Executive Manager: Jan-Robert Riise
Director of Corporate Services: Christine Ferguson

Governance & Law
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If calling please ask for
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Date: 5 June 2018

Dear Sir/Madam

You are invited to the following meeting:

Audit Committee
Council Chamber, Town Hall, Lerwick
Tuesday 12 June 2018 at 2pm

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: Mr A Duncan
Vice-Chair: Ms C Hughson

AGENDA

(a)   Hold circular calling the meeting as read.

(b)   Apologies for absence, if any.

(c)   Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d)   Confirm the minutes of the meeting held on 26 April 2018 (enclosed).

Items	
1.	Internal Audit – Annual Report 2017/18 *IA-16-18*
2.	Annual Governance Statement 2017/18 *F-048*
3.	Audit Scotland and other External Audit Reports *IA-18-18*
4.	Local Government Benchmarking Framework *IA-15-18*
5.	Audit Committee Self-Assessment *IA-17-18*
Appendix 2 of the following report contains Exempt Information	
6.	Audit of Dundee City Council – Significant Fraud

Shetland
Islands Council

MINUTES   A & B

Audit Committee
Council Chamber, Town Hall, Lerwick
Thursday 26 April 2018 at 2pm

Present:

A Duncan   J Fraser
C Hughson   A Manson
R McGregor   I Scott
C Smith   R Thomson

Apologies:
S Leask
R McGregor (for lateness)

In attendance (Officers):
C Ferguson, Director of Corporate Services
N Grant, Director of Development Services
J Riise, Executive Manager – Governance and Law
H Tait, Team Leader – Accountancy
E Cripps, Internal Auditor
J MacLeod, Performance and Improvement Adviser
P Wishart, Solicitor
L Adamson, Committee Officer

Chairperson
Mr Duncan, Chair of the Committee, presided.

Circular
The circular calling the meeting was held as read.

On behalf of the Audit Committee, the Chair congratulated Ms Maggie Sandison on her recent appointment as Chief Executive.

Declarations of Interest
None

Minutes
The Committee confirmed the minutes of the meeting held on 7 February 2018 on the motion of Mr Fraser, seconded by Mr Thomson.

03/18 – Scottish Household Survey: In response to a question, it was agreed that clarification would be provided to Members of the Committee, relating to the statistic that "49% of households in Shetland do not earn enough to live well".

04/18   **Internal Audit – Operational Plan 2018/19**
The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-10-18-F) which presented the Internal Audit Operational Plan for 2018/19.

The Internal Auditor summarised the main terms of the report.

In responding to a question, it was advised that the significant carry forward from the Audit Plan 2017/18 into 2018/19 was mainly as a consequence of long-term sickness and study leave within the Service.

In response to a question from the Chair, the Internal Auditor explained the process followed to agree the relevant and priority services and functions within the Council to be included within the Audit Plan each financial year.

(Mr McGregor attended the meeting).

In response to a question, the Internal Auditor advised on the audit process and frequency of the Petty Cash checks, and that the findings are reported annually.

On the motion of Mr Duncan, seconded by Mr Fraser, the Committee approved the recommendation in the report.

Decision:

The Committee **RESOLVED** to approve the planned coverage for 2018/19, and noted that there may be amendments to the Operational Plan for 2018/19 in order to prioritise staff resources as required during the year.

05/18   **Audit Scotland and other External Audit Reports**
The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-11-18-F), which presented 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.

The Performance and Improvement Adviser summarised the main terms of the report.

During the discussion, reference was made to the findings of the Audit Scotland report "EA160, 2016/17 audit of Dundee City Council: report on a significant fraud", where assurance was sought on the controls in place within Shetland Islands Council. In responding, the Director of Corporate Services explained that when the Dundee City fraud had first come to light an immediate check of the Council's internal controls had been undertaken and were found to be appropriate. She said that assurance in that regard can also be taken from the good audit reports

on the Council's financial controls. She advised that staff across the Council have recently been alerted to remain vigilant for any instances of fraud, and further work has been done to ensure controls are as robust as possible. The Director of Corporate Services confirmed that a further report would be presented to Policy and Resources Committee and Audit Committee when further detail is available.

In responding to a question regarding the Audit Scotland report, "EA0131 Best Value Assurance Reports" in terms of actions and progress since reporting to Policy and Resources Committee in March, the Director of Corporate Services advised on the work to finalise the Directorate Plans and Service Plans and the Best Value actions in the Corporate Plan and in developing service redesign. She said also that best value is part of the day to day working of the Council, and an update report would be presented to Policy and Resources Committee in due course.

Decision:

The Committee **NOTED** the contents of the report.

06/18   **Local Scrutiny Plan – 2018/19**
The Committee considered a report by the Executive Manager – Finance F-32-F), which presented the Local Scrutiny Plan for 2018/19, published by Audit Scotland. It was noted that two pages had been missed in the copying of the agenda, and these were circulated at the meeting.

The Director of Corporate Services introduced the report and the Local Scrutiny Plan. In referring to the Scrutiny Activity at Appendix 1, she highlighted the Review being undertaken on a number of Integration Joint Boards (IJB) under the Public Bodies Act 2014. In that regard, she advised that representatives of Audit Scotland were in Shetland at this time as part of that process, and the outcome of that review would be reported later in the year.

In referring to the areas relating to Housing Services requiring ongoing oversight and monitoring, as set out in Sections 15 to 19 of the Scrutiny Plan, the Director of Development Services acknowledged that some of the issues were quite significant. He then provided the Committee with an overview from the issues highlighted, including an update on homelessness, time spent in temporary accommodation, and on the tenant's satisfaction with the quality and standard of their home. He advised on the regular contact with the Scottish Housing Regulator and Auditors to discuss housing related issues going forward, and that the review of the Housing allocations quotas would be reported next cycle.

In response to a question, the Director of Development Services reported that the Council works within the Government Framework in terms of efficiency schemes to try to address fuel poverty in Shetland. He advised however on the need to convince the Government that the climate in Shetland is different to elsewhere in order to access additional energy efficiency funding.

During the discussion, the Director of Development Services responded to questions relating to the comment in the Scrutiny Plan at Section 15, that Shetland Islands Council is in the bottom quartile for all social landlords in relation to tenants satisfied with the quality and standard of the home when moving in. The Committee were advised however that the findings do not relate to a full tenant satisfaction survey, but instead only from a sample dataset.   He also reported that while the survey results for tenants of Hjaltland Housing Association tend to be higher, the feedback from tenants of Council properties would generally relate to older properties and could reflect wider services considered to be provided by the Council. He acknowledged however that if tenants in Shetland are not happy with their properties any issues need to be recognised.

While it was noted that the demand profile for housing at this time was more for 1 and 2 bed properties which would suit single people and couples, a comment was made on the need to build a mix of house sizes, including larger properties suitable for families.   It was however noted that single occupancy of larger properties by younger people could be beneficial in the longer-term, and can also help to build communities and develop community spirit. While reference was made to the penalties from Central Government for under occupancy of properties, it was acknowledged that the Scottish Government provide funding so there is no impact from the bedroom tax in Scotland.

In referring to the low satisfaction rates in relation to new tenants satisfied with the standard of their home when moving in, it was questioned whether a deposit scheme could be developed in instances when refurbishments have been carried out, as an incentive for outgoing tenants to leave their property in a good standard of repair. During the discussion, comments were made on instances when tenants abandon their property in an atrocious state of disrepair. In that regard, it was questioned whether consideration could be given to an incentive scheme to encourage tenants, on termination of their tenancy, to leave their property in good condition. It was agreed that an incentive scheme could be looked into, in discussion with the Executive Manager - Housing.

During further discussion on tenants who leave their property in disrepair, it was questioned whether the tenant could be pursued for criminal damage. The Executive Manager – Governance and Law however advised against that proposal, explaining that tenants are pursed for the costs of the repair work done, as a debt due to the Council.   The Executive Manager – Governance and Law highlighted however that the requirement already exists as part of the tenancy agreement, that the tenant is to keep the property in good condition.

In response to questions, the Director of Development Services reported that the 5-year Strategic Housing Investment Plan (SHIP) identifies

where 316 houses will be built and on proposed timescales. He said that in addition to new builds in Lerwick, the rural areas for housing develop include Sandwick, Scalloway and Tingwall. He advised on the focus to access Rural and Islands funding, which could support further development in other rural and island areas of Shetland. He added that projects would require a strong evidence base from community groups.

In responding to questions regarding rent arrears, the Director of Development Services reported on the Scottish Government average at 8%, while Shetland's outstanding collection was 9%. He added that the concern was that Shetland had previously been at less than 8%, and therefore the increase needs to be addressed to ensure rental income is received. In that regard, he confirmed that a number of processes were in place within the Finance and Housing Services to follow up with tenants in arrears to ensure collections are made.

The Chair thanked the Director of Development Services for the update on the housing services, which he said was a valuable contribution to the Committee. The Chair suggested that similar updates on a range of services, including Education and Social Care, could be provided at future meetings.

Decision:

The Committee **NOTED** the contents of the Local Scrutiny Plan 2018/19.

The meeting concluded at 3.05pm.

.....................……….............
Chair

Shetland Islands Council

Meeting:	Audit Committee	12 June 2018
Report Title:	Internal Audit – Annual Report 2017/18	
Reference Number:	IA-16-18-F	
Author / Job Title:	Crawford McIntyre – Executive Manager – Audit, Risk & Improvement	

1.0 Decisions / Action required:

1.1 That the Audit Committee NOTES the contents of the Annual Report.

2.0 High Level Summary:

2.1 This report presents the Audit Committee with the Annual Report of the activity of the Internal Audit Service for 2017/18.

2.2 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.

2.3 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.

3.0 Corporate Priorities and Joint Working:

3.1 This report which provides Members with an update on audit activity, contributes to improving the arrangements for Member engagement in monitoring Council performance and contributes to high standards of governance, excellent financial management arrangements and working in a more effective way.

4.0 Key Issues:

Annual Report 2017/18

4.1 Appendix 1 details the Internal Audit activity for 2017/18, with a brief description of key audit issues identified since the interim report to the Audit Committee on 7 February 2018 (Min. Ref: 02/18). Copies of published Audit reports, the Audit

Universe, the Internal Audit Charter and the Annual Operational Plan can be found on Internal Audit's page on the Council Internet.
http://www.shetland.gov.uk/about_internal_audits/

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

4.3   Within service areas subject to Internal Audit review, and assuming implementation of the recommendations made, reasonable assurance can be placed upon the controls in operation.

4.4   Follow up audits were undertaken in relation to a number of issues identified in 2016/17. The areas reviewed were all categorised as Key Audit Issues when they were initially identified and are as follows; Engagement of relief workers within Community Care, adoption allowance payments, preventing illegal working, recruitment and selection and raising of sales invoices.

4.5   Sales invoices and preventing illegal working have been satisfactorily progressed with a new timesheet system for relief workers implemented in March. This will be further tested during 2018/19. However, it is disappointing that areas of concern continue to be identified in relation to recruitment and selection and adoption allowance payments albeit assurance has again been given that these matters will be resolved.

4.6   Responsibility rests with managers to update progress on agreed courses of action. Quarterly reports are presented to Directors 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 be reported to the Chief Executive and thereafter the Audit Committee.

4.7   Prime areas of concern identified during 2017/18 were: risk assessments either not being in place or out of date, no adequate monitoring programme in place to ensure services are fulfilling their health and safety requirements, fire risk assessments not always completed; within Ferries - passenger numbers rarely reconciling, discrepancies between ticket machines and cash counts and a lack of control over multi journey tickets; contractual and procurement issues identified in procurement reviews; a lack of consistency in applying the Maximising Attendance Policy; a lack of segregation of duties in relation to the Scottish Welfare Fund; financial control issues at Train Shetland, ICT inventory and network controls; operational grants matters and the follow up issues not adequately progressed as referred to in 4.5 above.

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

Internal Audit Resourcing

4.9   Internal Audit resource has been reduced over the last few years and the 2018/19 plan reflects the resource available.

4.10   There is now a very restricted contingency within the internal audit plan but some resource is available to undertake one off investigations and specialist audit work where necessary.

4.11   Staff will continue to progress individual training needs in line with corporate priorities and objectives and within budgetary constraints.

4.12   One of the internal auditors continues to progress through the CIPFA Accountancy qualification with another member of the team commencing a professional qualification through the Chartered Institute of Internal Auditors.

Internal Audit Performance

4.13   For 2017/18, Internal Audit performed 90% of the Audit Plan. This compares to 92% completion in 2016/17. This is directly attributable to the hard work of Internal Audit staff in a continuing period of significant change.

4.14   The performance target of issuing draft final reports within 14 days of audit testing completion was achieved in all cases.

4.15   Internal questionnaires completed and returned by auditees continue to indicate a high level of satisfaction with the service received. These are discussed at regular team and quality assurance meetings

Quality Assurance & Improvement Programme

4.16   Quarterly Internal Quality review meetings are held between the Executive Manager and the Internal Auditors. In addition regular team meetings and ongoing quality checks are undertaken.

4.17   There are no significant areas of concern being identified from these meetings that Audit Committee should be aware of. Areas discussed routinely are PSIAS (Public Sector Internal Audit Standards) non conformities, developing trends, recurring issues, actions taken, outstanding issues, service performance, review of policy/templates, customer feedback and recommendations for improvement.

4.18   The audit plan is undertaken in accordance with the principles incorporated within the Internal Audit Charter. The work of the Internal Audit Service helps to meet the aspirations of the Corporate Plan and helps link the "golden thread" of the Council's Corporate Plan, Directorate Plans, Service Plans, Internal Audit Plan, Personal Development Plan reviews and any subsequent Training Plans.

4.19   The above all contributes towards compliance with PSIAS.

PSIAS

4.20   PSIAS are a set of professional standards based on the mandatory elements of the Institute of Internal Auditors (IIA) International Practices framework and came into force on 1 April 2013.

4.21 A review of the Council's Internal Audit was undertaken by the Chief Internal Auditor from the Western Isles in August 2015 and was reported to Audit Committee. A further review should be undertaken, within 5 years, prior to August 2020.

4.22 Following implementation of the minor recommendations of the review and taking into account recent minor amendments to PSIAS, in my opinion, Shetland Islands Council Internal Audit Service complies with these standards and code of ethics.

Fraud / National Fraud Initiative (NFI)

4.23 The Council's Anti-Fraud, Bribery & Corruption Policy requires that all suspicions of impropriety must be reported to the Executive Manager – Finance and the Executive Manager – Audit, Risk & Improvement.

4.24 All frauds over £5,000 require to be reported to Audit Scotland. For 2017/18 no issue was formally reported.

4.25 Instances of fraud / theft are relatively rare in the Council. However, it is essential that adequate controls remain in place and are observed to try and ensure this remains the case.

4.26 A new NFI data matching process has been undertaken. The Executive Manager – Finance has provided assurance that the process was undertaken appropriately by the Council.

SLACIAG (Scottish Local Authorities Chief Internal Auditors Group)

4.27 The annual report of SLACIAG for 2017/18 would usually form part of this report as an appendix. Unfortunately, due to adverse weather, the March 2018 meeting was cancelled. The annual report will now be approved at a meeting later this month. I will forward this report to members of the Audit Committee thereafter for information purposes.

4.28 SLACIAG is scheduled to meet quarterly, and in addition there is a Computer Audit Sub Group (CASG) that meets 3 times a year.

4.29 The Executive Manager – Audit, Risk & Improvement and an Internal Auditor contribute to these groups and regularly attend meetings although frequency of attendance may reduce due to budgetary constraints.

4.30 The Executive Manager – Audit, Risk & Improvement is currently a member of the SLACIAG Committee.

5.0 Conclusions

5.1 Notwithstanding the issues highlighted above and in Appendix 1, from the work performed as part of the annual audit plan for 2017/18, Internal Audit concluded that the Council's systems of internal control, governance and risk management were generally adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced and that value for money was continuously sought. This assumes that issues identified and agreed, have been or will be addressed.

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

6.0	Exempt and/or confidential information:

6.1 None.

7.0	Implications:

7.1 **Service Users, Patients and Communities:**	The Council must ensure best value in the delivery of services. The work of Internal Audit and the Audit Committee can provide assurance in this regard.
7.2 **Human Resources and Organisational Development:**	As a number of issues highlighted in this report have HR implications there has been close working with Human Resources.
7.3 **Equality, Diversity and Human Rights:**	None directly arising from this report.
7.4 **Legal:**	The Local Authority Accounts (Scotland) Regulations 2014 make it a statutory requirement for a local authority to operate a professional objective internal auditing service. Section 95 of the Local Government (Scotland) Act 1973 specifies that all Scottish Councils are required to have in place arrangements for ensuring propriety, regularity and best value in their stewardship of public funds.
7.5 **Finance:**	The work of internal audit contributes towards effective financial stewardship within Shetland Islands Council and work is ongoing to address the risks identified around invoice controls at Train Shetland and segregation of duties within the Scottish Welfare Fund team.
7.6 **Assets and Property:**	None arising directly from this report.
7.7 **ICT and new technologies:**	There is provision within the audit plan to undertake IT audit work on an annual basis.
7.8 **Environmental:**	None directly arising from this report.
7.9 **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 management act as per agreed actions plans to deal with issues identified by Internal Audit

7.10 **Policy and Delegated Authority:**	The Audit Committee remit includes consideration of audit matters and to oversee and review action taken on audit activity	
7.11 **Previously considered by:**	None	N/A

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4 June 2018

Appendices:

Appendix 1 – Summary Report for 2017/18

END

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Audit	Auditee	Progress Report / Key Audit Issues
Payroll & Pensions	Team Leader - Expenditure	Reported to Audit Committee Feb 2018
Ferries	Executive Manager – Ferry Operations	Reported to Audit Committee Feb 2018.
Train Shetland – Short Courses	Short Courses Manager	During the course of the audit there were four issues relating to a lack of financial control which collectively form a key audit issue. These relate to the calculation of course fees, the quality of invoicing, lack of monitoring and control of service agreements and inconsistent treatment of course cancellations and charging. Commitment was given to address these and other issues raised within the completed action plan.
Insurance	Team Leader - Legal	C/fwd to 2018/19.

Investigations / Reviews	Reported to:	
Credits - Shetland College	Acting College Principal – Shetland College	Report issued.
Hardship Fund – Shetland College	Acting College Principal – Shetland College	Report issued.

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LEADER Funding	Executive Manager – Economic Development	Report issued.
Performance Indicators	Internal	Reported to Audit Committee Feb 2018.
Data Protection & Retention & Destruction	N/A	Work in conjunction with Team Leader – Administration c/fwd to 2018/19.
Scottish Welfare Fund	Team Leader – Revenues & Benefits	Reported to Audit Committee Feb 2018.
Procurement Reviews	CMT	Reported to Audit Committee Feb 2018.
Risk Assessments	CMT	Reported to Audit Committee Feb 2018.
Lair Reservation System	Executive Manager – Environmental Services	Reported to Audit Committee Feb 2018.
Maximising Attendance	CMT	Reported to Audit Committee Feb 2018.
Grants	CMT	Grant processing and monitoring is not always being administered correctly. • Although there is the Following the Public Pound policy there are no specific standards or procedures in place relating to grants or Benefactor setting out the standard requirements for processing of grants. • Complex accounting information provided for grants monitoring is being reviewed by staff who are not trained accountants. • There are requirements stated on the terms and conditions of the grant offers that are not being monitored or are not required

Appendix1 1718 Annual Report

		for the grant. • Not all grants and payments are being recorded on Benefactor appropriately. • Issues were also identified relating to the payment of grants. These issues have been discussed with the Executive Manager – Finance and an action plan is being formulated.
Telematics	Executive Manager – Estate Operations	No substantive issues were identified. Further work is scheduled for 2018/19 following completion of the fleet review.
ICT Inventory Management	Executive Manager - ICT	The asset disposal procedure is not always being adhered to. In addition, Service Areas are not always informing ICT when equipment is transferred to new users resulting in inventory information being out of date. These findings along with a concurrent review of Apple devices indicates that there is a lack of control over "desirable" items. An action plan is in place to address these issues.
Network access	Executive Manager - ICT	Service Areas are not always informing ICT when an employee has left the council resulting in access remaining active. This includes employees who have been set up with remote access to email and the network. An action plan is in place to address this issue.
ICT Business Continuity	Executive Manager - ICT	No issues identified.

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Systems access	Executive Manager - ICT	Ongoing within service audits. No issues identified to date.
Follow up Audit monitoring	CMT	The areas reviewed were previously categorised as Key Audit Issues and are as follows; engagement of relief workers within Community Care, adoption allowance payments, preventing illegal working, recruitment and selection, and raising of sales invoices. It is disappointing to report that recommendations in relation to two of these areas (adoption allowance and recruitment) had not been carried out. Commitment has been again been given to resolve the issues identified. On a more positive note, recommendations in relation to sales invoices and preventing illegal working have been satisfactorily progressed. A new timesheet system for relief workers within Community Care Resources was implemented in March. This system will be further tested during 2018/19.
Integration Joint Board	Integration Joint Board	Annual Report to IJB Audit Committee 20 June 2018.

Appendix1 1718 Annual Report

		Agenda Item
	Shetland Islands Council	**2**

Meeting(s):	Audit Committee	12 June 2018
Report Title:	Annual Governance Statement 2017/18	
Reference Number:	F-048-F	
Author / Job Title:	Executive Manager – Finance	

1.0 Decisions / Action required:

1.1 That the Audit Committee RESOLVES to approve the Annual Governance Statement 2017/18 that will form part of the annual accounts (Appendix 1).

2.0 High Level Summary:

2.1 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.

2.2 The intention is that local authorities review, at least annually, their system of internal financial control.

2.3 The 2017/18 annual accounts will be presented to the Council for approval on 27 June 2018.

3.0 Corporate Priorities and Joint Working:

3.1 The preparation and presentation of the Annual Governance Statement is a key element of the Council's overall governance and reporting arrangements.

4.0 Key Issues:

4.1 The format and content of the Annual Governance Statement follows guidance set out in CIPFA's 2012 publication 'Delivering Good Governance in Local Government: Framework Addendum' and includes the following key matters for Members' consideration:

- The **Review of Effectiveness** section outlines how the governance framework has been evaluated for 2017/18;

- The Executive Manager – Audit, Risk & Improvement reports on any significant areas of risk in the Internal Audit Annual Report. The key items are highlighted here in the **Significant Governance Issues** section;

- Internal audit are content that, aside from the key areas noted, satisfactory progress had been made in addressing control weaknesses and that the Council's systems of internal control, corporate governance and risk management are generally adequate and effective.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :		
6.1 **Service Users, Patients and Communities:**	None arising from this report.	
6.2 **Human Resources and Organisational Development:**	None arising from this report.	
6.3 **Equality, Diversity and Human Rights:**	None arising from this report.	
6.4 **Legal:**	The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.	
6.5 **Finance:**	None arising from this report.	
6.6 **Assets and Property:**	None arising from this report.	
6.7 **ICT and new technologies:**	None arising from this report.	
6.8 **Environmental:**	None arising from this report.	
6.9 **Risk Management:**	The Annual Governance Statement highlights areas of significant risk and actions being taken to address them.	
6.10 **Policy and Delegated Authority:**	The remit of the Audit Committee includes consideration of audit matters as well as overseeing and reviewing any action taken in relation to audit activity. The preparation and presentation of the Annual Accounts, incorporating the Annual Governance Statement, is a key element of the Council's overall governance and reporting arrangements.	
6.11 **Previously considered by:**	N/A	

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Executive Manager - Finance
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12 June 2018

Appendices:
Appendix 1:   Shetland Islands Council Draft Annual Governance Statement 2017/18

Background Documents: *The Local Authority Accounts (Scotland) Regulations 2014 and Internal Audit – Annual Report 2017/18 (12 June 2018)*

Annual Governance Statement

Scope of Responsibility

Shetland Islands Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure continuous improvement in the way it operates.

In discharging this accountability, the Council is responsible for establishing proper arrangements for the governance of its affairs, including arrangements for the management of risk.

The Council approved and adopted its code of governance in 2012. It is consistent with the principles of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*. This statement explains how the Council has complied with the code.

The Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it engages with its community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the annual accounts.

The key elements of Shetland Islands Council's governance framework are:

- the legal powers, duties and functions of the Council, and roles and responsibilities of the people who take decisions on behalf of the community;

- the levels at which decisions can be made, referred to as the Scheme of Administration and Delegations;

- the Standing Orders and the rules around how committees are run and decisions are made;

- the Financial Regulations and rules about contracting with other parties;

- the Council's performance in relation to delivering services and securing value for money; and

- the process of internal control and checking that the Council's policies and procedures are being followed, through the work of the Internal Audit staff and others.

In March 2017, the Council approved a revised set of governance documents, including the Scheme of Delegation, Financial Regulations, Contract Standing Orders and Code of Corporate Governance. These documents can be found on the Council's website at: http://www.shetland.gov.uk/about_how_we_wor k/constitutionandgovernance.asp

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance environment, the annual report of the Executive Manager – Audit, Risk & Improvement, and also by comments made by external auditors and other review agencies and inspectorates.

The effectiveness of the Council's governance framework has been evaluated as follows:

- Each **director** has reviewed the arrangements in their portfolio and certified their effectiveness to the Executive Manager – Finance. These assurances include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern. For 2017/18, no areas of weakness or concern were raised.

- The Council's **financial management** arrangements comply with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- The Council's **committee structure** supports the organisational and management structure of the Council, incorporating a culture of accountability that has been developed throughout.

- The Council's **Constitution** promotes good decision-making and adherence to the Building Better Business Cases methodology, supporting evidence-based options appraisal for the commissioning and procurement of services.

- The **Audit Committee** remains responsible for ensuring the effectiveness of the internal audit function and considering all reports prepared by the external auditor. Its remit ensures that the work of the Council, from both a control and performance perspective, is checked and scrutinised.

- A significant **induction and training programme** for new and returning councillors is delivered after each local election, including the May 2017 election.

