – Number of inspector days

Audit Scotland (AS)	
Best Value (BV)	
Focused Best Value (FBV)	
Best Value progress report (PBV)	
Maintaining roads follow up (MR)	
Housing Benefit Work (HBW)	
Care Inspectorate	
Initial Service Level Assessment (ISLA)	
Children's Service Inspection (CSI)	

Collaborative working (CW)	
Education Scotland	
Education (E)	
Council requested (CR)	
Validated Self Evaluation (VSE) requested by council	
Educational Psychology Services follow up (EPS)	
HMICS/AS	
Scottish Housing Regulator	
Scrutiny (SHR)	
Supported self evaluation activity (SHR SE)	

Notes:

1. For operational reasons or for the convenience of the council the exact timing of some of the activity may be subject to change.
2. The focus of the National Scrutiny Plan (NSP) is strategic scrutiny activity, that is scrutiny activity which is focused at corporate or whole service level. There will also be baseline scrutiny activity at unit level on-going throughout the period of the NSP. This will include, for example, school and residential home inspections.
3. At the request of Scottish Ministers the Care Inspectorate will lead a Joint Inspection of Children's Services in each local authority area in Scotland. These inspections will commence in 2012/13 and start with a development site in April/May 2012 and commence a cycle of inspection of services for children which will report publicly from Autumn 2012. The selection of local authority areas for inspection will be based on intelligence and risk and take account of the Shared Risk Assessment. The children's services inspections detailed in the NSP are reflected in the Care Inspectorate's inspection plan 2012/13 which is currently with Ministers for approval. The Care Inspectorate is also in the process of considering a request from Scottish Ministers to develop an integrated approach to inspecting adult services on partnership with other scrutiny bodies. This work will draw on their children's services inspection experience.
4. Audit Scotland are working with scrutiny partners to develop an approach to assessing the delivery of outcomes by community planning partnerships. Audit sites will be confirmed in due course.
5. Audit Scotland undertake an annual rolling programme of thematic performance audits. The fieldwork sites are identified as part of the development of the scope for each individual audit. Fieldwork sites will be confirmed as each audit is developed.
6. Scrutiny bodies reserve the right to make unannounced visits and to respond to any issues arising during the year.

Agenda Item

2

Shetland Islands Council

Audit and Standards Committee **7 June 2012**

Audit Scotland Reports	
IP-010-F	
Report from: Performance and Improvement Adviser	**Corporate Services**

1.0 Summary

1.1 This report contains links to reports produced by Audit Scotland since the last meeting of the Audit and Standards Committee

2.0 Decision Required

2.1 The Audit and Standards Committee should consider the linked reports and highlight any issues that they feel should be monitored or further addressed through this, other Committees or by Council management.

3.0 Detail

3.1 Representatives of Audit Scotland are expected to be in attendance to provide further background or answer questions.

Linked Reports	Appropriate Body
Commissioning Social Care	Social Service Committee / Director Community Care
An overview of local government in Scotland - Challenges and change in 2012	Council / Audit and Standards / Chief Executive
Using cost information to improve performance: are you getting it right?	Council / Audit and Standards / Chief Executive
Commonwealth Games 2014 – 2nd position statement	Executive Manager Sport & Leisure

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – Improved external engagement and sharing best practice are both elements of the Council's Improvement Plan.

4.2 Community /Stakeholder Issues – NONE

4.3 Policy And/Or Delegated Authority – The Audit and Standards Committee remit includes consideration of reports from Audit Scotland.

4.4 Risk Management Failure to deliver effective external engagement and learn from best practice elsewhere increases the risk of the Council working inefficiently.

