

**Audit Committee****17 November 2015****Statutory Performance Indicators 2014-15****Report No: IA-26-15-F****Executive Manager – Audit Risk and Improvement****Corporate Services****1.0 Summary**

- 1.1 This report presents 2014/15 Performance Indicators which are reported as part of the Statutory Requirement for Public Performance Reporting.

2.0 Decision Required

- 2.1 That the Audit Committee review the Performance Indicators for 2014/15 outlined in Appendix A, and highlight any areas to be investigated further by this Committee, or other relevant functional Committee.

3.0 Detail

- 3.1 Appendix A contains the Performance Indicators, which have been submitted to the Improvement Service as part of the Local Government Benchmarking Framework. The Appendix shows previous years' figures as a comparison, with the percentage change from the previous year to this year.
- 3.2 In comparison to 2013/14; 9 indicators have improved and 5 have declined.
- 3.3 Statutory Performance Information on the full set of Indicators for all other Local Authorities will be available later in the year. This will be presented to the Audit Committee indicating the Council's performance in relation to other Authorities. This will also give the Committee the opportunity to request the attendance of relevant Chairs, Vice-chairs and officers to discuss particular Indicators in detail.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – “We provide good quality information to deliver effective public accountability”
- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – As described in the Council’s Scheme of Administration and Delegations, the remit of the Audit Committee includes assessing the effectiveness of the Council’s Performance Management System by reviewing outputs from the system and overview key performance indicators.
- 4.4 Risk Management – Effective scrutiny of the Council’s performance is necessary to minimise financial and reputational risk.
- 4.5 Equalities, Health And Human Rights – Equal Opportunities are one of the Statutory Performance Indicators.
- 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 This report presents the Statutory Performance Indicators for 2014-15. A sample has been verified by Internal Audit. The Audit Committee have the remit to review the indicators and decide whether any areas require further investigation.

For further information please contact:

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29 October 2015

List of Appendices

Appendix A: Specific Statutory Performance Indicators 2014-15

END

Appendix A: Specific Statutory Performance Indicators 2014-15

Code & Short Name	Last 3 years			Change	(past) Performance & (future) Improvement Statements
	2012/13 Value	2013/14 Value	2014/15 Value	2014/15 Value vs Previous (%)	
SPI01.a.iii The average number of working days per employee lost through sickness absence for: teachers	5	5.7	7.5	31.58%	<p>Performance Statement The figure for average teacher's days rose by 1.8 days, attributable in large part to an increase in long term sickness although our extremely long sickness (over 100 days) days have reduced.</p> <p>Improvement Statement We have introduced greater focus on case management of sickness absence that includes the organisations most senior management and expect that this will address this increase and lead to a reduction in the number of long term absence cases.</p>
SPI01.b.iii The average number of working days per employee lost through sickness absence for: other Local Government Employees	12.2	10.3	12.2	18.45%	<p>Performance Statement The average sick days for this group of staff rose by 1.5 days. There are two factors leading to this; a decrease in the Council's overall FTE and an increase in long term sickness.</p> <p>Improvement Statement We have introduced greater focus on case management of sickness absence that includes the organisations most senior management and expect that this will address this increase and lead to a reduction in the number of long term absence cases.</p>
SPI02.b.iii Percentage of council employees in top 5% of earners that are women	23.8%	24.03%	25%	4.04%	<p>Performance Statement We are pleased to see a slight improvement on our performance improved between 2013/14 and 2014/15. This was mainly due to some successful internal promotions. The overall workforce numbers and structure of the council has undergone considerable change during the past 12 months due to the continuation of planned approach to service reviews.</p> <p>Improvement Statement We continue to monitor the profile of our workforce and to carry out Impact Assessments of all policies and reviews to ensure any detrimental impact on any particular group is highlighted and addressed where necessary. We have compiled our first Equal Pay Audit this year which has identified areas for attention or improvement, particularly around occupational segregation. We have also published our Equality Statistics, which has highlighted areas which require some work to improve.</p>
SPI05a Cost of collecting council tax per dwelling	£15.75	£8.67	£11.68	34.72%	<p>Direct costs remained similar to last year. However there was a significant increase in recharges due to a change in the way support services were recharged to the Council Tax 'service'. The main contributor being an increase of £49775.56 in Office Building Recharges to the Team Leader Revenues and Benefits, Council Tax bore 18% of this cost.</p>

	Last 3 years			Change	
Code & Short Name	2012/13	2013/14	2014/15	2014/15	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value vs Previous (%)	
SPI06.a.i Income due from council tax for the year net reliefs and rebates	£8,126,724	£8,269,614	£8,424,263	1.87%	
SPI06.b.i % of income due from council tax for the year that was received by the end of the year	96.5%	96.6%	96.9%	0.31%	Slight increase in collection performance, but a significant milestone reached as this is the best ever collection percentage achieved since the implementation of Council Tax in 1993
SPI07c % of invoices sampled and paid within 30 days	84.9%	85.02%	85%	-0.02%	Performance level was maintained over the 2014/15 year. New software has been fully implemented across the Council now and we have set a challenging target to improve by 3%. Due to our remote location invoices clearly take longer to reach us which affects our ability to get them paid within the time set.
SPI08a.ii The proportion of operational accommodation that is in a satisfactory condition.	97.9%	87.44%	84.1%	-3.82%	Over the last year there has been a reduction in the overall GIA of Operational Buildings however this was reduced by the completion of the Extension to Shetland College. The proportion of operational property considered to be in a satisfactory condition has decreased, mainly as a result of Aith Junior High School now being considered to be below a satisfactory level.
SPI08b.ii The proportion of operational accommodation that is suitable for its current use.	77.1%	81.55%	81.9%	0.43%	The total number of operational properties has reduced over the last year, there has been a small increase in the the proportion of operational buildings considered suitable for service delivery. The reduction in the number of operational properties is a result of the continued implementation of the Councils Asset Strategy and service reviews following budget cuts.
SPI10a Total attendance at all pools	232,678	223,352	217,524	-2.61%	<p>Performance Statement</p> <p>Our performance deteriorated by 2.6% between 2013/14 and 2014/15. This was mainly due to 4 leisure centres operating with reduced opening hours and the Clickimin Leisure Complex being closed for 4 weeks for refurbishment. Over the period there has been a 7.6% reduction in casual swimming, a 5.2% reduction in school swimming and a 4.9% increase in pool classes and activities.</p> <p>Improvement Statement</p> <p>We will continue to promote regular use of all leisure centres and swimming pools by school, clubs, community groups and individuals in Shetland.</p>

Code & Short Name	Last 3 years			Change	(past) Performance & (future) Improvement Statements
	2012/13	2013/14	2014/15	2014/15	
	Value	Value	Value	Value vs Previous (%)	
SPI10c Total attendances for other indoor sports and leisure facilities, excluding pools in a combined complex	335,596	297,427	295,179	-0.76%	<p>Performance Statement Our usage figures have decreased by 0.8% between 2013/14 and 2014/15. This was mainly due to 4 leisure centres operating with reduced opening hours and the Clickimin Leisure Complex being closed for 4 weeks for refurbishment. Over the period there has been a 6.6% reduction in schools use of the dry facilities in leisure centres and a 7.9% increase in community use of SIC's school and community games halls.</p> <p>Improvement Statement We will continue to promote regular use of all leisure centres and games halls by schools, clubs, community groups and individuals in Shetland.</p>
SPI11a The number of visits to/usages of council funded or part funded museums	218,157	218,750	203,717	-6.87%	<p>Performance Statement Whilst most areas of performance were steady, overall performance was down during 2014/2015 due to lower usages in two categories; online enquiries and school visits. Online engagement indicates that public are increasingly less inclined to e-mail us directly with collection and photographic enquiries, and discuss these through social media instead. School visits fluctuate directly with special exhibitions; unlike last year, this time there was no strongly curriculum-linked show.</p> <p>Improvement Statement We anticipate online engagement to remain near present levels. Reflecting the current venue for online discussion, we will consider factoring-in social media engagement through our site into our virtual visitor numbers in future. It is probable school visits will increase in 2015/16, given the nature of this year's temporary exhibitions.</p>
SPI12a Number of Library visits	211,542	214,930	198,814	-7.5%	<p>Performance statement: Total visitor numbers have fallen, though it is only virtual visits which are down - the number of physical visits has in fact risen. The fall in online visits is partly due to improved counting methods but may also reflect people following the Library via social media instead of visiting the website. Social network visits are not currently included in the CIPFA definition of a virtual visit.</p>

Code & Short Name	Last 3 years			Change	(past) Performance & (future) Improvement Statements
	2012/13	2013/14	2014/15	2014/15	
	Value	Value	Value	Value vs Previous (%)	
SPI20bi For those in SPS6aii (the number of domestic noise complaints received during the year requiring attendance on site) the average time (hours) between the time of the complaint and attendance on site.	48.0	1488.0	567.0	-61.9%	<p>Performance statement The Council has little control of the number of noise complaints received each year. The Council set up a successful partnership a number of years ago to try and ensure all noise complaints received by the Council, Police and Hjalmland Housing Association are all responded to by Environmental Health. Shetland records more noise complaints than Orkney and Western Isles, this is because all complaints received by all agencies are investigated by Environmental Health and responded to, regardless of where the complaint originated. The majority of noise complaints come via the Police out of office hours. The Environmental Health investigation response depends on the time of the complaint and the type of noise experienced. For example, if someone phones during the working day and says the noise is happening now – if there is an officer available they will visit and hear the noise to establish if it is a statutory nuisance. This could be an immediate response, resulting in a very short response time to an initial complaint. If the noise is happening at 2am, complainants call the police so they will visit and witness the noise. Police Scotland can take their own action or Environmental Health can take enforcement action on the evidence of the police, rather than witnessing the noise ourselves. This may depend on the nature and duration of the noise. Police Scotland may take immediate enforcement action if they have visited a property and issued a warning and are called back again shortly afterwards. Noise equipment is routinely used when, for some reason, the police are unable to attend to the premises to provide evidence or when the noise appears to follow a pattern. These tend to be the more complex and challenging cases investigated. Around 60% of Shetland's noise complaints are resolved by the first contact with the person causing the noise and 90% resolved by first or second contact with the person causing the noise, so only a very small number of complaints that need more detailed investigation need a visit to assess the noise.</p> <p>Improvement statement Shetland Islands Council has developed the most effective response to noise complaints, for which it won an award in 2006, without setting up a 24 hour team on standby for noise complaints. It relies on partnership with all the key agencies. A 24 hour response team would be costly and a disproportionate response to the number of complaints received. The investigation and response to complaints is complaint specific, and there is little value in reviewing trends year on year for response times as each complaint is different and can be investigated and resolved in different ways.</p>

**Audit Committee****17 November 2015****Internal Audit – Six-monthly Internal Audit Progress Report 2015/16****Report No: IA-27-15-F****Report Presented by Executive Manager –
Audit, Risk & Improvement****Internal Audit****1.0 Summary**

- 1.1 This report presents the Audit Committee with details of progress made to date against the Audit Plan approved for 2015/16. It also highlights the main issues identified during Internal Audit assignments (Appendix 1).