- A professional, independent and objective **internal audit** service is one of the key elements of good governance. The Council's internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS).

- The internal audit service followed their **Audit Plan** during the year and their work revealed a range of findings. Management are undertaking work to implement agreed recommendations. This is described in the Internal Audit Annual Report.

- The Council's **external auditor** is Deloitte LLP. They regularly report to the Audit Committee and their reports cover the annual accounts audit and wider scope requirements set out within the Code of Audit Practice.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee and that arrangements continue to be regarded as fit

for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

During the year, the Audit Committee received a range of reports produced by Internal Audit that enabled scrutiny and questioning of officers, such that the Committee gained assurance about any weaknesses identified as well as the actions being taken to address them.

The following issues and related action plans were highlighted in Internal Audit's annual report as specific areas of concern:

- fire and other risk assessments either not being in place or out of date and inadequate health and safety monitoring;

- contractual and procurement issues identified in procurement reviews;

- operational grants processing and monitoring issues.

Follow-up work was carried out in relation to the issues highlighted in last year's Annual Governance Statement. Internal audit concluded that, aside from the areas still noted above, satisfactory progress had been made in addressing control weaknesses.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Conclusion

Overall, we consider that the governance and internal control environment operating in 2017/18 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified, and actions taken to avoid or mitigate their impact.

....

Steven Coutts
Leader of the Council
27 June 2018

....

Maggie Sandison
Chief Executive
27 June 2018

<table>
<tr><td>**Meeting:**</td><td>**Audit Committee**</td><td>**12 June 2018**</td></tr>
<tr><td>**Report Title:**</td><td colspan="2">**Audit Scotland and other External Audit Reports**</td></tr>
<tr><td>**Reference Number:**</td><td colspan="2">**IA-18-18-F**</td></tr>
<tr><td>**Author / Job Title:**</td><td colspan="2">Crawford McIntyre - Executive Manager, Audit, Risk and Improvement</td></tr>
</table>

1.0 Decisions / Action required:

1.1   That the Audit Committee considers the progress statements provided by Lead Officers in Appendix 1, and make any relevant comment on the reports / action plans.

2.0 High Level Summary:

2.1   This report, presented every second cycle, 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 Audit Committee to monitor compliance with the external advisors reports reporting policy and procedures.

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

2.3   This report promotes good governance by helping to ensure all external advisers reports are considered by relevant officers and reported to the correct Committee.

2.4   It is expected that each report will result in a Council action plan that deals with all the report's recommendations. In the event that no action plan is required, that decision and the report is still reported to the relevant Committee.

2.5   Progress against the agreed action plan should be monitored by the relevant Service Committee and the Audit Committee.

2.6   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 together with relevant action plans, in accordance with Council Policy.

3.0 Corporate Priorities and Joint Working:

3.1   Our Plan 2016 to 2020 states that, *"People who use our services will experience excellent standards of customer care." and*

> *"Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services. Poor performance will be dealt with, and good service performance will be highlighted and shared."*

3.2 This report helps to improve the arrangements for Member engagement in monitoring Council performance and contributes to a high standard of governance.

4.0 Key Issues:

4.1 Appendix 1 contains a list of the current reports. The lead officer for each report is responsible for the Progress Statement and ensuring that policy deadlines are adhered to. Lead Officers are expected to provide more detail in the progress statements following discussion at Audit Committee on 14 December 2017 (Min. Ref. 13/17).

4.2 The Audit Committee is required to monitor the consideration of external audit reports by Committees. The role of the Joint Governance Group includes the provision of advice and support to staff, promotion of best practice in relation to clinical audit activity whilst monitoring, promoting and reporting on clinical audit, patient survey and service improvement for Shetland Health Board and Shetland islands Council.

4.3 One action plan is overdue for completion in relation to Care Inspectorate Report re Walter & Joan Gray (Support Service). A new manager in place is currently reviewing this action.

5.0 Exempt and/or confidential information:

5.1 None.

6.0   Implications :

6.1 Service Users, Patients and Communities:	This report helps to highlight and monitor that recommended actions advised by the external body are completed. This ensures that our customers are getting the best possible service and that we are committed to improving our services across Shetland.
6.2 Human Resources and Organisational Development:	None arising directly from this report.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None arising directly from this report.
6.5 Finance:	None arising directly from this report.
6.6 Assets and Property:	None arising directly from this report.

6.7 **ICT and new technologies:**	None arising directly from this report.
6.8 **Environmental:**	None arising directly from this report.
6.9 **Risk Management:**	External advisors reports provide useful information on best practice. A failure to deliver effective external engagement, comply with directions or to learn from best practice elsewhere increases the risk of the Council working inefficiently.
6.10 **Policy and Delegated Authority:**	As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the remit includes *"... to consider a selection of performance and inspection reports from internal audit, external audit and other relevant agencies"*. This delegation supports the policy requirement and procedure for presenting External Adviser reports as set out above. It is a matter for the Audit Committee to monitor and ensure compliance with this policy.
6.11 **Previously considered by:**	None	

Contact Details:

Melissa Mullay
Performance & Improvement Officer – Audit, Risk & Improvement
melissa.mullay@shetland.gov.uk
4 June 2018

Appendices: *Appendix 1 – External Advisers Reports - Progress*

Audit Committee - All External Adviser's Reports - Progress

Shetland Islands Council

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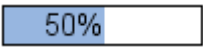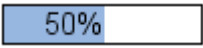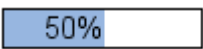
Report Layout: External Advisers to Audit Committee

Rows are sorted by Original Due Date

Audit Committee

Code & Report Title	Description	Dates		Progress Statement		Lead
EA173 Audit Scotland - National Scutiny Plan 2018/19	Present report to Audit committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/report/national-scrutiny-plan-for-local-government-201819**	Report Published	04-Apr-2018	A report was submitted to Audit Committee 26th April 2018 providing a link to the National report, and attaching as an appendix the local scutiny plan for Shetland Islands Council.		Jonathan Belford
		Progress Bar	100%			
	Present report	Due Dates	28-Aug-2018	Complete	26-Apr-2018	

Code & Report Title	Description	Dates		Progress Statement		Lead
EA160 Audit Scotland - 2016/17 audit of Dundee City Council: Report on a significant fraud	Present report to Audit committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/uploads/docs/report/2018/sr_180322_dundee.pdf**	Report Published	22-Mar-2018	Fraud in excess of £1 million was perpetrated by an employee of Dundee City. This report will be reviewed to ensure the control environment is sufficient within SIC and a report presented to Audit Committee on 12 June 2018.		Jonathan Belford
		Progress Bar	0%			
	Present report	Due Dates	12-Jun-2018	Complete		
	Complete action plan (if reqd)		12-Dec-2018			

Code & Report Title	Description	Dates		Progress Statement		Lead
EA172 Audit Scotland - Improving Quality of Local Authority Annual Accounts - Expenditure and Funding Analysis	Present report to Policy & Resources Committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/uploads/docs/um/gp_improving_quality_local_authority_expenditure.pdf**	Report Published	16-May-2018	Report will be presented to Policy and Resources on 28th August 2018.		Jonathan Belford
		Progress Bar	0%			
	Present report	Due Dates	28-Aug-2018	Complete		
	Complete action plan (if reqd)		22-Feb-2019			

Code & Report Title	Description	Dates		Progress Statement		Lead
EA174 Audit Scotland - Councils' use of arm's-length organisations	Present report to Policy & Resources Committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/report/councils-use-of-arms-length-organisations**	Report Published	22-May-2018	Report currently under consideration albeit Shetland Islands Council currently has no arm's-length organisations.		Crawford McIntyre
		Progress Bar	0%			
	Present report	Due Dates	28-Aug-2018	Complete		
	Complete action plan (if reqd)		22-Feb-2019			

Clinical Care & Professional Governance Committee

Code & Report Title	Description		Dates	Progress Statement		Lead
EA0090 Care Inspectorate - North Haven (Support Service)	Present report to Clinical Care & Professional Governance Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=283485**	Report Published	15-Jun-2016	Outcome of Action Plan changed the focus to service delivery and improving quality auditing. Concurrent work on audit and QA scheduling will take place with 12 to 24 weeks review periods.		Simon Bokor-Ingram
		Progress Bar	100%			
	Present report	Due Dates	24-Jan-2017	Complete	07-Jun-2017	
	Action plan complete		31-Mar-2017		16-Feb-2018	

Code & Report Title	Description		Dates	Progress Statement		Lead
EA0128 Care Inspectorate - Walter & Joan Gray (Support Service)	Present report to Clinical Care & Professional Governance Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=290423**	Report Published	12-Apr-2017	There is still an action outstanding – to ensure robust systems are in place to monitor the quality of care plans. A new manager has been appointed and is currently reviewing this action.		Simon Bokor-Ingram
		Progress Bar	50%			
	Presented report	Due Dates	30-Aug-2017	Complete	30-Aug-2017	
	Action plan in place and being worked through		29-Dec-2017			

Code & Report Title	Description		Dates	Progress Statement		Lead
EA0142 Care Inspectorate - North Haven (Care Home)	Present report to Joint Governance Group + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=292704**	Report Published	28-Jul-2017	Report was presented to Joint Governance Group on 30 January and Clinical Care Profesional Governance Committee on 7 February 2018. As a result of the action required from this visit, there is now a guidance note on admissions to North Haven for staff to use and it has been shared with other residential units to help develop their own guidance. The unit are still working on developing a full improvement plan.		Simon Bokor-Ingram
		Progress Bar	50%			
	Present report	Due Dates	06-Feb-2018	Complete	16-Feb-2018	
	Action plan		29-Jun-2018			

Code & Report Title	Description		Dates	Progress Statement		Lead
EA0140 Care Inspectorate - Walter & Joan Gray (Care Home)	Present report to Joint Governance Group + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=292684**	Report Published	27-Jul-2017	This report went to the Joint Governance Group on 30 January and Clinical Care & Professional Governance Committee on 7 February. There are still outstanding actions and a new manager has been appointed who is currently reviewing these actions.		Simon Bokor-Ingram
		Progress Bar	50%			
	Present report	Due Dates	06-Feb-2018	Complete	30-Jan-2018	
	Action plan		29-Jun-2018			
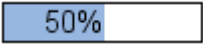
Code & Report Title	Description		Dates		Progress Statement		Lead
EA0145 Care Inspectorate - Newcraigielea Care Home Service	Present report to Joint Governance Group + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=293447**		Report Published	13-Nov-2017	Report will be presented to Joint Governance Group on 14th August. Action Plan now completed as weekly medication audit sheets have been introduced and medication return procedures are further enhanced and will be completed more often.		Simon Bokor-Ingram
			Progress Bar	50%			
		Action plan complete	Due Dates	31-Mar-2018	Complete	31-Mar-2018	
		Present report		15-May-2018			
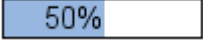
Code & Report Title	Description		Dates		Progress Statement		Lead
EA170 Audit Scotland - What is integration? A short guide to the integration of health and social care services in Scotland	Present report to Clinical Care & Professional Governance Committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/uploads/docs/report/2018/briefing_180412_integration.pdf**		Report Published	12-Apr-2018	Report will be presented to Joint Governance Group on 14th August 2018.		Simon Bokor-Ingram
			Progress Bar	0%			
		Present report	Due Dates	12-Jun-2018	Complete		
		Complete action plan (if reqd)		12-Dec-2018			
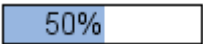
Code & Report Title	Description		Dates		Progress Statement		Lead
EA167 Care Inspectorate - Support @ Home (Shetland) Housing Support Service	Present report to Joint Governance Group + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=296397**		Report Published	14-May-2018	Quality of care and support 5 – Very Good Quality of staffing not assessed Quality of management and leadership 5 – Very Good To be presented to Joint Governance Group on 14th August 2018.		Simon Bokor-Ingram; Ann Robertson
			Progress Bar	0%			
		Present report	Due Dates	14-Aug-2018	Complete		
		Complete action plan (if reqd)		14-Feb-2019			
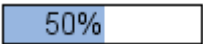
Code & Report Title	Description		Dates		Progress Statement		Lead
EA168 Care Inspectorate - Taing House (Support Service)	Present report to Joint Governance Group + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=296396**		Report Published	14-May-2018	Quality of care and support 5 – Very Good Quality of environment not assessed Quality of staffing not assessed Quality of management and leadership 4 – Good To be presented to Joint Governance Group on 14th August 2018.		Simon Bokor-Ingram
			Progress Bar	0%			
		Present report	Due Dates	14-Aug-2018	Complete		
		Complete action plan (if reqd)		14-Feb-2019			

Education & Families Committee
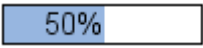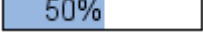
Code & Report Title	Description		Dates		Progress Statement		Lead
EA0138 Education Scotland - North Roe Primary School	Present report to Education and Families Committee + action plan (if reqd) **https://education.gov.scot/assets/inspectionreports/northroepsins290817.pdf**	Report Published	29-Aug-2017		An action plan is in place which is being monitored on a termly basis by the Quality Improvement Officer for the school. The school is participating in a project to support numeracy, developing its approaches to self-evaluation through work with the Parent Council. A quality improvement team visit is planned to the school in June 2018.		Audrey Edwards
		Progress Bar	50%				
	Present report	Due Dates	05-Feb-2018	Complete	02-Oct-2017		
	Action plan		29-Jun-2018				

Code & Report Title	Description		Dates		Progress Statement		Lead
EA0146 Care Inspectorate - Children's Residential Services Care Home Service	Present report to Education and Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=294040**	Report Published	19-Dec-2017		Action plan submitted to the Care Inspectorate on 2nd February 2018, detailing how recommendations will be take forward by the service. Exernal Audit report presented to Education and Families Committee on 5th March 2018. Action plan on track to be completed on target.		Jordan Sutherland
		Progress Bar	50%				
	Present report	Due Dates	05-Mar-2018	Complete	05-Mar-2018		
	Action plan		05-Sep-2018				

Code & Report Title	Description		Dates		Progress Statement		Lead
EA148 Care Inspectorate - Islesburgh Out of School Care Service Day Care of Children	Present report to Education and Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=294152**	Report Published	03-Jan-2018		Action plan submitted to the Care Inspectorate on 24th January 2018, detailing the actions taken by the service to address the recommendations highlighted in the report. External Audit report presented to E&F Committee on 5th March.		Jordan Sutherland
		Progress Bar	50%				
	Present report	Due Dates	05-Mar-2018	Complete	05-Mar-2018		
	Action plan		05-Sep-2018				

Code & Report Title	Description		Dates		Progress Statement		Lead
EA161 Care Inspectorate - Short Breaks for Children Care Home Service	Present report to Education and Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=293801**	Report Published	17-Oct-2017		Quality of care and support 4 - Good Quality of environment not assessed Quality of staffing not assessed Quality of management and leadership 3 - Adequate Report presented to Education and Families Committee on 5 March 2018.		Jordan Sutherland
		Progress Bar	50%				
	Present report	Due Dates	05-Mar-2018	Complete	05-Mar-2018		
	Action plan		05-Sep-2018				

Code & Report Title	Description		Dates		Progress Statement		Lead
EA154 Care Inspectorate - Aith Early Years Day Care of Children	Present report to Education & Families Committee http:// **www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=294553**		Report Published	23-Jan-2018	There are no requirements and no recommendations arising from this report. To be presented to Education & Families Committee on 23 April 2018.		Audrey Edwards
			Progress Bar	100%			
		Present Report	Due Dates	23-Apr-2018	Complete	23-Apr-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA155 Care Inspectorate - Bell's Brae Primary School Nursery Day Care of Children	Present report to Education & Families Committee http:// **www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=294897**		Report Published	13-Feb-2018	Quality of care and support 5 – Very Good Quality of environment not assessed Quality of staffing not assessed Quality of management and leadership 5 – Very Good There are no requirements and no recommendations arising from this report. Presented to Education & Families Committee on 23 April 2018.		Audrey Edwards
			Progress Bar	100%			
		Present report	Due Dates	23-Apr-2018	Complete	23-Apr-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA159 Care Inspectorate - Sound Early Learning and Childcare Day Care of Children	Present report to Education & Families Committee **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=295416**		Report Published	20-Mar-2018	Quality of care and support 5 – Very Good Quality of environment not assessed Quality of staffing not assessed Quality of management and leadership 5 – Very Good There are no requirements and no recommendations arising from this report. Presented to Education & Families Committee on 23 April 2018.		Audrey Edwards
			Progress Bar	100%			
		Present Report	Due Dates	21-May-2018	Complete	23-Apr-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA162 Care Inspectorate - Brae High School Nursery Day Care of Children	Present report to Education & Families Committee **http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=295711**		Report Published	04-Apr-2018	Quality of care and support 5 – Very Good Quality of environment 5 – Very Good Quality of staffing not assessed Quality of management and leadership not assessed There is no action plan from this report. Presented to Education & Families Committee on 23 April 2018.		Audrey Edwards
			Progress Bar	100%			
		Present report	Due Dates	21-May-2018	Complete	23-Apr-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA165 Care Inspectorate - Foula Primary School Nursery Day Care of Children	Present report to Education & Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCare services/html/reports/getPdfBlob.php?id=295 605**	Report Published	30-Mar-2018		Quality of care and support 5 – Very Good Quality of environment 5 – Very Good Quality of staffing 5 – Very Good Quality of management and leadership 5 – Very Good Presented to Education & Families Committee on 23 April 2018.		Audrey Edwards
		Progress Bar	100%				
	Present report		Due Dates	21-May-2018	Complete	23-Apr-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA156 Audit Scotland - Early learning and childcare	Present report to Education & Families committee and complete action plan (if reqd) http://**www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180215_early_learning.pdf**	Report Published	15-Feb-2018		National report under consideration by lead officer. Intention to report any relevant messages to Education & Families Committee 11 June 2018 This will be done through the ELC Service Delivery Plan updated.		Audrey Edwards
		Progress Bar	50%				
	Present report		Due Dates	01-Jun-2018	Complete	11-Jun-2018	
	Complete action plan			01-Dec-2018			

Code & Report Title	Description		Dates		Progress Statement		Lead
EA166 Care Inspectorate - Isles Haven Nursery Day Care of Children	Present report to Education & Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCare services/html/reports/getPdfBlob.php?id=296 519**	Report Published	14-May-2018		Quality of care and support 5 – Very Good Quality of environment 5 – Very Good Quality of staffing 5 – Very Good Quality of management and leadership 5 – Very Good To be presented to Education & Families Committee on 27 August 2018.		Jordan Sutherland
		Progress Bar	0%				
	Present report		Due Dates	27-Aug-2018	Complete		
	Complete action plan (if reqd)			27-Feb-2019			

Code & Report Title	Description		Dates		Progress Statement		Lead
EA169 Care Inspectorate - Fetlar Nursery	Present report to Education & Families Committee + action plan (if reqd) **http://www.careinspectorate.com/berengCare services/html/reports/getPdfBlob.php?id=296 289**	Report Published	02-May-2018		Quality of care and support 5 – Very Good Quality of environment 5 – Very Good Quality of staffing 5 – Very Good Quality of management and leadership 3 – Adequate Report presented to Education and Families Committee on 21 May 2018. Two recommendations are being progressed, and one is complete		Audrey Edwards
		Progress Bar	50%				
	Present report		Due Dates	27-Aug-2018	Complete	21-May-2018	
	Complete action plan (if reqd)			27-Feb-2019			

Environment & Transport Committee

Code & Report Title	Description		Dates		Progress Statement		Lead
EA158 Food Standards Scotland - Capacity & Capability Audit Report	Present report to Environment & Transport committee and complete action plan (if reqd)		Report Published	13-Nov-2017	The Notice Enforcement Procedure has been drafted and will be completed and signed off before the due date of 31 July 2018.		Patti Hammond-Dinsdale
			Progress Bar	50%			
		Present report	Due Dates	24-Apr-2018	Complete	05-Mar-2018	
		Complete action plan		31-Jul-2018			

Code & Report Title	Description		Dates		Progress Statement		Lead
EA175 Civil Aviation Authority - Tingwall Airport Oversight Report	Present report to Environment and Transport committee and complete action plan (if reqd) This report is unavailable as an online link, a paper copy can be obtained from the lead officer.		Report Published	27-Aug-2018	CAA Audit undertaken on the 24th April 2018 and final report issued shows – 3 Level 2 findings and 6 Observations – this is comparable with our last Safety and Airspace Regulatory Audit that was undertaken in 2016. Findings to be closed out by 27th July 2018 and at present they are 50% completed.		Fiona Farquhar; Craig Robertson
			Progress Bar	0%			
		Present report	Due Dates	27-Aug-2018	Complete		
		Action Plan		27-Feb-2019			

Policy & Resources Committee

Code & Report Title	Description		Dates		Progress Statement		Lead
EA0131 Audit Scotland - Best Value Assurance Reports	Present report to Policy & Resources + action plan (if reqd) **http://www.audit-scotland.gov.uk/report/best-value-assurance-report-inverclyde-council**		Report Published	01-Jun-2017	A report was presented to P&R . This reflected on the first 6 Best Value reports for Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire. Proposals approved to establish a set of outcome indicators and review PPMF layouts will be progressed. P&R agreed that the information from the BV audits would be examined to see if there were improvement actions required in addition to actions already set out in the Council's plans i.e. Corporate Plan, Directorate Plans, Service Plans, Business Transformation and Service Redesign Programmes and that any additional actions would be included in those plans rather than creating a separate action plan with regard to BV.		Christine Ferguson; Crawford McIntyre
			Progress Bar	50%			
		Present report	Due Dates	07-Mar-2018	Complete	07-Mar-2018	
		Action Plan		07-Sep-2018			

7

Code & Report Title	Description		Dates		Progress Statement		Lead
EA157 Audit Scotland - Local government in Scotland: Financial overview 2016/17	Present report to Policy & Resources committee **http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf**	Report Published	30-Nov-2017		A further report in relation to performance and challenges was issued on 5th April. A consolidated report was presented to P&R on 22 May 2018. No action plan required.		Jonathan Belford
		Progress Bar	100%				
	Present report		Due Dates	18-Jun-2018	Complete	22-May-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA163 Audit Scotland - 2016/17 audit of The City of Edinburgh Council: Report on Edinburgh schools	Present report to Policy & Resources committee and complete action plan (if reqd) http://**www.audit-scotland.gov.uk/uploads/docs/report/2018/sr_180403_edinburgh.pdf**	Report Published	03-Apr-2018		A report to be presented to Policy & Resources Committee on 18 June 2018.		Robert Sinclair
		Progress Bar	0%				
	Present report		Due Dates	18-Jun-2018	Complete		

Code & Report Title	Description		Dates		Progress Statement		Lead
EA164 Audit Scotland - Local government in Scotland: Challenges and performance 2018	Present report to Policy & Resources committee and complete action plan (if reqd) http://**www.audit-scotland.gov.uk/report/local-government-in-scotland-challenges-and-performance-2018#&gid=1d=1**	Report Published	05-Apr-2018		A consolidated report was presented to Policy & Resources on 22 May 2018 in conjunction with Local Government in Scotland – Financial Overview 2016/17. No action plan required.		Jonathan Belford
		Progress Bar	100%				
	Present report		Due Dates	18-Jun-2018	Complete	22-May-2018	

Code & Report Title	Description		Dates		Progress Statement		Lead
EA171 Audit Scotland - Gender Pay Gap	Present report to Policy & Resources committee and complete action plan (if reqd) **http://www.audit-scotland.gov.uk/report/audit-scotland-gender-pay-gap**	Report Published	30-Mar-2018		This Audit Scotland report was not reported to Policy & Resources committee as the council had completed its own Equal Pay Audit that resulted in an Action Plan and both were reported to the various consultative committees in January 2017. This work will be repeated later this year and the results reported.		Denise Bell
		Progress Bar	0%				
	Present report		Due Dates	18-Jun-2018	Complete		
	Complete action plan (if reqd)			18-Dec-2018			

8

Meeting(s):	Audit Committee	12 June 2018
Report Title:	Local Government Benchmarking Framework	
Reference Number:	IA-15-18-F	
Author / Job Title:	Crawford McIntyre - Executive Manager - Audit, Risk and Improvement	

1.0 Decisions / Action required:

1.1   That the Audit Committee discuss the content of this report and highlight any indicators where further attention or explanation is required through this Committee, other Committees or by Council management.

2.0 High Level Summary:

2.1   This report presents the recently published set of public results from a national Local Government Benchmarking Framework (LGBF) exercise carried out across all Scottish Councils by a joint project between:

> The Improvement Service
> Audit Scotland
> The Society of Local Authority Chief Executives (SOLACE) and
> The Convention of Scottish Local Authorities (COSLA)

2.2   Benchmarking is a way of comparing performance across organisations and can help provide valuable information on cost, quality and satisfaction with services to deliver better local services for local communities.

2.3   The Benchmarking data in Appendices A-G is intended to help identify where there is variation in service delivery; then allow Councils to work together to understand why this occurs and learn from best practice so we can change and improve.

2.4   Benchmarking can be an important contribution to change and improvement, with the potential to help deliver better services for less money and to drive up outcomes for communities and individuals through comparison of best practice across Scotland.

3.0 Corporate Priorities and Joint Working:

3.1   Corporate Plan no 12 of 20: *"Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services. Poor performance will be dealt with, and good service performance will*

be highlighted and shared. People who use our services will experience excellent standards of customer care."

