



Shetland

Islands Council

MINUTE

A & B

Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Wednesday 7 February 2007 at 2.15pm

Present:

J P Nicolson R G Feather
F B Grains I J Hawkins
T W Stove

Apologies

L G Groat F A Robertson

In attendance (Officers):

J R Smith, Head of Organisational Development
P Peterson, Performance Management Co-ordinator
L Adamson, Committee Officer

Circular

The circular calling the meeting was held as read.

Minute

The minute of meeting held on 3 November 2006, was confirmed.

Min. Ref.	Subject	Action/Info
01/07	<p><u>Scrutiny Committee Update</u></p> <p>The Committee considered a report by the Head of Organisational Development (Appendix 1).</p> <p>Mr J P Nicolson said he had expected more Member involvement, in particular by the Chair and Vice-Chair of the Committee, during the interview and feedback process of the gender balance investigations.</p> <p>Mr Nicolson suggested that the functions of the Council's Committees should be reviewed. To ensure Members are kept informed of progress within each service area, delegated authority decisions should be reported at Committee meetings and there is a need for relationships and rapport between Members and officers to be</p>	

<p>strengthened. He noted with concern that recently there had been no items from Social Care or Housing on the Services Committee agendas.</p> <p>Mrs I J Hawkins said she was aware that various groups were meeting and decisions were being made that were never reported to the Council.</p> <p>The Head of Organisational Development advised that a report would be presented to Council tomorrow on the findings from the Committee Structure Review Member/Officer Working Group and this would provide an opportunity for debate on reviewing the structures of the Committees. The performance review meetings were proving to be working well and a good opportunity for Members to meet with officers. The Head of Organisational Development suggested that the performance review meetings could be held more frequently, however there was a need to balance participation time for Members and officers. He also suggested that the regular Capital Programme update reports could include the information on progress with individual projects.</p> <p>(Mrs F B Grains left the meeting).</p> <p>The Committee agreed that it would be beneficial for the information from the performance reviews to be reported to Committees, however due to the volume of papers it would not be practical to circulate the papers with the agenda. The Head of Organisational Development said that a balance would need to be found, and suggested that the information could be available on the internet. Mrs Hawkins suggested that a brief update from the performance reviews, together with the update on projects, should be reported at Committee meetings.</p> <p>The Committee agreed that it could be beneficial for a lessons learned report to be prepared on the LPA/SIC dispute, as this could avoid similar situations arising in the future.</p> <p>Regarding the Housing Voids investigation, Mr Stove advised of progress from the improvements proposed by the Housing Management Team and Hjaltland Housing Association, set out in Section 5.3 of the report, and said that these proposals should improve the length of time it takes to let Council houses.</p> <p>Mrs Hawkins commented that the informal meeting between Scrutiny Committee Members and Planning service staff had been very helpful. The Committee agreed that the main difficulty was with recruitment and that the situation should be monitored, and if necessary, reviewed at a future date.</p> <p>The Committee agreed to note the recent activity by the Scrutiny Committee and endorsed the findings from the two completed</p>	
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	investigations.	
02/07	<p><u>2005-06 Statutory Performance Indicators – Comparative Analysis</u></p> <p>The Committee considered a report by the Head of Organisational Development (Appendix 2).</p> <p>The Performance Management Co-ordinator advised that the report had previously been presented to Executive Committee where it had been agreed that the Scrutiny Committee should look in depth at any areas of concern. The Performance Management Co-ordinator summarised some of the findings from the comparative analysis with the Council's performances in relation to Orkney and the Western Isles and advised that it was necessary to monitor both the good and poor performance indicators, however there were no major areas of concern.</p> <p>Mr T W Stove referred to the indicator regarding the percentage of traffic light repairs completed within 48 hours, and the statement that the poor performance had largely been resolved. However, Mr Stove reported that the traffic lights at Sound and at the Esplanade were frequently not working. The Head of Organisational Development undertook to contact the Roads Service for an update on traffic light repairs.</p> <p>The Committee discussed some of the areas that indicated a poorer performance and agreed that further work was required to observe and improve the performances.</p>	
03/07	<p><u>Good Practise – Reporting Performance to Service Users</u></p> <p>The Committee considered a report by the Performance Management Co-ordinator (Appendix 3).</p> <p>The Performance Management Co-ordinator summarised the main terms of the report and Members noted the SIC's Public Performance Reporting Framework and the examples of good practice reporting, attached as appendices to the report.</p> <p>Mrs I J Hawkins agreed that it was important to target information to particular service users. She said the performance reporting calendar had been a good idea, and suggested that further calendars should include the changes in the moon cycles.</p> <p>Mr T W Stove referred to previous discussions on commencing Service Recognition Awards. It was suggested that a Council award could be submitted into the CoSLA award scheme, as this should gain more recognition at a local level.</p> <p>The Committee approved the format of the Public Performance Reporting Framework and the initiative of reporting performance to service users.</p>	
04/07	<u>Audit Scotland follow-up Report on Best Value and Community</u>	

<p><u>Planning in the Shetland Islands Council</u></p> <p>Mr J P Nicolson advised that the local response to Audit Scotland's progress report on Best Value had been positive and contained good advice, however he noted the area of concern relating to the lack of clear strategic plans. He referred to the numerous strategy documents that had been included in the best value process and stated that further work is needed to identify the capital requirements together with the revenue consequences of any capital projects.</p> <p>Following discussion, the Head of Organisational Development advised that a report would be prepared for the Council meeting in March, and forward activities would have to be delivered by the next Council to meet the observations of the Auditors.</p>	
<p>The meeting concluded at 3.10pm</p>	
<hr/> <p>J P Nicolson Chairperson</p>	



Shetland Islands Council

REPORT

To: Audit and Scrutiny Committee

22nd June 2007

**From: Head of Organisational Development
Executive Services**

Report No – CE-08-F

Introduction to the Scrutiny Function

1 Introduction

- 1.1 The purpose of this report is, by way of introduction, to provide members of the new 'Audit and Scrutiny Committee' with some information on the Committee's remit.
- 1.2 It also introduces members to the 'Guide to Scrutiny in the Shetland Islands Council' handbook, which was developed with the last Scrutiny Committee and confirms the training that has been arranged for Committee members.

2 Background to the Scrutiny function

- 2.1 The Scrutiny Committee was established at the Council meeting on 2nd November 2005. The remit that was agreed for the Committee is attached as Appendix 1.
- 2.2 The Committee's remit was expanded at the Council's meeting on 28th March 2007, when the Audit function was added. This came partly in response to concerns raised by Audit Scotland in their reports on Best Value and Community Planning (March 2005 and January 2007). In these reports, they drew specific attention to the fact that they felt an Executive Committee should not hold responsibility for carrying out the audit function of the Council.
- 2.3 The Scrutiny Committee carried out 2 formal investigations during the year to 30 March 2007. These looked in some detail at two of the Statutory Performance Indicators that the Council had performed poorly on – i.e. Gender Balance in the Council's highest paid jobs and the time it takes to re-let void Council properties.