2.0 Decision Required

- 2.1 That the Audit Committee note the contents of the Annual 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 systems of internal control, corporate governance and risk management are both sound and effective so that its assets are safeguarded and its performance reporting can be accepted with confidence.

Progress Report 2014/15

- 3.2 Appendix 1 details the Internal Audit activity for 2015/16 to date. Members are asked to note issues identified as a result of audit work undertaken.
- 3.3 It is anticipated that 90% of the plan will be completed by the financial year end.
- 3.4 All draft reports have been issued within 14 days of completion of audit work.
- 3.5 Employee Review & Developments (ERDs) have been undertaken for all Internal Audit staff.
- 3.6 Quarterly reports are presented to CMT highlighting agreed actions which have passed their agreed implementation date. It then becomes the appropriate Director's responsibility to progress. Any ongoing matter of particular concern would then be reported to Audit Committee.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report, which provides Members with an update on audit activity, contributes to improving the arrangements for Member engagement in monitoring Council performance and to manage our performance effectively with high standards being applied to the performance of staff and services.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy and/or Delegated Authority – The Audit Committee remit includes consideration of audit matters and to oversee and review action taken on Internal Audit activity.
- 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 Satisfactory progress is being made against the Internal Audit Plan for 2015/16. Key issues within audit reports are being addressed by management.

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November 2015

List of Appendices

Appendix 1 – Internal Audit activity for 2015/16 to date

END

Audit	Auditee	Progress Report / Key Audit Issues
Community Care Resources	Acting Executive Manager – Community Care Resources	<p>There were a significant number of issues arising from the audit; however, the lack of resources could have contributed.</p> <p>The two key audit issues identified are concerned with the inappropriate employment of relief workers and the security and processes surrounding the use of Webroster as a payroll system. Both these matters have been previously reported. In addition there were issues with invoice payments, inventories, payroll information, meals and wheels income, supervision, service users' fees, drugs and medication training, the completeness of client files and fire drills.</p> <p>Recommendations have been accepted and an action plan prepared.</p> <p>The Executive Manager HR advises work has already taken place in partnership and this will continue to ensure appropriate steps are taken to address these issues</p>
Adult Social Services	Executive Manager – Community Care Social Work & Executive Manager – Children & Families	<p>Whilst no key audit issues were identified a number of administrative matters were raised. Recommendations have been accepted and an action plan prepared.</p>
Building Services	Team Leader – Building services	<p>The key audit issues were Standing Orders have not been observed as quotes were not evidenced for a sample of invoices and there was a lack of supporting documentation to further substantiate the reasons for single sourcing prior to the commitment to spend.</p> <p>There is also currently a key value for money issue with regard to</p>



		<p>Service Level Agreements maintenance charges where large sums of money is paid to external contractors to carry out work which is paid out well in advance of the Council raising their invoices. In addition the Service Level Agreements with these organisations are out of date.</p> <p>In addition as a key observation it was noted that current performance targets for completion of works are not being met, albeit this may be due to current staffing levels. This results in an increased expense of having to outsource maintenance work to external contractors to get jobs completed.</p>
Planning – Building Standards	Team Leader – Building Standards	Scheduled for 3 rd Quarter.
Planning – Development Management	Team Leader – Development Management	Delayed until December 2015.
Asset & Properties	Team Leader – Asset & Properties	Work commenced October 2015.
Children’s Resources	Subject to discussion with Director	Scheduled for 4 th Quarter subject to discussions with Director.
Children & Families	Executive Manager – Children & Families	Scheduled for 4 th Quarter subject to discussions with Director.



Investigations / Reviews	Reported to:	
SUMS College	Acting College Principal – Shetland College	Report issued.
Hardship Fund	Acting College Principal – Shetland College	Report finalised awaiting issue.
LEADER Funding	Executive Manager – Economic Development	Work to be completed by 31/10/15.
AXIS 4	Executive Manager – Economic Development	Work to be completed by 30/11/15.
Performance Indicators	Internal	Review undertaken.
Vehicle Usage Policy	CMT	Report finalised to be presented to CMT.
Expenses	CMT / Executive Manager – Finance / Executive Manager - Executive	Whilst no key audit issues were identified a number of matters were raised. Recommendations have been accepted and an action plan prepared.
Overtime	CMT / Executive Manager – Finance / Executive Manager – Human Resources	<p>Key audit issues were identified and are detailed below:</p> <ul style="list-style-type: none"> In 2014/15 there had been a budget variance overspend on overtime of over £0.5m. There would appear to be a trend of overtime increasing with the spend on overtime at its highest since the moratorium on overtime was introduced in 2011. The 2014/15 actual overtime spend was at its highest since 2011/12 with an actual spend of £2.7m, and a budget variance overspend of over £0.5m.



		<ul style="list-style-type: none"> A sample of employees had worked excessive hours resulting in breeches to Working time Regulations. Opt out forms could not always be located. It was also observed that overtime was being worked on days of annual leave. <p>Other areas of concern were identified, in particular a lack of observance of overtime procedural requirements. Recommendations have been accepted and an action plan prepared.</p> <p>The Executive Managers of HR and Finance are also leading work in this area as a result of matters highlighted in this report.</p>
Revenue Security Buses	Executive Manager - Transport	Delayed pending Transport restructure / Outcome Revenues Review.
Voluntary Severance	Director – Corporate Services	Work finalised. Memo in draft format.
Preventing Illegal working	Executive Manager – Human Resources	<p>There were key issues revealed in this review that could adversely affect the Council with regard to the Immigration, Asylum and Nationality Act 2006. The main findings of this review were that there are inconsistencies between the Preventing Illegal Working Guidance Note, the Recruitment and Selection Procedure and the associated forms and checklists. The procedures put in place to prevent illegal working are not being followed consistently.</p> <p>The Executive Manager – HR advises that this work has been taken in to the review of the Recruitment and Selection policy and processes that will be completed in early 2016.</p>
Credit Cards	Executive Manager - Finance	Scheduled for 3 rd quarter.



Contractual Agreements with Individuals	Executive Manager – Finance	Currently being progressed.
Council National Fraud Initiative (NFI) Arrangements	Team Leader - Revenue & Benefits	Scheduled for 3 rd Quarter.
Capital Project – New AHS	Executive Manger – Capital Programme	Scheduled for 4 th Quarter.
Network Security	Executive Manager - ICT	<p>A network review carried out in 2009 identified audit issues in areas including documentation of the network architecture, audit logs, firewall testing, security alerts and change control procedures.</p> <p>It is pleasing to report that all these issues have been resolved with no other areas of concern identified.</p> <p>The ICT Department was issued with its PSN Compliance Certificate dated 20 January 2015. Security connections must be compliant with a code of connection set by the Cabinet Office in order to be PSN Compliant. If appropriate security protocols were not in place, the SIC would not receive certification.</p>
IT Related Risk Management	Executive Manager - ICT	Commenced 3 rd quarter.
PCI Payment Card Industry Standard / Transactions	Executive Manager - ICT	Scheduled for 3 rd quarter.
Systems Access	Various	Ongoing within Service audits no significant issues identified to date.
Review Audit Planning Process	Internal Audit Team	Concluded.
Follow up audit monitoring	CMT	3 rd / 4 th Quarter.



H & SCI Joint Board	H & SCI Joint Board	4 th Quarter. Fact finding ongoing.
Orkney & Shetland Joint Valuation Board	OSJVB	4 th Quarter will liaise with audit Scotland.
Risk Management Assessment - Toolkit	Executive Manager – Audit, Risk & Improvement	Work to be independently undertaken by Principal Internal Auditor.



**Audit Committee****17 November 2015****Internal Audit – Public Sector Internal Audit Standards (PSIAS) – External Quality Assessment of Internal Audit at Shetland Islands Council.****Report No: IA-28-15-F****Report Presented by Executive Manager –
Audit, Risk & Improvement****Internal Audit****1.0 Summary**

- 1.1 This report presents the Audit Committee with the External Quality Assessment of Internal Audit at Shetland Islands Council.

2.0 Decision Required

- 2.1 That the Audit Committee consider the contents of the PSIAS – External Quality Assessment report and the action plan which once implemented will ensure the Council's Internal Audit Service is fully compliant with PSIAS.

3.0 Detail

- 3.1 Members will recall from previous Internal Audit reports that a new set of professional standards based on the mandatory elements of the Institute of Internal Auditors (IIA) International Practices framework came into force on 1 April 2013. These are called PSIAS (Public Sector Internal Audit Standards).
- 3.2 As previously reported, Shetland Islands Council Internal Audit Service substantially complies with these standards and that moves had been ongoing within SLACIAG (Scottish Local Authority Chief Internal Auditors Group) to ensure an external peer review is undertaken on a 4-yearly basis in compliance with PSIAS requirements.

- 3.3 A review of the Council's Internal Audit Service was undertaken by the Chief Internal Auditor from the Western Isles (Paul Macaskill) in August this year.
- 3.4 I am pleased to report that the report confirms that Shetland Islands Council substantially conforms to the standards. This reflects well on the Internal Audit team in a period of significant transition.
- 3.5 The recommendations from the report are primarily housekeeping matters but are fully accepted and full implementation will ensure that for my 2015/16 annual report in June 2016 I will be able to confirm that the Council's Internal Audit Service is fully compliant with PSIAS.
- 3.6 I would also like to put on record my appreciation for the professional manner in which this review was undertaken by Mr Macaskill and also record my thanks to all Council staff and Members who contributed to this process.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report, which provides Members with an update on the Council's Internal Audit PSIAS compliance, contributes to improving the arrangements for Member engagement in monitoring Council performance and to manage our performance effectively with high standards being applied to the performance of staff and services.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy and/or Delegated Authority – The Audit Committee remit includes consideration of audit matters.
- 4.4 Risk Management – Failure to comply with PSIAS standards would invite adverse comment on the Council's Internal Audit Service. The undertaking of this review and implementation of the recommendations will mitigate this risk.
- 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 An independent report on PSIAS requirements has been prepared by the Chief Internal Auditor of the Western Isles that confirms the Council's Internal Audit Service is substantially PSIAS compliant and implementation of the recommendations will ensure full PSIAS compliance to be confirmed in my 2015/16 annual report in June 2016.