4.5 Equalities, Health And Human Rights – NONE

4.6 Environmental - NONE

Resources

4.6 Financial – No direct implications

4.7 Legal – No direct implications

4.8 Human Resources – No direct implications

4.9 Assets And Property – No direct implications

5.0 Conclusions

5.1 The attached reports provide valuable information for Committees and officers throughout the Council.

For further information please contact:
Jim MacLeod, Performance & Improvement Adviser
01595 744672
24 May 2012

Agenda Item

3

Shetland Islands Council

Audit & Standards Committee **7 June 2012**

Internal Audit – Annual Report 2011/12 and Operational Plan 2012/13	
Report No: IA-001-F	
Report Presented by Executive Manager – Internal Audit	**Executive Services – Internal Audit**

1.0 Summary

1.1 This report is being presented to the Audit & Standards Committee, as one of the Committee's roles is to act as the Audit Committee of Shetland Islands Council.

1.2 This report presents Members with an Annual Report (Appendix 1) of the activity of the Internal Audit Service for 2011/12. It also presents the Operational Plan (Appendix 2) for 2012/13. The Operational Plan is derived from the six-year Strategic Audit Plan initially approved by Executive Committee on 24 June 2003 and reviewed annually by Internal Audit. The six -year Strategic Audit Plan is attached as Appendix 3 for information as this has been recently refreshed to reflect the management restructure.

1.3 The Annual Report is for noting. Members are also asked to note the planned coverage for 2012/13 as set out in the Operational Plan. This plan has been approved by Corporate Management Team. A six-monthly report will be presented to the Audit & Standards Committee to monitor progress against the Operational Plan.

1.4 Members are also reminded that Internal Audit reports are published on the Council website, if appropriate, following clearance for Freedom of Information (FOI) and Data Protection purposes. Members can find information on issues identified, in addition to those deemed as key / main, within these reports. http://www.shetland.gov.uk/internalaudit/

2.0 Decision Required

2.1 Members are asked to note the contents of this report and comment accordingly.

3.0 Detail

3.1 The purpose of Internal Audit, as defined in the Audit Charter, is to reassure Council Members that:

- there is adequate monitoring of the internal control environment throughout Council operations so that serious breakdowns are avoided, and

- the Council's system of internal control is both sound and effective so that its assets are safeguarded and its performance reporting can be accepted with confidence.

Annual Report 2011/12

3.2 Appendix 1 details the Internal Audit activity for 2011/12, with a brief description of key audit issues identified since the interim report to Audit & Standards Committee on 15 December 2011. Full copies of Internal Audit reports, the Strategic Plan and the annual operational plan can be found on Internal Audit's site on the Council Internet.

3.3 Managers have generally undertaken to rectify issues through the agreed action plans to a satisfactory degree.

3.4 Within service areas subject to Internal Audit review, and assuming implementation of the recommendations made, reasonable assurance can be placed upon the controls in operation. Follow up audits will be performed during this financial year to ascertain whether recommendations have indeed been implemented in accordance with action plans.

3.5 It is, however, disappointing to note that follow up work in 2011/12 revealed a number of key issues had yet to be resolved, albeit there is commitment to progress them.

3.6 With effect from 2010/11, Internal Audit introduced Corporate Reviews covering specific topics across the Council. The results of the cross-Council reviews are reported to the Corporate Management Team (CMT) or, in some cases, the Executive Director – Finance. The members of CMT or the Executive Manager – Finance should progress action as required.

3.7 The review of Employee Performance Reviews revealed significant non - conformance across the Council.

3.8 With regard to financial control, Corporate Reviews identified concern over the control and usage of credit cards and revealed that purchasing controls are not always observed.

3.9 A follow up Corporate Review of flexitime, currently ongoing, shows that policy is still not observed despite clear instructions being issued to all Council staff following the initial review.

3.10 As a result of the poor compliance in relation to Employee Performance Reviews and Absence Management (in 2010/11), the Chief Executive has specifically requested that these reviews be brought forward to be performed again in 2012/13.

3.11 Risk Registers throughout the Council are still not fully completed although we understand progress has again been made in the last year. Completion of these is important to fully assess risks faced by the Council.

3.12 During 2011/12 the Financial Regulations and Administration procedures were refreshed which significantly improved the Council's governance arrangements.

3.13 In addition, a significant improvement agenda is being progressed Council-wide against which Internal Audit will monitor progress.