3.2 Corporate Plan "Context" – "Money": "*The challenge we set as a community planning partnership is to 'achieve the same or more with fewer resources' and to 'maintain Shetland's high level of performance relative to many national comparisons and indicators'.*

4.0 Key Issues:

4.1 This report provides a suite of benchmarking information that compares Shetland Islands Council's performance with other Scottish Councils and has the potential to help share best practice and generate further positive change and improvement.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	This report, and "My Local Council" website *http://scotland.mylocalcouncil.info* gives all Service Users the opportunity to compare the Council's performance against time and against other Authorities.
6.2 Human Resources and Organisational Development:	This report contributes to improving the arrangements for Member engagement in monitoring Council performance and contributes to high standards of governance.
6.3 Equality, Diversity and Human Rights:	The Council fulfils its statutory duties in publishing its Equal Pay Gap and Equal Pay Statement. It also monitors equality and diversity through the Equal Pay Audit and subsequent reporting through the Mainstreaming Equalities report. Appendix B - Indicators 2 and 10 highlight the gender balance in senior posts and provides the Council's gender pay gap based on data collected during the 2016 Equal Pay Audit
6.4 Legal:	None
6.5 Finance:	Many of the attached indicators show financial costs against time, and against other Authorities.
6.6 Assets and Property:	The number of operational properties, within the Council, reduced in 2016-17 and there has been a small increase in the proportion of operational buildings now considered suitable for service delivery. The reduction in the number of operational properties is a result of the continued implementation of the Council's Asset Strategy and service reviews following budget cuts.
6.7 ICT and new technologies:	None
6.8 Environmental:	Appendix E – contains a number of indicators highlighting environmental issues.
6.9 Risk Management:	A failure to monitor and compare our progress against other Authorities, and over time, would increase the risk of the

	Council not delivering its statutory duty to deliver Best Value and continuous improvement.
6.10 Policy and Delegated Authority:	As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit Committee's remit includes *"To promote good … performance management, in order to provide reasonable assurance of effective and efficient operation"* and *"To assess the effectiveness of the Council's Performance Management System by reviewing outputs from the system and overview key performance indicators"*
6.11 Previously considered by:	Policy & Resources Committee 30 April 2018

Contact Details:
Jim MacLeod
Performance and Improvement Adviser
james.macleod@shetland.gov.uk
4 June 2018

Appendices: Local Government Benchmarking Framework – 2016/17 Indicators

Appendix A – Children's Services
Appendix B – Corporate Services
Appendix C – Adult Social Care
Appendix D – Economic Development
Appendix E – Environmental Services
Appendix F – Culture and Leisure Services
Appendix G – Housing Services

END

Appendix A – Children's Services – Local Government Benchmarking Framework Indicators

1. How much does my Council spend on primary school (£ per pupil)?

2. How much does my Council spend on secondary school (£ per pupil)?

3. How much does my Council spend on pre-school education (£ per pre-school pupil)?

4. What is the average Tariff Score?

5. What is the average tariff score in SIMD quintile 1?

6. What is the average tariff score in SIMD quintile 2?

7. What is the average tariff score in SIMD quintile 3?

8. What is the average tariff score in SIMD quintile 4?

9. What is the average tariff score in SIMD quintile 5?

10. What percentage of secondary school pupils achieved 5 plus awards at SCQF 5?

11. What percentage of secondary school pupils achieved 5 plus awards at SCQF level 6 at the end of sixth year?

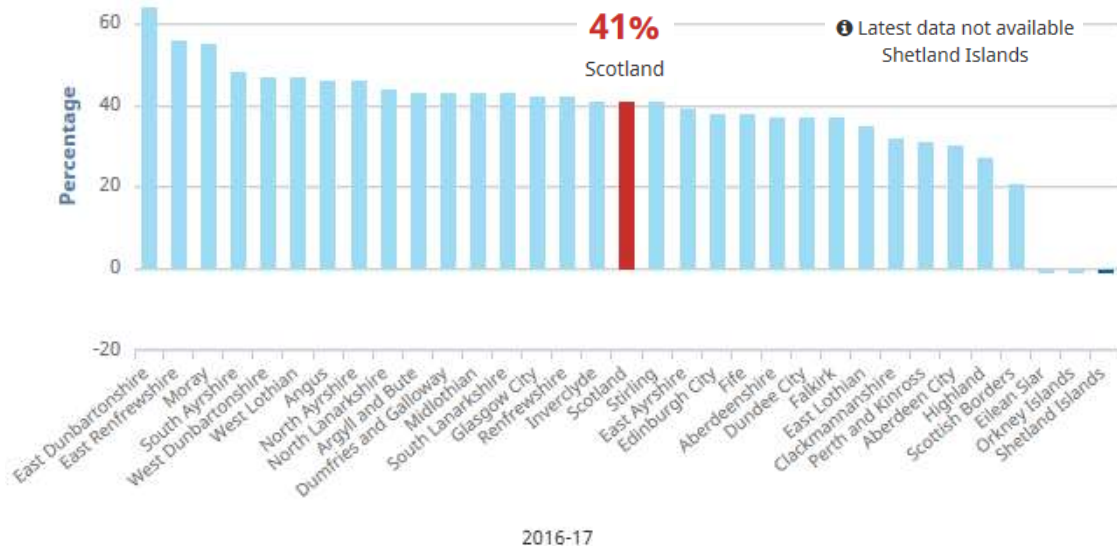12. What percentage of secondary school pupils from deprived areas achieved 5 plus awards at SCQF level 5 or higher?

13. What percentage of secondary school pupils from deprived areas achieved 5 plus awards at SCQF level 6 or higher?

14. What percentage of pupils enter a positive destination after leaving school?

15. How satisfied are residents with local schools?

16. How much does my council spend on providing residential accommodation for "looked after children" (£ per child per week)

17. How much does my council spend on providing fostering/family placements for "looked after children" (£ per child per week)

18. How many "looked after children" are being-cared for in foster/family placements rather than residential accommodation?

19. What percentage of early years provision funded by my council is rated good or better?

20. What was the attendance rate of children in my council?

21. What was the school exclusion rate for children in my council?

22. What percentage of 16 to 19 years old are participating in learning, training or work?

23. What percentage of child protection registrations were re-registered within 18 months?

24. What percentage of looked after children had more than one placement in the last year?

How much does my Council spend on primary school (£ per pupil)?

Past Performance

We have reduced our secondary staffing considerably since 2012, including 12 full-time equivalents in 2013. We share staff as much as we can, between settings.

Data for all Councils
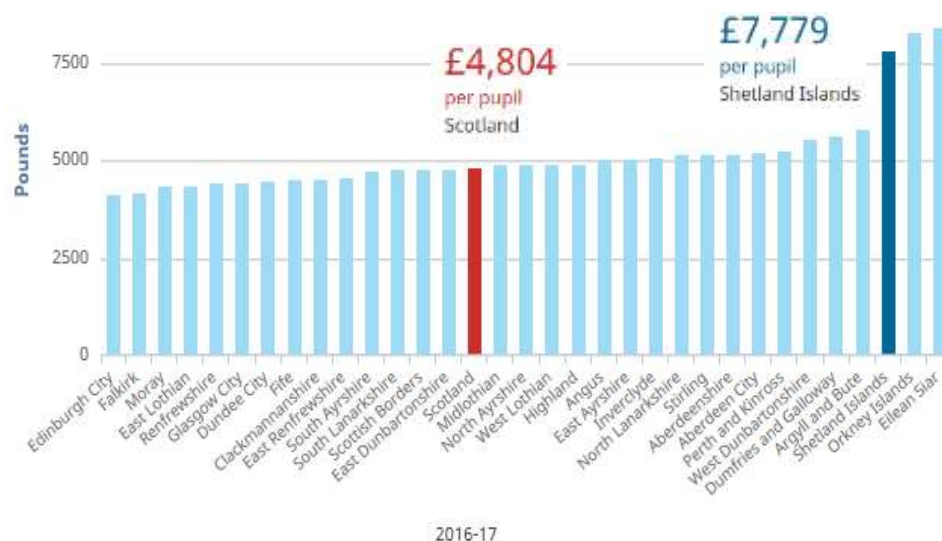
Future Improvement

We continue to search for efficiencies in secondary staffing where possible. We will introduce an asymmetric week in all secondary settings from 29 May 2018.

We are also commencing some pilot projects in E-school.

Data for Similar Councils
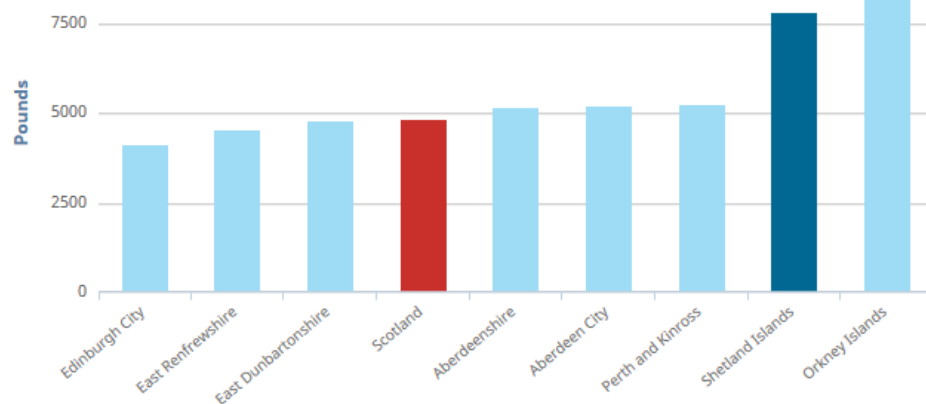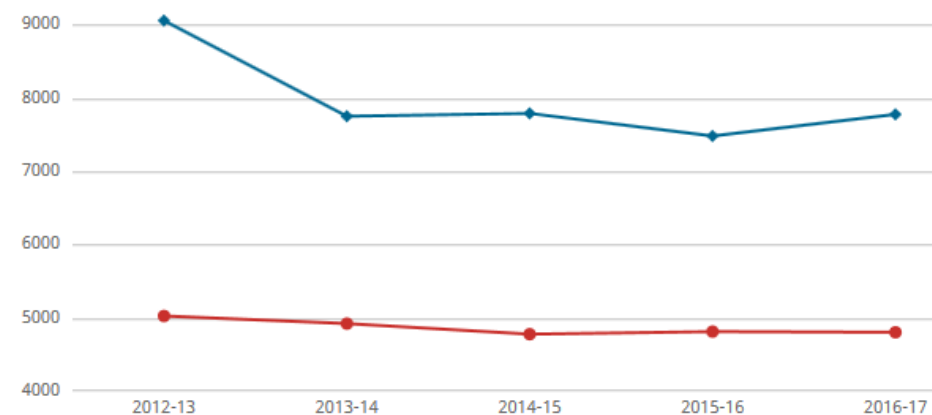
Data over time

How much does my Council spend on secondary school (£ per pupil)?

Past Performance	Data for all Councils	Future Improvement
Our primary pupil population has increased resulting in the requirement to employ 6 additional teachers in 2017.	£6,817 per pupil Scotland — £10,792 per pupil Shetland Islands — 2016-17	This is challenging as we anticipate further increases in our primary pupil population so may require to further employ additional teachers.
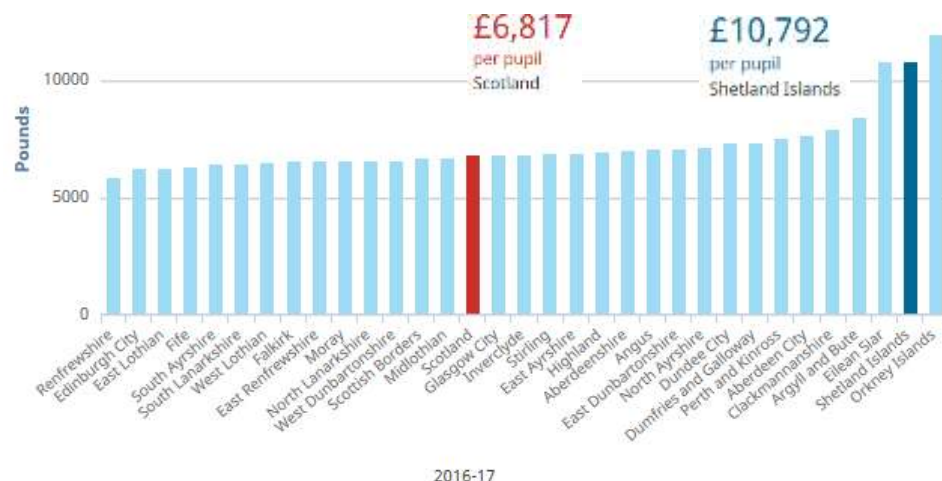
Data for Similar Councils
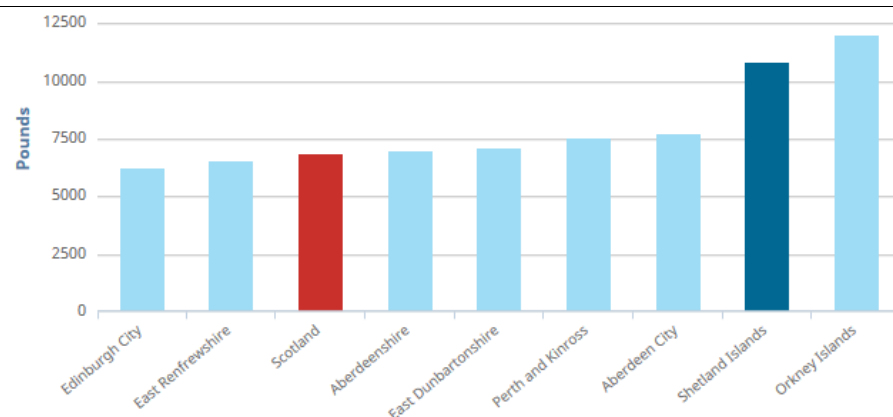
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

Scotland   Shetland Islands
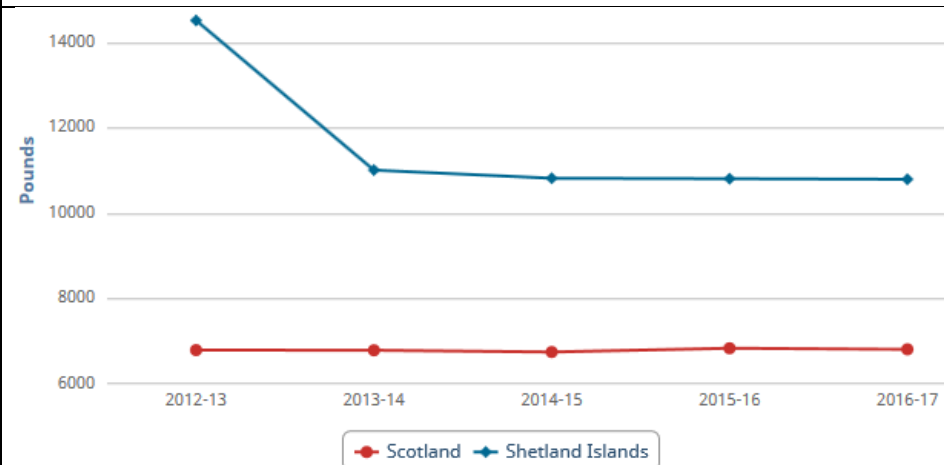
How much does my Council spend on pre-school education (£ per pre-school pupil)?

Past Performance

In August 2014, we increased pre-school education from 475 hours to 600 hours as required. As we had reduced our teacher input in pre-school education in 2013, this expansion, in comparison to other local authorities, did not then increase our costs significantly. This is reflected in the data over time

Data for all Councils
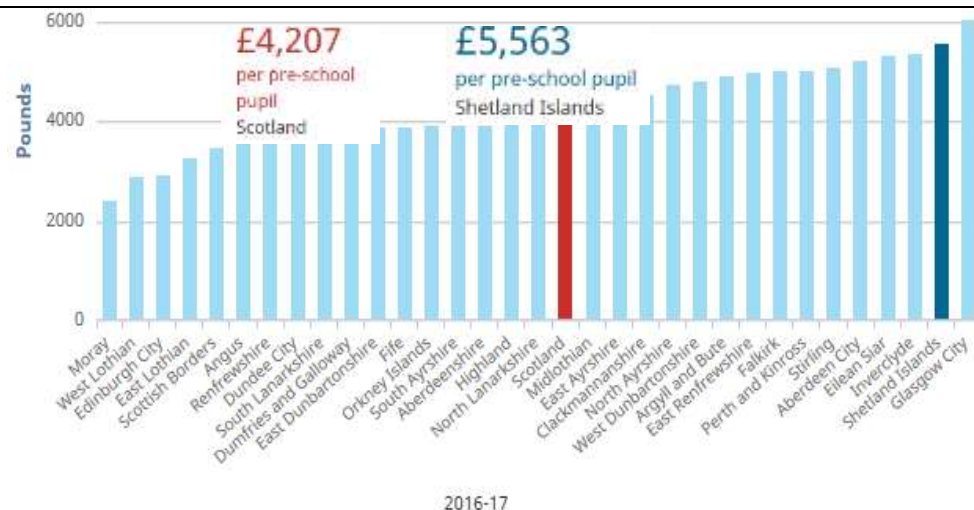
Future Improvement

We will be phasing in expansion of Early Learning and Childcare to 1140 hours by 2020. It will be difficult to predict our comparative costs during this period of development.