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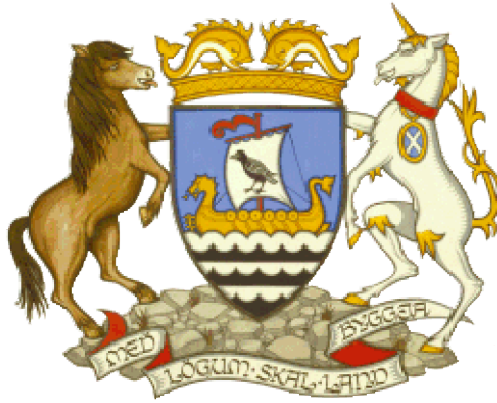
November 2015

List of Appendices

Appendix 1 – PSIAS Assessment report

END

Shetland Islands Council



EXTERNAL QUALITY ASSESSMENT

OF THE

INTERNAL AUDIT SERVICE

Final Report

01st October 2015

Index and Report Distribution List

	Page
SECTION 1 - EXECUTIVE SUMMARY	1-2
SECTION 2 - DETAILED FINDINGS AND RECOMMENDATIONS	3-4
SECTION 3 - ACTION PLAN	5-9
APPENDIX A - SUMMARY OF ASSESSMENT OF KEY AREAS	10-11
APPENDIX B - DOCUMENTATION AND RECORDS EXAMINED	12
APPENDIX C - EXTERNAL QUALITY ASSESSMENT – QUESTIONNAIRE	13

Date of Visit	24 – 26th August 2015
Draft Report Issued	2nd September 2015 & 29th September 2015
Management Response Received	29th September 2015
Final Report Issued	01st October 2015

Issued to:	
Mark Boden	Chief Executive
Christine Ferguson	Director of Corporate Services
Crawford McIntyre	Chief Internal Auditor
Cllr Allison Duncan	Chair
Cllr Amanda Westlake	Vice-Chair

1. EXECUTIVE SUMMARY

1.1 Background

Introduction

This report has been prepared following a review of compliance with the Public Sector Internal Audit Standards (PSIAS) 2013 and the International Professional Practices Framework (IPPF) on which the PSIAS has been based. The purpose of this report is to provide an overview of the Shetland Islands Council's (SIC) arrangements for the operation and management of its Internal Audit service.

The PSIAS applies to all internal audit service providers, whether in-house, shared services or outsourced. Indeed, it should be acknowledged upfront that this particular review is very timely, given that internal audit within public bodies in Scotland became a statutory function on 10th October 2014, which brings Scotland into line with the rest of the United Kingdom. The PSIAS define internal audit as "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The PSIAS requires, as outlined in Standard 1300 "Quality Assurance and Improvement Programme", that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation".

This report details the findings from the EQA undertaken in August 2015 by the Chief Internal Auditor of Comhairle nan Eilean Siar (Western Isles Council).

1.2 Scope

The purpose of this EQA is to provide an independent assessment of the extent to which the Internal Audit Service complies with the PSIAS.

The methodology for this EQA, takes the form of a validated self assessment. As such we have undertaken the following work in arriving at our opinion:

- review of the latest self assessment and supporting evidence provided by the CAE;
- canvassed the opinions of key stakeholders such as Chair and Vice-Chair of the Audit Committee, Directorate, and Chief Executive;
- undertook a series of tests using a standard checklist; and
- undertook a review of guidance and process documents and a sample of files (See Appendix B).

As part of our review of the internal audit service, we issued questionnaires to a sample of key stakeholders using the service, these included the Chair and Vice-Chair of the relevant committee responsible for Audit matters. The confidential responses were sent directly back to the review team. A sample questionnaire can be seen in Appendix C of the report.

Limitations

We have not undertaken any specific work to assess the effectiveness of the Council's Audit Committee. Our view as to the extent of compliance with the PSIAS cannot be taken as any assurance on the strength of the control environment. It should also be noted that this report does not include detailed findings from the sample file reviews undertaken but these findings have been used to support our recommendations and opportunities for improvements.

1.3 Areas of Good Practice Identified

- Fully qualified Chief Internal Auditor with extensive local authority experience;
- Internal Audit staff who are enthusiastic, experienced and focused on providing a good and professional service;
- Substantial compliance with PSIAS and IPPF;
- Good support from the service director, and
- The ability of External Audit to place reliance on the work of Internal Audit.

1.4 Conclusion and Main Findings

The overall conclusion is arrived at following completion of the comprehensive EQA Checklist and based on the work we have undertaken, it is our opinion that the Internal Audit Service **generally conforms** with the PSIAS.

Our review has highlighted a number of areas where improvements can be made, these being:

- The outcome of the Quality Assurance and Improvement Programme (QAIP) both internally and externally be outlined within the Internal Audit Annual Report along with an action plan, where appropriate. In addition, a statement of conformance or otherwise with the PSIAS must be outlined within the Annual Report. (Sections 2.2 and 2.5);
- The need to make clearer the links between the Annual Internal Audit Plan, the Charter, Corporate Plan and organisational objectives and priorities (Section 2.3); and
- In order to support the future resilience of the Internal Audit section and promote succession planning within the service, the need to have more than one fully qualified member of staff should remain a priority. (We acknowledge that a member of staff has recently commenced CIPFA professional training). (Section 2.6).

Whilst the recommendations and improvement opportunities are made for the Chief Internal Auditor to consider and action, Council senior management and the Audit Committee needs to recognise that to deliver these, they will have a role to play, especially in relation to the support they can give regarding resource allocations to the Internal Audit Service and their expectations of the number of days required as they support and facilitate Internal Audits in the improvement actions detailed.

A detailed evaluation of each 'Standard' can be seen in Appendix A of the report.

2. FEEDBACK AND EQA FINDINGS

2.1 Policies and Procedures

The Internal Audit Charter is clear, concise and easy to follow in both its terminology and presentation. However, The Internal Audit Charter could be further developed to specifically detail:

- Relationship with the 'Board'
- Anti-Fraud policy
- Management must report all relevant matters to Internal Audit.

Whilst these are referred to in other documents, sufficient detail should be contained within the Charter document.

As part of our review of the internal audit service, we issued questionnaires to a sample of key stakeholders using the service. The confidential responses were sent directly back to the review team. A sample questionnaire can be seen in Appendix C of the report.

One aspect of the Standard requires that Internal Audit promotes itself, together with creating organisational awareness of the internal roles and responsibilities of internal audit.

This is an area for development for the vast majority of Internal Audit sections. On reviewing the questionnaires submitted to us as part of our review, the one clear message was that there were opportunities for internal audit to promote and market the service within the organisation further.

2.2 The Quality Assurance and Improvement Programme

The Standards require that the results of the Quality Assurance and Improvement Programme have been communicated to senior management and the Board in, at least, the Annual Report.

During our review of the Annual Report for 2014/15 we found no reference of the outcome of the QAIP for the Internal Audit section.

The Standard requires the Chief Internal Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity and report this at least annually within the Annual Audit Report to Committee.

2.3 Managing the Internal Audit Activity

We reviewed the Internal Audit Annual Plan and noted that there were two areas where further development could be considered and context could be given in terms of:-

- How the internal audit service will be developed in accordance with the Internal Audit Charter; and
- How the internal audit service links to organisational objectives and priorities.

The need to make clearer the links between the Annual Internal Audit Plan, the Charter, Corporate Plan and organisational objectives and priorities.

2.4 Communicating Results

One of the Standards requires the assessment through discussion with the Chief Audit Executive (CAE), and evaluation of any available evidence, confirm that, if the audit report states that the engagement has been '*conducted in conformance with the PSIAS*', the results of the QAIP support this statement.

We reviewed the annual report and found that this was not included.

2.5 Resource Management

Staffing and training of small professional Internal Audit teams is an ongoing challenge, particularly for the island authorities, although difficulties in attracting professional staff has become more prevalent in recent years throughout Scotland.

It is therefore important that training and development of all staff, but particularly, non-qualified staff takes place and is suitably funded. In addition, this assists any organisation with the progression of succession planning.

In our review of SIC's Internal Audit service we are pleased to note that training of staff continues to be a priority. We did however note that only the Chief Internal Auditor has a formal professional qualification, with the remaining staff at different levels of both experience and part-qualification. The need to keep training as a priority for the section, particularly professional training in either CCAB or IIA is required for future resilience of the service.

We would like to thank all staff and Members of Shetland Islands Council for the co-operation and goodwill we received during the course of our review.

Paul Macaskill BA CPFA CMIIA
Chief Internal Auditor

For and on behalf of
Comhairle Nan Eilean Siar
Sandwick Road
Stornoway
Isle of Lewis
HS1 2BW

01st October 2015

3. ACTION PLAN

Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.1	<p>The Internal Audit Charter is clear, concise and easy to follow in both its terminology and presentation. However, the Internal Audit Charter could be further developed to specifically detail:</p> <ul style="list-style-type: none"> - Relationship with the 'Board' - Anti-Fraud policy - Management must report all relevant matters to Internal Audit. <p>Whilst these are referred to in other documents, sufficient detail should be contained within the Charter document.</p>	The Chief Internal Auditor may wish to review the Charter and update the document.	3	The Audit Charter will be reviewed to take account of these comments. This will be presented to Audit Committee by the end of March 2016.	Chief Internal Auditor.	March 2016.
3.2	<p>The Quality Assurance and Improvement Programme:-</p> <p>The Standards require that the results of the Quality Assurance and Improvement Programme have been communicated to senior management and the Board in, at least, the Annual Report.</p> <p>During our review of the Annual Report for 2014/15 we found no reference of the outcome of the QAIP for the Internal Audit section. (Cont')</p>	<p>The Chief Internal Auditor should:</p> <p>Detail the outcome of the QAIP within the Annual Report along with any areas identified, together with an action plan, where applicable.</p>	2	I will take account of this when preparing my 2015/16 annual report to audit committee. This is usually presented in June.	Chief Internal Auditor.	June 2016.

Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
	The Standard requires the Chief Internal Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity and report this at least annually within the Annual Audit Report to Committee.					
3.3	<p>We reviewed the Internal Audit Annual Plan and noted that there were two areas where further development could be considered and context could be given in terms of :-</p> <ul style="list-style-type: none"> - How the internal audit service will be developed in accordance with the Internal Audit Charter. - How the internal audit service links to organisational objectives and priorities. 	<p>The Chief Internal Auditor may wish to include within the annual plan, specific reference to:</p> <ul style="list-style-type: none"> - How the internal audit service will be developed in accordance with the Internal Audit Charter. - How the internal audit service links to organisational objectives and priorities. 	<p>3</p> <p>3</p>	<p>The annual reports to CMT and thereafter Audit Committee seeking approval for the annual audit plan will confirm that the audit plan will be undertaken in accordance with the principles incorporated within the Internal Audit Charter. Reference will also be made to how the work of the internal audit service helps to meet the aspirations of the Corporate Plan and will also refer to the “golden thread” linking the Council’s Corporate Plan, Directorate Plans, Service Plans, Internal Audit Plan, Employee Review & Development Reviews and Training Plans.</p>	Chief Internal Auditor.	March 2016.

Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.4	<p>As part of our review of the internal audit service, we issued questionnaires to a sample of key stakeholders using the service. The confidential responses were sent directly back to the review team.</p> <p>One aspect of the Standard requires that Internal Audit promotes itself, together with creating organisational awareness of the internal roles and responsibilities of internal audit.</p> <p>This is an area for development for the vast majority of Internal Audit sections. On reviewing the questionnaires submitted to us as part of our review, the one clear message was that there were opportunities for internal audit to promote and market the service within the organisation further.</p>	The Chief Internal Auditor may wish to consider whether to promote and 'market' the service further within SIC.	4	Internal Audit has finite resource with some provision for investigative work, representation on Project Boards / Teams and other management boards such as the ICT Management Board and the Central Safety Consultative Committee. Reports are submitted to CMT on a regular basis as well as the Audit Committee. In addition any Council member of staff can contact the Internal Audit team for advice and assistance. However it is hard to envisage what further work can be undertaken with current staffing levels.	Chief Internal Auditor	Ongoing as resource permits.

Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.5	<p>One of the Standards requires the assessment through discussion with the Chief Audit Executive (CAE), and evaluation of any available evidence, confirm that, if the audit report states that the engagement has been <i>'conducted in conformance with the PSIAS'</i>, the results of the QAIP support this statement.</p> <p>We reviewed the annual report and found that this was not included.</p>	The Chief Internal Auditor in the production of future annual internal audit reports confirms or otherwise whether conformance has been made with PSIAS. This should take form of a self-assessment each year.	2	Future annual internal audit reports will confirm or otherwise whether conformance has been made with PSIAS. Given the relatively minor findings from this review it is anticipated that conformance will be reported	Chief Internal Auditor	June 2016.
	<p>Staffing and training of small professional Internal Audit teams is an ongoing challenge, particularly for the island authorities, although difficulties in attracting professional staff has become more prevalent in recent years throughout Scotland.</p> <p>It is therefore important that training and development of all staff but particularly non-qualified staff takes place and is suitably funded. In addition, this assists any organisation with the progression of succession planning. (Continued)</p>	<p>The Chief Internal Auditor should:</p> <ul style="list-style-type: none"> - Maintain the current level of training needs for staff with priority in the fulfilment of a suitable professional qualifications, such as either CCAB or IIA. - To maintain suitable training objectives and outcomes for those pursuing a non-professionally based qualification. 	<p>3</p> <p>3</p>	This is an important point and as budgetary constraints permit training will continue to be provided as far as practical.	Chief Internal Auditor	Ongoing as resource permits.














Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
	On our review of SIC's Internal Audit service we are pleased to note that training of staff continues to be a priority. We did however note that only the Chief Internal Auditor has a formal professional qualification, with the remaining staff at different levels of both experience and part-qualification. The need to keep training as a priority for the section, particularly professional training in either CCAB or IIA is required for future resilience of the service.					









Key to Grading of Recommendations

Priority:

1. Critical
2. Requires addressing
3. Housekeeping
4. Value for Money

SUMMARY OF CONFORMANCE WITH THE PSIAS – Appendix A

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
<u>Section A</u>	<u>Definition of Internal Auditing</u>		-	-	-
<u>Section B</u>	<u>Code of Ethics</u>	-		-	-
<u>Section C</u>	<u>Attribute Standards</u>				
<u>1000</u>	<u>Purpose, Authority and Responsibility</u>	-		-	-
<u>1100</u>	<u>Independence and Objectivity</u>		-	-	-
<u>1200</u>	<u>Proficiency and Due Professional Care</u>		-	-	-
<u>1300</u>	<u>Quality Assurance and Improvement Programme</u>	-		-	-
<u>Section D</u>	<u>Performance Standards</u>				
<u>2000</u>	<u>Managing the internal Audit Activity</u>	-		-	-
<u>2100</u>	<u>Nature of Work</u>	-		-	-
<u>2200</u>	<u>Engagement Planning</u>		-	-	-

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
<u>2300</u>	<u>Performing the Engagement</u>		-	-	-
<u>2400</u>	<u>Communicating Results</u>	-		-	-
<u>2500</u>	<u>Monitoring Progress</u>	-		-	-
<u>2600</u>	<u>Communicating the Acceptance of Risks</u>	-		-	-

DOCUMENTATION AND RECORDS EXAMINED – Appendix B

- *Internal Audit Charter*
- *Internal Audit Annual Report 2014/15*
- *Internal Audit files relating to three pieces of work at varying stages of completion*
- *Audit Universe spreadsheet*
- *Internal Audit Records Retention Schedule*
- *Internal Audit suggested KPIs/Balanced Scorecard*
- *Various Minutes of meetings*
- *Remit for the Audit Committee*
- *Corporate Risk Management Strategy*
- *Follow-up arrangements for work already reported*

**Audit Committee****17 November 2015**

Risk Review Action Plan - update	
IA-24-15-F	
Executive Manager – Audit, Risk and Improvement	Audit, Risk and Improvement

1.0 Summary

- 1.1 The purpose of this report is to update the Committee on progress that has been made in implementing the recommended actions in the Risk Management Review Report which was conducted and compiled by business advisers Scott-Moncrieff and presented to Corporate Management Team in December 2014.

2.0 Decision Required

- 2.1 The Audit Committee is asked to note the progress that has been made to implement the recommendations in the Risk Management Review report.

3.0 Detail

- 3.1 Following the restructuring of Safety and Risk, Internal Audit, and Performance and Improvement Services in 2014, a review was commissioned into the management of risk across the organisation. That review was carried out by business advisers Scott-Moncrieff.
- 3.2 The risk management review report listed twenty-six prioritised actions, with owners and completion dates. All of the actions are noted as being the responsibility of the Executive Manager, Audit, Risk and Improvement and the Risk Management Officers.
- 3.3 Progress is generally on track; progress on each of the actions is shown in appendix 1 and is updated and monitored monthly via the organisation's performance management system.
- 3.4 There is significant work still to do if the remaining actions are to be successfully and fully implemented. However, plans are in place, and noted in Appendix 1, which should ensure this is achieved.

- 3.5 Annual progress on the Risk Review Action Plan is required to be reported to Audit Committee, and this report is the first of such reports.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – the efficient and effective management of risk is key to being a properly led and well-managed Council.
- 4.2 Community /Stakeholder Issues – None
- 4.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Delegations, the remit of Audit Committee includes "to monitor the effective development and operation of risk management and corporate governance in the Council".
- 4.4 Risk Management – The effective implementation of the findings of the risk review will help ensure that the organisation is best placed to deal with challenges effectively and live within our means, and hence demonstrate that it is a properly led and well-managed Council.

Conversely, a failure to effectively implement the findings of the review may expose the Council to adverse comment from scrutiny bodies such as Audit Scotland and the Care Inspectorate, and will impede the organisation's aspiration to raise its performance as measured by the ALARM National Performance Model for risk management in the public sector.

- 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 Significant progress has been made in implementing the actions identified in December 2014's review of the organisation's management of risk, and plans are in place which should ensure that remaining actions are fully, timeously and effectively implemented.

Appendix 1 – Risk Review Action Plan scorecard report – progress to date

Background documents:

Risk Management Review report, Scott-Moncrieff



END


RRAP scorecard

Generated on: 20 October 2015



Risk Review Action Plan - Scorecard



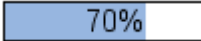
Analysis

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STE-18 Establish knowledge required	Establish the skills and knowledge required by all individuals involved in the risk management process to discharge their responsibilities effectively.	Likely to meet or exceed target 	Planned Start	01-Mar-2016	 <div>10%</div>	RM staff have started collecting information on training delivered, feedback, etc. Questionnaire to go out in Sept/ Oct '15 to all RiskWEB users in order to gauge confidence & understanding of system & functionality.	Audit, Risk & Improvement
			Actual Start	03-Jun-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STE-19 Gap analysis	Perform a gap analysis to establish whether groups/ individuals possess the required skills (as established in step 17) and/or have received appropriate training.	Likely to meet or exceed target 	Planned Start	01-May-2016	 <div>0%</div>	Need to complete STE-18 before starting this.	Audit, Risk & Improvement
			Actual Start				
			Original Due Date	31-May-2016			
			Due Date	31-May-2016			
			Completed Date				




Communication




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-17 Relaunch RM	Re-launch risk management in the Council, formally endorsed by senior individual(s).	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 <div>100%</div>	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22nd June 2015 and SIC of 30th June. All documents plus user guide to RiskWEB system available on Intranet, new policy, strategy etc details shared with all staff through Communications Section.	Audit, Risk & Improvement
			Actual Start	01-Dec-2014			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	05-Jan-2015			
RRAP-STC-21 Full risk review	Initiate a full review of all risks by their respective owners to ensure risks have been aligned to appropriate objectives.	Likely to meet or exceed target 	Actual Start	05-Jan-2015	 	Review of risks commenced, addressing inconsistencies via training, monthly email and quarterly attendance at MTs, plus ad hoc and scheduled training. Corporate RR developed with Risk Board, presented to 19 Aug 2015 P & R Committee and annually thereafter. Corporate-wide approach almost complete, directorate-focussed work commenced in June. CH & SC risk data review ongoing by Service, RMO to be based at Hayfield/ children's Services PT for 2 to 3 months in order to support the review of risk registers, risk management etc. 4 month rolling programme of data checks has started and will identify errors & omissions and will improve quality of data.	Audit, Risk & Improvement
			Original Due Date	30-Sep-2016			
			Due Date	30-Sep-2016			
			Completed Date				




Governance







Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-Dec-2014			
RRAP-STA-1 Establish the governance structure	Establish the governance structure for risk management.	Likely to meet or exceed target 	Actual Start	01-Dec-2014	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22rd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	10-Feb-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-14 Establish risk appetite statement	Establish an appropriate statement that describes the Council's attitude towards risk. This should also consider explicitly the extent to which the Council is willing to embrace risk in pursuit of opportunities. Note: Whilst this action would ideally be completed in conjunction with the review of Risk Management Policy, it is not a high priority task.	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	Milestones agreed, CMT risk appetite video conference held. RB terms of reference agreed at CMT of 10th February 2015, Policy (including risk appetite statement), strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22rd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-2 Establish membership	Establish the membership and the specific risk management responsibilities of each group within the risk management governance structure. A particular focus should be made in relation to the role of the Risk Board/ Corporate Risk Management Group.	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22rd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Actual Start	01-Dec-2014			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-24 Establish review process	Establish a process for periodic review and re-approval of the Risk Management Policy and Risk Management Strategy.	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at P & R of 22rd June 2015 and SIC of 30th June with review period of one year for policy and two years for strategy.	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-3 Revise RMP	Revise the Council's Risk Management Policy to reflect actions 1 and 2 as well as general suggestions raised in section 4.3 of the report.	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22rd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Actual Start	16-Apr-2015			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			







Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start				
RRAP-STA-5 Revise TOR	Review/ revise the formal terms of reference of each governance group within the risk management framework to include the specific risk management responsibilities of each (as defined within the approved risk management policy).	Likely to meet or exceed target 	Actual Start	16-Feb-2015	 	Discussed with Team Leader Administration and Executive Manager Governance and Law, who will lead on this piece of work. 15th Oct 2015 - A Cogle, Team Leader, Administrative Services - Changes to SIC Committee remit were agreed with effect from 1 September, with the reduced remit of Social Services Committee remaining in place until the Integration Joint Board has adopted its Strategic Plan. A revised Strategic and Functional Reporting structure was issued to all staff. Work is ongoing in updating SIC Constitutional documents, and this workstream will feature within the self assessment of SIC governance arrangements, with an improvement and action plan to be reported to Council on 16 December for approval. Refreshed Constitutional documents, taking account of the risk management framework, will be presented to Council on 24 February 2016 for final approval.	Audit, Risk & Improvement
			Original Due Date	27-Mar-2015			
			Due Date	31-Mar-2016			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start				
RRAP-STA-8 Revise RMS	Revise the Council's Risk Management Strategy to reflect actions above, as well as ensuring that it is aligned to the approved risk policy and relevant best practice guidance.	Likely to meet or exceed target 	Actual Start	01-Apr-2015	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22nd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			

Guidance from policy/ strategy



Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-11 Create Suite	Create a suite of protocols that describe the methodologies, tools and techniques that are required to be used to execute the Council's risk management strategy. Consider	Experiencing some issues, with a risk of failure to meet target 	Planned Start	01-Apr-2015	 	RB terms of reference, Policy, strategy and associated documents agreed at P & R of 22rd June 2015 and SIC of 30 th June. RiskWEB guidance, policy, strategy & docs available on intranet and in RiskWEB. RMOs attending quarterly DMT, provide routine group RiskWEB training, monthly and other regular reports to staff, Risk Board and elsewhere as appropriate. RM staff have drafted review schedule and standard approaches to periodically quality assure risk data across the organisation. Work will be successfully completed by the revised date (moved from June 2015 to Feb 2016) Category descriptions being prepared for each risk type, glossary being prepared.	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	30-Jun-2015			
			Due Date	26-Feb-2016			
			Completed Date				

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-13 Establish protocols	Establish protocols for escalation and the periodic review of risk at all levels within the risk management governance structure.	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 	Review periods defined in Risk Management Policy	Audit, Risk & Improvement
			Actual Start	01-Apr-2015			
			Original Due Date	30-Jun-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-15 Review appetite	Review the existing individual risk appetite thresholds for each of the Council's risk categories to ensure that they are consistent with the risk attitude statement.	Likely to meet or exceed target 	Planned Start	01-Jul-2015	 	Done	Audit, Risk & Improvement
			Actual Start	01-May-2015			
			Original Due Date	30-Sep-2015			
			Due Date	30-Sep-2015			
			Completed Date	26-Aug-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-16 Establish cumulative appetite	Establish cumulative risk appetite thresholds for each of the Council's risk categories.	Likely to meet or exceed target 	Planned Start	01-Jul-2015	 0%	Currently considering how best to approach this - analysing risk data with a view to setting thresholds, considering how those can trigger actions, and how these are reported.	Audit, Risk & Improvement
			Actual Start	01-Oct-2015			
			Original Due Date	30-Sep-2015			
			Due Date	30-Nov-2015			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-6 Establish frequency	Establish the minimum required frequency of review of risks, ensuring that frequency of review is commensurate with the magnitude of the risk.	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 100%	Review frequency defined in Risk Policy and strategy as agreed at P & R 22nd June 2015 and SIC 30th June 2015	Audit, Risk & Improvement
			Actual Start	01-Apr-2015			
			Original Due Date	30-Jun-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STB-7 Identify methodologies	Identify the methodologies, tools and techniques that will be required to execute the Council's risk management strategy.	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 100%	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22nd June 2015 and SIC of 30th June. RiskWEB guidance written and available on intranet and within RiskWEB system. RMOs attending quarterly DMT, provide routine group RiskWEB training, monthly and other regular reports to staff, Risk Board and elsewhere as appropriate.	Audit, Risk & Improvement
			Actual Start	01-Apr-2015			
			Original Due Date	30-Jun-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			


Management

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-Dec-2015			
RRAP-STD-25 Revise JDs	As necessary, revise job descriptions of the risk management function to reflect their specific roles and activities they are responsible for, as defined in the approved Risk	Likely to meet or exceed target 	Actual Start	03-Oct-2016	 0%	RMO Job description was reviewed prior to recruitment in November/ December 2014 and the Executive Manager has no plans to revisit at present. However, RMOs can request a job description review at any time. Dates for this action have therefore been set back to the intended close of this project, at which point it will be revisited and either cancelled or progressed.	Audit, Risk & Improvement
			Original Due Date	31-Dec-2015			
			Due Date	30-Nov-2016			
			Completed Date				




Outsource




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-May-2015			
RRAP-STE-20 Deliver training	Deliver training as required to ensure that members of governance groups (see diagram 3) are equipped to carry out their duties effectively.	Likely to meet or exceed target 	Actual Start	21-Apr-2015	 5%	Ad hoc and scheduled risk / RiskWEB training to staff, proposal to provide member training, using risk fund, towards end of 2015.	Audit, Risk & Improvement
			Original Due Date	31-Jan-2017			
			Due Date	31-Jan-2017			
			Completed Date				

Planning




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-May-2016			
RRAP-STE-23 Establish training programme	Establish an on-going programme of risk management training to refresh and develop the skills of all individuals that have involvement/ responsibilities in relation to risk management.	Likely to meet or exceed target 	Actual Start	21-Apr-2015	 10%	Training plan for 15/16 agreed, implemented, plus ad hoc training continuing. Partly dependent on STE-18 (establish skills) and STE-19 (perform gap analysis)	Audit, Risk & Improvement
			Original Due Date	31-May-2016			
			Due Date	31-May-2016			
			Completed Date				



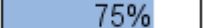
Political

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-14 Establish risk appetite statement	Establish an appropriate statement that describes the Council's attitude towards risk. This should also consider explicitly the extent to which the Council is willing to embrace risk in pursuit of opportunities. Note: Whilst this action would ideally be completed in conjunction with the review of Risk Management Policy, it is not a high priority task.	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	Milestones agreed, CMT risk appetite video conference held. RB terms of reference agreed at CMT of 10th February 2015, Policy (including risk appetite statement), strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22nd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	27-Mar-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			



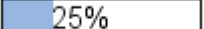
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-9 Get group approval	Seek approval of the revised Risk Management Strategy from appropriate groups, up to and including the Full Council.	Likely to meet or exceed target 	Planned Start	01-Mar-2015	 	RB terms of reference agreed at CMT of 10th February 2015, Policy, strategy and associated documents agreed at Risk Board of 19th May. All reported to, and agreed at P & R of 22nd June 2015 and SIC of 30th June	Audit, Risk & Improvement
			Actual Start	02-Jul-2015			
			Original Due Date	30-Apr-2015			
			Due Date	01-Jul-2015			
			Completed Date	02-Jul-2015			

Reporting



Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STA-12 Establish Risk MI	Establish the Risk MI appropriate to each stakeholder group (internal and external) and establish an efficient process to enable this MI to be produced/ made available.	Likely to meet or exceed target 	Planned Start	09-Mar-2015	 	First updates and changes made to risk register system, reports reviewed, prioritised list of tasks created and significantly complete. RM staff potentially attending further system training in October and are working with system engineer to review and revise reports. Risk MI options to be reported to the Risk Board for their review and comment.	Audit, Risk & Improvement
			Actual Start	01-Apr-2015			
			Original Due Date	31-Dec-2015			
			Due Date	31-Dec-2015			
			Completed Date				

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-Jun-2015			
RRAP-STC-26 Establish comms programme	Establish a programme of regular communication to raise the profile of risk management throughout the Council.	Likely to meet or exceed target 	Actual Start	01-Apr-2015	 	Monthly RiskWEB update/review/guidance email and risk statistics email to all system users, periodic info issued via Comms team. Various risk issues to be addressed on a four month rolling programme basis and communicated directly and via monthly email. Risk MI needs to be identified as per RRAP-STC-12.	Audit, Risk & Improvement
			Original Due Date	31-Oct-2015			
			Due Date	31-Oct-2015			
			Completed Date				





Reviewing

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	05-Jan-2015			
RRAP-STC-22 Levelling exercise	Levelling exercises should be performed within each directorate to verify that risks have been recorded consistently and accurately. Ensure the most appropriate owner has been assigned to each risk with duplicates being identified and removed.	Likely to meet or exceed target 	Actual Start	05-Jan-2015	 	Review of risks commenced, issues addressed via monthly email, via training and through RMO attendance at quarterly MT meetings. Risk quality being reviewed by directorate with organisation-wide review to be carried out once all directorate errors/ommissions are addressed. 4 month rolling programme of checks being established by RMOs to identify errors, omissions, and drive up quality of risk data.	Audit, Risk & Improvement
			Original Due Date	30-Sep-2016			
			Due Date	30-Sep-2016			
			Completed Date				

Technical from strategy/ policy.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STC-10 Review JCAD	Review and revise (if necessary) the configuration of the risk management system (JCAD) to verify that it will enable risks to be recorded and actively managed in a way that is consistent with the Council's approved Risk Management Policy and Risk Management Strategy.	Likely to meet or exceed target 	Planned Start	01-Sep-2015	 <div><div>50%</div></div>	Some system training completed. Prioritised plan for reviewing data on system agreed (short/medium/longer term), short-term actions complete, medium and long term in progress. Schedule of review tasks drafted and implemented. Currently reviewing reporting functionality. Options appraisal for RiskWEB upgrade substantially complete.	Audit, Risk & Improvement
			Actual Start	02-Mar-2015			
			Original Due Date	30-Sep-2015			
			Due Date	30-Nov-2015			
			Completed Date				

Training

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
RRAP-STE-20 Deliver training	Deliver training as required to ensure that members of governance groups (see diagram 3) are equipped to carry out their duties effectively.	Likely to meet or exceed target 	Planned Start	01-May-2015	 <div><div>5%</div></div>	Ad hoc and scheduled risk / RiskWEB training to staff, proposal to provide member training, using risk fund, towards end of 2015.	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	31-Jan-2017			
			Due Date	31-Jan-2017			
			Completed Date				
RRAP-STE-23 Establish training programme	Establish an on-going programme of risk management training to refresh and develop the skills of all individuals that have involvement/ responsibilities in relation to risk management.	Likely to meet or exceed target 	Planned Start	01-May-2016	 <div><div>10%</div></div>	Training plan for 15/16 agreed, implemented, plus ad hoc training continuing. Partly dependent on STE-18 (establish skills) and STE-19 (perform gap analysis)	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	31-May-2016			
			Due Date	31-May-2016			
			Completed Date				



**Audit Committee
Policy & Resources Committee**

**17 November 2015
25 November 2015**

Audit Scotland and other External Audit Reports – Best Value Reports

Report No IA-30-15-F

**Report from: Executive Manager – Audit, Risk
and Improvement**

Corporate Services

1.0 Summary

- 1.1 This report provides the Committee with the Audit Scotland Best Value reports recently issued to Falkirk Council & Aberdeen City Council. It gives Committee the opportunity to consider issues raised that may also be pertinent to this Council.