Some of the other areas that have been looked at by the Committee include:

- Performance of the Council in addressing the issues raised in the March 2005 Audit Scotland report on Best Value and Community Planning;
- Staffing shortages and recruitment difficulties in the Planning Service;
- Customer satisfaction levels across the Council;

- Poor performance on various Statutory Performance Indicators;
- Notice given to residents before road resurfacing takes place near Council housing areas;

2.4 As well as looking into reasons for poor performance, the Committee also sought to highlight and share good practice. Examples of this include:

- Ways in which the Housing Service and Adult Learning Service report performance to service users;
- The reduction in cost of collection and administration of Council Tax, through efficiencies in the Revenues Section;

3 'Guide to Scrutiny in the Shetland Islands Council' - Handbook

- 3.1 A Guide was agreed at the first meeting of the Scrutiny Committee on 30th March 2006. This Guide was designed to be the main reference document for the Committee when dealing with scrutiny business. It also provides information to staff, members of the public and service users on the function of the Committee and how they might bring issues to the attention of its members.
- 3.2 The Guide has been updated and is attached as Appendix 2 to this report. Members of the Committee are asked to read through the Guide and discuss any issues arising. If agreed, the Guide will be re-issued through the Council's internet site and brought to the attention of staff through an employee bulletin.
- 3.3 A report from the Service Manager – Internal Audit, on this agenda, provides information on the audit function.

4 Training for Audit and Scrutiny Committee members

- 4.1 Training has been organised with CIPFA Northern Ireland for all Audit and Scrutiny Committee members. This will take place on Wednesday 29th August from 9.00am in Train Shetland's premises.
- 4.2 The training was originally focused purely on the audit function. However, the trainer, Derek Anderson, agreed to widen the remit to include scrutiny. It was felt that this would make best use of both the trainer and Members' time.
- 4.3 Should members of the Committee feel that more in-depth training is required on scrutiny, this could be provided at a later date.

SCRUTINY COMMITTEE

Remit

The general purpose of the Committee is to act as an independent and impartial body to oversee/review all aspects of Council performance and make recommendations to the Council, as considered appropriate.

The Committee will seek to drive continuous improvement by a range of scrutiny activities including:

- Carrying out a corporate scrutiny role to evaluate the effectiveness of the Council as an organisation and ensure that effectiveness is actively monitored and measured.
- Acting as a co-ordinating body and focus for the scrutiny function across the Council to ensure that performance management arrangements become integral to all planning and working.
- Directly engaging with services to agree challenging targets and monitor performance against these on a regular basis

The Committee will have the authority to require the attendance of any elected member or officer of the authority.

Functions

Corporate Performance

To evaluate the effectiveness of the Council in delivering the Corporate Plan priority areas through 6-monthly and year-end monitoring reports. To highlight instances where the targets have not been met and note any situations where responsibilities or resources have changed.

To critically review the Corporate Plan on an annual basis, evaluating the priority areas, outcome targets and the alignment of elected Member areas of responsibility. To make recommendations to the Council as appropriate where remedial action requires to be taken.

To review other periodic performance reports focussing on areas such as key Shetland wide Quality of Life Indicators, other corporate health indicators such as sickness levels and complaints and financial performance reports and projections.

Service performance

To critically evaluate Service Plans at the start of the Service Planning year, ensuring that these contain challenging performance targets which are driven by the Corporate Plan priorities and demonstrate a commitment to continuous improvement. To contribute to the development and definition of meaningful local performance indicators for services, to improve internal service performance comparisons.

To scrutinise the quality and cost of service delivery across the Council through 6-month, 9-month and year-end exception reports on service performance. To evaluate performance in an open and honest way against service performance indicators, seeking to make comparisons between services and with external organisations wherever possible.

To act as the Scrutiny body for the Executive Services Department by attending 6-month, 9-month and year-end service performance review sessions. To also attend performance review sessions for other services, as required.

To carry out 'Performance Focus Sessions' with Spokespersons/Heads of Department/Service, in line with the Annual Scrutiny Plan, or where specific performance issues as highlighted through performance reporting, require more detailed consideration.

Performance reporting

To review the Council's annual Statutory Performance Indicators, ensuring that reasons for poorer performance are fully explored with services and plans are put in place to address these. Also, to promote the celebration of good performance/performance improvement through more effective communications.

To agree the Council's Public Performance Reporting Framework on an annual basis, including considering the mechanisms for engaging more effectively with stakeholders and the public on performance issues.

External scrutiny

To review reports by external Inspectorates (HMIe, Audit Scotland etc) on Council services and monitor follow-up work to ensure that areas requiring action are addressed.

General

To monitor the development of a systematic approach to performance management within the Council and drive this forward, through regular reports on the implementation of the Performance Management Framework.

To agree an Annual Scrutiny Plan at the start of the Service Planning Year, to:

- Establish a rolling programme for 'Performance Focus Sessions'
- Help to integrate with the Executive Management team's scrutiny work
- Confirm requirements for the submission of reports from services



Shetland Islands Council

A Guide to Scrutiny

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1. Introduction

The Local Government in Scotland Act 2003 introduced a statutory requirement for all Councils in Scotland to demonstrate greater accountability in their pursuit of Best Value. A developed scrutiny function, where elected Members are empowered to investigate performance issues, plays an important part in the achievement of this.

The purpose of this short guide is to provide information for Members, Officers and the public on the scrutiny role of the Audit and Scrutiny Committee and the way in which its scrutiny business is conducted.

Background

The Executive Committee was formed as a result of a Member-Officer Committee and decision-making structures review that was carried out in 2003. The Executive Committee is made up of the Chairs and Vice Chairs of Infrastructure, Services.

On 2nd November 2005, a dedicated Scrutiny Committee was established to fulfil the scrutiny role formerly carried out by the Executive Committee. With the audit function being added to this remit on 28th March 2007, the Committee was renamed, the Audit and Scrutiny Committee.

The way the Audit and Scrutiny Committee fits into the existing Council Committee structure is shown in Figure 1 on the following page.