Data for Similar Councils
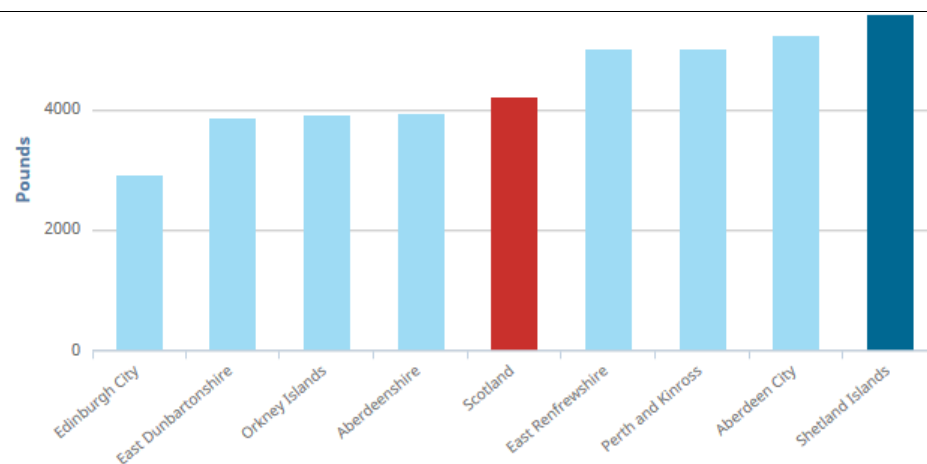
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time
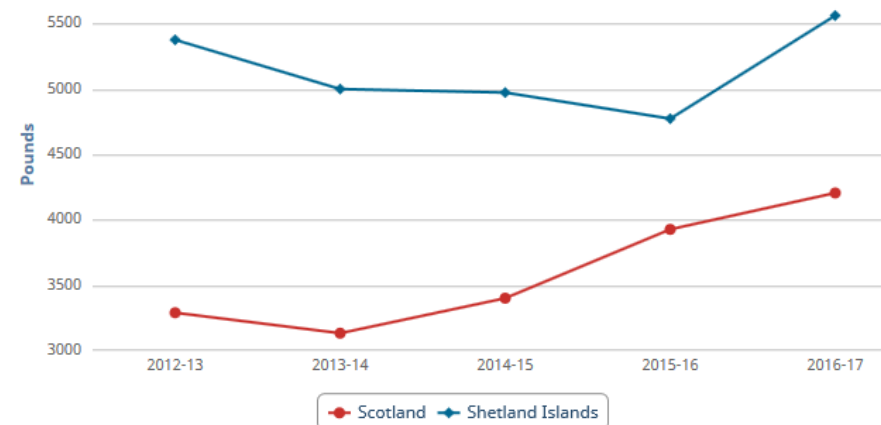
What is the average Tariff Score?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance	Data for all Councils	Future Improvement
As the work of the Quality Improvement Framework Project demonstrated, Shetland performs consistently well in terms of overall attainment compared to other local authorities in Scotland.		We will continue our efforts to raise the attainment of all our pupils. Our annual National Improvement Framework Plan will set out how we intend to close the poverty related attainment gap. In addition two-thirds of our schools have received some Pupil Equity Funding to support raising attainment,
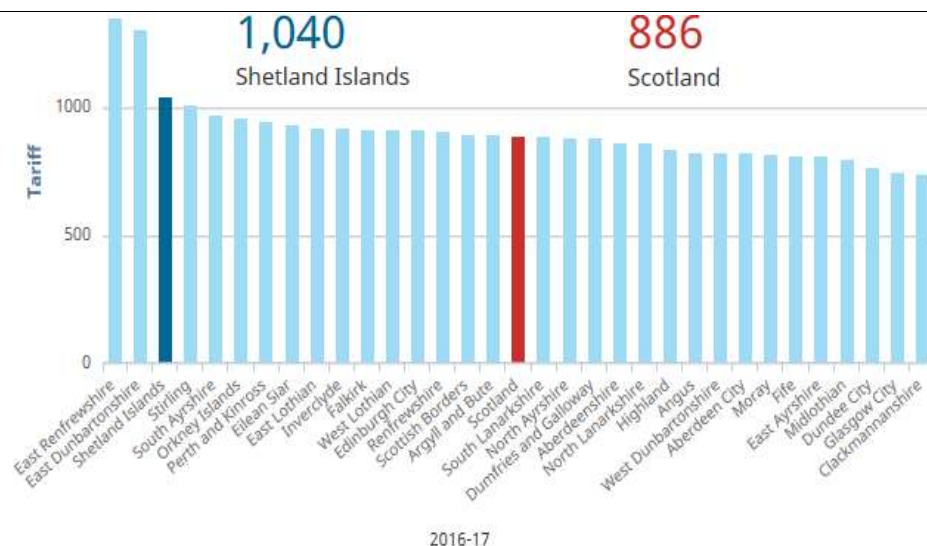
Data for Similar Councils
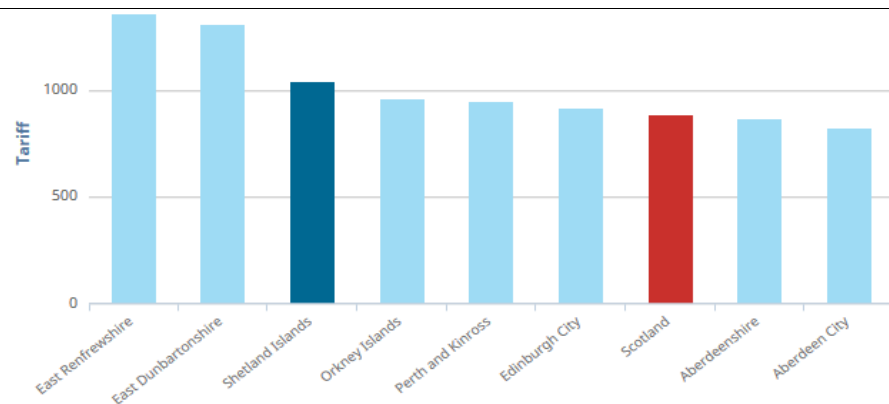
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
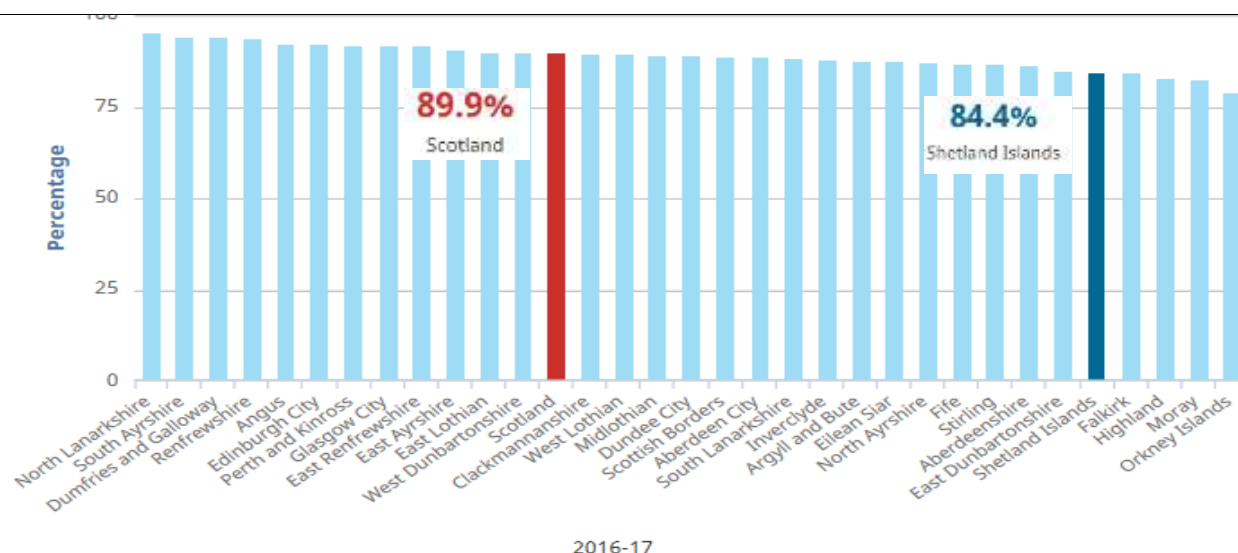
Data over time
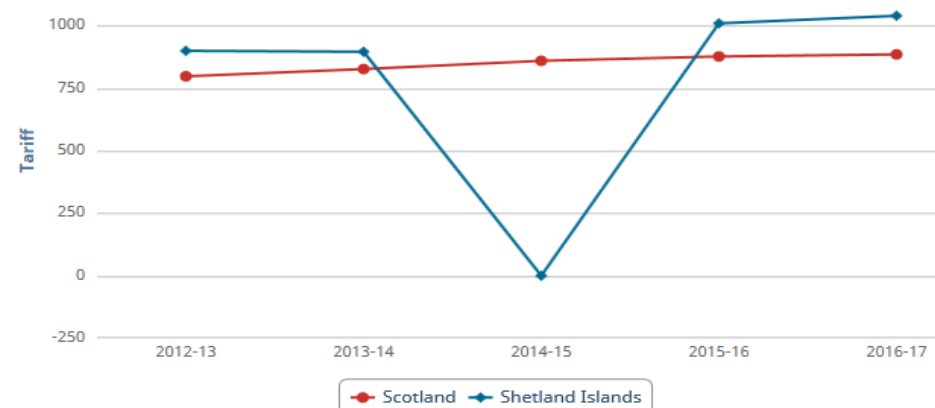
What is the average tariff score in SIMD quintile 1?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance	Data for all Councils	Future Improvement
We have no pupils in SIMD quintile 1		Not applicable
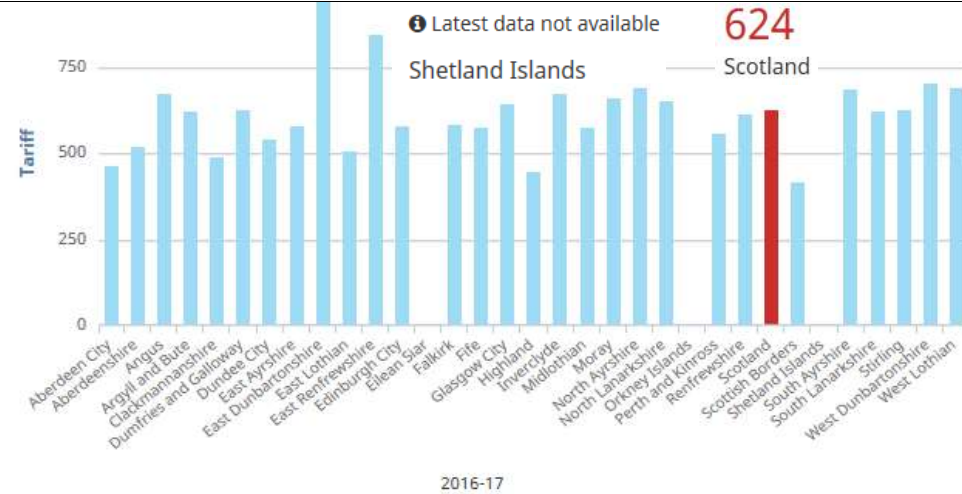
Data for Similar Councils	Data over time
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation	
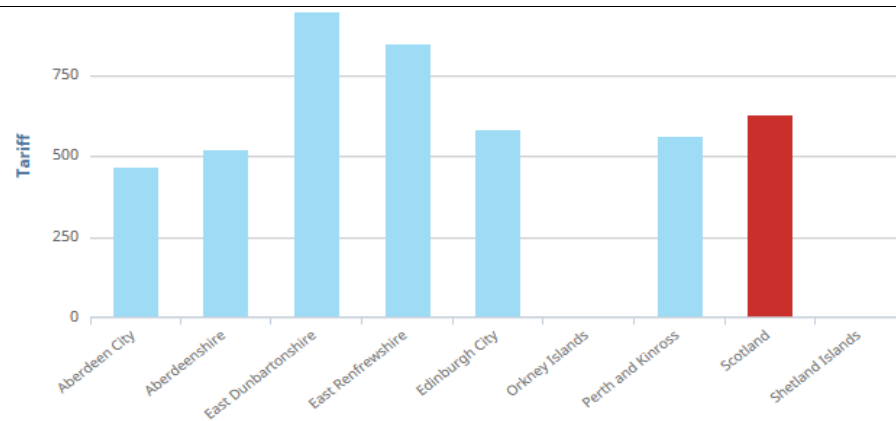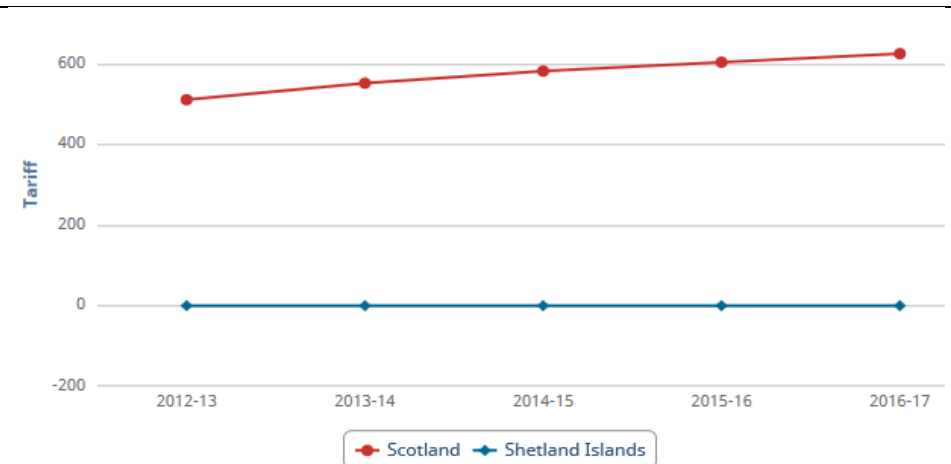
What is the average tariff score in SIMD quintile 2?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance	Data for all Councils	Future Improvement
Around 90% of pupils are in SIMD quintile 3 or 4, therefore this is a very small dataset. Any apparent trends will therefore be very inconsistent. In 2015-16 the small number represented in the dataset performed better than in or in line with national figures in 15/16 and 16/17		It will be difficult to accurately predict any improvement in this quintile due to very low pupil numbers within this group. Pupil equity funding most likely will be focussed on improvement in this area/quintile.
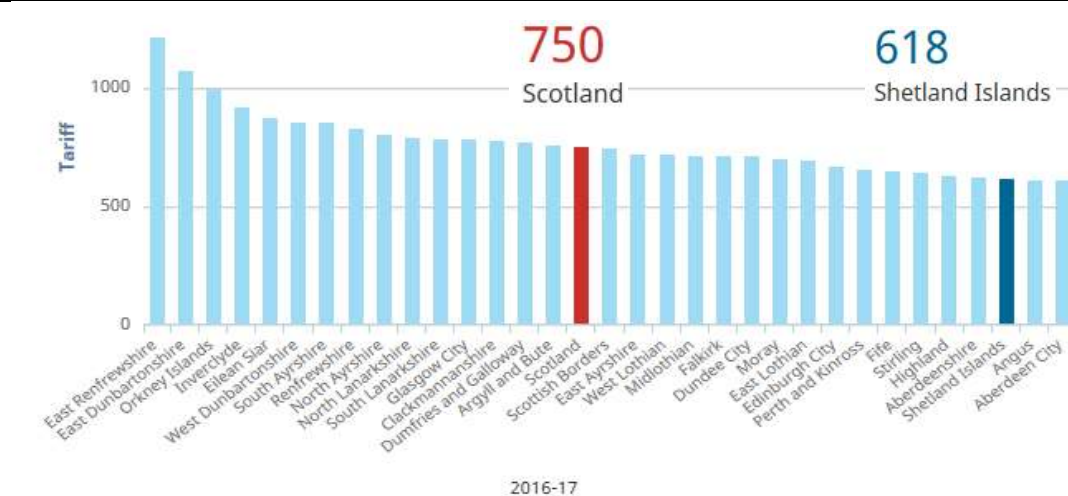
Data for Similar Councils
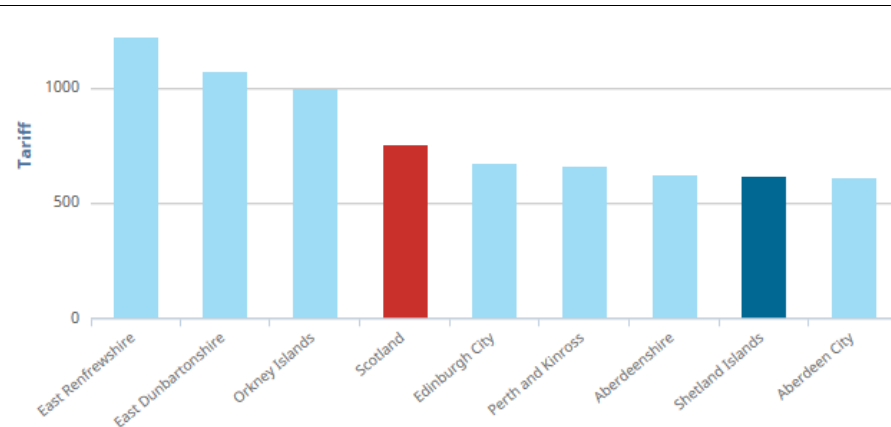
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
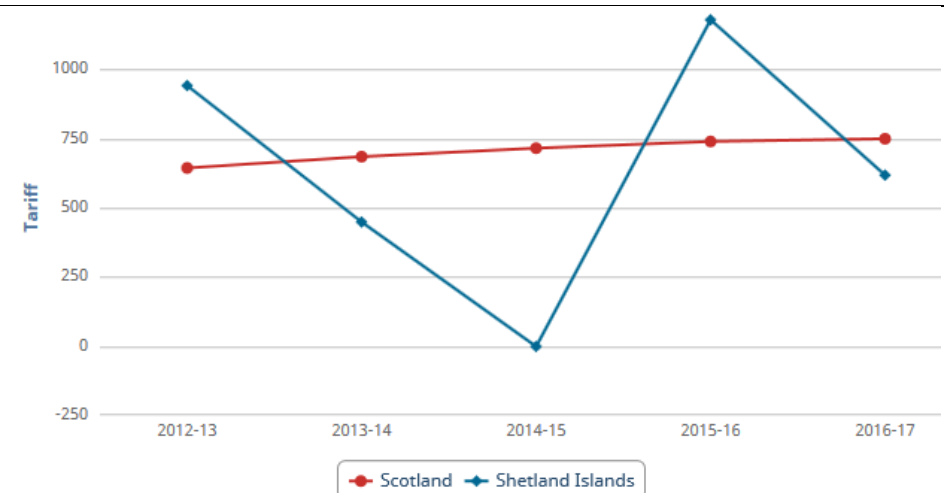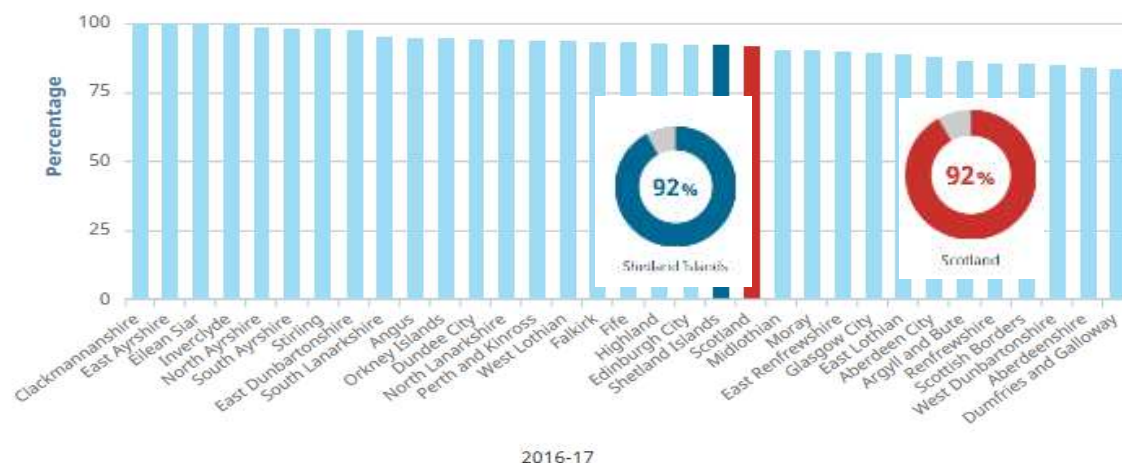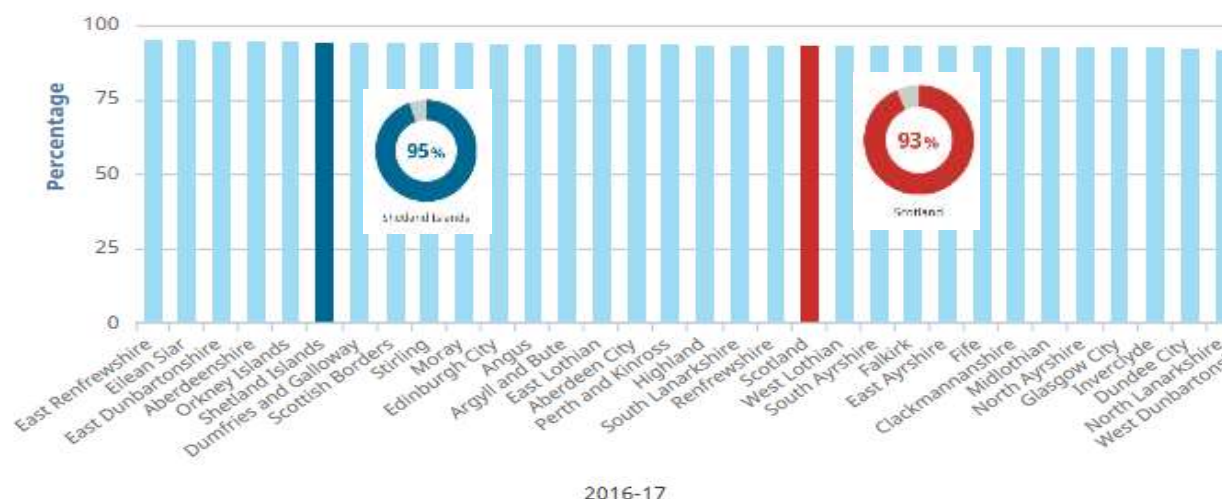
Data over time

What is the average tariff score in SIMD quintile 3?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance

The data over time here demonstrates performance in line with the Scottish average.

There is a dip in performance 2016/17. This will also be a very small dataset for us.

Data for all Councils

889 Shetland Islands

880 Scotland

2016-17
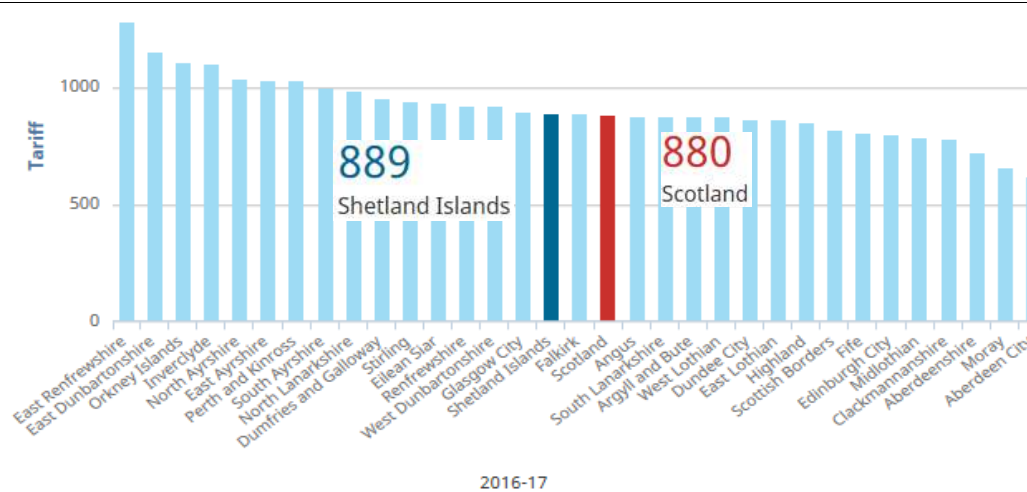
Future Improvement

Through our National Improvement Framework Plan, and our Pupil Equity funding, we will be striving to continue to raise the attainment of all our pupils, particularly those experiencing disadvantage.

Data for Similar Councils
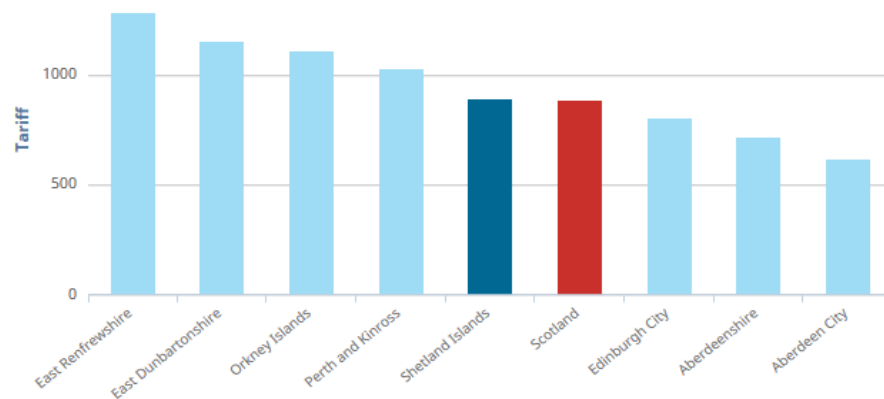
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
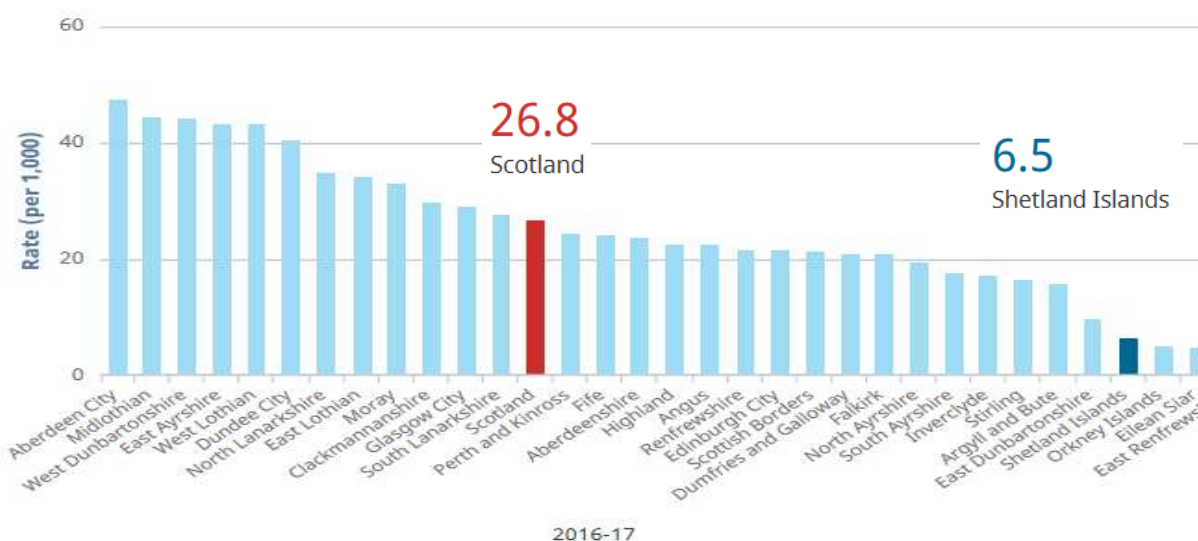
Data over time

Scotland   Shetland Islands
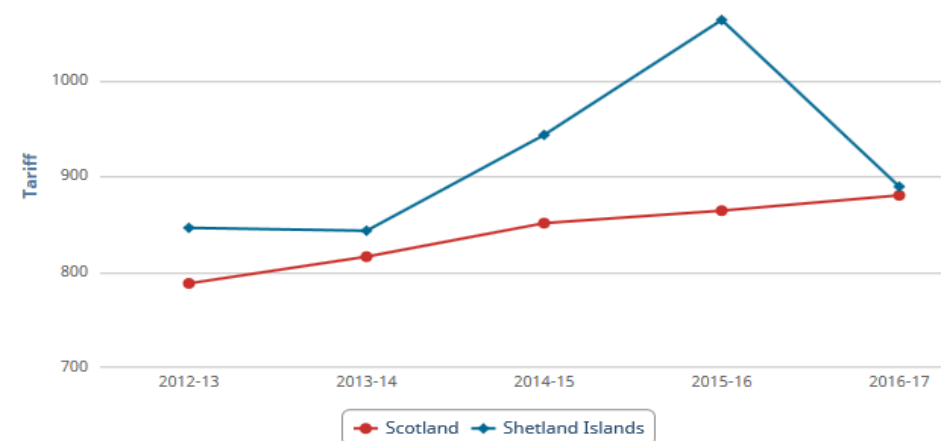
What is the average tariff score in SIMD quintile 4?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance	Data for all Councils	Future Improvement
Shetland has shown improvement in this indicator over time		We will continue our efforts to raise the attainment of all our pupils. Our National Improvement Framework Plan sets out how we intend to close the poverty related attainment gap. In addition two-thirds of our schools have received some Pupil Equity Funding to support raising attainment,
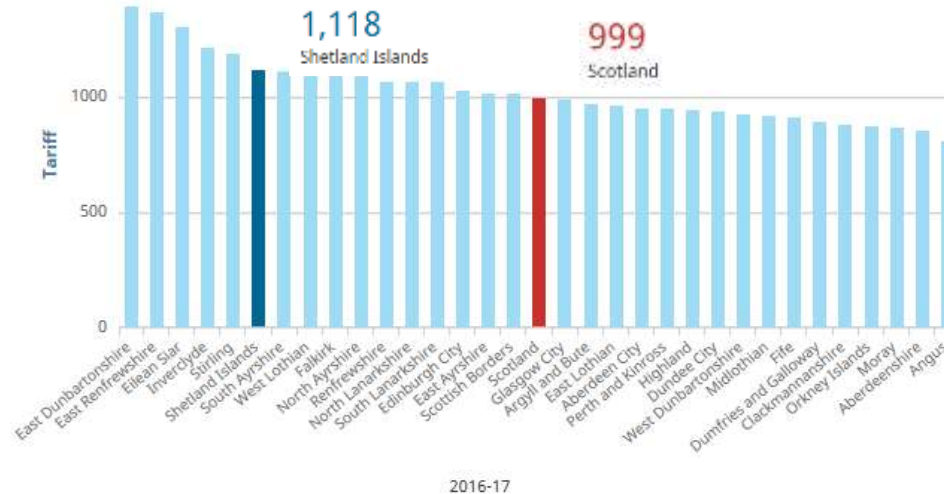
Data for Similar Councils
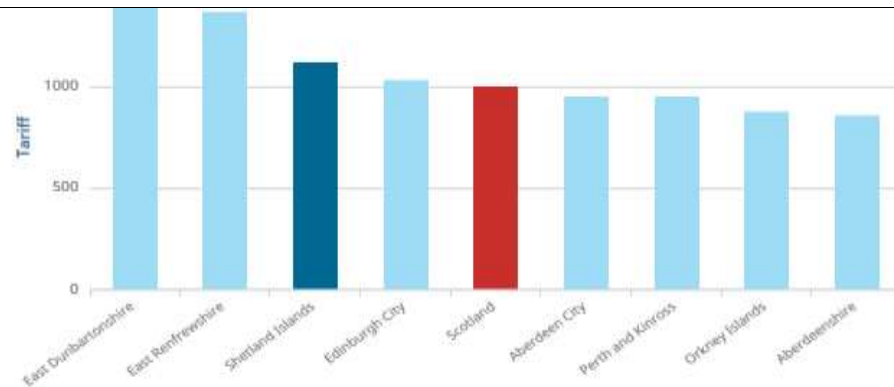
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
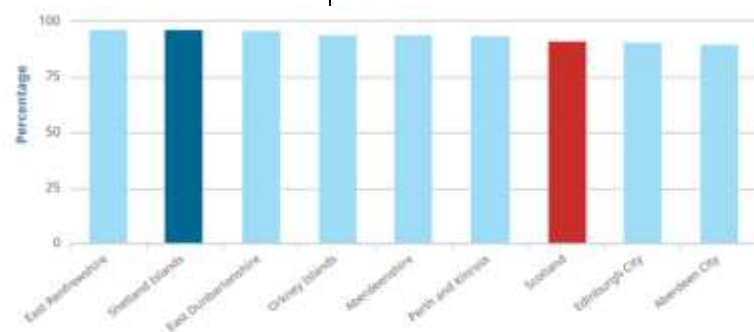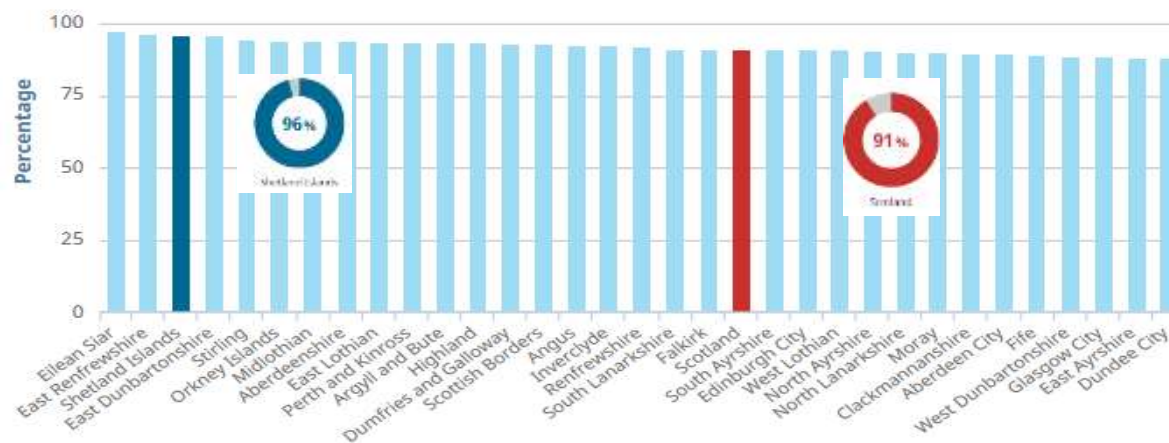
Data over time
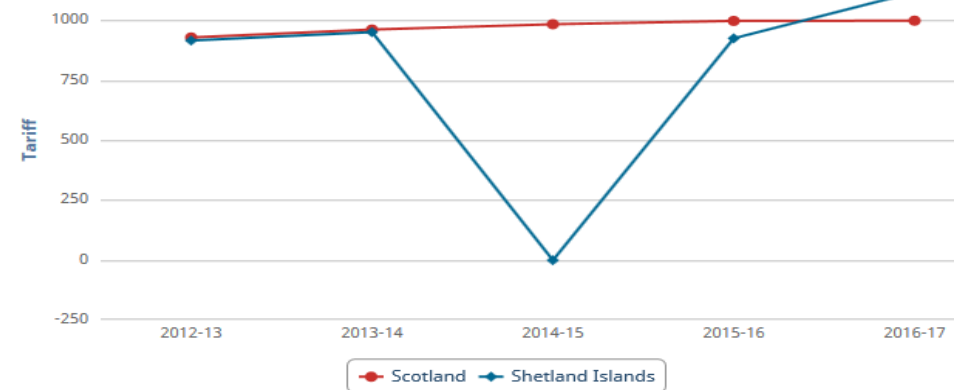
What is the average tariff score in SIMD quintile 5?