3.14 Internal Audit also understands that a Council Code of Corporate Governance is soon to be produced. A review of Standing Orders is also to be undertaken. In addition, it is understood that the Approved Contractors List and accompanying procedure is to be reviewed, covering detail such as financial (insurance information), technical and contractual details for all approved contractors. It is important all this work is timeously undertaken to further strengthen governance arrangements.

3.15 Internal Audit also liaises with the Council's External Auditors, providing them with copies of all reports issued. This arrangement is reciprocated and is generally working satisfactorily.

Audit Planning

3.16 All Internal Audit assignments are performed in accordance with the annual operational audit plan. The plan is a prioritised schedule of assignments to be performed during the course of the financial year within the framework of the risk based Strategic Audit Plan.

3.17 The Strategic Audit Plan was drawn up using a formal risk assessment model. The following risk factors were considered:

Risk Assessment for Strategic Audit Plan

Risk Category	Brief Description
Corporate Importance	Measures the potential effect on the organisation should the system catastrophically fail
Corporate Sensitivity	Measures the day to day sensitivity of the information processed, or the service delivered by the system

Inherent Risk	Measures the risk of the system or assets to error, loss, irregularity, illegality, inefficiency, etc
Control Risk	Measures the risk that weaknesses or errors will not be prevented or spotted by management's internal controls

The Strategic Audit Plan intends to complete audit coverage of all Council activities within a six year timeframe.

3.18 The nature of audit work is such that there needs to be a degree of flexibility built into the planning process. Audit assignments may highlight areas which require more investigation to be undertaken than was originally planned, or special investigations may be requested as a result of the identification of an area of concern. For those reasons, the audit plan may change if staff are required to reprioritise their work plan to undertake other duties. The Committee is asked to note that there may be amendments to the Operational Plan for 2012/13 in order to prioritise staff resources as required during the year. The Corporate Management Team are in agreement with the content of the plan.

Internal Audit Resourcing

3.19 The Internal Audit Service is fully resourced with staff progressing their individual training plans within budgetary constraints.

3.20 The Internal Audit Assistant, Emma Cripps, is nearing attainment of the AAT (Association of Accounting Technicians) qualification.

3.21 The Technical Audit Assistant, Ryan McNeillie, obtained an HNC in Business and as part of Internal Audit succession planning will soon embark on study for a computer audit examination.

Internal Audit Performance

3.22 For 2011/12, Internal Audit has performed 94% of the Audit Plan. This compares to 93% completion in 2010/11. This is directly attributable to the hard work of Internal Audit staff.

3.23 The performance target of issuing draft final reports within 14 days of audit testing completion was achieved in 100% of cases.

3.24 Internal questionnaires completed and returned by auditees indicate a high level of satisfaction with the service received.

3.25 During 2011/12 Internal Audit once again retained ISO 9001:2008 quality accreditation standard. However due to budgetary constraints, this accreditation will not be renewed when further certification is required in August 2012.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – Although not contributing to a specific corporate priority, this report, which provides Members with an update on audit activity, contributes to improving the arrangements for Member engagement in monitoring Council performance

4.2 Community /Stakeholder Issues – None.

4.3 Policy and/or Delegated Authority – The Audit and Standards Committee remit includes consideration of audit matters and one of its roles is to serve as the Council's Audit Committee.

4.4 Risk Management – Whilst no specific risk can be attributed to this report, Internal Audit facilitates reduction of risks identified as a result of work undertaken. This can only be the case if Council management act as per agreed action plans, to deal with issues identified by Internal Audit.

4.5 Equalities, Health And Human Rights – None

4.6 Environmental – None

Resources

4.7 Financial – None

4.8 Legal – None

4.9 Human Resources – None

4.10 Assets And Property – None

5.0 Conclusions

5.1 Notwithstanding the issues highlighted above and in Appendix 1, from the work performed as part of the annual audit plan for 2011/12, Internal Audit concluded that the Council's system of internal control was generally adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced and that value for money was continuously sought. This assumes that issues identified and agreed are, have been or will be addressed.