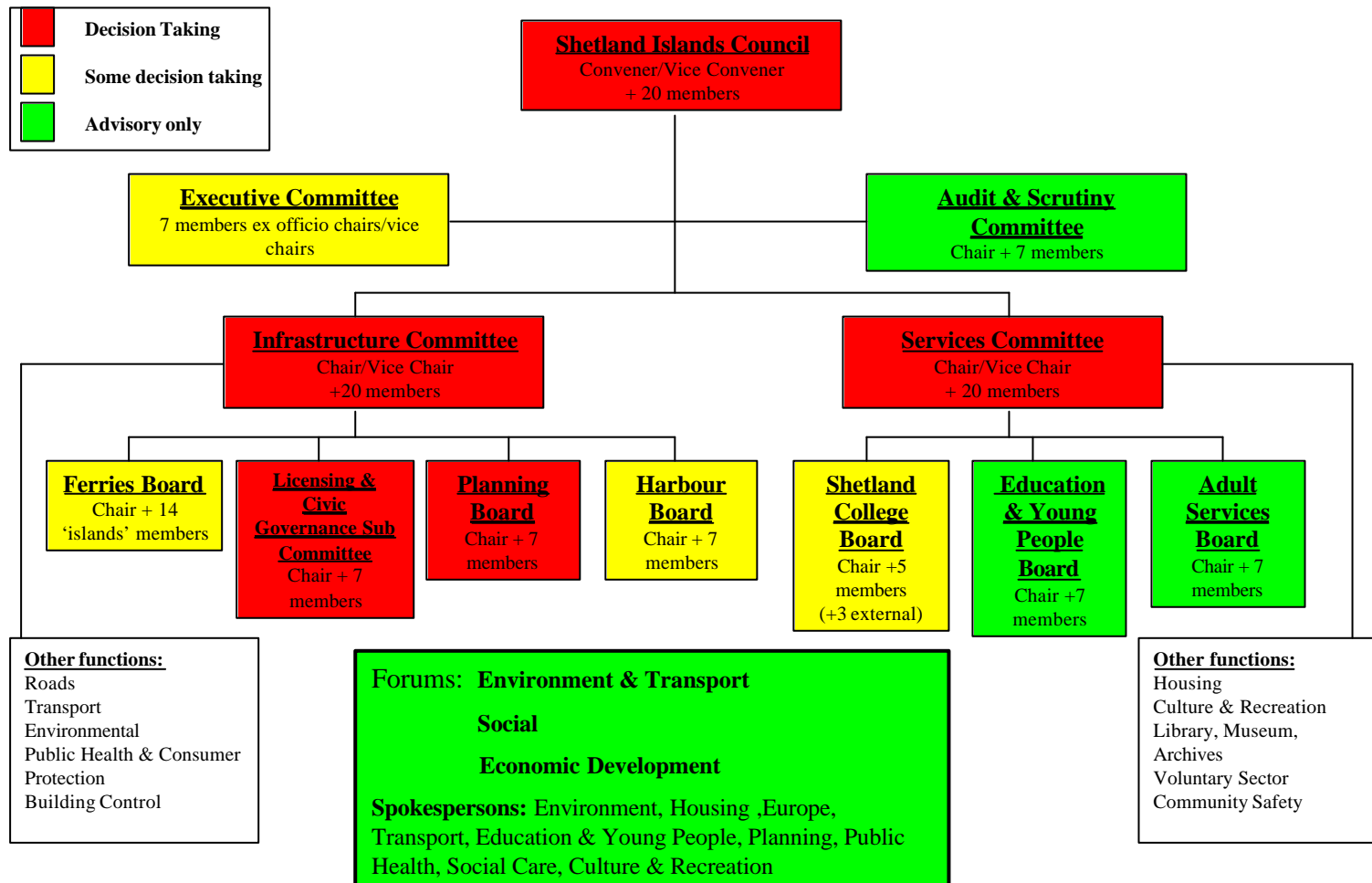
What is scrutiny?

Put simply, the scrutiny includes monitoring everything to do with the way the Council performs. This includes assessing achievements against intentions, identifying areas where performance is in need of improvement and then making recommendations to the Council for improvements.

It also involves highlighting areas where performance is good, seeking out the reasons for this and ensuring that it is shared across the organisation.

It is important to emphasise that the Audit and Scrutiny Committee is not a decision-making body. By way of recommendations, it will have a general remit to help improve the way the Council does its work. It exists to sharpen the accountability of Services and to harness public debate on important issues. Effective scrutiny must add value – if it doesn't, it's not worth doing.

Figure 1 - Council Key Decision Making Structures



Who's on the Audit and Scrutiny Committee?

The following members were elected to sit on the Committee:

Chairperson

Florence Grains – Member for Shetland West

Vice-chair

– TBC

Other Members

Robert Henderson – Member for North Isles

Addie Doull – Member for Shetland North

Cecil Smith – Member for Lerwick South

Andrew Hughson – Member for Shetland Central

Allison Duncan – Member for Shetland South

Caroline Miller – Member for Lerwick North

Cecil Eunson – Member for Lerwick South

How does it operate?

Although the Committee has a formal remit, it does not operate as a traditional Council Committee. Meetings take place in public wherever appropriate and in a range of different locations depending on the topic being considered.

Members are also encouraged to engage more effectively with the public and the media on scrutiny topics, making site visits to see for themselves what is happening in Services and to work as a 'critical friend' to officers rather than as adversaries.

The Committee meets at least once every 6 weeks. There is flexibility to meet more often depending on the issues being considered.

Matters outwith the scope of the Committee

Advice will be available to members of the Audit and Scrutiny Committee from the Head of Legal and Administrative Services on whether topics are suitable for consideration. However, as a guide, the Committee's remit will not cover the following areas:

- Decisions in respect of redundancy, disciplinary or grievance cases, codes of conduct for both employees and elected Members;
- Decisions on applications for consents or permissions required under the Town and Country Planning Acts;
- Decisions on applications for licences required under the Civic Government Act

Officer support

Integrated support is provided from a variety of sources – Policy Unit, Committee Services, Legal Services. These sections will contribute to the organisation and management of the investigation process, agenda management/minute taking and provide specific technical advice as considered necessary by the Committee.

Ultimately all senior officers of the Council are required to support the Committee if called upon to provide evidence or participate in gathering information as part of an investigation.

2. Dealing with issues

Members of the Audit and Scrutiny Committee will receive questions from various sources on widely diverging topics. Listed below is the agreed procedure for dealing efficiently and effectively with queries that do not require formal investigation.

Stage 1

Once the issue has been raised with the member of the Audit and Scrutiny Committee, it will be logged and a written acknowledgement provided by the member within 5 working days.

Stage 2

The member should then take advice on the handling of the issue from the Chair of the Audit and Scrutiny Committee and/or Head of Legal and Administrative Services/Head of Organisational Development (as appropriate).

Stage 3

Where it is a matter that appears to involve a straightforward response, the member will pass the query to the relevant officer of the Council. At the same time, s/he will notify the other Audit and Scrutiny Committee members of the course of action taken so that they can comment, as necessary.

Stage 4

The officer will be required to provide a full response to the member within 10 working days. If this resolves the issue to the satisfaction of the Audit and Scrutiny Committee member, the officer will be asked to send the response to the person, with a copy to the member.

Stage 5

Audit and Scrutiny Committee members will be required to update the full Scrutiny Committee of queries that have been received since the last meeting and how these were handled.

If there are issues arising from this that the Committee decides to follow-up, the officer may be invited to attend the next meeting to answer any questions and assist the members in any debate.

Where it is apparent that the matter being raised requires more detailed consideration, the person should be informed that the matter will be added to the list of issues being considered for formal investigation and that they will be kept up to date as to progress.

The rest of this guide sets out the procedure for dealing with formal investigations.

3. Setting the Annual Scrutiny Work Programme

Scrutiny is Member-led. The decisions on which areas should be investigated, who should be called to give evidence at scrutiny meetings, what information is required and how it should be presented are left to the members of the Audit and Scrutiny Committee.

However, the following sections set out some parameters within which the Audit and Scrutiny Committee will conduct its business.

Identification of scrutiny topics

There are many sources from which scrutiny topics can come to the attention of the Committee. Some examples are listed below:

- public raising issues directly with a Committee member;
- outcomes of public consultation exercises;
- other elected Members;
- Council officers;
- Recurring complaints about a Service area;
- Community Councils;
- Council Committees or Sub-Committees (Executive/Infrastructure/Services);
- Council strategies/plans/policies;
- 6-month, 9-month or year-end service performance reports;
- Corporate Plan reviews;
- Monthly financial management accounts;
- Issues raised by partner organisations;

Having gathered topics for potential investigation, an assessment would be made of the risks to the organisation that are associated with each topic. This assessment, along with debate on the topic that will be of most value to the Council, will help the members decide which topic should be investigated first.

The checklist, attached as **Appendix 1**, will help the Committee in these discussions.

Once the topics have been prioritised, the Audit and Scrutiny Committee will include these in a work programme for the coming months. In order to ensure that

appropriate time and effort can be devoted to the topics considered to require investigation, a limit will be placed on the number of investigations to be carried out in any one year.