(Tariff points are calculated on the basis of SCQF credit points and a multiplier based on the SCQF level plus a weight for attaining the full course)

Past Performance	Data for all Councils	Future Improvement
We are aware of this downward trend in 15/16 in what is a very small data set in Shetland		Further consideration of data is required to explore the reason for this downward trends in 16/17 following improvement in 15/16. Areas for consideration: - Students that leave school without sitting exams - Re-evaluation of SIMD Data zones in 2016, e.g. we won't have any data in this quintile in future. - Impact of high employment on pupil motivation
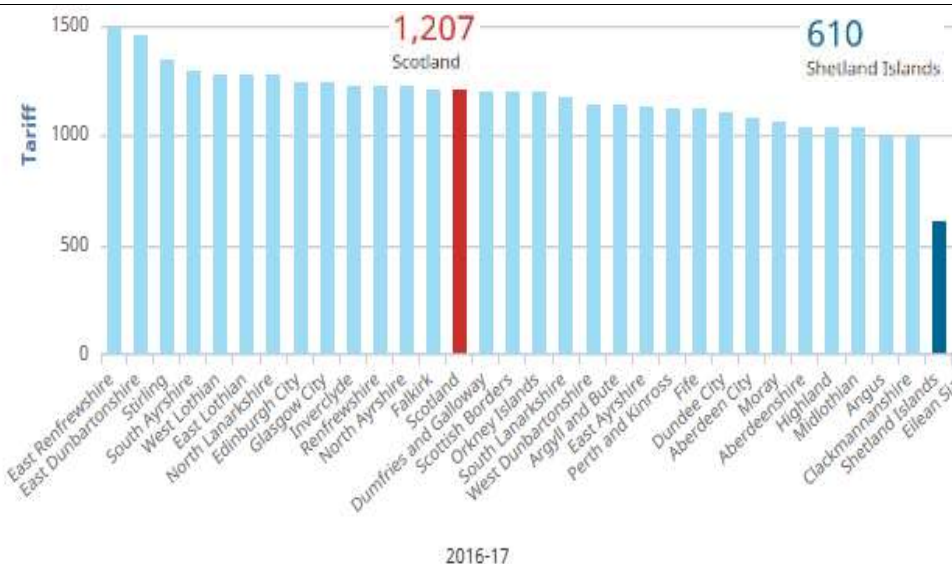
Data for Similar Councils
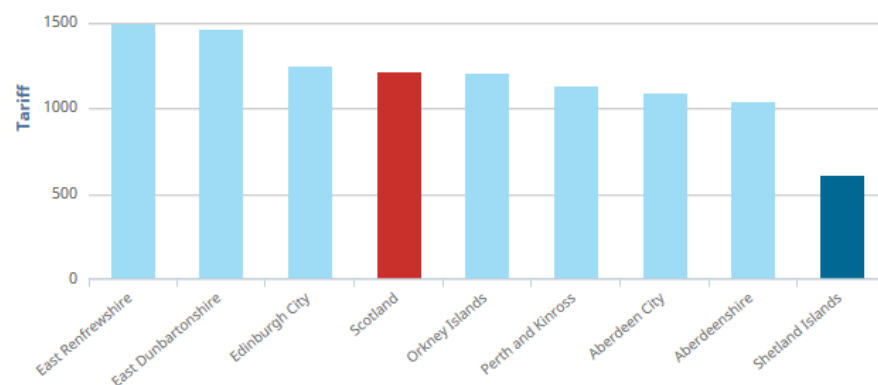
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
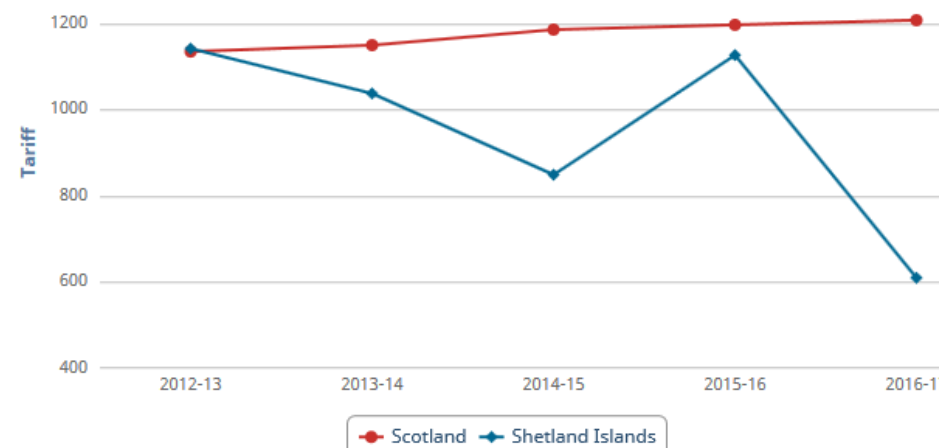
Data over time

What percentage of secondary school pupils achieved 5 plus awards at SCQF 5?

Past Performance

We remain above the Scottish average for this measure, and have shown continued improvement in this measure over time.

Data for all Councils
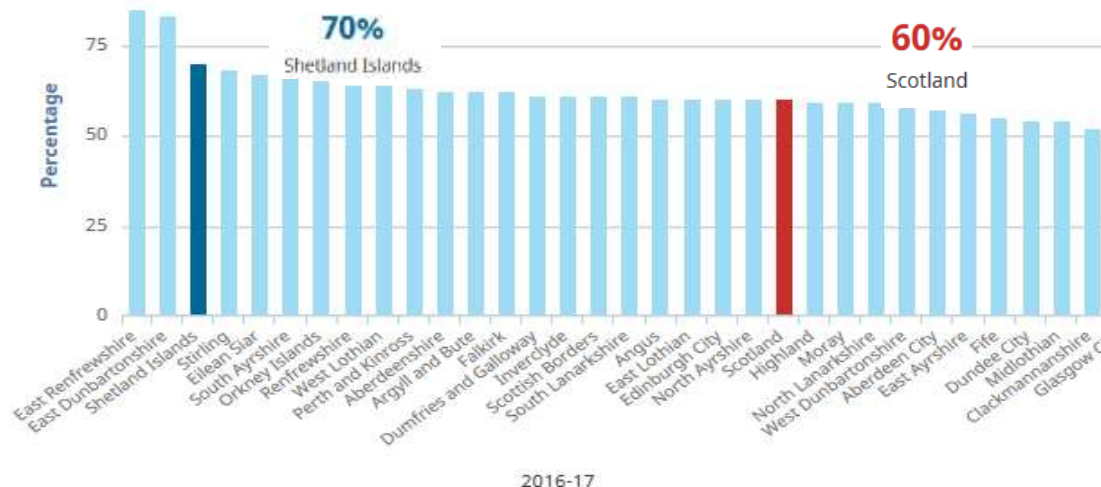
Future Improvement

We will continue our efforts to raise the attainment of all our pupils. Our National Improvement Framework Plan sets out how we intend to close the poverty related attainment gap.

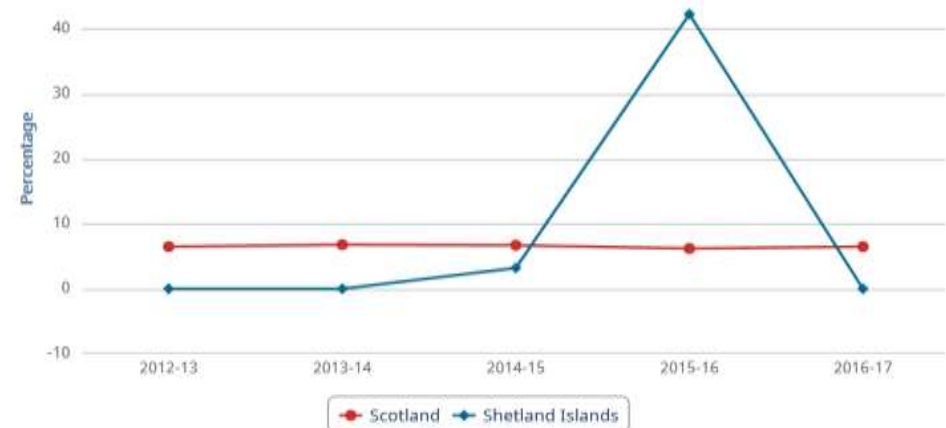## Data for Similar Councils
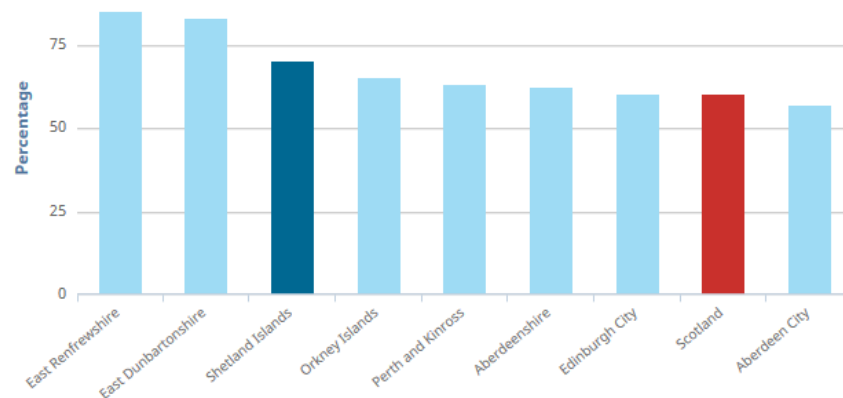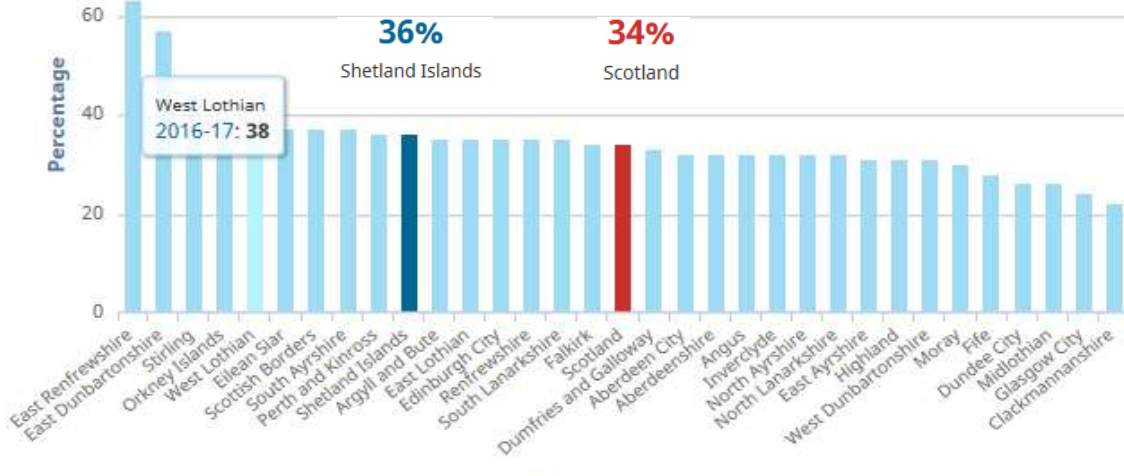
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time
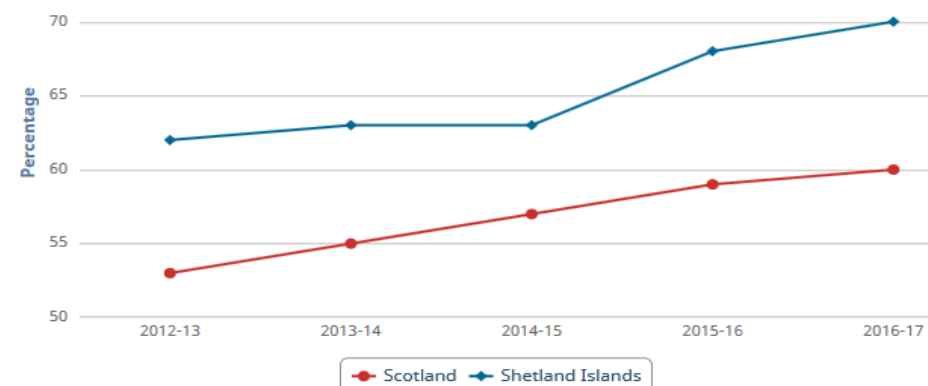
What percentage of secondary school pupils achieved 5 plus awards at SCQF level 6 at the end of sixth year?

Past Performance

We remain above the Scottish average for this measure, and have shown continued improvement in this measure over time.

Data for all Councils

Future Improvement

We will continue our efforts to raise the attainment of all our pupils. Our National Improvement Framework Plan sets out how we intend to close the poverty related attainment gap.

In addition two-thirds of our schools have received some Pupil Equity Funding to support raising attainment.

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
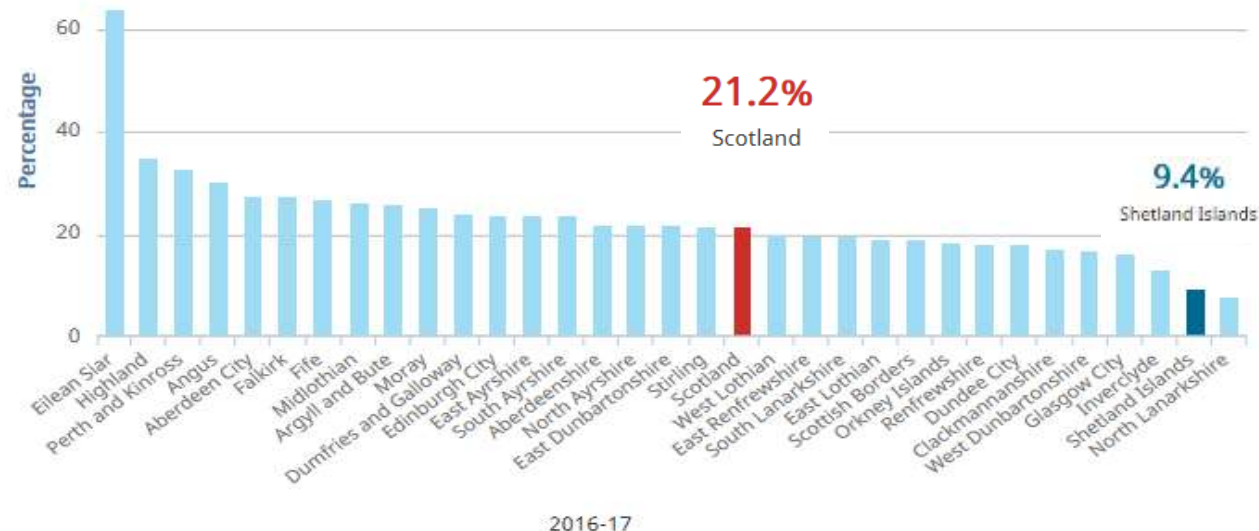
Data over time

What percentage of secondary school pupils from deprived areas achieved 5 plus awards at SCQF level 5 or higher?

Past Performance	Data for all Councils	Future Improvement
Shetland does not have any pupils that meet the criteria for this measure.		Not applicable

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation
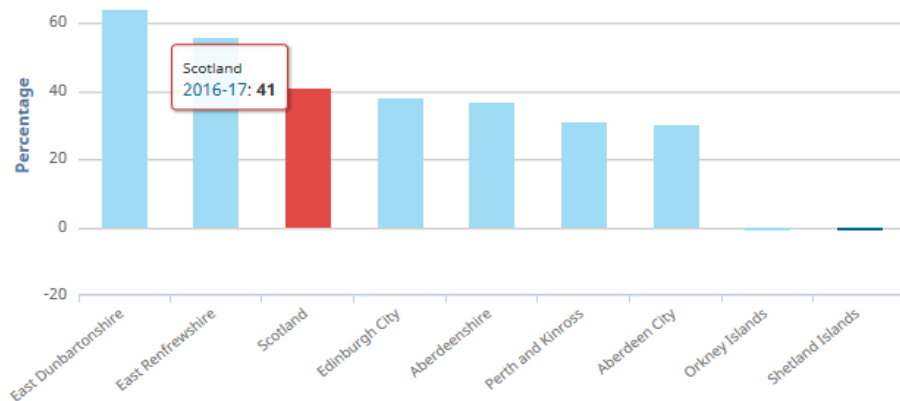
Data over time
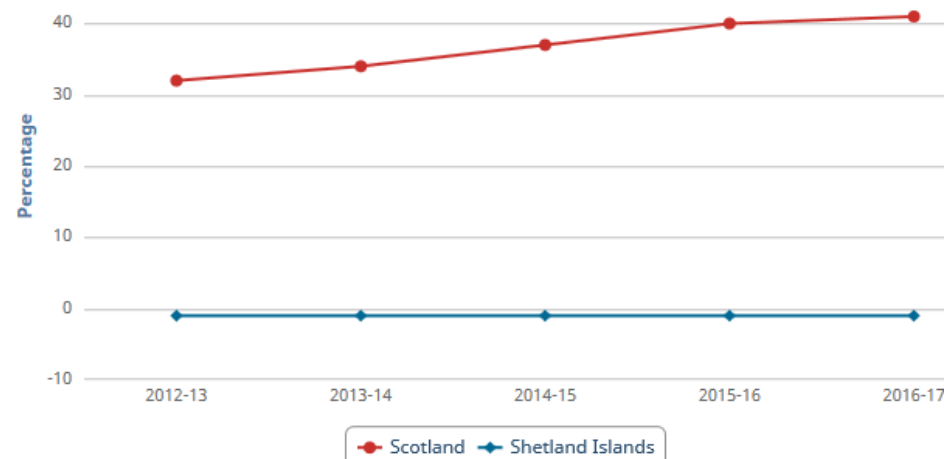
What percentage of secondary school pupils from deprived areas achieved 5 plus awards at SCQF level 6 or higher?		
Past Performance	**Data for all Councils**	**Future Improvement**
We have no pupils in Shetland who meet the criteria for this measure.		Not applicable
Data for Similar Councils		**Data over time**

What percentage of pupils enter a positive destination after leaving school?		
Past Performance	**Data for all Councils**	**Future Improvement**

We have consistently provide a comparable or higher rate of positive destinations for school leavers than the national average.		The National Improvement Framework requires us to have continued focus on further improvement in this measure. Youth Services continue to work with schools to make sure that all young people are given an offer of education employment or training and help to reduce the number of those who are at risk of not entering a positive destination.
		    Continue 16+ Transition Meetings identifying intending leavers who may need support.
		    Accurate data entered on SEEMIS at appropriate times in the academic year and use of Data Hub Reports for future provision.
		    Attending enhanced Transitions.
		    Earlier engagement with those at risk of NEET.
		    Pre Activity Agreements/Split Programmes.
		    Bridges Early Intervention Programme (12yrs+)
		    Earlier introduction of Shetland Employability Pathway.
		Support from Youth Workers with schools, linking with post school services to ensure a smooth transition.
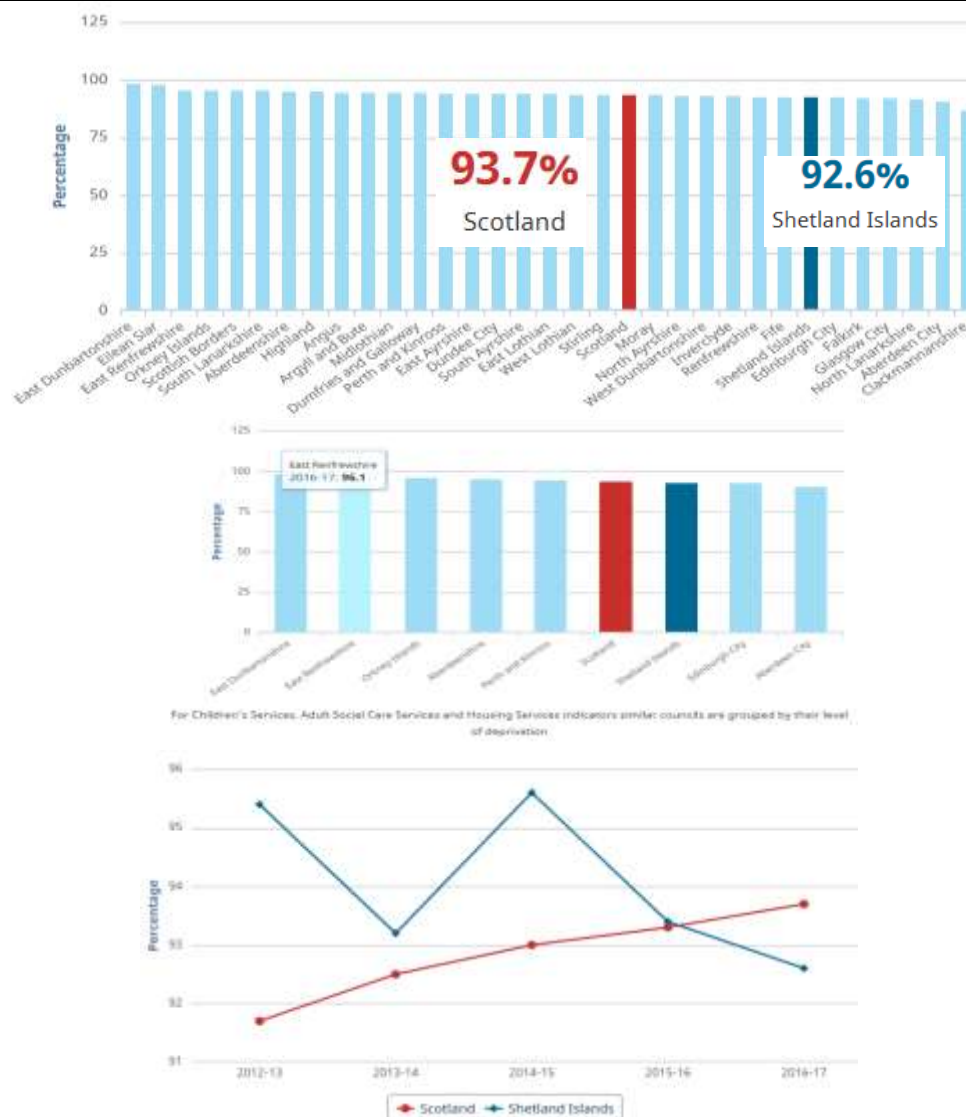
How satisfied are residents with local schools?

Past Performance

We know from statutory consultations on proposed school closures, how much our schools are valued by our communities. Parental input to the process of inspection of schools is always positive, published on Education Scotland website.

Data for all Councils
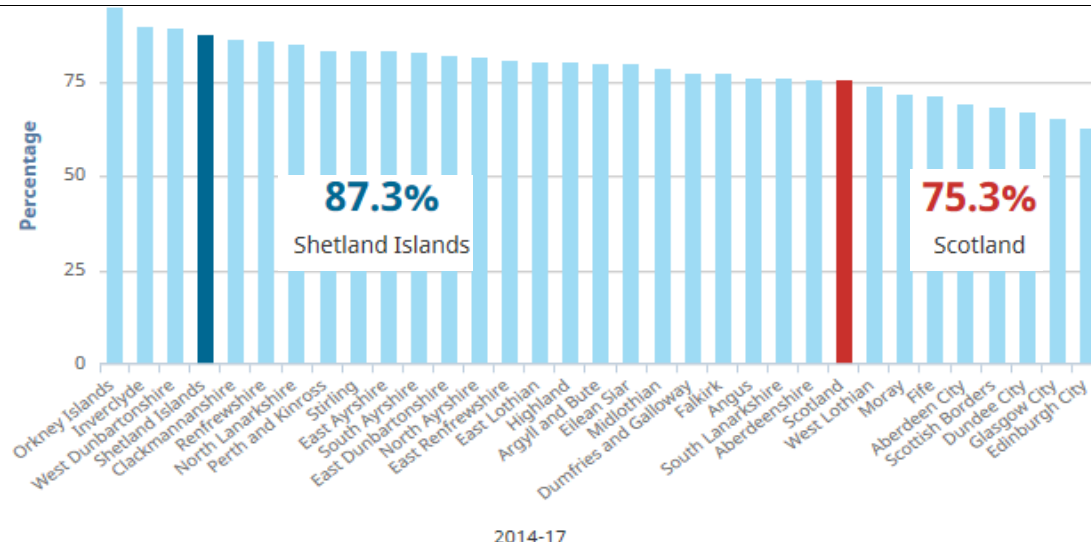
Future Improvement

We intend to ensure the quality of school education in Shetland continues to improve.

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

How much does my council spend on providing residential accommodation for "looked after children" (£ per child per week)		
Past Performance	Data for all Councils	Future Improvement
The calculation of cost is based on finance returns supplied by the council. It is regarded as an inaccurate method of calculation as it is derived from general budgets rather than service specific budgets. Spend in 15/16 was £3,984 per week		To ensure that we use financial data accurately to give a true picture of spend on placements.

Data for Similar Councils	Data over time
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation	

How much does my council spend on providing fostering/family placements for "looked after children" (£ per child per week)?

Past Performance

As with CHN8a, costs have high variance due to the low numbers of children involved.