5.2 Any system of internal control can only provide reasonable, but not absolute, assurance against loss. Internal Audit can only provide reasonable comment that there are no major weaknesses in the systems they have reviewed.

For further information please contact:
Crawford McIntyre – Executive Manager – Internal Audit
01595 744546
crawford.mcintyre@shetland.gov.uk
June 2012

List of Appendices
Appendix 1 - Annual Report for 2011/12.
Appendix 2 - Internal Audit Operational Plan 2012/13
Appendix 3 - Six-year Strategic Plan

END

Audit	Auditee	Progress Report / Key Audit Issues
Community Care	Director – Community Care Services	Reported to Audit & Standards Dec 2011.
Social Care – Children's Services	Director – Children's Services	Reported to Audit & Standards Dec 2011.
Social Care – Criminal Justice	Executive Manager – Criminal Justice	Reported to Audit & Standards Dec 2011.
Housing	Executive Manager - Housing	Reported to Audit & Standards Dec 2011.
Planning - Heritage	Executive Manager - Planning	Situation reported to Audit & Standards Dec 2011.
Finance – Benefits & Rents	Benefits Manager	There were no areas of concern found during this audit.
Schools Service	Executive Manager - Schools	There was one key audit issue and it related to the lack of risk assessments within some schools. This is a Health & Safety legislative requirement and could result in serious consequences if an incident were to occur and appropriate risk assessments had not been undertaken. There was one key observation concerning the results of an Additional Support Needs (ASN) Investigation and Follow Up Report dated October 2008. A number of issues from that report remain unresolved. The Executive Manager - Quality Improvement has now been assigned responsibility for this area and has undertaken to ensure that these matters are now progressed. A number of other issues have arisen as a result of this audit, however

		the newly appointed Executive Managers have responded very positively to these audit issues and have given assurance that they will be addressed.

Follow up Audit	Auditee	Progress Report
Payroll & Pensions	Expenditure Manager	Reported to Audit & Standards Dec 2011.
Finance – Local Taxation	Local Taxation Manager	Reported to Audit & Standards Dec 2011.
Building Standards	Service Manager – Building Standards	Reported to Audit & Standards Dec 2011.
Train Shetland – Short Courses	Short Courses Manager	Reported to Audit & Standards Dec 2011.
Train Shetland – Vocational Training	Vocational Training Manager	Reported to Audit & Standards Dec 2011.
Development Plans	Service Manager – Development Management	Situation reported to Audit & Standards Dec 2011.
Laboratory	Laboratory Section Leader	Reported to Audit & Standards Dec 2011.
Halls of Residence	Manager – Janet Courtney Halls of Residence	Reported to Audit & Standards Dec 2011.
Building Services	Acting Team Leader – Building Maintenance	A number of issues remained unresolved, albeit the key issues had either been resolved or were being resolved. A further memo has recently been received confirming substantial further progress.

Catering & Cleaning	Catering & Cleaning Manager	Most issues had either been resolved or were being resolved. Commitment was received that all matters would be resolved.
Safety & Risk	Safety & Risk Manager	This follow up was ongoing at the time of writing this report, however the key issue that a systematic programme of risk audits and health and safety audits should be in place has not been resolved. The Team Leader intends to resolve this by undertaking a serious of reviews over the next few months.
Community Care	Director – Community Care Services	There was one key issue and work has not progressed with regard to a centralised relief bank. An analysis taken from Webroster shows that the cost of relief work increased by over £81k to £1.13m in 2011/12. It has been stated by the Executive Manager - Community Care Resources that the situation has been exacerbated by a significant number of posts being rejected by the Vacancy Management Panel for the purposes of redeployment. It was agreed by the Director-Community Care Services that a unit by unit review covering each service provided would be carried out in order to establish the current service position and future service requirements. This has not been carried out. It was stated that this review has not been addressed because of the recent management restructure. It was further stated by the Executive Manager-Community Care Resources that an action plan will be developed by September 2012 to resolve the establishment issues and to progress to a centrally held relief system. It should however be noted that a significant number of other issues were identified during the audit and these have all been or are being resolved
Finance - Treasury	Treasury Accountant	There was one key audit issue which was outwith the remit of Treasury