There will be provision to include other matters that require urgent attention. Should this be the case, members of the Committee may have to re-prioritise the areas already identified for formal investigation.

4. Conducting formal Scrutiny Investigations

The effectiveness of investigations will rely heavily on effective project management skills. An essential starting point of any investigation will therefore be a clear set of Terms of Reference which members can use to ensure the process is on track and meeting the required outcomes. A template Terms of Reference document is attached as **Appendix 2**. This also sets out an explanation of the information to be completed in each section, for illustrative purposes only.

Existing sources of evidence

The first stage in setting the scope and terms of reference of a work programme item will be to establish what is already known and available about the topic. Sources of information that will help to establish what is already known include:

- Outcomes of recent consultation (within the last 2 years)
- Themes from service user feedback (both positive and negative)
- Monthly Management Accounts
- Benchmarking/comparative information
- Outcomes of recent reviews and external inspections

These should be provided to the Committee, with the support of the Head of Organisational Development.

Methods of collecting further evidence

- Site visits to services to gather evidence direct;
- Calling Officers/Spokespersons to attend Scrutiny Committee meetings to provide face to face explanations on an issue;
- Written evidence – questionnaires to service users, Performance information (Service Performance Reviews and Corporate Improvement Plan monitoring etc);
- **Mystery shoppers;**

5. Handling scrutiny meetings

Before meetings

Should the Committee decide to call a Council Officer or Spokesperson to attend a scrutiny meeting, that person will be informed in writing at least 5 working days before the date of the meeting as to the reasons his/her presence is considered necessary.

The person will be provided with a clear indication of the topics that will be covered in the meeting, so that s/he can have time to prepare. Where appropriate, the Officer/Spokesperson may also be asked to prepare a written submission for the Committee in advance of the meeting so that members can formulate questions to ask at the meeting.

The Committee may also wish to invite other people to address it (Partner organisations, representatives of local business, members of the public, Community Council members, School Board members etc), to discuss issues of local concern and/or answer questions. It should be noted that these individuals can't be compelled to attend.

Conduct of scrutiny meetings

Meetings of the Audit and Scrutiny Committee will be held in public wherever appropriate. During meetings of the Committee, should the Chairperson consider that the issues being discussed are of a confidential nature, and this conforms to Local Government exclusion guidelines, the public may be excluded from the meeting. (further advice will be available from the Head of Legal and Administrative Services, as required)

There will also be provision for the Committee to meet in private where specific issues are being dealt with in detail. Decisions on these matters will be made by the Chairperson, in consultation with the Committee.

The Chairperson of the Committee will ensure that meetings are conducted in accordance with the following principles:

- The discussions will be conducted fairly and all members of the Committee will be given the opportunity to ask questions and to contribute;
- Members will be expected to ask probing questions so as to ensure they get the information that they need. Officers will be required to provide honest and detailed answers, avoiding jargon or technical terms wherever possible;
- Those attending a meeting will be treated with courtesy and in an objective and impartial manner and will not be made to feel pressured in any way. The purpose of all meetings is to gather as much information as possible and the only way this can be done is through discussion and questioning;

Questioning

Scrutiny does not require Members to be experts on the topics and services that are being considered. Often the most effective questions are simple and open – ones that will help to get to the underlying issues. For example:

'What' questions

- What do we do?
- What has worked well?
- What services do people want to receive?

'How' questions

- How have we achieved these improvements/impacts?
- How could we make what we do better?
- How do others do it?
- How are we achieving value for money?
- How do options support the achievement of the corporate priorities?

'Why' questions

- Why do we do it like that?
- Why are people happy with this service
- Why don't we do it that way?
- Why do we do it at all?

'Where' questions

- Where else should we be using this best practice?
- Where is the service provided?
- Where should it be provided?
- Where can we further increase value for money?

'Who' questions

- Who needs to be told about this best practice?
- Who should be using the service?

When members of the Committee know which topic is going to be the subject of an investigation, they may wish to conduct their own research into the matter. e.g. to prepare questions they may wish to ask witnesses invited to attend the meeting.

Members may also conduct research in order to enable them to put across the view that a certain topic should be included in the work programme. In these circumstances, they may ask Council officers to provide factual information on an issue but they will not ask those officers, outside of the Committee meeting, to express views on the subject or to propose alternative policies or courses of action.

The Committee will not act as a disciplinary panel in relation to the actions of officers or Members. Whilst the Committee may seek to establish the facts about what occurred in the making of decisions or implementing Council policies, questioning should not be directed at the conduct of the individuals in such a way as to allocate criticism or blame.

6. Making and monitoring recommendations

Preparation of the report

Members of the Committee, with the help of the Head of Organisational Development, will draft the final report. The report should cover:

- Background to the review – identification of the scrutiny topic and how it came to the Committee's attention;
- People who have been consulted;
- Work that has been undertaken;
- Key messages arising from the investigation;
- Conclusions and recommendations;
- Monitoring and review mechanisms;

Once the investigation has been completed and options agreed by members of the Committee, these need to be appraised to ensure that they are appropriate and will add value to the work of the Council. During this process, some options could be discarded, others agreed and some amended.

Reporting Recommendations for improvements

The Audit and Scrutiny Committee's ability to have an influence on the process of service improvement will rely on how robust and practicable the final recommendations are.

The recommendations must be evidence-based, with clear links to the key messages arising from the investigation and the outcomes established at the outset.

Recommendations should also support the following;

- *Improving services for the people of Shetland*
- *Helping the Council use its resources more effectively*
- *Helping the Council to deliver services more efficiently*
- *Helping deliver better value for money*

Publicising the outcomes of scrutiny work will help to raise the profile of the scrutiny function, demonstrate how the public can be involved and how their views have been taken into account. As a result, once the report has been completed and recommendations made, a press release should be released and people told where they can get a copy of the full report.

Feedback and Monitoring

The Convenor will produce a response to the Scrutiny Committee once the Council has considered the recommendations arising out of the report. This response will include identifying whether or not the recommendations were accepted and will propose an action plan which identifies how the accepted recommendations will be delivered.

In order to ensure that the scrutiny work has made an impact, the Committee will establish its requirements for ongoing progress reports. The Head of Organisational Development, in liaison with the Service area concerned, will collate these. The Committee may choose to revisit the topic or specific elements of the topic if the impact is not as significant as it was expected to be or progress is not satisfactory.

7. Monitoring the scrutiny function

Summary report at the end of the year

An annual report will be produced by the Committee and submitted to the full Council in July each year. This will set out the areas that have been covered and the outcomes that have been achieved by the Committee in the previous session.

The report will be a key document in maintaining the profile of the Committee with Members and officers, the public, partners and stakeholders.

Details of past scrutiny activity can also be accessed through the following link to the Council Information System (CoInS).

<http://www.shetland.gov.uk/coins/committe/meeting/347.htm>

8. Contact details

If you have an issue you would like to raise with the Scrutiny Committee, the following contact details provides you with a way of getting in touch with members.