Data for all Councils

£313 per week Scotland

£399 per week Shetland Islands

2016-17
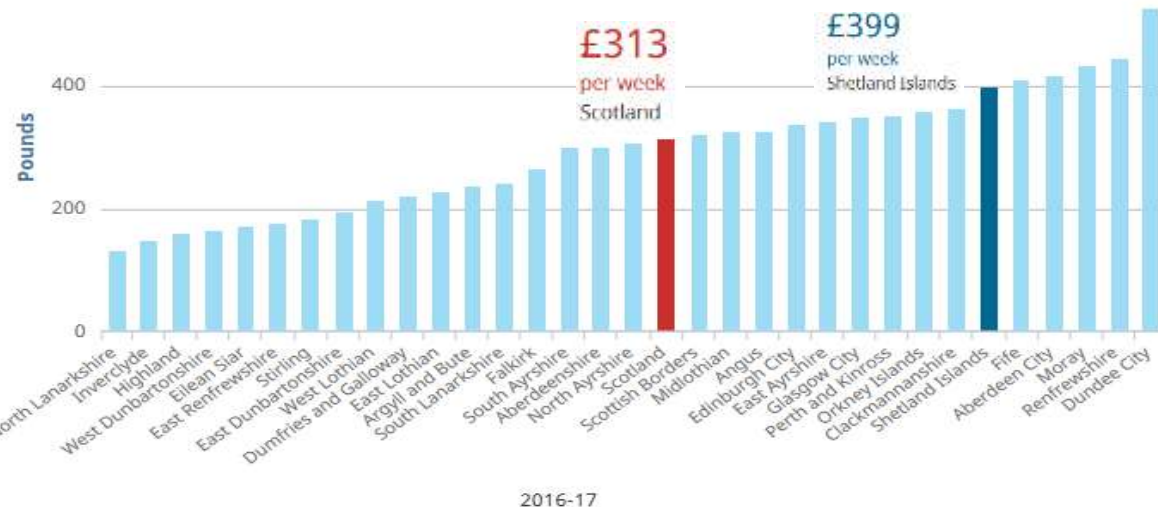
Future Improvement

To ensure that we use financial data accurately to give a true picture of spend on placements

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

Scotland   Shetland Islands
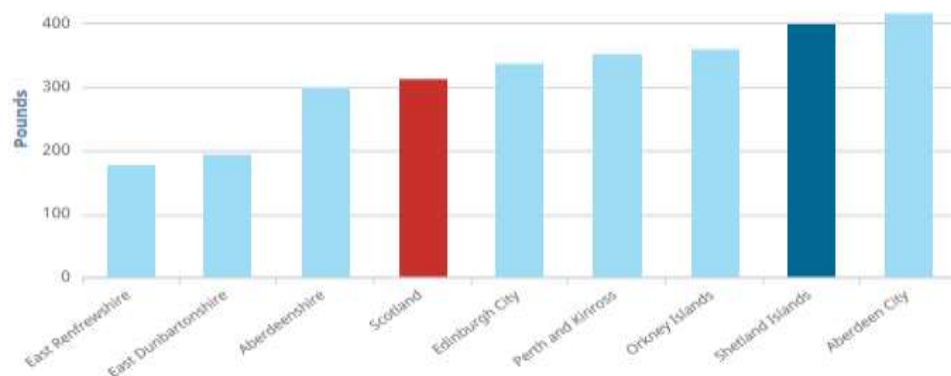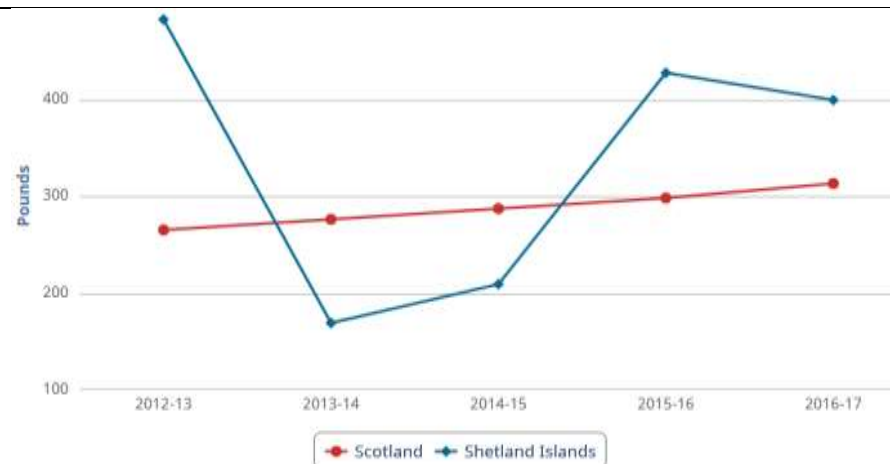
How many "looked after children" are being cared-for in foster/family placements rather than residential accommodation?		
Past Performance	Data for all Councils	Future Improvement
We are close to the national average for the percentage of children accommodated in placements rather than in residential settings, again small numbers mean that percentage figures fluctuate greatly.		To ensure that there are enough placements available locally to best meet children's assessed needs.
Data for Similar Councils		Data over time
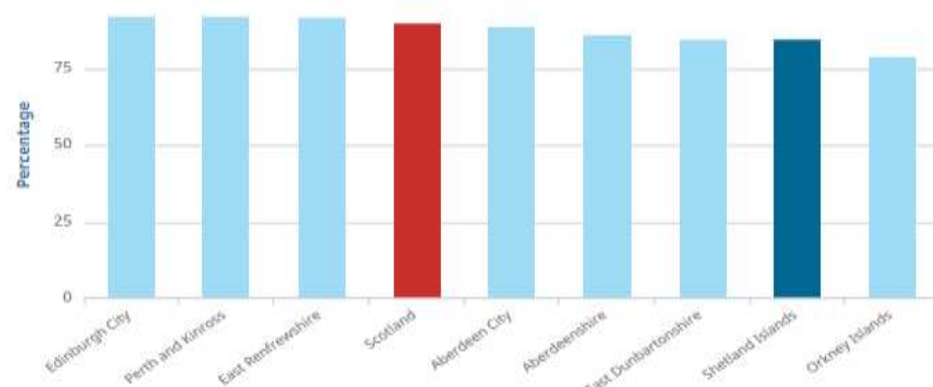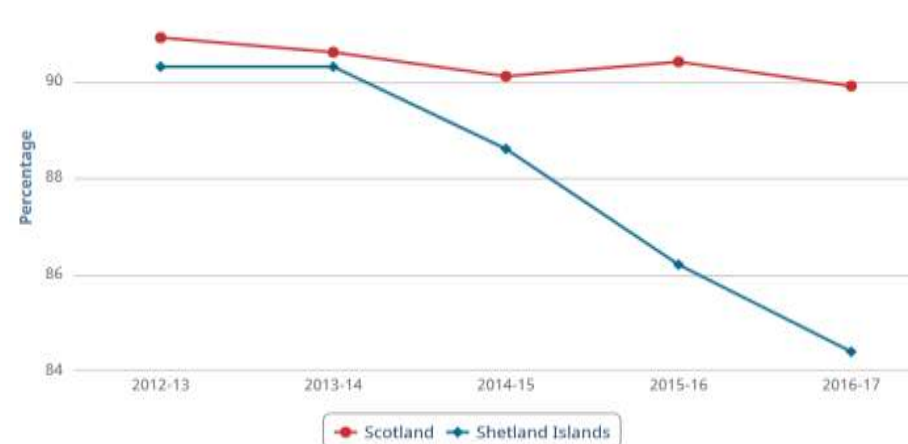
What percentage of early years provision funded by my council is rated good or better?

Past Performance	Data for all Councils	Future Improvement
Consistently positive Care Inspectorate and Education Scotland reports for settings in Shetland.		Annual self evaluation to identify areas for improvements in all settings across Shetland.

Data for Similar Councils
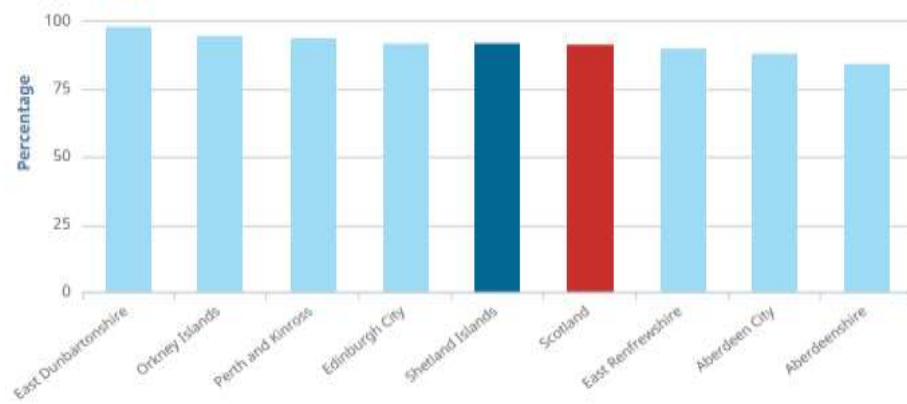
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

What was the attendance rate of children in my council?
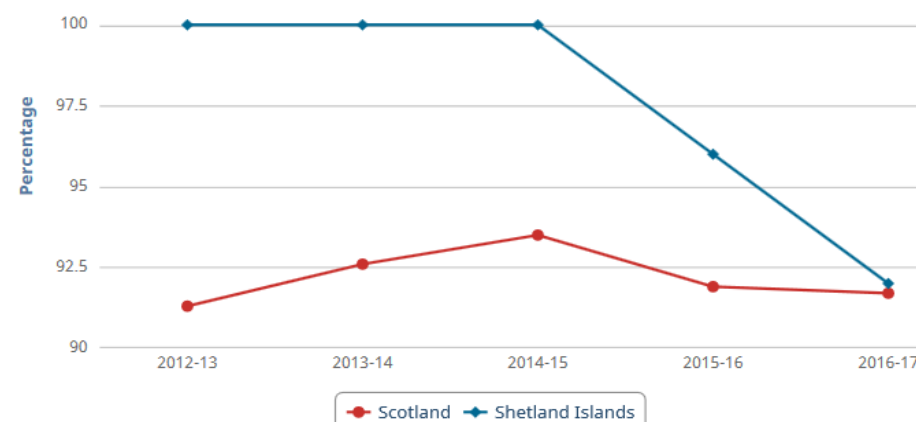
Past Performance	Data for all Councils	Future Improvement
Attendance rates are closely monitored and are constantly higher than the Scottish average.		Attendance data is one of the measures used to measure pupil equity funding.

Data for Similar Councils
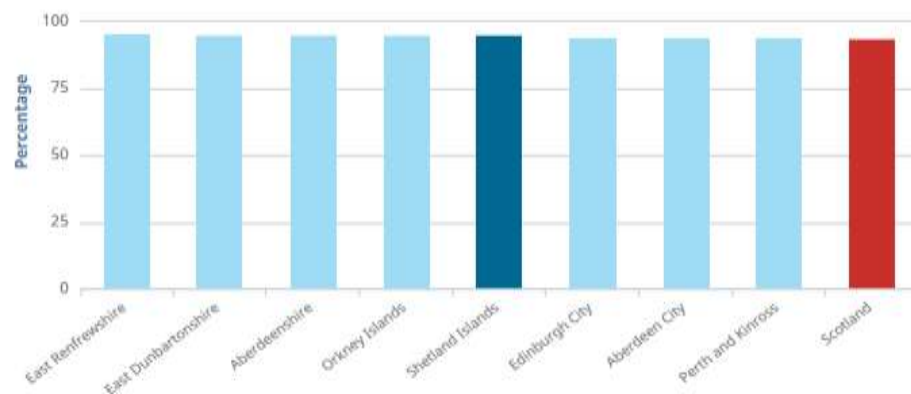
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

What was the school exclusion rate for children in my council?
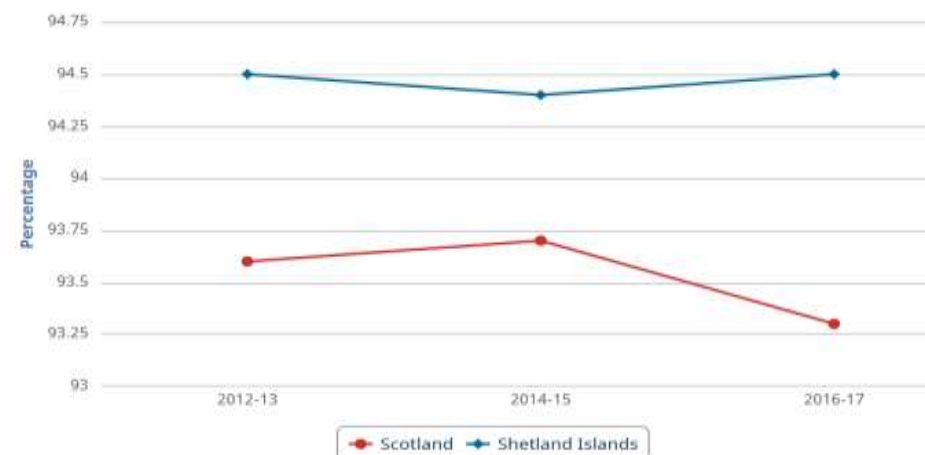
Past Performance	Data for all Councils	Future Improvement
Shetland has constantly been lower than the national average for exclusion of pupils from schools		Current work being undertaken to review and update the current policy on exclusion.

Data for Similar Councils
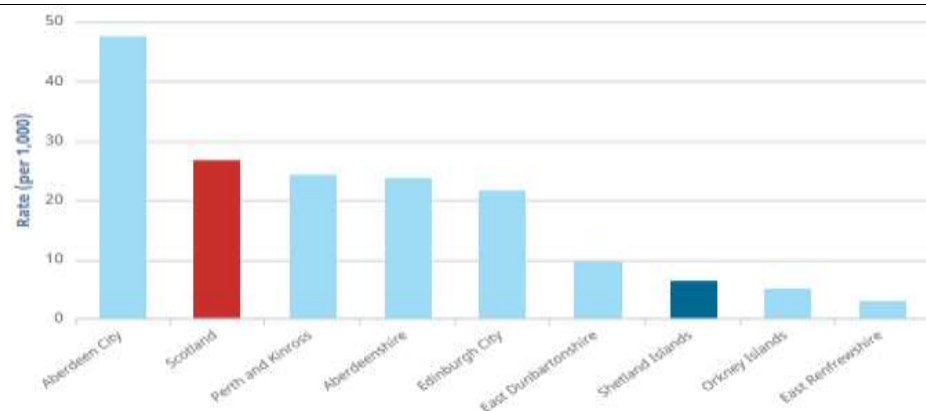
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time
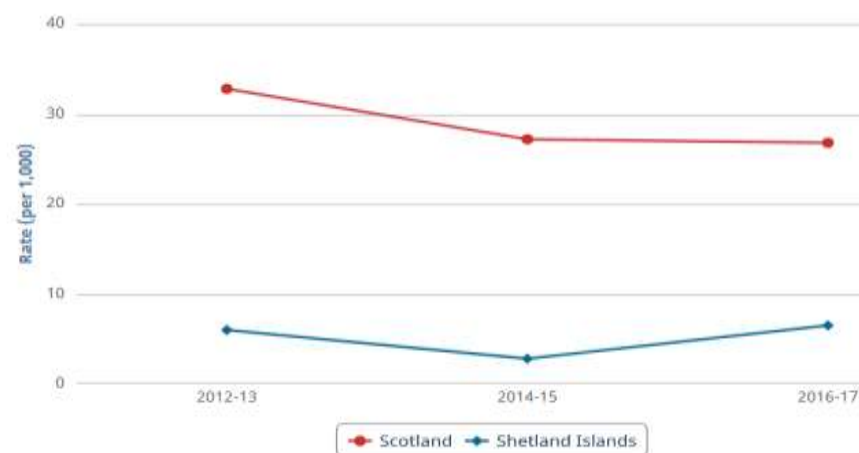
What percentage of 16 to 19 years old are participating in learning, training or work?

Past Performance	Data for all Councils	Future Improvement
This is a new indicator so no previous data available.	 2016-17 For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation 	This indicator will replace School Leaver Destinations (SLDR). Youth Employability Officer and SDS are working together to deliver training to Pupil Support Teachers on the benefits of accurate data and how this data can be used effectively. Use data hub reports to identify those NEET and gaps in provision. Referrals to Shetlands Employability Pathway. Continued 16+ Transition meetings and involvement in enhanced transitions to ensure that young people are being supported into appropriate post school programmes.
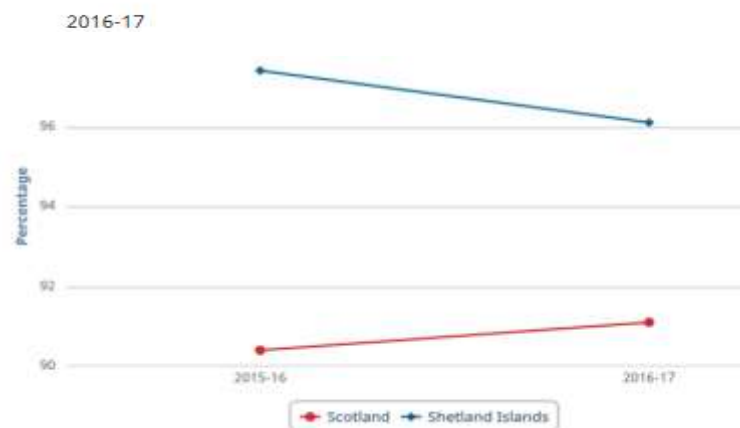
What percentage of child protection registrations were re-registered within 18 months?		
Past Performance	Data for all Councils	Future Improvement
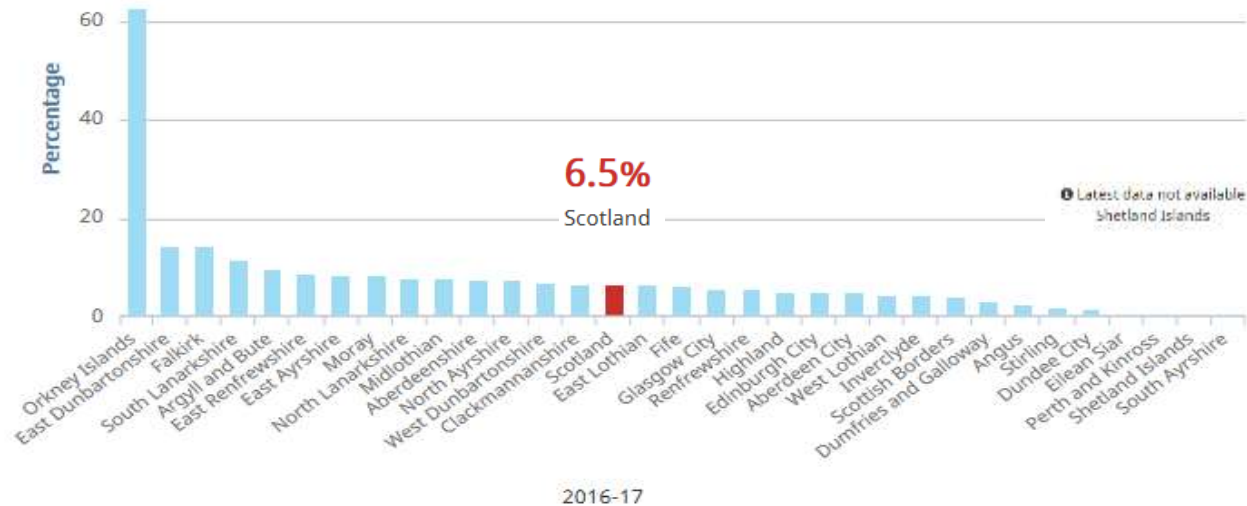
6.5%
Scotland

ⓘ Latest data not available
Shetland Islands

2016-17

Data for Similar Councils	Data over time

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Scotland ← Shetland Islands
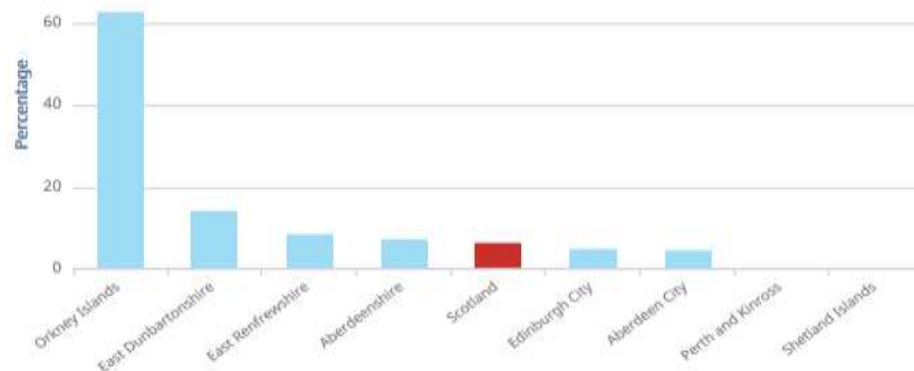
What percentage of looked after children had more than one placement in the last year?		
Past Performance	Data for all Councils	Future Improvement
	21.2% Scotland **9.4%** Shetland Islands 2016-17	
Data for Similar Councils		Data over time
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation		
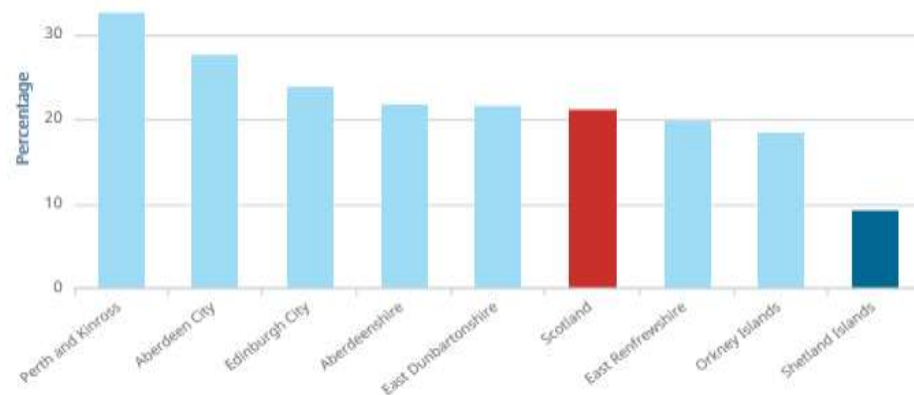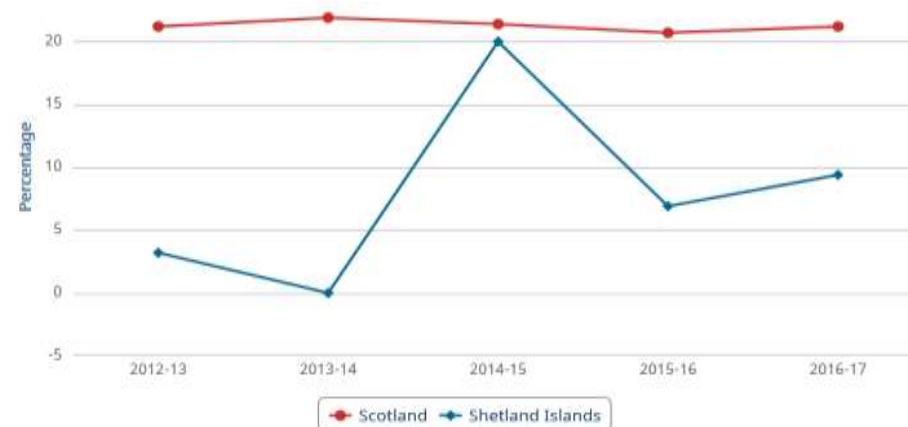
Appendix B – Corporate Services – Local Government Benchmarking Framework Indicators

1. How much of my council's total running costs is spent on administrative support services?

2. What is the current gender balance in more senior posts?

3. How much does my council spend on collecting council tax (£ per home)?

4. What is the level of sickness absence for teachers in my council (average number of days per teacher)?

5. What is the level of sickness absence in my Council (average number of days per employee, non-teachers)?

6. How efficient is my council at collecting council tax?

7. How efficient is my council at paying invoices on time?

8. How many council buildings are suitable for their current use?

9. How many Council buildings are in a satisfactory condition?

10. What is the current gender pay gap for staff in my council?

How much of my council's total running costs is spent on administrative support services?