		to resolve; this is still not resolved, however a working group is progressing the transfer of the Development Trust bank accounts. There are tax and legal issues to resolve but it is clear the matter is finally progressing.
Development Management	Service Manager – Development Management / Coastal Zone Manager	Rescheduled to 2012/13
Flexitime Corporate Review	Council - wide Corporate Review	Rescheduled to 2012/13
Investigations / Reviews	**Requested by**	**Progress Report**
SUMS College	Director – Shetland College	Reported to Audit & Standards Dec 2011.
LEADER Funding	Executive Manager – Economic Development	Reported to Audit & Standards Dec 2011.
Hardship Fund	Director – Shetland College	Work undertaken December 2011
Corporate Improvement Plan	Strategic Audit Plan	Reported to Audit & Standards Dec 2011.
Performance Reviews	Strategic Audit Plan	Reported to Audit & Standards Dec 2011.
Credit Cards / Cash Security	Strategic Audit Plan	Reported to Audit & Standards Dec 2011.
Recruitment	Strategic Audit Plan	This corporate review revealed that recruitment was substantially being undertaken in accordance with policy with only minor issues identified.

Disclosures	Strategic Audit Plan	Reported to Audit & Standards Dec 2011.
Purchasing / Invoice Payment	Strategic Audit Plan	This review highlighted that the new Invoice Approval System (IAS) is working well with very few issues identified as, provided a purchase order is raised at the initial stage (this was not always done), all other controls are enforced by the system. However, in areas where manual and Integra orders are being used, purchase ordering procedures are not always being followed, notably goods received are not being evidenced prior to payment and in common with IAS, purchase orders are not always being produced. The Executive Manager - Finance has undertaken to take action to resolve this situation.
Specific Capital Project – Walls Pier	Strategic Audit Plan	In Internal Audit's view, current technical and financial processes should be revisited and consideration given to factoring a quality element into all works contract tenders. There were no valid reasons why the initial contractor should not have been offered the contract. To not have awarded the contract, which was solely based on price, not price / quality, to the original contractor could have resulted in a legal challenge. Notwithstanding that, we feel that consideration should be given to more vigorous technical and financial vetting, while remaining within the legislative requirement for objectivity. We consider that there was adequate monitoring of the work in

		progress and the Project Manager's correspondence file shows that concerns were expressed at a very early stage and throughout the project about lack of progress.
Software Asset Management	Strategic Audit Plan	Reported to Audit & Standards Dec 2011.
Media Handling	Strategic Audit Plan	Media handling and encryption is currently being finalised. A report will be presented to CMT in due course and the key findings reported accordingly.
Audit Logs	Strategic Audit plan	This review is being carried forward to 2012/13. The Audit Logging Server Requirements Project is still ongoing. This review cannot be carried out until the relevant project is complete.

INTERNAL AUDIT - 2012/13 PLAN **Appendix 2**

A. INTERNAL AUDIT ASSIGNMENTS

New Assignments (Service)	**Risk**	**Est. Staffing Days**	**Comments**
Audits			
Roads	M	75	1st quarter – Risk based audit
Planning – Development Plans / Heritage	M	20	1st quarter – Risk based audit
Adult Learning	M	20	1st quarter – Risk based audit
Grants	M	15	1st quarter – Risk based audit
Ferries	H	65	2nd quarter – Risk based audit
Transport Planning	M	25	2nd quarter – Risk based audit
Charitable Trust		30	2nd quarter – Risk based audit - per SLA
Finance – Management Accountancy	H	30	3rd Quarter – Risk based audit
Human Resources	M	50	3rd Quarter – Risk based audit
Performance & Improvement	M	10	3rd Quarter – Risk based audit
Finance – Income & Recovery / Cashiers	M	35	4th Quarter – Risk based audit
Schools c/fwd		5	
		380	
Annual Reviews			
SUMS		10	3rd Quarter at request of Shetland college per SLA
Hardship Fund		2	3rd Quarter at request of Shetland college per SLA
LEADER		10	3rd Quarter at request of Development per SLA
		22	