2.0 Decision Required

- 2.1 That the Audit Committee and Policy & Resources Committee NOTE the contents of this report and APPROVE any actions required, for recommendation to the relevant Committee, or an officer.

3.0 Background

- 3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from External Auditor's/Advisers reports (Min ref 61/14).
- 3.2 In the case of Best Value reports, not specific to Shetland Islands Council, these cannot be allocated to a specific officer.
- 3.3 Responses from relevant officers are sought and a report co-ordinated by the Executive Manager – Audit, Risk & Improvement.
- 3.4 Best Value reports have recently been issued to Aberdeen City Council & Falkirk Council.

http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150702_aberdeen_city_council.pdf

http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150827_falkirk_council.pdf

- 3.5 The Areas for Improvement summary for each of these reports are attached as appendices with comment from officers of this Council boxed and italicised for information.
- 3.6 A number of the issues highlighted in these reports have not been subject to officer comment as they are not considered directly relevant to Shetland Islands Council at present. If Members consider further information is required, where no comment has been given, this will be addressed.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Improved external engagement and sharing best practice will contribute to high standards of governance and the Council being operated and managed effectively.
- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit Committee remit includes "...review reports from the Council's External Advisors and review action on External Audit recommendations". The Policy and Resources Committee has within its remit "...ensure the Council discharges its functions relating to Best Value.
- 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

- 4.7 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 The Best Value reports produced by Audit Scotland provide valuable information for Committees and officers throughout the Council and could provide opportunities for proactive improvement within Shetland Islands Council.

For further information please contact:
Crawford McIntyre Executive Manager – Audit, Risk and Improvement
01595 744546
November 2015

List of Appendices

Appendix A – Aberdeen City Council – Areas for Improvement

Appendix B – Falkirk Council – Areas for Improvement

END

Areas for Improvement – Aberdeen City Council

Our report's summary notes that, at the time of our audit, the council was undergoing significant change, including recruiting to key posts. The council has established areas of good practice including its medium-term budget planning process. It has also taken positive steps to improve working relationships. It is important that the council continues to make progress in these areas and it should:

Vision and strategic direction

- review how the political priorities of Aberdeen: the Smarter City, the SIP, the City Region Deal and the City Centre Masterplan are linked through to service plans.
- consider the capacity and capability required to deliver the strategic priorities against the recruitment challenges experienced in the North East.

Officer Comment

With our new Corporate Plan 2016-20 now agreed, it will be the task of managers across the council to ensure the outcomes set out in that document are delivered over the next four years. Key to that will be the service planning and budget setting processes and then ensuring the progress being made is reported in the quarterly performance update reports to Members. The new plan was developed through close engagement with Members and senior officers. The Plan was communicated to all Council staff and work is now taking place to communicate more widely the vision and priority areas it contains.

Work is ongoing to develop Directorate Plans and Service Plans which align to and complement the new Corporate Plan.

Leadership and working relationships

- build on the use of cross-party groups to help maintain political consensus and commitment to the council's long-term priorities
- sustain improved working relationships, and consider plans to introduce further protocols and guidance for member-to-member and member-to-officer working.

Officer Comment

Member Development is referred to in both this and the Falkirk report. SIC has a Member development framework in place which facilitates identification of Member Training needs. Focus is on one or two specialist training events a year, supplemented by in-house seminars, articles, free resources from ILearn and webinars etc. Member development issues and resources are highlighted through monthly newsletters.

There is reference to the need to set clear objectives and link between this and the appraisal process. As our ERD process is due for review and with a historic poor performance in consistency in completing staff appraisals and identification of training needs this is also a challenge in our council. The review of the policy and LEAN review of Workforce

Development systems and processes will provide an opportunity to focus on improving this. It will be useful for us to contact Aberdeen City Council to find out how their work on this is progressing.

We should continue to use the mechanisms that have been developed to further embed a culture of trust between elected members and officers to foster better working relationships in a more general way. Ensuring officers have the skill set to be aware of effective elected member engagement, show professionalism, demonstrate their expertise in their field and respond / listen to the elected members, etc.

Performance management and scrutiny

- implement plans to refocus performance measurement on outcomes
- ensure clear links between the performance information submitted to members for scrutiny and the council's strategic plans
- fully implement arrangements for enhanced scrutiny of ALEOs through the governance hub.

Officer Comment

The work done to focus on outcomes to refresh the Corporate Plan is a good example of how things continue to develop. There is also an intention to focus more on outcome performance indicators and work has commenced in this area.

As already noted work is ongoing to develop Directorate Plans and Service Plans which align to and complement the new Corporate Plan.

Changing the ways in which the Council delivers services and achieves its savings needs to be focused on prioritising the activities that will achieve those outcomes and this will be reflected in the new Medium Term Financial Plan (MTFP).

The need to engage and communicate with staff is recognised by the Chief Executive at Aberdeen City particularly ensuring staff are informed, consulted and engaged in improvement and transformational activity. The SIC employee consultation and engagement framework is being developed by HR in partnership with the Trades Unions, this will include a new Facilities Agreement that sets out the roles and responsibilities to ensure effective union consultation and guidance for managers on how to communicate and consult effectively. The terms of reference for the Human Resources Partnership Group (HRPG) will be reviewed as part of this to ensure the consultation is meaningful. A short life Task Group is being set up for this purpose. The Employee Engagement Plan that will be developed following the Viewpoint Survey will also demonstrate our commitment to this.

Financial management and improvement

- ensure the necessary organisational capacity for transformation is in place in readiness for anticipated budget reductions
- build further elected member and staff engagement in the change programmes.

Officer Comment

The challenge of adequately resourcing change, recognising the cost that needs to be invested in change is something that will be highlighted as a key driver in terms of moving through the next 5 years of the MTFP. Ensuring that funding is available to deliver on such things we will be aiming to generate savings options that deliver improvement both for the service and financially. Clearly taking advantage of a project based approach to change (identification of opportunities / options) and systems thinking that the Director – Corporate Services is keen to promote will further support this and emphasise the Council's commitment to having the resources in place to achieve the desired/required change.

Officers could seek support from other Council's to try and learn from their approach to change management especially in light of the budget reductions that are being experienced and acted upon. To find out how others achieve better engagement with elected members and staff would be extremely valuable – especially as much analysis on the subject of where and how to achieve budget savings starts with those doing the job/role. We should build upon the findings of the viewpoint survey to recognise where we are and how far we need to go in terms of getting the Council vision to become one we all share and to act upon the findings so that staff feel that progress is being made – building trust but perhaps more importantly stimulating enthusiasm for the Council, which in turn leads to new ideas and interest in improvement.

Areas for Improvement – Falkirk Council

Falkirk Council faces a significant challenge in making the savings that it needs over the next three years. It needs to take urgent action and show more effective political and managerial leadership to respond to these circumstances. We have identified a number of areas for improvement relating to the scale and pace of change at the council and its approach to scrutiny, performance management and performance reporting.

Scale and pace of change

- The council cannot afford to continue spending at its current level and it needs to make substantial savings over the next few years. It should develop clear and detailed plans for how it will make these savings, supported by good analysis, options appraisals and strong business cases. It should also set out how it will significantly increase its scale and pace of change in transforming and improving services.

- The council should ensure that staff reductions are planned within the context of comprehensive workforce strategies and plans to minimise any adverse impact on services.

- The council should ensure that councillors are properly involved in the business transformation project, that they provide clear strategic direction and that they have the necessary skills and knowledge to challenge appropriately.

- The council should consider if a cross-party forum or budget working group, bringing councillors from different groups together, would be appropriate to help deal with some of the financial challenges and service delivery decisions that are needed. It would also involve them in redesigning and improving services to make savings.

- The council should ensure that the role of the internal audit manager in its business transformation is appropriate, with no risks to an effective role for internal audit in providing independent assurance.

Officer Comment

These issues are being addressed within Shetland Islands Council or in the case of the last two points are not applicable as all Members are independent and the Internal Audit Manager does not manage projects. Specific comments made were as follows:

Workforce Strategy is identified as key to ensuring that staff reductions are considered in an informed way and in a way that identifies the impact on services. Whilst that remains an outstanding action for HR, the challenge to the organisation is to pay attention to the service delivery and service transformation aspect of that. We may have a strategy that sets out the direction of travel but how will we ensure that this is looked at alongside the impact on delivering services. A good example is the reduction in staff in health and care and subsequent unintended consequences of huge challenges with recruitment and retention.

The Council could become better in many areas at understanding where it is financially (baseline data from which to demonstrate progress, total cost, unit costs, etc) and where it wants to be - going back to the what the improvement will look like when it actually happens! For example efficiency savings and their achievement are notoriously difficult to capture and prove retrospectively and this is made more difficult by an absence of data - making use of the (Building Better Business Cases (BBBC) methodology and improved project management approaches improves the likelihood of identifying the need for

specific data and obtaining it early to allow the analysis to be carried out and presented in the future.

In general some of the key points made in the report about presenting data are in place for all services, the extent to which each gets its point across using those tools is varied. The Council needs to become more consistent in the approach to presenting our data so that elected members especially get the opportunity to understand what it is they are seeing to allow them to interpret it simply and quickly. Using some of the tools we have can be challenging but they can deliver many aspects of what good public reporting should look like according to the report.