Past Performance	Data for all Councils	Future Improvement
Overall the Council performance in regard to the proportion of expenditure incurred on support activities is lower than the Scotland average, and is the lowest of the other island authorities, to which direct comparison is often made. This is the result of active management of support service activities which remains a priority to achieve the targets for future years.		The Council will continue to ensure that it works to provide efficient and effective support services and recognise the strategic direction taken in the Corporate Plan where the priorities are clearly centred on front-line services but considerable focus is given to the need for adequate and effective support functions being critical to the governance and operation of the Council.
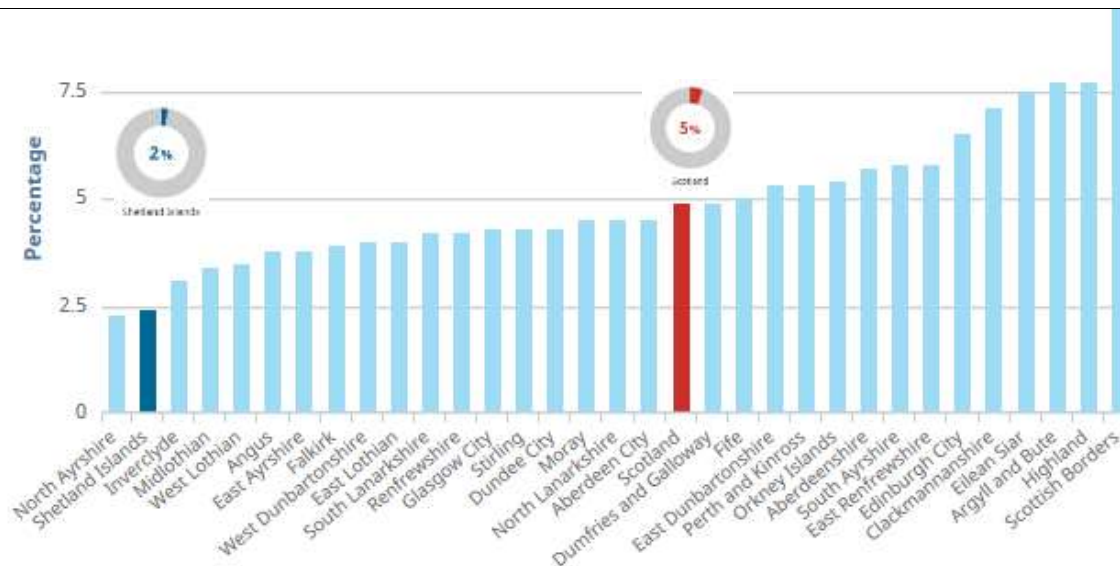
Data for Similar Councils
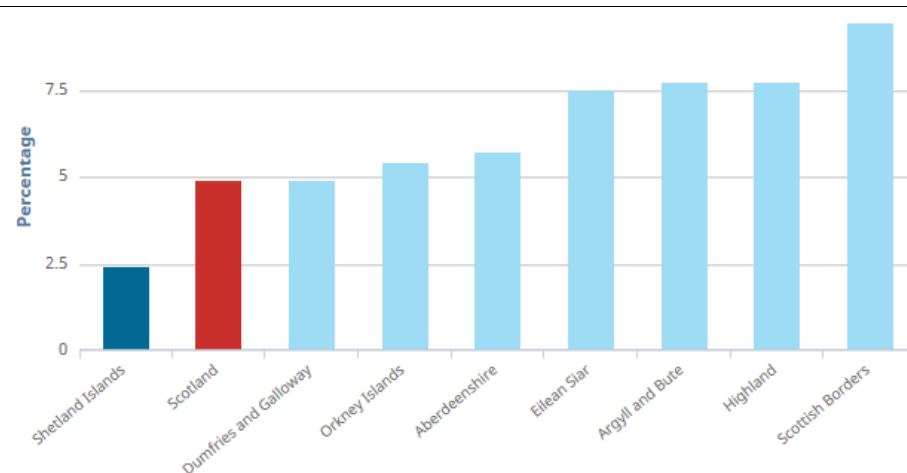
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
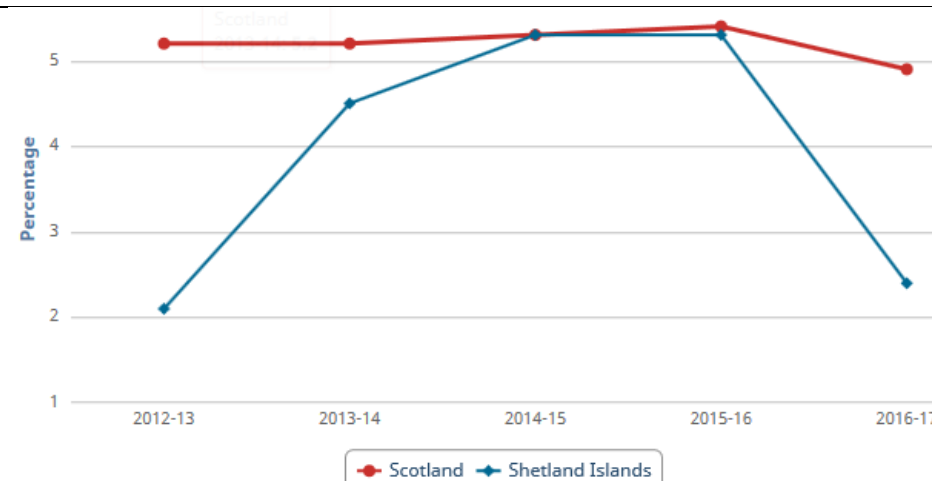
What is the current gender balance in more senior posts?

Past Performance

This indicator actually looks at the % of highest paid 5% employees who are women, rather than "senior" posts in organisational terms. It excludes teachers and Head Teachers. Unlike most other local authorities our makeup of services includes marine, and this sector is significantly represented within this reported group. There has been a very small reduction from 2014/15, given our organisational composition and the current gender balance in the marine sector, such a small change, whilst disappointing does not detract from our plans and overall direction.

Data for all Councils

52.0% Scotland

25.0% Shetland Islands

2016-17
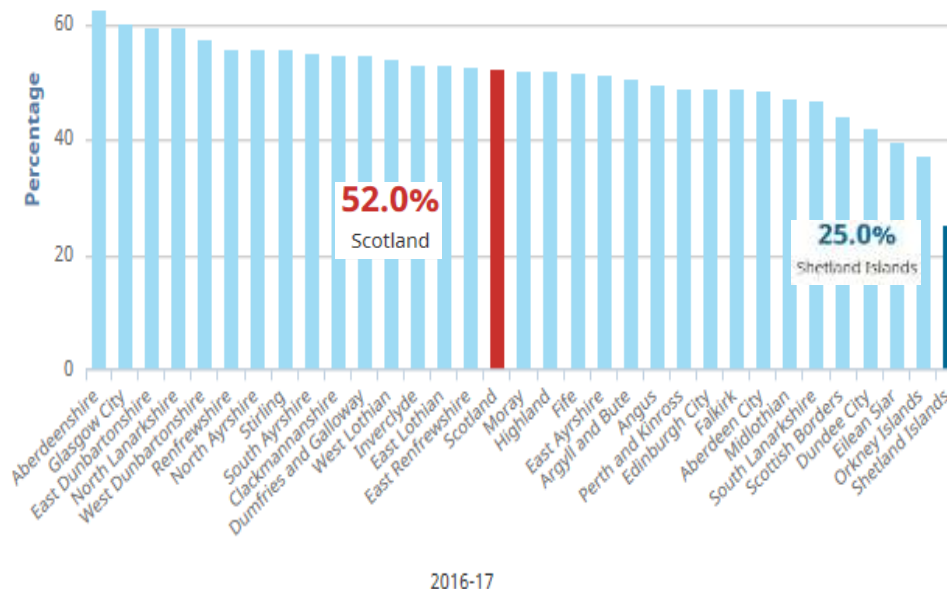
Future Improvement

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 carried out our 2nd Equal Pay Audit this year which has identified areas for attention or improvement set out in our Equalities Action Plan, particularly around occupational segregation. Our Workforce Strategy Improvement Plan activities address those actions.

Data for Similar Councils
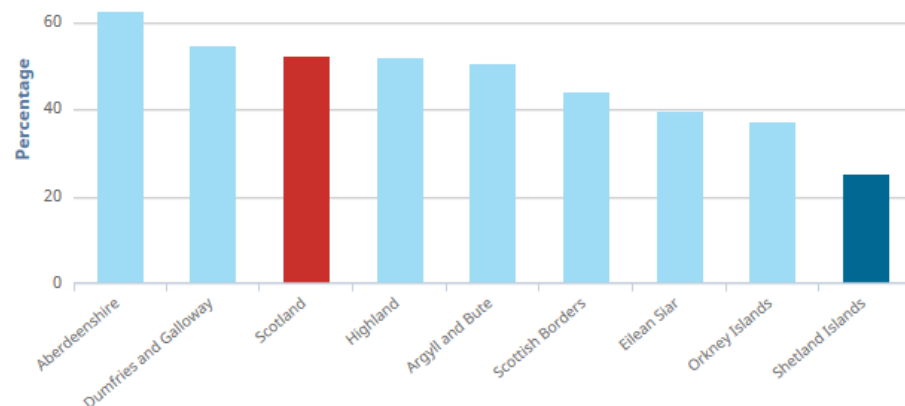
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland   Shetland Islands
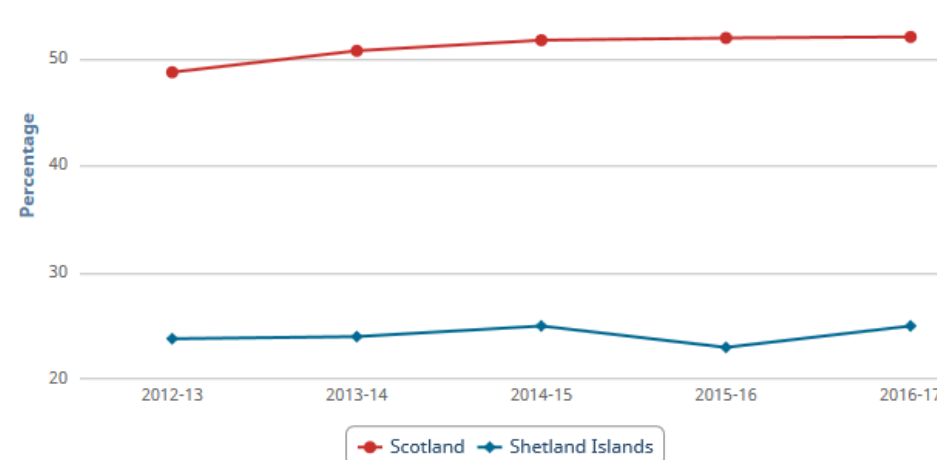
How much does my council spend on collecting council tax (£ per home)

Past Performance	Data for all Councils	Future Improvement
The direct cost of collecting council tax requires an appropriate level of staff resource and as such smaller authorities, with a low council tax base are undoubtedly more expensive when compared in this way. The island authorities' costs as shown in our family group demonstrate this. Shetland does try to manage collection as part of a larger team and make best use of the economies that can be achieved. It is welcome that the Council delivers this service at lower cost than a number of larger authorities.		Continue to monitor collection costs and discuss at monthly Revenues and Benefits team meetings any issues or means of improvement.
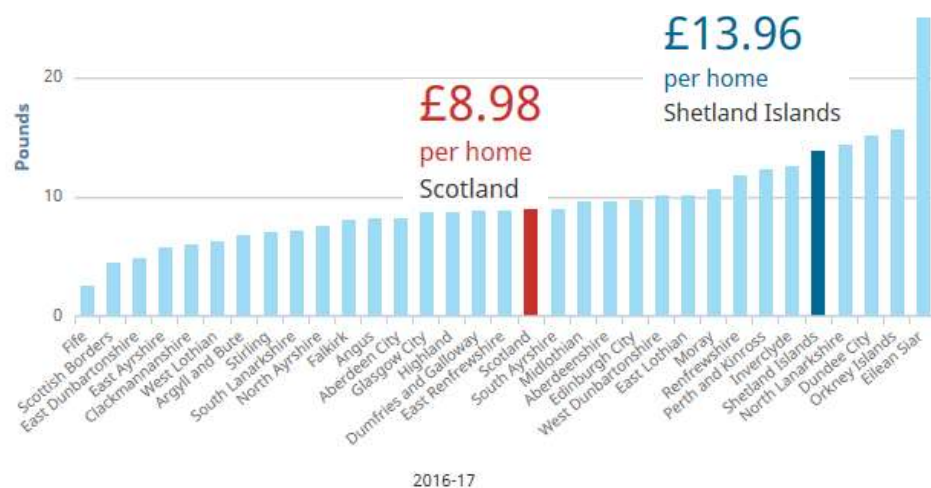
Data for Similar Councils
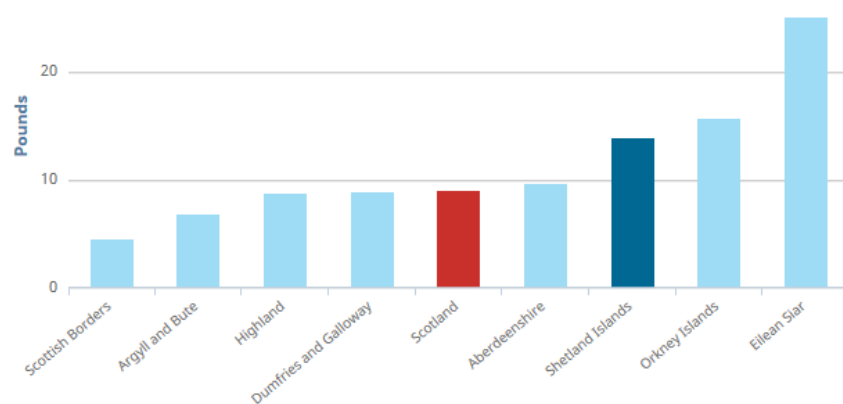
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
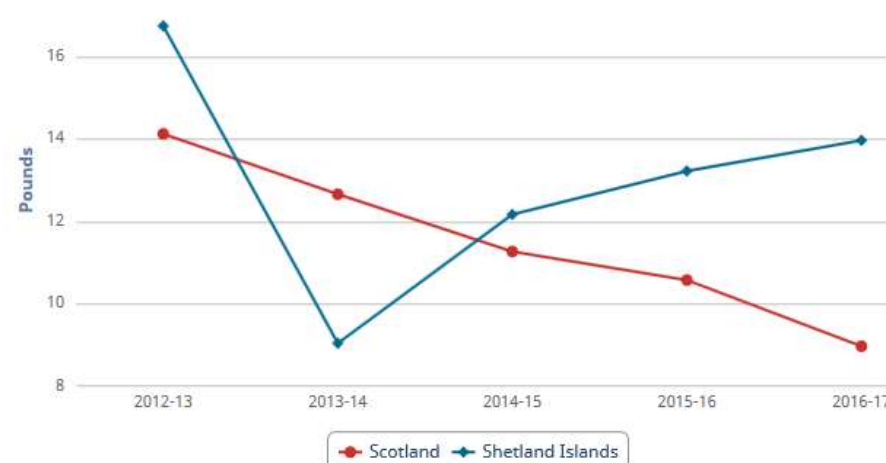
What is the level of sickness absence for teachers in my council (average number of days per teacher)?

Past Performance	Data for all Councils	Future Improvement
This represents a marked improvement in performance, with a reduction of 1.3 days lost compared to last year. The improvement actions implemented throughout last year placed a greater focus on case management that has made a difference in particular to reducing very long term sickness absence.		This year will see our focus shift to preventive measures in helping to keep our workforce healthy at work whilst services continue to pay close attention to case management.
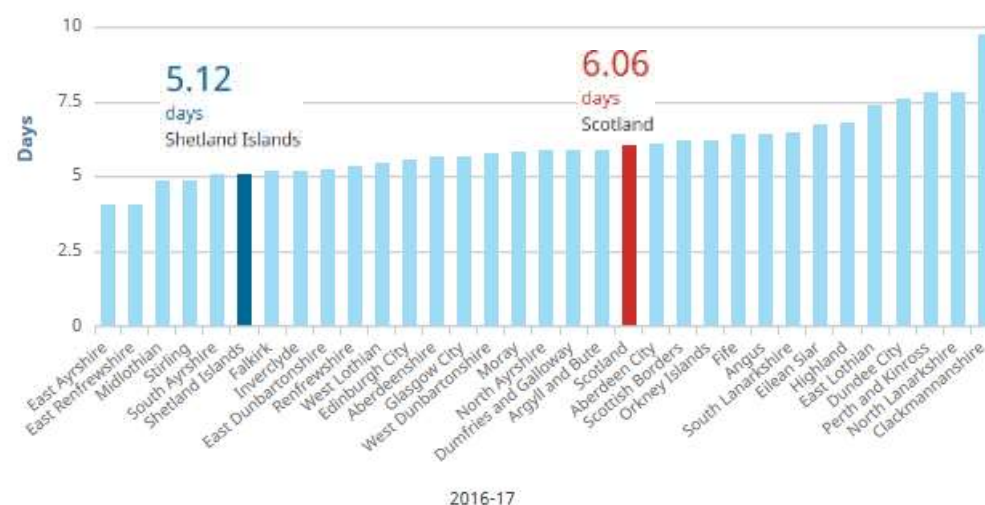
Data for Similar Councils
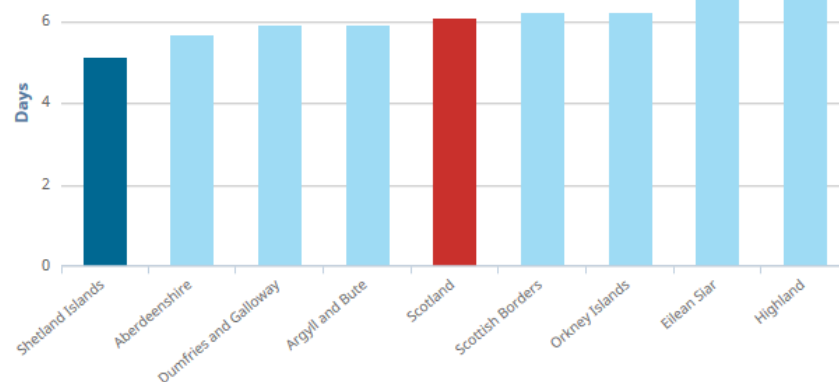
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

What is the level of sickness absence in my Council (average number of days per employee, non-teachers)?

Past Performance	Data for all Councils	Future Improvement
The average sick days for this group of staff reduced by 1.5 days, this reflects the priority given to addressing very long term sickness absence. In such a small council, just one case can make a marked difference to our overall performance.		This year will see our focus shift to preventive measures in helping to keep our workforce healthy at work whilst services continue to pay close attention to case management
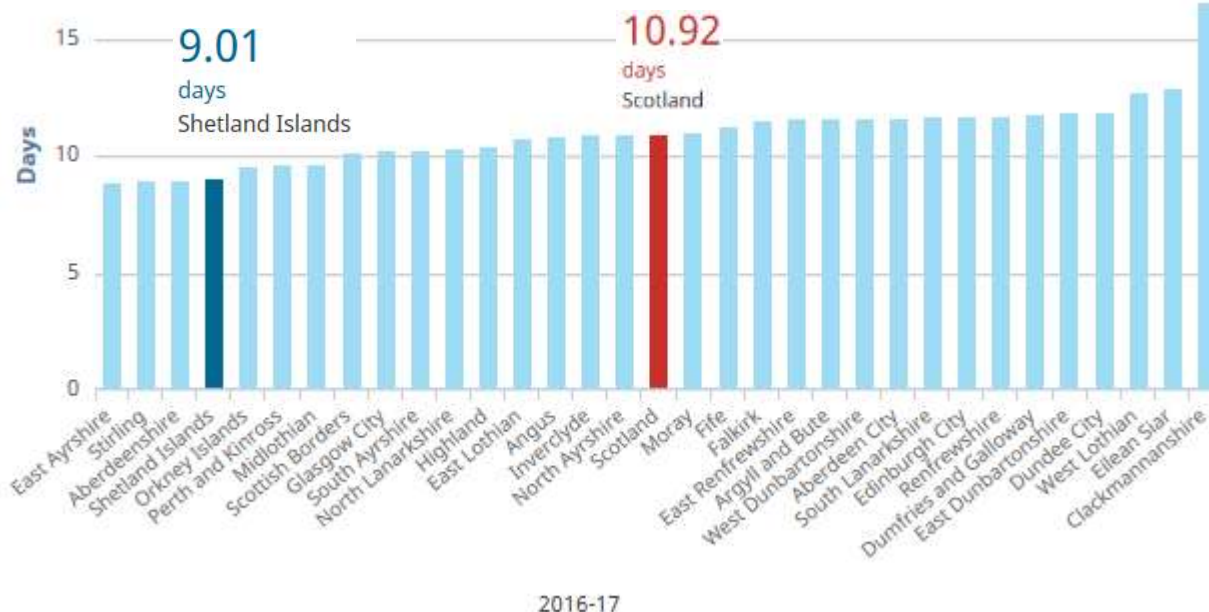
Data for Similar Councils
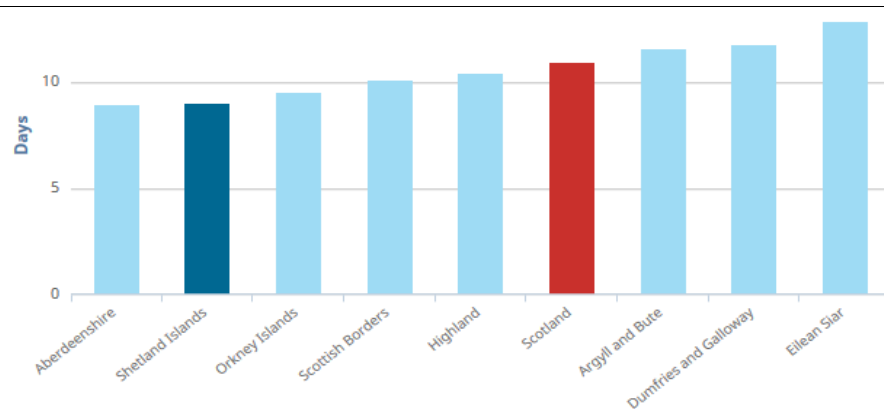
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
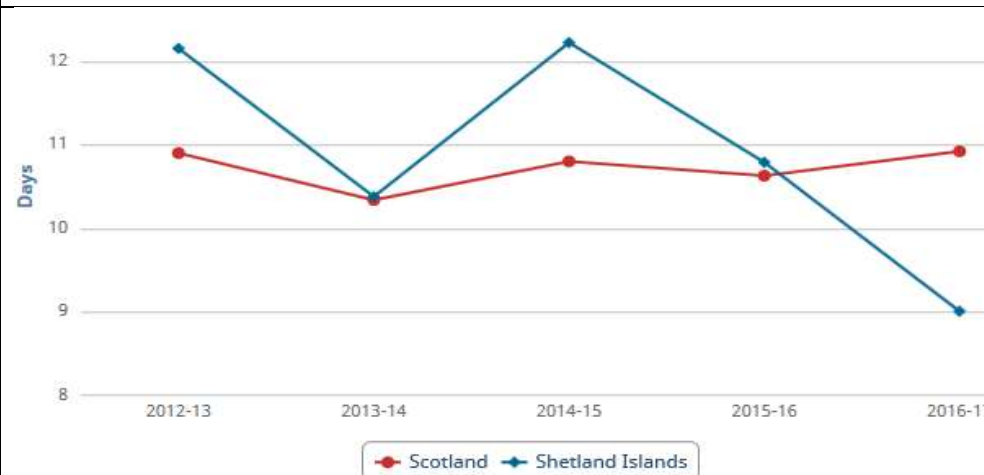
How efficient is my council at collecting council tax?

Past Performance

During 2016/17 there was a further improvement on collection rates, and this resulted in best ever in-year Council Tax collection levels of over 97%.

Data for all Councils

2016-17
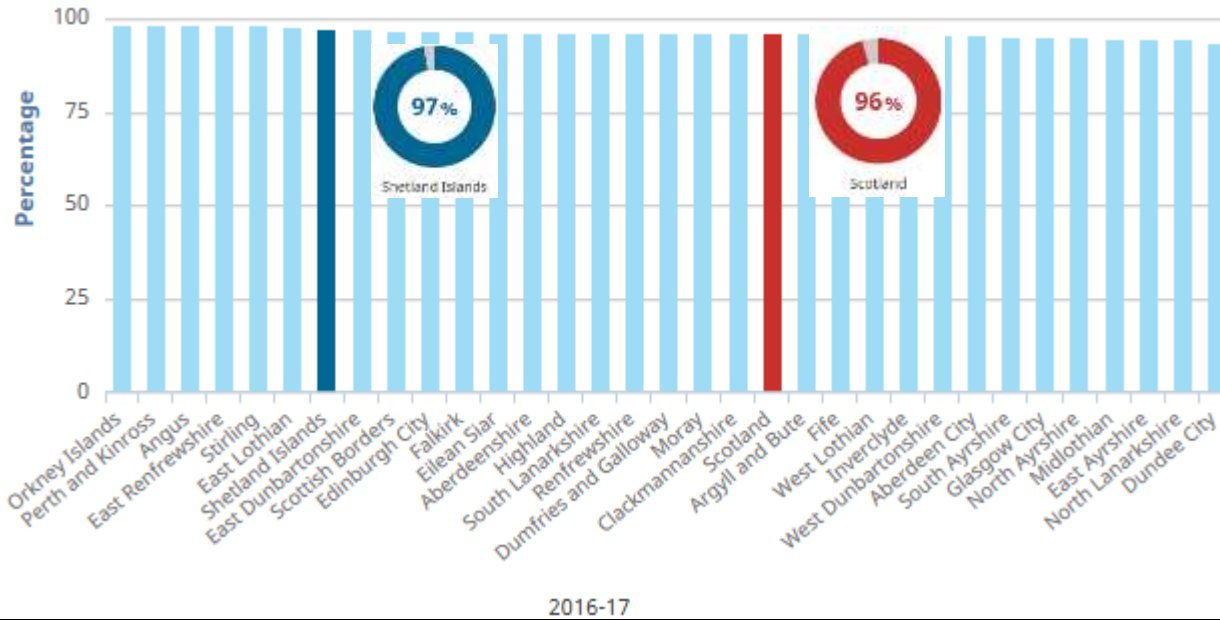
Future Improvement

Seek to maintain current high income collection rates through effective income recovery processes. Continue to monitor collection levels on a monthly basis and discuss at monthly Revenues and Benefits team meetings any issues or means of improvement.

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland   Shetland Islands
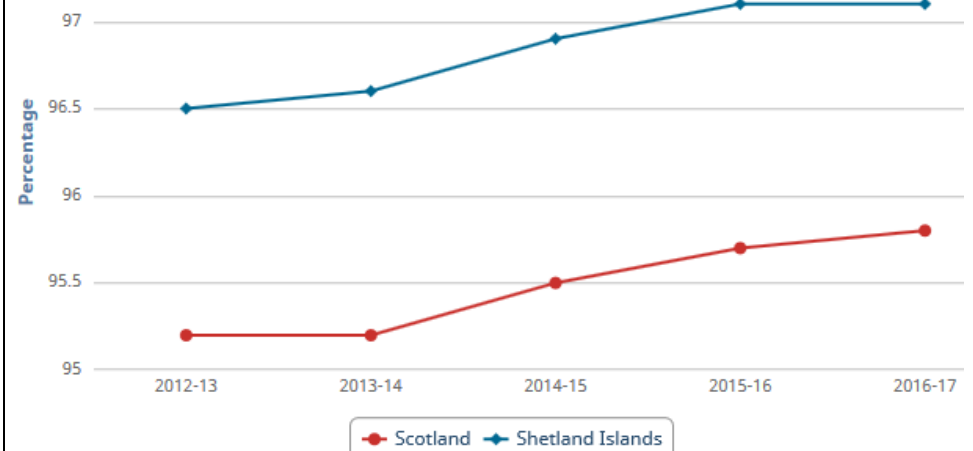
How Efficient is my council at paying invoices on time?