1

Corporate Reviews			
Purchasing / Invoice Payment c/fwd		5	
Corporate Improvement		30	Ongoing
Driver Development Training / Insurance		15	2nd Quarter
Asset Register		10	3rd Quarter
Contracts		20	3rd Quarter
Performance Reviews		20	3rd Quarter
Absence Management		20	3rd Quarter
Specific Capital Project		20	4th Quarter
Mobile Telephone Bill payments		5	4th Quarter
		145	
IT Reviews			
ITIL / GSX Compliance		2	Ongoing
Audit Logs NW c/fwd		12	1st Quarter
Physical & Environmental Security		10	2nd Quarter
Back up Systems		20	4th Quarter
Project Boards		10	Ongoing
Systems Access (at least 2 per annum)		20	Ongoing
		74	
Follow – Up Audits			
Community Care c/fwd		8	1st quarter
Children's Resources		10	2nd quarter
Criminal Justice		1	2nd quarter
Housing		5	3rd quarter
Schools		10	4th quarter
Asset & Properties		2	1st Quarter. Delayed 2010 due to resource issues.
Other follow ups c/fwd		15	1st/2nd quarter
		51	

B. INVESTIGATIONS ADMINISTRATION & MANAGEMENT

Subject	**R/Order**	**Staffing Days**	**Comments**
Service Management		100	
Administrative Duties		75	
Investigations		60	
Estimate		**235**	

TOTAL STAFFING DAYS REQUIRED 907
TOTAL STAFFING DAYS AVAILABLE 894

	C/fwd Audit Plan 11/12		
	Audit Logs		12
	Community Care follow up		8
	Other follow ups		15
	Schools		5
	Corporate Review – Purchasing / Invoice Payment		5

SUPPORTING NOTES

Criteria used for Staffing Day Availability

				Staff Days
Total Staffing Days	(52 x 5)	=	260 x 4.41	1147
Less:				
Holiday Entitlement	(34 x 4.41)			(150)
Training / SLACIAG / CASG / Study	20 + 20 + 10			(50)
Public Holidays	(7 x 4.41)			(31)
Sickness (est.)	(5 x 4.41)			(22)
				253
Staffing Days available (per annum)				894