Audit and Scrutiny Committee Chair

Florence Grains – Home telephone number – 01595 840243

florence.grains@shetland.gov.uk

Audit and Scrutiny Committee Vice Chair

TBC

Other members

Robert Henderson – Home telephone number – 01957 744392

robert.henderson@shetland.gov.uk

Addie Doull – Home telephone number – 01806 522284

addie.doull@shetland.gov.uk

Cecil Smith – Home telephone number – 01595 694875

cecil.smith@shetland.gov.uk

Audit and Scrutiny Committee - Friday 22 June 2007
Agenda Item No. 02 - Public Appendix
Andrew Hughson – Home telephone number – 01595 840373
andrew.hughson@shetland.gov.uk

Allison Duncan – Home telephone number – 01950 460821
allison.duncan@shetland.gov.uk

Caroline Miller – Home telephone number – 01595 820271
caroline.miller@shetland.gov.uk

Cecil Eunson – Home telephone number – 01595 880115
cecil.eunson@shetland.gov.uk

Officers

Policy Unit

John Smith, Head of Organisational Development – Telephone 01595 744513
jrsmith@shetland.gov.uk

Peter Peterson, Performance Management Co-ordinator – Telephone 01595 744538
peter.peterson@shetland.gov.uk

Committee Services

Anne Cogle, Service Manager – Telephone 01595 744554
anne.cogle@shetland.gov.uk

Legal Services

Jan Riise, Head of Legal and Administrative Services – Telephone 01595 744551
jan.riise@shetland.gov.uk

The information in this guide can be provided in other formats, for example large print, Braille or audio cassette, on request.

Appendix 1

Checklist to be completed by Audit and Scrutiny Committee before deciding whether a topic is to be included on the annual Scrutiny work programme

	v / X
1. The topic being proposed <u>is not</u> already the subject of a review or a recently completed review?
2. Can the scrutiny work be successfully delivered within existing resources?
3. Is the topic something that is of concern to the public?
4. Does the topic support the achievement of the Council's corporate priorities?
5. Will scrutiny lead to improvements for the people of Shetland?
6. Will scrutiny lead to increased value for money?
7. Has the topic been identified by Members/officers as a key issue for the public of Shetland?
8. Is there new legislation or guidance that will require a significant change to the area to be investigated?
9. Has the issue been raised by an external audit body?
10. If not, are there any inspections planned in the near future?	_____
TOTAL	_____
<i>(If 6 or more ticks – the topic can be considered for inclusion in the Scrutiny work programme)</i>	

Template Terms of Reference for Scrutiny Investigation

To be completed by the Audit and Scrutiny Committee, with support from the Head of Organisational Development, before any formal scrutiny investigation is started.

1. Background and rationale to investigation

Please note: This has been completed for illustrative purposes only – data is not actually correct:

During the 9-month and 6-month service performance reviews it became clear that there had been considerable slippage in the targets for improving access to Council premises for people with disabilities.

This was further supported by the Report CE-08-F, which put the SIC's performance into context alongside that of the Western Isles and Orkney Islands Councils. This showed that the SIC was ranked 30th out of 32 Scottish local authorities on this indicator and well below both of these comparator Councils.

Having carried out a risk assessment, it was felt that this area could pose a significant risk to the Council. The Council is effectively failing to meet a statutory duty. It was also something which Audit Scotland commented on in their report on Best Value and Community Planning in the SIC (March 2005) so it is an area that requires attention.

2. Scope

What is going to be included?

Clarify what the Council's statutory duties are and repercussions of failure to comply with these.

Asset and Property Unit's performance against targets on this indicator for the past 2 years.

What is not going to be included?

The performance in respect of other functions within the Asset and Properties Service.

Other areas relating to Equality and Diversity.

3. Overarching questions

This work will identify:

Why has the performance of this section been allowed to slip?

What are the reasons for the slippage?

How can this be addressed?

Are there other ways to organise service delivery so that performance can be improved?

What are the implications for the Council of not addressing these?

4. Expected outcomes

What do we want to happen as a result of the investigation?

Remedial action will be identified to address the issues identified.

Staff will feel that the matter has been taken seriously at a senior level in the organisation and that they are being supported in dealing with it effectively.

The public will be reassured that the Council has taken steps to improve an area of service delivery that is under performing.

5. Who will be involved in the investigation?

We will be inviting:

Service Manager – Asset & Properties

Head of Legal and Administrative Services

Chairperson Social Forum – Member with identified responsibility for this area in Corporate Improvement Plan

Possibly – Service users in the past 12 months

6. Methods that will be used to investigate the topic:

We will use the following approaches to investigate the issues:

Face to face discussions with staff members – attendance will be required at a Scrutiny Committee meeting.

Service users will be invited to provide comments – these can be either written or verbal, depending on whether they are to be invited to attend the Committee meeting.

Collation of written evidence, in line with Committee requirements outlined in Section 7.

7. Evidence required:

Start of year, 6-month and 9-month performance review reports for Asset and Properties

Asset and Properties Service Plans 2005-06 and 2004-05

Comparative information from other Scottish local authorities – Statutory Performance Indicators.

8. Resources required:

Officer time:

3 days to gather and collate evidence required by the Committee

Member time:

½ day Scrutiny Committee meeting to interview officers and Convenor

9. Timescales
<p>Duration:</p> <p><i>Investigation – 1 month (to be completed by 5th June)</i></p> <p><i>Draft report prepared, with input from Head of Org Dvlpmt, as appropriate – 20th June</i></p> <p><i>Report considered by Scrutiny Committee and finalised – 29th June</i></p> <p><i>Report submitted to full Council for consideration – 5th July</i></p>
<p>Key milestones:</p> <p><i>To have substantially completed investigation within 1 month.</i></p> <p><i>To have presented report to full Council before the summer recess.</i></p>

NOTE: Once complete, a copy will be supplied to all members of the Audit and Scrutiny Committee and the Head of Organisational Development.



Shetland Islands Council

REPORT

To: Audit and Scrutiny Committee

22nd June 2007

**From: Head of Organisational Development
Executive Services**

Report No – CE-09-F

Issue raised by Association of Shetland Community Councils

1 Introduction

- 1.1 The purpose of this report is to draw the Audit and Scrutiny Committee's attention to an issue that has been raised by the Association of Shetland Community Councils.

2 Issue – SIC's Road Verges Policy

- 2.1 As you will see from the attached correspondence, an issue regarding the Council's policy on road verges was raised with the Executive Director – Infrastructure Services on 20th April 2006. This received a reply from him on 10th May 2006.
- 2.2 Despite this correspondence, the ASCC has reported that member Community Councils are still reporting their displeasure with the Council's policy. As a result, they have asked that it be referred to the Audit and Scrutiny Committee for their attention.

3 Options

- 3.1 It will be for the Committee to decide on the course of action they wish to take on this matter. However, things to bear in mind when discussing this matter are:
 1. It was raised with a Council officer and received a response 14 working days later. Members may wish to consider whether they feel the response provided was adequate.
 2. Whether it would be useful to ask the Executive Director – Infrastructure, or a relevant Service Manager, to attend the next Audit and Scrutiny Committee meeting, so that issues relating to the policy can be discussed further.
 3. Whether this matter would warrant a more detailed investigation. If this was the case, the Committee would be required, as a first step, to

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complete the checklist which appears in the 'Guide to Scrutiny in the Shetland Islands Council'.



Shetland Islands Council

REPORT

To: Audit & Scrutiny Committee

22 June 2007

From: Service Manager – Internal Audit

INTERNAL AUDIT – Annual Report 2006/07 and Operational Plan 2007/08
Report No: F-019-F

1. Introduction and Key Decisions

- 1.1 This report is being presented to the Audit & Scrutiny 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 of the activity of the Internal Audit Section for 2006/07. It also presents the Operational Plan for 2007/08. The Operational Plan is derived from the 6 Year Strategic Audit Plan initially approved by Executive Committee on 24 June 2003.
- 1.3 The Annual Report is for noting. Members are also asked to note the planned coverage for 2007/08 as set out in the Operational Plan. This plan was presented to Executive Management Team. A six monthly report will be presented to the Audit & Scrutiny Committee to monitor progress against the Operational Plan.