Scrutiny

- All councillors need to participate in the council's governance arrangements, as implemented in 2015, including the executive and scrutiny committees. They need to take collective responsibility for decisions, the scrutiny process that will strengthen these decisions and ensuring agreed decisions are implemented.
- The council should ensure that all its scrutiny arrangements, in particular its Performance Panel, meet best practice principles. It should ensure that:
 - scrutiny involves constructive challenge, regardless of political allegiances
 - all aspects of the scrutiny arrangements, including the work of the scrutiny panels and the Performance Panel, are open and transparent, and support public accountability.
- The council faces tough decisions in a difficult financial environment to plan and deliver services to meet the needs of local communities. All councillors need to understand their role in making these decisions, and in the scrutiny process that supports them. The council should do more to support Councillors by:
 - providing information and training to make sure that councillors and officers have a shared understanding of the new structures that were implemented in May 2015, and how they operate in practice
 - providing information that makes it clear how councillors can contribute most effectively.
- The council should consider developing a local protocol that sets out clear expectations for how councillors should work together and with officers.

Officer Comment

It is felt these issues are being addressed in Shetland Islands Council or are not applicable. A programme of training for elected members is in place.

Performance management and reporting

- The council should integrate its various strands of performance management, service improvement and business transformation to ensure it has a coherent approach. It should use this to target its resources, focus on delivering its priorities and drive continuous improvement. It should:
 - coordinate its activities such as service reviews, self-assessments and business transformation and show how these will lead to specific improvement

- regularly and systematically carry out self-assessment of services, including comparison with other councils, and use this information to identify areas for improvement in its service plans

- ensure its programme of service reviews focuses on its strategic priorities and objectives and is based on areas for improvement identified through performance information

- ensure its business transformation and improvement projects build on the priorities identified through service reviews and good practice from other areas, to identify how to significantly improve services and contribute to required budget savings.

- The council should ensure that its performance reporting arrangements make improvement happen. It should produce action plans where performance reports identify a need for improvement, take the action required and provide assurance to councillors that these actions are followed up.

- The council should further improve the performance information that it reports to councillors and publishes so that councillors and the public have a good understanding of the council's performance. In line with good practice, and the council's new guidance, its public performance reporting should include:

- performance indicators that include a baseline figure to show where services have improved or otherwise; they should also include contextual information or an explanation when using trend arrows or traffic light indicators to help readers interpret the data, for example whether an indicator increasing indicates performance is better or worse

- performance indicators that are SMART, and have a clear target for what is to be achieved or what is expected.

Officer Comment

Many of these comments could equally apply to Shetland Islands Council and work continues to produce improvement.

The Council has a robust cycle of quarterly PPMF report with work ongoing to improve consistency. There have also been notable recent improvements in some areas for example substantial improvements in our Public Performance Reporting which was recognised in Audit Scotland's most recent annual report. A Performance Management Strategy is to be developed in this financial year and work continues in relation to improving Directorate Plans & Service Plans with new templates recently developed and approved. In addition with our new Corporate Plan in place a greater focus on reporting outcomes is intended.

The focus of service reviews and self assessment is also currently under consideration.

Other Specific comments were:

Developing a more systematic approach to performance management continues to be a challenge and in particular, how we ensure this is a meaningful and practical exercise and still systematic. Making use of a systems thinking approach helps us do this and the Workforce Development function has been doing just that and exploring how to ensure that our systems of working produce the outcomes we are looking for. Now that we have a corporate plan with clear outcomes set out as the 20/20, it is far more straightforward to be able to direct improvements based on evidence from performance reporting.(refer to summary section 13, page 7). Redesigning services and doing things differently is also highlighted as necessary to meet financial challenges (section 26 , p10).

Performance Management and Reporting is a challenge for this and other councils, not easy to crack, as we've been discussing all year.

Through the Council's approach to Building Better Business Cases and alike there is a focus and framework within which the Council should be better able to target the strategic priorities it is aiming to follow - starting at this strategic consideration ensures that reviews and transformation has much greater likelihood of success.

There is comment that the Council should ensure its performance reporting arrangements make improvement happen. This is something we clearly need to work on to capture the relevant data that not only describes up front what the improvement will look like when it happens, but to understand the milestones and timetables against we should be measured while we're getting there. This is not easy and to do this comprehensively will take time and energy/effort on the part of many. The fact SIC has a performance management framework and reporting regularity right through to the Committees provides a basis upon which to continue to improve, although the CMT should consider performance data more robustly and regularly to set their agenda and drive the Council forward - there is merit in looking forward in relation to what we are doing rather than simply trying to justify the past (which has its place).

**Audit Committee****17 November 2015****Audit Scotland and other External Audit Reports****Report No:** IA-29-15-F**Report from: Executive Manager – Audit, Risk
and Improvement****Corporate Services****1.0 Summary**

- 1.1 This regular report provides an opportunity for the Audit Committee to consider and monitor progress on any recommended actions resulting from Audit Scotland and External Audit body reports which have been or will be presented to the functional Committees. It also provides an opportunity for the Committee to monitor compliance with the external audit reports reporting Policy and procedures.
- 1.2 The Committee is also invited to consider proposed changes to this process following comments made at Audit Committee on 18 August 2015.

2.0 Decision Required

- 2.1 That the Audit Committee:
- 2.1.1 considers the progress statements provided by Lead Officers in Appendix 1, and makes any relevant comment on planned actions;
 - 2.1.2 note that some reports have not been presented to the relevant Committees within the timescale required by the Policy, and make comment or instruct accordingly; and
 - 2.1.3 agree that this report is presented every second cycle and any reports where no action is required will not be reported to Audit Committee.

3.0 Background

- 3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from external Auditor's/Advisers reports (Min ref 61/14).
- 3.2 The key points of the new policy are:

- All Audit Scotland and other External Adviser's reports should be presented to the relevant committee within 2 cycles of publication.
 - It is expected that each report will require an action plan to be prepared.
 - The Audit Committee will consider the agreed action plan once it has been agreed with the relevant Service committee.
 - The Lead Officer would confirm when all agreed actions were implemented and completed
 - Reports will be presented to the Audit Committee to monitor progress against action plans.
- 3.3 Appendix 1 contains a list of the current reports for information. The progress statement is the latest statement received from Lead Officers.
- 3.4 The Audit Committee is required to monitor the consideration of external audit reports by Committees in accordance with the agreed procedure and by reviewing progress against action plans. In this regard, the Committee should note that in some instances the expected presentation of reports to the relevant Committee within 2 cycles of publication has not been met, as follows:
- EA0017 Accounts Commission – An overview of local government in Scotland 2015: published on 5 March 2015 and due to be presented to Policy & Resources Committee on 22 June 2015 but not yet reported. New intended report date 07/12/15.
 - EA0026 Audit Scotland - Scotland's Colleges 2015: published on 2 April 2015 and due to be presented to Development Committee on 15 June 2015 but not yet reported. No intended report date advised.
 - EA0028 Audit Scotland – An update on developing financial reporting: due to be presented to Policy & Resources Committee on 22 June 2015 but not yet reported. New intended report date 25/11/15.
- 3.5 The Audit Committee should review progress and comments made in the appendix by the Lead Officers and comment or instruct accordingly.

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 – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the remit includes "...review reports from the Council's External Advisors and review action on External Audit recommendations". This delegation supports the policy requirement and procedure for presenting External Adviser reports as set

out in Section 3 above, and it is a matter for the Audit Committee to monitor and ensure compliance.

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

4.7 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 The reports produced by the Council's External Auditors and Advisers provide valuable information for Committees and officers throughout the Council.

5.2 It is for the Audit Committee to be satisfied that appropriate and timely action is being taken in relation to Audit Scotland and other external audit reports, in accordance with Council Policy.

For further information please contact:

Melissa Mullay, Performance & Improvement Officer – Audit, Risk and Improvement
01595 744598
November 2015

List of Appendices

Appendix 1 – List of External Auditors/Advisers Reports

END

Audit Committee - External Adviser's Reports - Progress

Generated on: 09 November 2015

Rows are sorted by Original Due Date

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes	Link
EA0018 Accounts Commission - Commonwealth Games 2014: third report	Neil Watt	Education & Families Committee	12-Mar-2015	10-Jun-2015	17-Aug-2015	Reported to Education & Families Committee on 17 August 2015.	Link to report: http://www.audit-scotland.gov.uk/docs/central/2015/nr_150312_commonwealth_games_third.pdf Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4907	
EA0032 Care Inspectorate - Walter & Joan Gray (Support Service)	Denise Morgan	Social Services Committee	07-Apr-2015	10-Jun-2015	29-Oct-2015	Presented to Social Services Committee on 29th October 2015.	Link to report: http://www.careinspectorate.com/index.php?option=com_content&view=article&id=7644&Itemid=489&bereNextPageId=ServiceDetails_action.php&action=displayService&CaseNumber=CS2003054175 Link to committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4725	
EA0026 Audit Scotland - Scotland's Colleges 2015	Irene Peterson	Development Services Directorate	02-Apr-2015	15-Jun-2015		Report under consideration to identify lessons for Shetland from this Audit Scotland report.	Link for report http://www.audit-scotland.gov.uk/docs/central/2015/nr_150402_scotland_colleges.pdf	
EA0017 Accounts Commission - An overview of local government in Scotland 2015	Jonathan Belford	Policy & Resources Committee	05-Mar-2015	22-Jun-2015		Report due to be presented to Policy & Resources on 7th December 2015.	Link to report: http://www.audit-scotland.gov.uk/docs/local/2015/nr_150305_local_government_overview.pdf	

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes	Link
EA0028 Audit Scotland - Update on developing financial reporting	Jonathan Belford	Policy & Resources Committee	17-Mar-2015	22-Jun-2015		Report to be presented to Policy & Resources Committee on 25th November 2015.	Link to report http://www.audit-scotland.gov.uk/docs/central/2015/nr_150317_developing_financial_reporting.pdf http://www.audit-scotland.gov.uk/work/all_national.php?year=2014	
EA0039 Care Inspectorate - North Haven (Support Service)	Denise Morgan	Social Services Committee	06-May-2015	30-Jul-2015	29-Oct-2015	Presented to the Social Services Committee on 30 July 2015.	Link to report: http://www.careinspectorate.com/index.php?option=com_content&view=article&id=7644&Itemid=489&bereNextPageId=ReportDataDetails_action.php&action=displayReport&repld=CS2005097982 Link to Committee Report: http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%27%9Dd%91k%80%90	
EA0040 Care Inspectorate - Wastview Care Home Service	Denise Morgan	Social Services Committee	04-Jun-2015	30-Sep-2015	29-Oct-2015	Reported to Social Services Committee on 29 October 2015.	Link to care inspectorate report:- http://www.careinspectorate.com/index.php?option=com_content&view=article&id=7644&Itemid=489&bereNextPageId=ReportDataDetails_action.php&action=displayReport&repld=CS2005097989 Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingId=4725	
EA0041 Care Inspectorate - Review of Services for Children and Young People in Shetland	Helen Budge	Education & Families Committee	31-Jul-2015	29-Oct-2015	05-Oct-2015	Action plan approved at Education & Families Committee on 5th October 2015.	Link to care inspectorate report: http://www.careinspectorate.com/index.php?option=com_docman&task=cat_view&gid=540&Itemid=100175 Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingId=4714	