4

STRATEGIC AUDIT PLAN
6 YEAR CYCLE

Appendix3

DEPARTMENT	AUDIT UNIT	Risk Category	Cycle	Last Audit	Next Audit	Staff Days	Foll up Days	Total	Annualised
Chief Executive	Excecutive Manager / Communications	*Low*	6	N/A	2013/14	10	1	11	2
	Members Allowances	*Medium*	5	2009/10	2014/15	20	2	22	4
Corporate Services	Finance- Financial Accountancy	*Low*	6	2008/09	2014/15	15	2	17	3
	Finance - Management Accountancy	*Medium*	5	2007/08	2012/13	30	3	33	7
	Finance-Payroll & Pensions	*High*	3	2009/10	2013/14	40	4	44	15
	Finance-Payments	*Medium(F)*	4	2009/10	2013/14	35	3	38	10
	Finance-Local Taxation	*High*	3	2010/11	2013/14	35	4	39	13
	Finance-Income & Recovery / Cashiers	*Medium(F)*	4	2008/09	2012/13	35	3	38	10
	Finance-Benefits / Rents	*High*	3	2011/12	2014/15	30	3	33	11
	Finance - Treasury	*Medium(F)*	4	2010/11	2014/15	25	3	28	7
	Governance & Law - Safety & Risk	*Medium*	5	2010/11	2015/16	50	5	55	11
	Governance & Law - Legal	*Medium*	5	2008/09	2013/14	20	2	22	4
	Governance & Law - Administration	*Low*	6	2007/08	2013/14	22	2	24	4
	Capital Programmes - Procurement	*Low*	6	2007/08	2013/14	25	2	27	5
	Capital Programmes - Asset & Properties	*Medium*	5	2009/10	2014/15	20	2	22	4
	Capital Programmes - Archit'ral & Surveying	*Low*	6	N/A	2013/14	10	1	11	2
	ICT	*High (NF)*	4	2009/10	2013/14	35	4	39	10
	Human Resources	*Medium*	5	2007/08	2012/13	50	5	55	11
	Performance & Improvement	*Medium*	5	N/A	2013/14	10	1	11	2
Infrastructure Services	Environment - Trading Standards	*Medium*	5	2009/10	2014/15	10	2	12	2
	Environment - Environmental Health	*Medium*	5	2009/10	2014/15	25	3	28	6
	Energy & Environment	*Low*	6	N/A	2013/14	15	2	17	3
	Building Services	*Medium*	5	2010/11	2015/16	50	5	55	11
	Waste Management	*Medium*	5	2009/10	2014/15	40	4	44	9
	Cleansing, Grounds & Burials	*Medium*	5	2009/10	2014/15	40	4	44	9
	Transport Operations - FMU	*Medium*	5	2008/09	2012/13	15	2	17	3
	Transport Operations - Airport / Bus services	*Medium*	5	2008/09	2012/13	15	2	17	3
	Roads inc (Laboratory not12/13)	*Medium*	5	2008/09	2012/13	80	8	88	18
	Ports & Harbours Operations	*High (NF)*	4	2008/09	2013/14	75	8	83	21
	Ferries	*High*	4	2008/09	2012/13	65	7	72	18

Appendix3

STRATEGIC AUDIT PLAN
6 YEAR CYCLE

DEPARTMENT	AUDIT UNIT	Risk Category	Cycle	Last Audit	Next Audit	Staff Days	Foll up Days	Total	Annualised
Development Services	Planning - Building Standards	*Medium*	5	2010/11	2015/16	15	2	17	3
	Planning - Development Management	*Medium*	5	2010/11	2015/16	15	2	17	3
	Planning - Development Plans & Heritage	*Medium*	5	2010/11	2012/13	20	2	22	4
	Coastal Zone	*Low*	6	2010/11	2016/17	5	1	6	1
	Transport Planning	*Medium*	5	2008/09	2012/13	25	3	28	6
	Housing	*Medium*	5	2011/12	2016/17	60	6	66	13
	Economic Development / Development Trust	*Medium*	5	2009/10	2014/15	60	6	66	13
	Community Planning & Community Work	*Medium*	5	2009/10	2014/15	20	2	22	4
	Adult Learning	*Medium*	5	2007/08	2012/13	20	2	22	4
	Grants	*Medium*	5	2007/08	2012/13	15	2	17	3
	Shetland College	*Medium*	5	2009/10	2014/15	22	3	25	5
	Train Shetland - Short Courses	*Low*	6	2010/11	2015/16	20	2	22	4
	Train Shetland - Vocational Training	*Low*	6	2010/11	2015/16	20	2	22	4
Children's Services	Children's Resources inc Child & Families	*High (NF)*	4	2011/12	2015/16	50	5	55	14
	Schools inc Quality Improvement	*High (NF)*	4	2011/12	2015/16	140	14	154	39
	Library	*Low*	6	2008/09	2014/15	30	3	33	6
	Sport & Leisure - Facilities / Islesburgh	*Medium*	5	2009/10	2014/15	40	4	44	9
	Youth Services	*Medium*	5	2008/09	2013/14	25	3	28	6
	Catering & Cleaning	*Medium*	5	2010/11	2015/16	30	3	33	7
	Janet Courtney Halls	*Medium*	5	2010/11	2015/16	15	2	17	3
Community Care	Community Care	*High (NF)*	4	2010/11	2014/15	100	10	110	28
	Criminal Justice	*Medium*	5	2011/12	2016/17	20	2	22	4
External Body	Charitable Trust / SHE&P (2 separate audits)		5	2007/08	2012/13	40	4	44	9
						1754	**184**	**1938**	**428**
Annual Corporate Reviews									**117**
Corporate Improvement									**30**
Annual ICT Reviews									**74**
Annual LEADER Review									**10**
Annual SUMS Review									**12**
Sub Total									**671**
Investigations, Management & Administration									**210**
Total Days									**881**