2. Link to Council Priorities

- 2.1 Although not directly 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

3. Background

3.1 The following are extracts from the CIPFA Code of Practice for Internal Audit in Local Government:

3.1.1 The Head of Internal Audit must produce an audit strategy. The strategy should be approved, but not directed, by the audit committee.
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3.1.2 The Head of Internal Audit should prepare a risk-based audit plan designed to implement the audit strategy.
--

3.2 The purpose of Internal Audit, as defined in the Audit Charter attached as Appendix 3, 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.

3.3 The detailed remit of the Audit Committee will be finalised and agreed following Audit Committee training arranged for Members on 29 August 2007.

3.4 From an internal audit perspective it is envisaged this remit will include:

- Responsibility for ensuring good stewardship of Council resources
- Enhancing the profile, status and authority of the Internal Audit function and demonstrating its independence
- Contributing towards making the Council, its Committees and departments more responsive to the audit function
- Receiving reports on work undertaken by Internal Audit
- Promoting internal control
- Monitoring delivery of the audit service
- Agreeing annual and strategic audit plans
- Monitoring implementation of internal audit recommendations

4. Annual Report 2006/07

4.1 Appendix 1 details the Internal Audit activity for 2006/07 with a brief description of key audit issues identified. Full copies of Internal Audit reports can be found on Internal Audit's site on the Council Intranet.

4.2 Managers have generally undertaken to rectify issues through the agreed Action Plans to a satisfactory degree. A satisfactory action plan response is

still awaited in relation to the Additional Support Needs Investigation. From time to time the Audit & Scrutiny Committee may be asked for support when management are slow to respond to reports. It should be noted that tardy responses are the exception rather than the rule.

- 4.3 Within these service areas, 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.
- 4.4 Notwithstanding the issues highlighted in Appendix 1 from the work performed as part of the annual audit plan for 2006/07, Internal Audit concluded that the Council's system of internal control was 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.
- 4.5 However 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.

5. Audit Planning

- 5.1 All Internal Audit assignments are performed in accordance with the annual 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. This can be located on Internal Audit's site on the Council Intranet. The annual audit plan for 2007/08 is attached as Appendix 2.
- 5.2 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
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- 5.3 The Strategic Audit Plan intends to complete audit coverage of all Council activities within a 6-year timeframe.
- 5.4 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 2007/08 in order to prioritise staff resources as required during the year.
- 5.5 The Council's Section 95 Officer (Head of Finance) and the Executive Management Team are in agreement with the content of the plan.

6. Internal Audit Resourcing

- 6.1 During 2006/07 Internal Audit experienced some staff turnover. This had an adverse effect on delivering the audit plan. However, the service is now fully resourced with new staff fitting into the team well. It is therefore anticipated that the full audit plan should be achieved in 2007/08.
- 6.2 The Internal Auditor has now attained her professional ACCA qualification. The Principal Internal Auditor has passed the first exam to attain the Institute of Internal Auditors Qualification in Computer Audit with a further exam sat on 7th June.

7. Strategic Audit Plan

- 7.1 The Audit Plan for 2007/08 has been prepared taking due cognisance of the 6-year plan and staffing resource which will be available within the service.
- 7.2 It should be noted that this plan will be kept under regular review.

8. Corporate Review

- 8.1 The Council's external auditors requested with effect from 2003/04 that Internal Audit perform an annual Corporate Review. For 2006/07 it was intended that a Corporate Review of the Single Status process be undertaken. However, as this process is still ongoing this review will be undertaken in 2007/08, assuming the process is finalised.

9. Internal Audit Performance

- 9.1 For 2006/07 Internal Audit has performed 92% of their Audit Plan. This compares to 85% completion in 2005/06. Taking cognisance of the staff changes in 2006/07 the achievement of 92% completion is directly attributable to the hard work of Internal Audit staff.
- 9.2 The performance target of issuing final reports within 14 days of audit testing completion was achieved in 100% of cases.
- 9.3 Internal questionnaires completed and returned by auditees indicate a high level of satisfaction with the service received. A recent independent survey of Executive Services undertaken by Organisational Development indicated all respondents were either fairly satisfied or very satisfied with the service Internal Audit provided.
- 9.4 During 2006/07 Internal Audit once again attained ISO 9001:2000 quality accreditation standard.

10. Financial Implications

- 10.1 There are no financial implications arising from this report.

11. Policy and Delegated Authority

- 11.1 As described in Section 11.0 of the Council's Scheme of Delegations the Audit & Scrutiny Committee remit includes consideration of audit matters and one of its roles is to serve as the Council's Audit Committee.

12. Recommendations

- 12.1 I recommend that the Audit & Scrutiny Committee:

(a) note the Annual Report 2006/07, set out at paragraph 4 and Appendix 1, which found no major control weaknesses in the systems subject to audit.

- (b) note the annual Operational Plan for 2007/08 (Appendix 2) taking note that it may be necessary to amend this plan as required during the year in response to changing priorities.

Date: 15 June 2007
Our Ref: CMcl/JG

Report No: F-019-F

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Audit	Auditee(s)	Progress Report / Key Audit Issues
Social Work	<u>Head of Community Care / Head of Children's Services</u>	<ul style="list-style-type: none"> • Staff were not all disclosure checked prior to commencement of employment. A secure database requires to be developed along with security controls surrounding the administration requirements of disclosure information. • Foster care families, respite carers and shared carers were not all cleared by Disclosure Scotland. A policy covering non-SIC staff requires to be formulated to ensure retrospective clearance and timely renewals. • There were significant health & safety issues surrounding the New Bruce Initiative e.g. no fire certificate, no fire drills, no electrical testing and maintenance procedures and lack of financial control or adherence to corporate policies and procedures. • Overspends on care at home cost centres require to be addressed with consideration given to costing individual care packages to achieve effective monitoring of the budget. • Controls and procedures surrounding the return and disposal of controlled drugs required tightening. • A consistent procurement and food usage policy requires to be introduced across all establishments. • A secure operating procedure and an access Control Policy requires to be devised for the SWIFT system to ensure there is adequate control over the confidential information held therein. • Legislative requirements re retention and destruction of records require to be addressed.

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		Commitment has been made to address these and other audit issues identified.
Finance – Local Taxation	<u>Senior Local Taxation Officer</u>	No significant issues identified. Commitment was made to address those issues which were identified
Finance - Treasury	Treasury Accountant	No significant issues identified. Commitment was made to address those issues which were identified.