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes	Link
EA0054 Care Inspectorate - Isleshavn (Care Home)	Denise Morgan	Social Services Committee	10-Aug-2015	29-Oct-2015	29-Oct-2015	Reported to Social Services Committee on 29 October 2015.	Link to Report: http://www.careinspectorate.com/index.php/index.php/care-services/ Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4725	
EA0055 Care Inspectorate - North Haven (Care Home)	Denise Morgan	Social Services Committee	17-Aug-2015	29-Oct-2015	29-Oct-2015	Reported to Social Services Committee 29 October 2015.	Link to report: http://www.careinspectorate.com/index.php/inspections-reports?page=19 Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4725	
EA0042 Audit Scotland - Best Value Audit - Aberdeen City Council	Crawford McIntyre	Audit Committee; Policy & Resources Committee	30-Jul-2015	17-Nov-2015		Reporting to Audit Committee 17/11/15 and Policy & Resources Committee 18/11/15.	Link to report: http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150702_aberdeen_city_council.pdf	
EA0045 Audit Scotland - Falkirk: the Audit of Best Value & Community Planning	Crawford McIntyre	Audit Committee; Policy & Resources Committee	27-Aug-2015	17-Nov-2015		Reporting to Audit Committee 17/11/15 and Policy & Resources Committee 18/11/15.	Link to report: http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150827_falkirk_council.pdf	
EA0053 Accounts Commission - Renewable energy - Impact report	Maurice Henderson	Development Services Directorate	31-Jul-2015	23-Nov-2015		Executive Manager, Economic Development advised that this an operational matter which does not require to be reported to Committee.	Link to report:- http://www.audit-scotland.gov.uk/docs/central/2015/ir_renewable_energy.pdf	
EA0052 Accounts Commission - Scotland's public sector workforce - Impact report	Denise Bell	Policy & Resources Committee	04-Aug-2015	07-Dec-2015		Many of the recommendations in this report will be covered by the forthcoming Workforce Strategy report which is due to be presented to Council in early 2016.	Link to report:- http://www.audit-scotland.gov.uk/docs/central/2015/ir_public_sector_workforce.pdf	
EA0056 Care Inspectorate - Short Breaks for Children (Care Home)	Elaine Aitken	Education & Families Committee	02-Oct-2015	04-Feb-2016		Due to be presented at Education & Families Committee on 19 January 2016.	Link to Report:- http://www.careinspectorate.com/index.php/inspections-reports?page=23	

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes	Link
EA0058 Care Inspectorate - Short Breaks for Children (Support Service)	Elaine Aitken	Education & Families Committee	02-Oct-2015	04-Feb-2016		Due to be presented at Education & Families Committee on 19 January 2016.	Link to Report:- http://www.careinspectorate.com/index.php/inspections-reports?page=23	
EA0043 Care Inspectorate - Mental Health Community Support Service @ Annsbrae House	Stephen Morgan	Social Services Committee			30-Sep-2015	Presented to Social Services Committee on 30th September 2015. No further action is required.	Link to report: http://www.careinspectorate.com/index.php?option=com_content&view=article&id=7644&Itemid=489&bereNextPageId=ServiceDetails_action.php&action=displayService&CaseNumber=CS2004077267 Link to Committee report: http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4724	

**Audit Committee****17 November 2015**

Audit Committee Business Programme – 2015/16	
GL-45-15-F	
Team Leader – Administration	Governance and Law Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to inform the Committee of the planned business to be presented to Committee for the financial year to 31 March 2016 and discuss with Officers any changes or additions required to that programme.

2.0 Decision Required

- 2.1 That the Audit Committee considers its business planned for the financial year to 31 March 2016 and RESOLVES to approve any changes or additions to the Business programme.

3.0 Detail

- 3.1 The Council approved the Council's Meeting Dates and Business Programme 2015/16 at its meeting on 17 December 2014 (Min Ref: 108/14).
- 3.2 It was agreed that the Business Programme would be presented by Committee Services to the Council and each Committee, on a quarterly basis, for discussion and approval.
- 3.3 The manner in which meetings have been scheduled is described below:
- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within 2 weeks of the meeting, the meeting will be cancelled;
 - Special meetings may be called on specific dates for some items – other agenda items can be added, if time permits;

- PPMF = Planning and Performance Management Framework meetings have been called for all Committees and Council once per quarter. These meetings are time restricted, with a specific focus on PPMF only, and therefore no other business will be permitted on those agendas;
 - Budget = Budget setting meetings – other agenda items can be added, if time permits, or if required as part of the budget setting process; and
 - In consultation with the Chair and relevant Members and Officers, and if required according to the circumstances, the time, date, venue and location of any meeting may be changed, or special meetings added.
- 3.4 If approved, the Business Programme for 2015/16 will be presented by Committee Services to the Council and each Committee, on a quarterly basis, for discussion and approval, particularly in relation to the remaining projects and reports which are listed at the end of the business programme page for each Committee, as still to be scheduled.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The recommendation in this report is consistent with the following corporate priorities:

Our Corporate Plan 2013-17

- To be able to provide high quality and cost effective services to people in Shetland, our organisation has to be run properly.
 - Fully align the timetables, time spans and approaches for financial planning relating to the medium term yearly budgeting with Council, directorate and service planning.
- 4.2 Community /Stakeholder Issues – The Business Plan provides the community and other stakeholders with important information, along with the Council's Corporate and Directorate Plans, as to the planned business for the coming year.
- 4.3 Policy And/Or Delegated Authority – Maintaining a Business Programme ensures the effectiveness of the Council's planning and performance management framework. The Business Programme supports each Committees' role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations, in monitoring and reviewing achievements of key outcomes within its functional areas, whilst ensuring best value in the use of resources is met to achieve these outcomes within a performance culture of continuous improvement and customer focus.
- 4.4 Risk Management – The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the

objectives and actions contained in its corporate plans could mitigate against those risks.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – There are no direct financial implications in this report, but indirect costs may be avoided by optimising Member and officer time.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 The presentation of the Business Programme 2015/16 on a quarterly basis provides a focussed approach to the business of the Committee, and allows senior Officers an opportunity to update the Committee on changes and/or additions required to the Business Programme in a planned and measured way.

For further information please contact:

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30 October 2015

List of Appendices

Appendix 1 – Audit Committee Meeting Dates and Business Programme 2015/16

Background documents:

Report GL-20-F: SIC Business Programme and Diary of Meetings 2015/16

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4382>



**Audit Committee - Meeting Dates and Business Programme 2015/16
as at Tuesday, 10 November 2015**

Audit Committee			
			<i>D= Delegated R=Referred</i>
Quarter 1 1 April 2015 to 30 June 2015	Date of Meeting	Business	D/R
	<i>Ordinary</i> 28 April 2015 10 a.m.	Audit Scotland and External Advisers Reports	D
		Internal Audit – Annual Plan 2015/16	D
		Local Government Benchmarking Framework – Corporate and Democratic Core 2013/14	Deferred
	<i>PPMF & Ordinary</i> 26 May 2015 10 a.m.	SIC Review of Internal Controls 2014-15	D
		Pension Fund Review of Internal Controls 2014-15	D
		Local Government Benchmarking Framework – Corporate and Democratic Core 2013/14	D
		Committee Business Programme 2015/16	D
	<i>Ordinary</i> 29 June 2015 10 a.m.	Audit Scotland and External Advisers Reports	D
		Internal Audit – Annual Report 2014/15	D
		Pension Fund Draft Accounts 2014/15	D
		SIC Draft Accounts 2014/15	D
		Zetland Educational Trust Draft Financial Statements 2014/15	D
Quarter 2 1 July 2015 to 30 September 2015	Date of Meeting	Business	
	<i>PPMF & Ordinary</i> 18 August 2015 10 a.m.	Audit Scotland SIC Local Scrutiny Plan 2015/16	D
		Audit Scotland and External Advisers Reports	D
		Committee Business Programme 2015/16	D
	<i>Special</i> 22 September 2015 9.30 a.m.	Pension Fund Final Audited Accounts 2014/15 & Report to those Charged with Governance	R SIC 22 Sept
		SIC Final Audited Accounts 2014/15	R SIC 22 Sept
		Zetland Educational Trust- Final Audited Accounts 2014/15	R SIC 22 Sept
		Audit Scotland Report on Public Performance Reporting	D
		Review of IJB Governance Arrangements	D
		Pension Fund Audited Accounts	D



Audit Committee - Meeting Dates and Business Programme 2015/16 as at Tuesday, 10 November 2015

Audit Committee - <i>Continued</i>			
			<i>D= Delegated R=Referred</i>
Quarter 3 1 October 2015 to 31 December 2015	Date of Meeting	Business	
	Ordinary 6 October 2015 10 a.m.	Cancelled	
	PPMF & Ordinary 17 November 2015 10 a.m.	Statutory Performance Indicators 2014/15	D
		Internal Audit – Six Monthly Internal Audit Progress Report 2015/16	D
		Risk Review Action Plan - Update	D
		External Quality Assessment of the Internal Audit Service	D
		Audit Scotland and other External Audit Reports – Best Value reports	D
		Audit Scotland and other External Advisers Reports	D
		Committee Business Programme 2015/16	D
Quarter 4 1 January 2016 to 31 March 2016	Date of Meeting	Business	
	Ordinary 9 February 2016 10 a.m.	TBC	
	PPMF & Ordinary 1 March 2016 10 a.m.	Audit Scotland and External Advisers Reports	D
		Audit Scotland Annual Audit Plan 2015/16 - SIC	D
		Audit Scotland Annual Audit Plan 2015/16 – Pension Fund	D
		Committee Business Programme 2016/17	D

Planned Committee business still to be scheduled as at Tuesday, 10 November 2015

- Sumburgh Airport
- Code of Corporate Governance
- Implementation of Public Bodies Act and Delegations of Functions to IJB

Audit Committee - END

tbc = to be confirmed

PPMF = Planning and Performance Management Framework meetings – no other business to be added

Budget = Budget setting meetings – other items can be added if time permits

Ordinary = Ordinary meetings – other items can be added

Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Tuesday, 10 November 2015