CORPORATE AUDIT	Cycle	Last Audit	Next Audit	Staff Days	Annualised	
Absence Management (sample of 100)	3	2010/11	2012/13	10	3	
Contracts	2	2010/11	2012/13	20	10	
Specific Capital Project - annual	1	2011/12	2012/13	20	20	
Register of Interests	4	2010/11	2014/15	5	1	
Flexitime	3	2010/11	2013/14	30	10	
Flexible Relocation Policy	4	2010/11	2014/15	10	3	
Performance Reviews (sample of 200)	3	2011/12	2012/13	30	10	
Disclosures	3	2011/12	2014/15	10	3	
Recruitment (including Chief Officials administered at Town Hall)	3	2011/12	2014/15	40	13	
Credit Cards / Cash Security	2	2011/12	2013/14	10	5	
Purchasing / Invoice Payment	3	2011/12	2014/15	40	13	
Asset Register	4		2012/13	10	3	
Data Protection / Retention & Destruction of Records	4		2013/14	30	8	Hold back per Anne Cogle
Mobile telephone bill payments	4		2012/13	5	1	
Travel	3		2013/14	20	7	
Driver Development Training / Insurance	3		2012/13	15	5	
					115	

ICT Audits	Cycle	Last Audit	Next Audit	Staff Days	Annualised	Actual
Project Boards	1	annual	2012/13	10	10	
ITIL / GSX Compliance	1	annual	2012/13	2	2	
Systems Access - 2/4 per annum including Net Work	1	annual	2012/13	20	20	32
Audit Logs (NW)	3	cfwd	2012/13	12	4	
Physical & Environmental Security	4		2012/13	10	3	
Back Up Systems	3		2012/13	20	7	74
Wireless NW Controls	5	2008/09	2013/14	10	2	
Disaster Recovery & Business Continuity	4		2013/14	20	5	
Asset Management (Inventory)	4	2009/10	2013/14	10	3	
NW Security	5	2009/10	2014/15	15	3	72
Payment Card Industry standards (PCI)/online transactions	4	2010/11	2014/15	20	5	
Software Asset Management (SAM)	3	2011/12	2014/15	10	3	77
Remote Working	5	2009/10	2015/16	10	2	
Media Handling (Removable Media & Encryption)	4	2011/12	2015/16	10	3	
					71	

2011/12 - 2012/13 Project Boards

Information Technology Information Library - ITIL (See below)	1
GSX (Security Improvement Plan) - ongoing	1
FMU / DLO / ICT Stores System	5
ICT Security Policy Annual Review	1
VPN From Personal Equipment	1
One other	1
	10

Project Boards - Complete

GSX Secure e-mail - ongoing
SPSNet Schools NW Security
ICT Security Policy Review (Secure email of sensistive data)
Remote Working
SAM Software Asset Management
School Users Administration Review
Self Service NW Password Tools

Systems Access Controls - 2 per annum (approx)

Network Access	2011/12
Webroster	2010/11
Integra	
Chris	
Servitor	
Orchard	2011/12
Capita Open Housing System	2011/12
Civica Open Revenues System	2011/12
Swift	2009/10
Axis Cash/Receipting (ACR)	
Axis Income Management 9AIM)	
Benefactor	
Seemis	2011/12
Flare	
Talis	
Covalent	

ITIL Roadmap / GSX Security Improvement Plan

Service Level Management
Capacity Management
IT Continuity Management
Availability Management
Service/Help Desk
Incident Management
Problem Resolution
Configuration Management
Change Management
Release Management