Follow up Audit	Auditee	Progress Report
College	<u>Principal - Shetland College</u>	A significant number of issues had not been fully resolved including ensuring disclosure checks were in place for College staff. However there has been a period of change and the new College Principal provided assurance all matters would be resolved.
Development	Head of Economic Development	Most issues had been resolved with others committed to a course of resolution.
Halls of Residence	Manager – Halls of Residence	Issues identified substantially resolved.
Planning – Development Plans	Development Plans Manager	The key audit issue re offer letters, evidence of acceptance, supporting evidence, application letters, VAT issues and evidence that grant conditions are fulfilled are still not always observed / understood. I am advised the Development Plans Manager is working to resolve these issues.
Planning - Conservation	Heritage Manager	Issues identified substantially observed with commitment to address minor outstanding items.
Housing	Head of Housing & Capital Projects	The majority of issues have been / or are being addressed with commitment to

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		address minor issues outstanding.
Train Shetland – Short Courses	<u>Train Shetland Short Course Manager</u>	All issues addressed or being progressed.
Train Shetland – Vocational Training	Vocational Training Manager	All matters attended to.
Benefits & Rents	<u>Revenue Services Manager</u>	All issues substantially resolved.
Follow up Audit	Auditee	Progress Report
Building Services	Building Services Manager	A number of issues have been resolved. However, a substantial number remain outstanding. Staff resignations and office moves partly account for this. The key issue outstanding is in relation to handover checklists when buildings become the responsibility of Building Services. Handover checklists for buildings have been developed but these require to be adequately completed. It is acknowledged this is largely outwith the control of Building Services staff. However as the Council is currently being served a notice for non-compliance with the CDM Regulations it is imperative the appropriate officers treat this matter with the respect it deserves especially as it is an essential Health & Safety requirement.
Insurance & Risk	Safety & Risk Manager	The majority of issues have been satisfactorily resolved.
Payroll	Expenditure Manager	All matters resolved or committed to a course of resolution.
Contracts Investigation	Report requested by Head of Finance	The majority of matters have been addressed or are being progressed through the Procurement Project Board. It is anticipated a review of Financial Regulations and Standing Orders will follow once a Procurement Strategy has been developed by the Board in July 2007.

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Investigations / Reviews	Requested by:	Progress Report
Additional Support Needs (ASN) Investigation	Head of Finance	This report was requested by the Head of Finance primarily due to large overspends in the area and an apparent lack of budgetary control. The investigation identified a number of serious issues i.e. staff apparently unaware of their roles and responsibilities, lack of accountability, lack of strategy and policies, lack of managerial information re staff and hours worked and a lack of training. This report was issued in October 2006 and the Head of Finance has still to receive a satisfactory action plan to address the issues. A follow-up investigation will be undertaken this financial year.
Ferry Crew Grievance Investigation	Executive Director – Infrastructure Services	Report submitted to Executive Director - Infrastructure Services.
Shetland College - SUMS	Principal – Shetland College	Report submitted to Principal – Shetland College.
Performance Indicators	PriceWaterhouseCoopers	Report submitted to PWC.
Corporate Review – Single Status	Strategic Audit Plan	Review deferred until process is finalised.
ICT Specialist Review	Strategic Audit Plan	ICT audit undertaken by Highland Council's Computer Auditor. Report issued and Action Plan completed by ICT Manager.

INTERNAL AUDIT - 2007/08 PLAN

A. INTERNAL AUDIT ASSIGNMENTS

New Assignments (Service)	Risk	Est. Staffing Days	Comments
Audits			
Charitable Trust		60	Commenced 16/4/07
Executive Office	L	25	Commenced 12/4/07
Grants	M	30	1 st quarter - Risk based audit
Policy Unit	L	20	2 nd quarter – Risk based audit
Emergency Planning	L	5	2 nd quarter – Risk based audit
Management Accountancy	M	30	2 nd quarter – Risk based audit
Contract Compliance	L	30	2 nd quarter – Risk based audit
Legal & Admin - Admin	L	25	2 nd quarter – Risk based audit
Human Resource Management	M	50	3 rd quarter – Risk based audit
Roads Maintenance	M	60	2 nd quarter – Risk based audit
Education	H	200	3 rd / 4 th quarter - Risk based au
Adult Learning	M	20	3 rd quarter – Risk based auc
Youth Work (part of Social Care – Children)	H	20	4 th quarter - Risk based audit
		575	
Reviews			
ICT		5	2 nd Quarter. Specific review of
SUMS		10	Annual review on behalf of S quarter
Performance Indicators		10	Review in conjunction with E
Procurement Check List (SLACIAG)		5	
		30	
Follow – Up Audits			
ICT Inventory		5	3 rd quarter
Social Care		25	4 th quarter
Treasury		3	4 th quarter
Local Taxation		4	4 th quarter
ASN Investigation		5	3 rd quarter
		42	

B. INVESTIGATIONS ADMINISTRATION & MANAGEMENT

Subject	R/Order	Staffing Days	Comments
Service Management (est)		100	
Administrative Duties (est)		50	

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Investigations (est)		62	
Estimate		212	

TOTAL STAFFING DAYS REQUIRED 859

TOTAL STAFFING DAYS AVAILABLE 859

<u>C/fwd Audit Plan 06/07</u>			
Single status review		20	To undertake after single status
Islesburgh / Misc.		20	
		40	

SUPPORTING NOTES

Criteria used for Staffing Day Availability

			Staff Da
Total Staffing Days	(52 x 5) =	260 x 4.5	1170
Less:			
Holiday Entitlement	(32 x 3) + (27 x 1.5)		(136.5)
Training / Study (est.)/ Policy	45 + 30 + 10		(85)
Familiarisation			
Public Holidays	(6 x 4.5)		(27)
Sickness (est.)	(5 x 4.5)		(22.5)
C/fwd last years plan (est)			<u>40</u>
			311
Staffing Days available (per annum)			<u>859</u>

N.B. Training incorporates 15 days travel time



SHETLAND ISLANDS COUNCIL

**EXECUTIVE SERVICES
FINANCE - INTERNAL AUDIT**

INTERNAL AUDIT CHARTER

Approved by Standing Committee : 28/03/2002 (Min Ref 11/02) &

Approved by Council 3/4/2002 (Min Ref 52/02)

Reviewed : April 2007

Next Review Date : April 2008

1. Values in accordance with Corporate Plan

- 1.1 In everything it does Internal Audit will be open, fair, courteous, consistent and accountable.
- 1.2 Internal Audit is committed to quality in the provision of all services and facilities including compliance with BS EN ISO 9001:2000. It will regularly check performance and seek opportunities for improvement and value for money and strive to deliver the best practicable standard of service.
- 1.3 Internal Audit values its staff and their professionalism, knowledge, skills and judgement and is committed to developing and motivating them.

2. Management and Internal Audit

- 2.1 It is the responsibility of Management to establish an operating environment which is controlled, efficient and effective. Internal Audit is one element of control within the operating environment.
- 2.2 The operating environment also depends upon the system of internal control, the objectives of which are to ensure that:
 - (a) operations are conducted in an efficient and well ordered manner to fulfil defined objectives;
 - (b) Council assets are safeguarded; and
 - (c) reliable information is available on which sound decisions can be made by those authorised to do so.
- 2.3 Internal Audit does not relieve management of its responsibility for maintaining effective control and Risk Management. It is, however, that element of the control environment specifically established to effectively appraise the effectiveness of control. It can then reassure management when control is adequate, and identify and report inadequate control to enable the appropriate action to be taken to strengthen it before any serious breakdown occurs.

- 2.4 Scottish Local Government legislation does not require councils to establish an internal audit function, and there is no universal specification for such a function, although Scottish Office Circular 5/85 states that effective internal audit cover is regarded as a matter of good practice. The format depends upon how councillors perceive the role and the resources they are prepared to invest in it.

3. Organisational status and relationships

- 3.1 Internal Audit is responsible to the Head of Finance. This reporting line enables it to examine all functions objectively without being constrained by direct line management. Internal Audit reports are cleared with the accountable level of management, prior to formal issue, without reference to the Head of Finance, thus achieving reasonable independence.
- 3.2 The Internal Audit Manager must establish and maintain good working relationships and channels of communication with elected members. This is maintained by providing, a minimum of, six-monthly reports to the Council. In the intervening period should communication be required between members and Internal Audit this will be mutually arranged by the Head of Finance.
- 3.3 Internal Audit's effectiveness is critically dependent on maintaining credibility with all employees. This in turn depends upon building and maintaining a reputation for contributing constructively and adopting an objective professional approach. Internal Audit and line management share a common aim to achieve an effective internal control environment. Internal Audit endeavours to establish a partnership with the auditee for a joint operation to improve conditions.
- 3.4 Whereas the aim of Internal Audit is to assist management, the external auditors fulfil a statutory duty for which they are responsible to the Accounts Commission.

3.5 The objectives differ, but in practice much of the evidence each collects, as the basis for audit judgements may be common to both purposes. Effective liaison between Internal Audit and the external auditors is necessary to avoid duplication of work and clashing timetables. Internal Audit consults regularly with the external auditors in the process of planning audit assignments and coverage. Internal Audit plans are sent to the external auditors. Copies of all Internal Audit reports issued, and working papers, are made available to them for examination.

4. Staffing and Training

- 4.1 Internal Audit shall be staffed with persons of appropriate qualifications and experience. Audit staff should have considerable experience in a finance-related post.

4.2 *The Internal Audit Manager, in conjunction with the Head of Finance, will ensure that formal and effective training takes place to enable all staff within Internal Audit to carry out their work in accordance with the required standards laid down in the Audit Manual.*

- 4.3 Training requirements for Internal Audit personnel will be linked wherever possible to their particular function.
- 4.4 The Audit Manager will ensure that each employee is correctly qualified and trained.
- 4.5 Where a particular expertise is required by any member of staff, the Audit Manager will consider the use of: -
 - 1. in-house training course
 - 2. external training course
 - 3. arrange for the member of staff to work alongside someone with the required expertise.
- 4.6 The training needs of all staff will be reviewed annually and discussed with them.
- 4.7 All training undertaken by Internal Audit staff will be recorded on their personal training record.
- 4.8 It is the responsibility of the Audit Manager to identify the training needs of staff and to ensure that all training programmes are completed as directed.

5. Objectives

- 5.1 Internal Audit is required to reassure Council members as follows:
 - 1. That there is adequate monitoring of the internal control environment throughout Council operations so that serious breakdowns are avoided.
 - 2. That the Council's system of internal control is both sound and effective so that it's assets are safeguarded and it's performance reporting can be accepted with confidence.
- 5.2 Internal Audit meets these requirements through adopting the following procedures:
 - 1. Establishing and maintaining standards for the practice of effective internal auditing throughout the Council.
 - 2. Testing the Council's control systems for adequate effectiveness and compliance.
 - 3. Liaison with the external auditors to avoid duplication or gaps in cover.
 - 4. Disseminating throughout the Council the lessons learned through Internal Audit findings.

5. Reporting to Senior Management on the adequacy of internal control throughout the Council.
6. Reporting an annual opinion to Committee on the adequacy of internal control throughout the Council and on the internal audit work planned for each ensuing year.

6. Responsibilities

6.1 Internal Audit is authorised to examine all activities throughout the Council for the purpose of evaluating internal control, with specific responsibilities:

1. Performing audit assignments at appropriate intervals to reassure management that controls are adequate, efficient and operating as designed.

2. *To identify and report to management any weakness in control and any unsound procedures.*

3. To offer feasible recommendations for improving performance and preventing future shortcomings.
4. Investigating fraud, conflict of interest and other irregularities.

6.2 Internal Audit is concerned to preserve their independence from the operations they examine. They are not empowered to make changes in systems, methods or staffing, and may not undertake to do so. Their role is to act as agents for change by making recommendations to management from an impartial viewpoint. The auditee is responsible for managing risks identified.

7. Services

Internal Audit is in two parts:

7.1 Internal Audit assignments

7.1.1 Internal Audit assignments are in-depth examinations of all the key control systems throughout the Council. All assignments are normally performed on a service basis and are timed in accordance with an audit plan.

- 7.1.2 The audit evaluates whether the environment of control developed by management is adequate and whether the detailed control systems give reasonable assurance that control objectives will be attained. Any significant control weaknesses are reported and are then monitored until eliminated.

7.2 Investigation work

- 7.2.1 An investigation is a complete review of a particular activity, practice or incident at the specific request of the Head of Finance in conjunction with the relevant departmental directors.

8. The Audit Plan

- 8.1 All internal audit assignments are performed in accordance with an annual audit plan. The plan is a prioritised schedule of assignments to be performed during the course of the financial year within the framework of a 6-year risk based Strategic Audit Plan. The plan is developed and maintained by the Internal Audit Manager and requires the approval of the Management Team with the endorsement of the Council.

9. Working practices

- 9.1 For operations where the management or the circumstances have changed significantly since the last Internal Audit visit and for all operations not previously visited, Internal Audit initially approaches accountable management to explain the concept of internal auditing, Internal Audit's approach to audit assignments and to talk over possible areas where it could assist the management task.

9.2 Accountable managers are to allow Internal Audit unrestricted access to Council premises to interview staff, observe operations and examine records to enable them to fulfil their responsibilities. In addition, Internal Audit shall receive such explanations as are necessary concerning any matter under examination and require any employee of the Council to produce cash, stores or any other Council property under their control.

- 9.3 Internal Audit has an obligation to respect the confidentiality of information to which they are privileged to have access in the course of their work.
- 9.4 Internal Audit will discuss their findings and the conclusions they draw from them with the accountable management during the course of the audit assignment. A course of action to achieve operational improvements or to rectify control weaknesses may then be resolved jointly, to form the basis of the Internal Audit recommendations. This practice helps to ensure that the recommended course of action is feasible.
- 9.5 In addition, each audit assignment will address best value issues. Improving value for money in local government, by achieving optimum service standards, can partially be achieved through the use of Internal Audit resources. Where considered necessary such

suggested improvements will be communicated by means of audit findings or reportable observations.

10. Reporting

- 10.1 All material findings made during the course of an assignment will be documented by Internal Audit in the form of an audit comment. These will be addressed to the individual responsible for the area being audited and, if not the same person, to the person who is capable of rectifying the problem. A written response agreeing to the factual content of the comment is required. All comments made and responses received during the course of an audit will be consolidated and form part of the final audit report.
- 10.2 A formal report will be issued within 2 weeks from completion of each audit assignment. On completion of the assignment and before the formal report is issued, every effort will be made to ensure that its factual content is accurate, presented in appropriate context, and with proper emphasis.
- 10.3 Internal Audit reports are acknowledged to be confidential documents and are addressed to the Service Manager, where appropriate, of the operation examined or to the Head of Service / Departmental Director. Copies of the report will be made available to the manager's immediate supervisor and / or Director, the Head of Finance and the Chief Executive. In addition, copies will be sent to those other officers only, by virtue of their position in the Council, who need to know (e.g. Head of Legal & Administration) and will be made available to the external auditors. A written response will be requested from the manager to their immediate supervisor within 28 days of issue of the report. Copies will be required to be sent to the originators of the report, the Head of Finance, Chief Executive and all others copied.
- 10.4 A synopsis of all assignments performed will be provided, in summary form on, at least, a six-monthly basis to the Council.