Past Performance

Work has been carried out with Service Areas to identify issues/streamline processes. New software has also been introduced to better manage the flow of invoices from receipt through to authorisation. This has resulted in a significant improvement since 2014/15. However, due to our remote location, many invoices continue to be received several days after the invoice date resulting in a shorted timescale to get them approved and paid.

Data for all Councils

2016-17
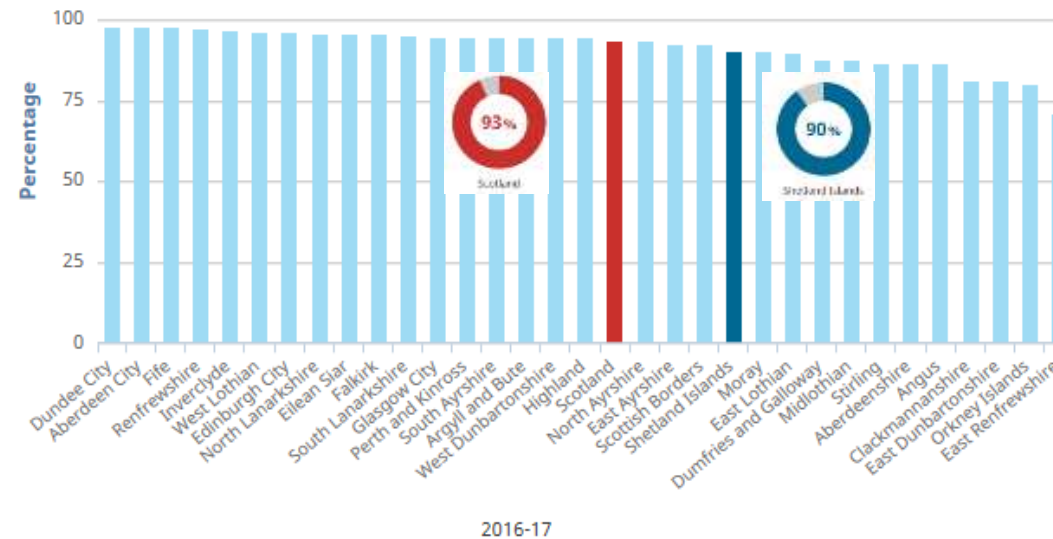
Future Improvement

Realistically there will always be invoices which do not get paid within 30 days. Some are held while disputes are resolved or waiting for the approving officer to return form leave and some are delayed reaching us. Maintaining a figure over 90% is therefore our target going forward and we continue to work with Service Areas to look into any processes that could be streamlined.

Data for Similar Councils
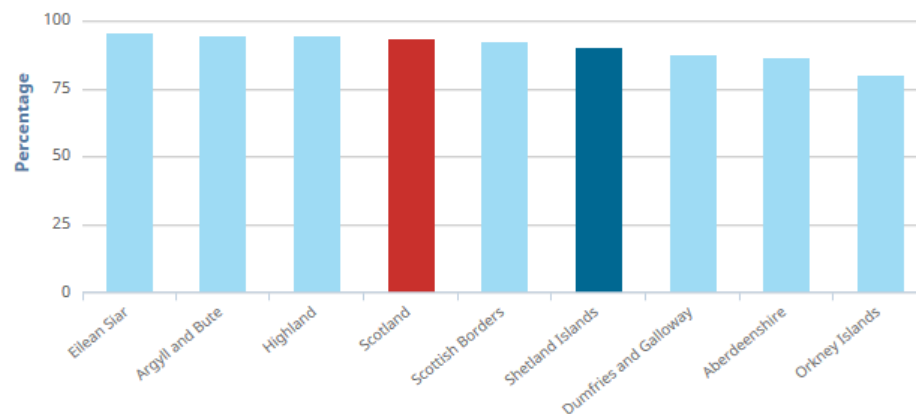
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
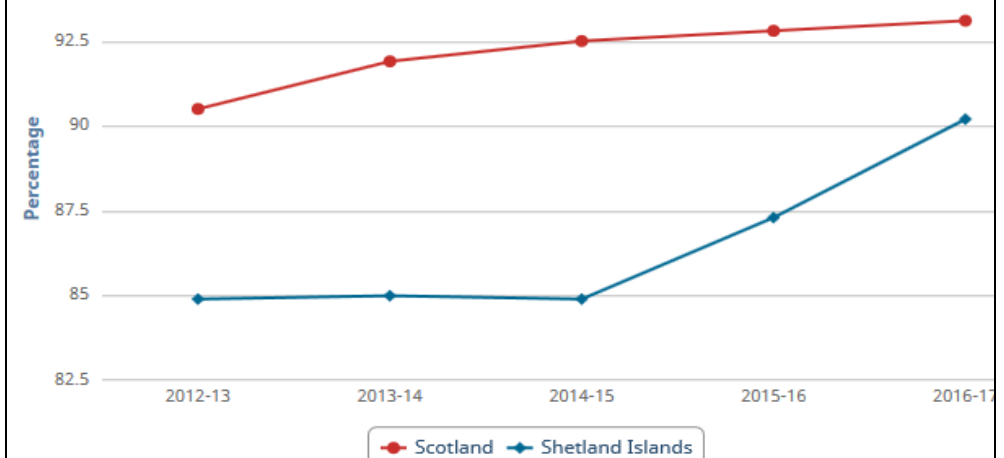
How many council buildings are suitable for their current use?

Past Performance

Over the last year there has been a reduction in the overall floor space of operational properties. Focus has been on making better use of the existing space. Some operational leases have been terminated and existing buildings improved to provide suitable accommodation for service provision. The proportion of operational property considered to be in a suitable condition has therefore improved slightly.

Data for all Councils

2016-17
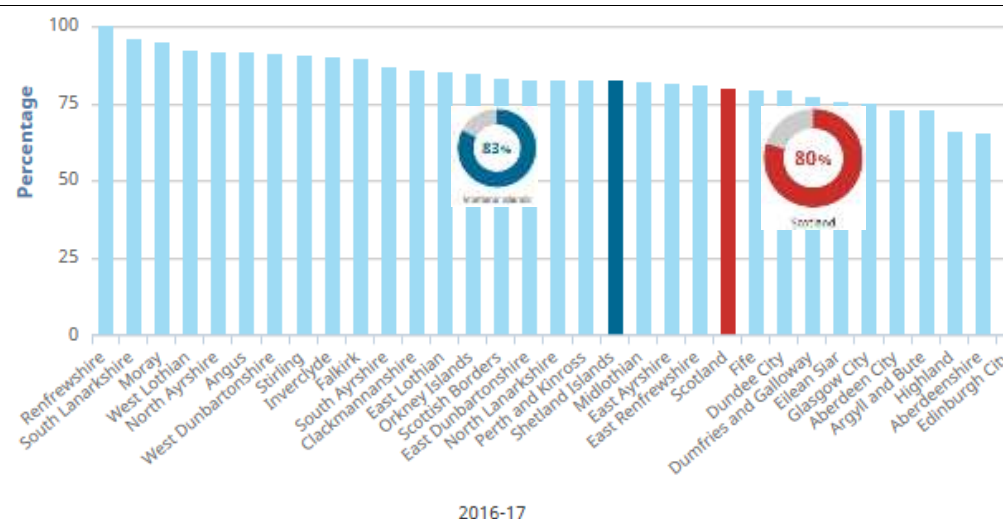
Future Improvement

The Council will continue to improve the suitability of its building assets for service delivery wherever practical to do so. This is undertaken through the application of the Corporate Asset Strategy and implementation plan. In March of this year the Council began to re-occupy the property at 8 North Ness as this was previously evacuated for structural inspections. The commissioning in October 2017 of the new Anderson High School and Halls of Residence has resulted is a significant uplift to the suitability scores. There have also been works undertaken to care homes and schools, improving suitability.

Data for Similar Councils
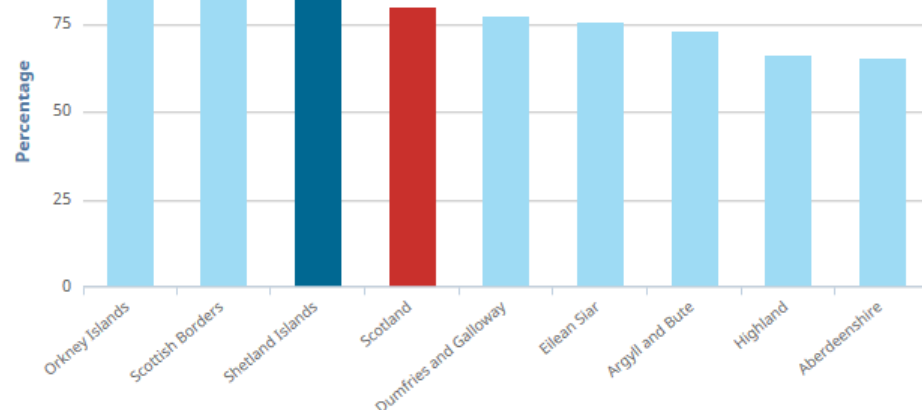
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
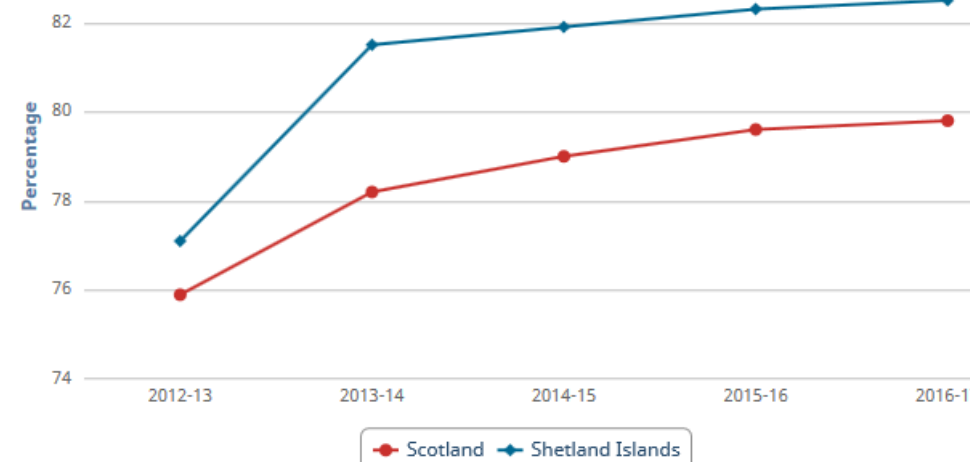
How many Council buildings are in a satisfactory condition?

Past Performance

The number of operational properties has reduced over the past year in line with the Corporate Asset Strategy. This has been through terminating leased-in property and better utilising the existing estate in line with the Corporate Plan. The condition of the stock has improved over the last year with the commissioning of the new Anderson High School and Halls of Residence along with capital works to care homes, schools and civic buildings.

Data for all Councils

85% Scotland

83% Shetland Islands

2016-17
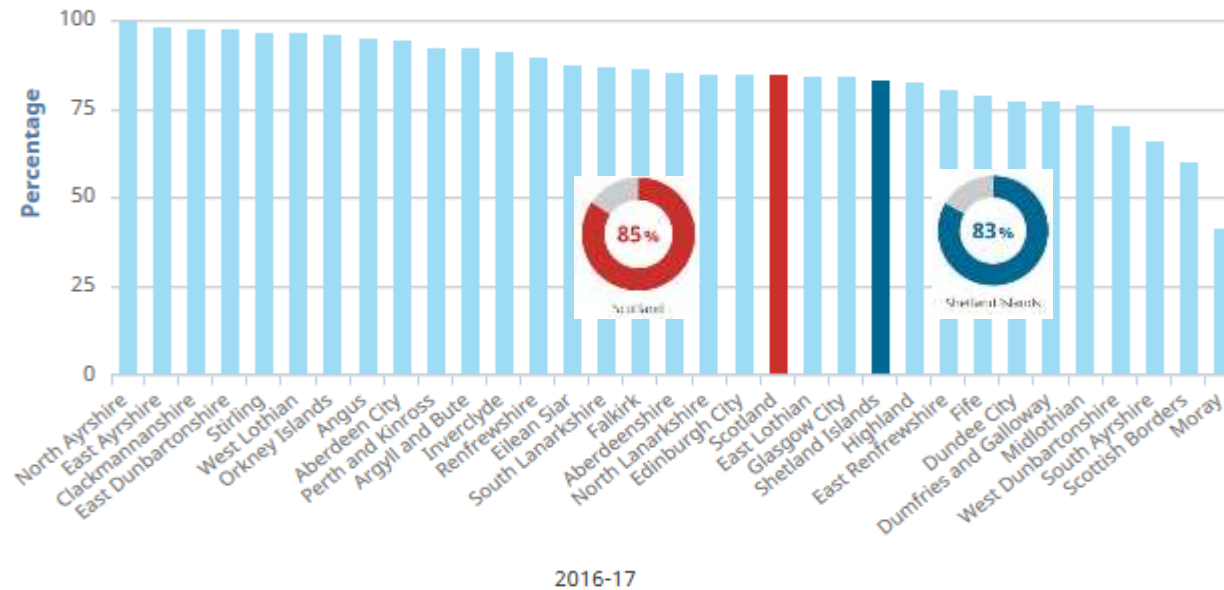
Future Improvement

The Council continues to improve the property portfolio by applying the Corporate Asset Strategy and Implementation Plan. There are two assets currently under construction designed to replace poorly compliant or end of life buildings, which will further improve the condition scores in the next year.

Data for Similar Councils
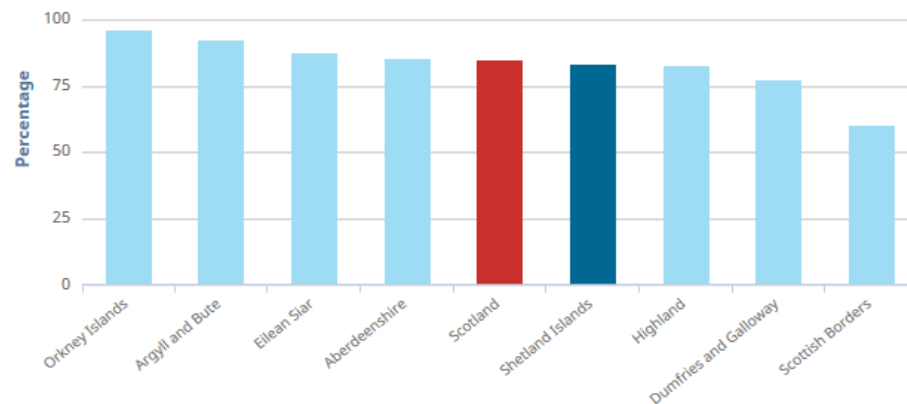
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland — Shetland Islands
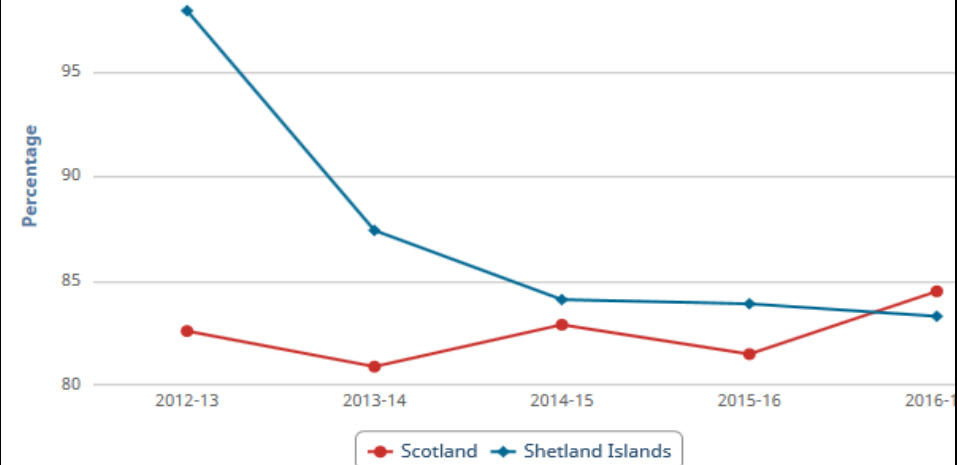
What is the current gender pay gap for staff in my council?

Past Performance

There is limited scope to compare the 2014 and 2016 Equal Pay audits because they are drawn from different data sets.

While the 2016 audit looks at 2015/16 pay and enhanced holiday pay was implemented wef 1/1/2016, it was paid out during 2016/17 and backdated to 1/01/2016. Given the male dominance apparent in pay for additional terms and conditions set out at 4.3 above, the impact of enhanced holiday arrangements will increase the gender pay gap figures, other than on basic pay. The pattern of occupational segregation revealed in the Equal Pay audit shows that there are roles within the Council that have predominant gender occupancy. It is recognised that this comes about from a number of factors, including attitudes and expectations based on gender norms and stereotyping, availability of flexible working, and unequal primary caring responsibilities.

Data for all Councils
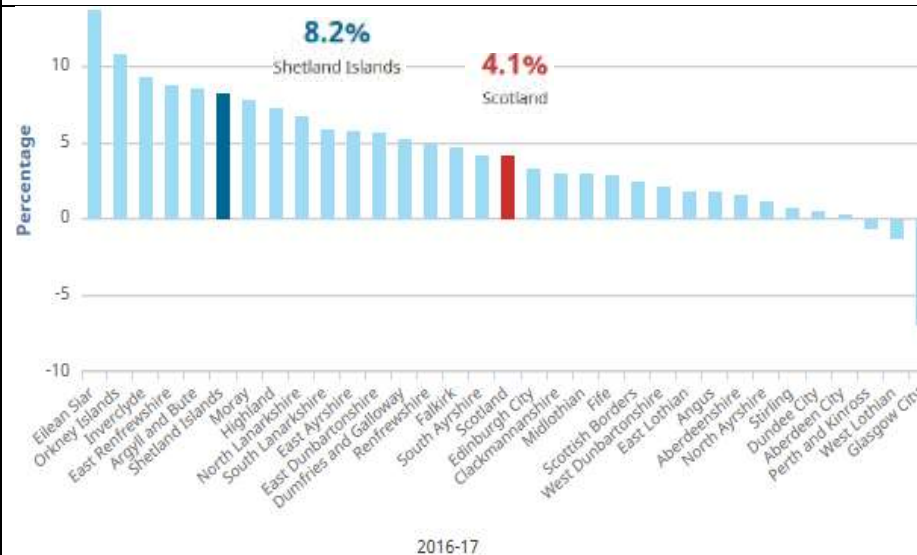
Future Improvement

The 2016 Equal Pay Audit Action Plan sets out further planned research and proposals that will address occupational segregation although it is acknowledged that it will take some time for improvements to work through into the gender pay gap. While the published gender pay gap figure looks at basic pay, data is provided in the 2016 Equal Pay audit on the impact of other pay and terms and conditions and shows that further analysis is required on how these terms and conditions impact across council posts.

Data for Similar Councils
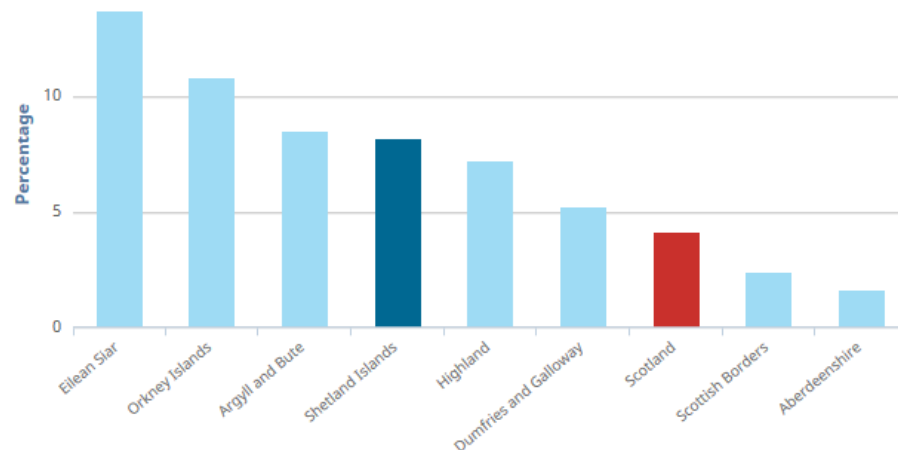
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
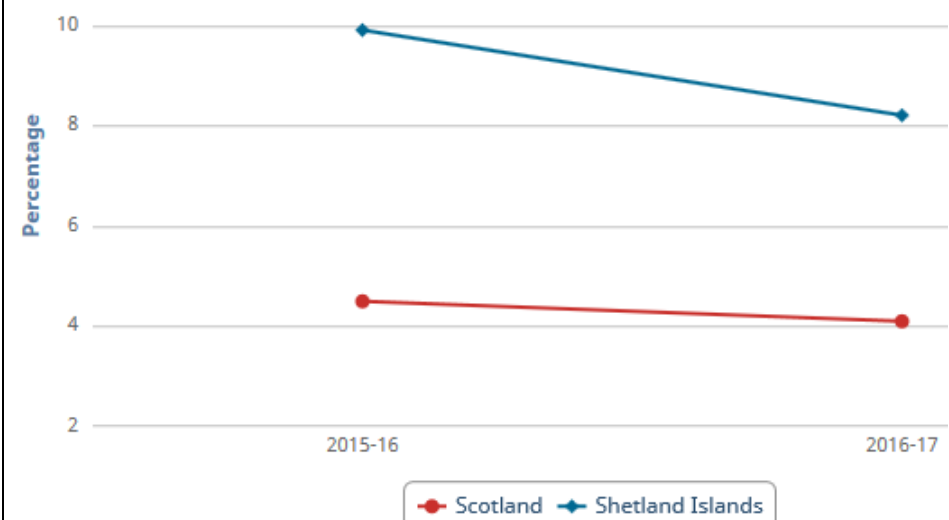
Appendix C – Adult Social Care – Local Government Benchmarking Framework Indicators

1. How much does my council spend on providing care to support older people to live at home (£ per hour)?

2. How many people needing social work support use direct payments or personalised managed budgets to meet their support needs?

3. How many older people with intensive needs are supported by my council so that they can remain at home?

4. How much does my council spend on providing residential care for older people (per person, per week)?

How much does my council spend on providing care to support older people to live at home (£ per hour)?

Past Performance	Data for all Councils	Future Improvement
We have been continuing to implement our reablement programme to enable people to live for longer in their own home increasing their independence.		Continue to drive efficiencies and integrate services to reduce costs and while increasing opportunities for people to stay at home for longer.
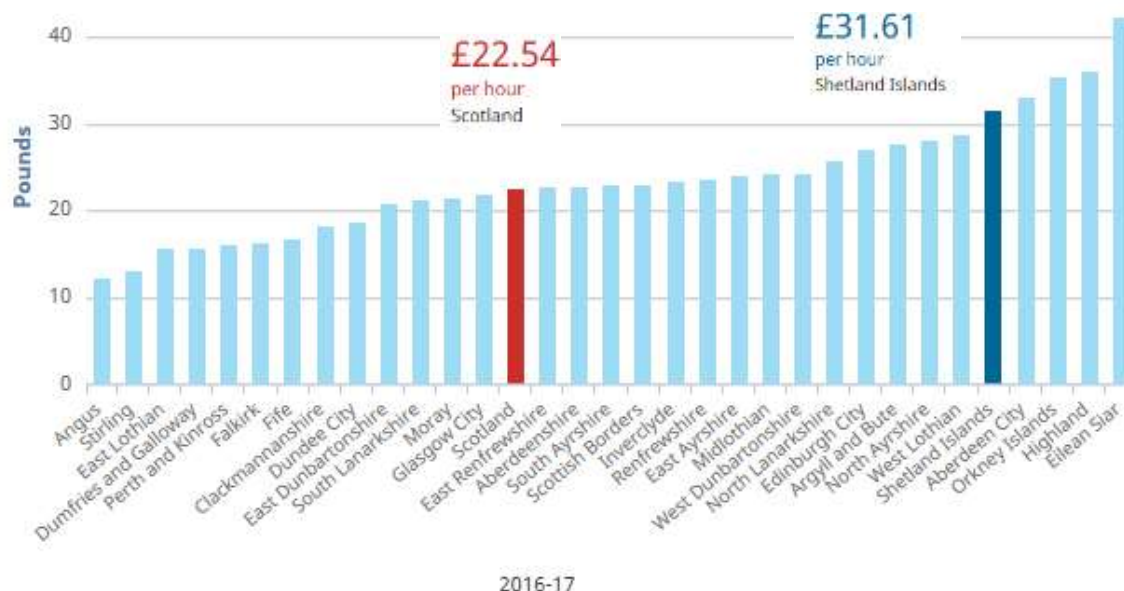
Data for Similar Councils
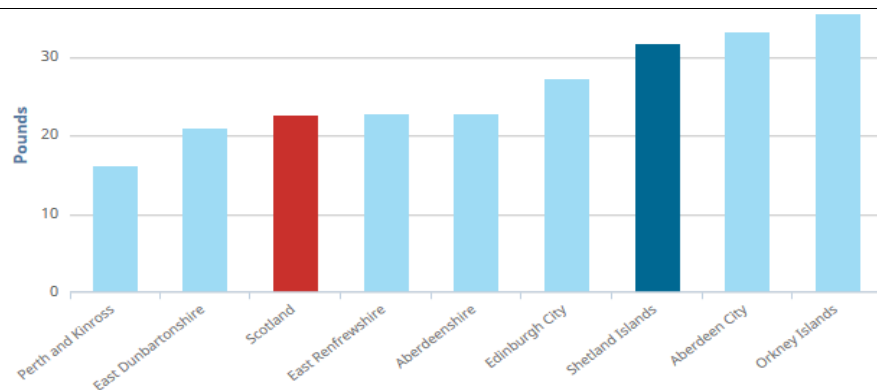
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time
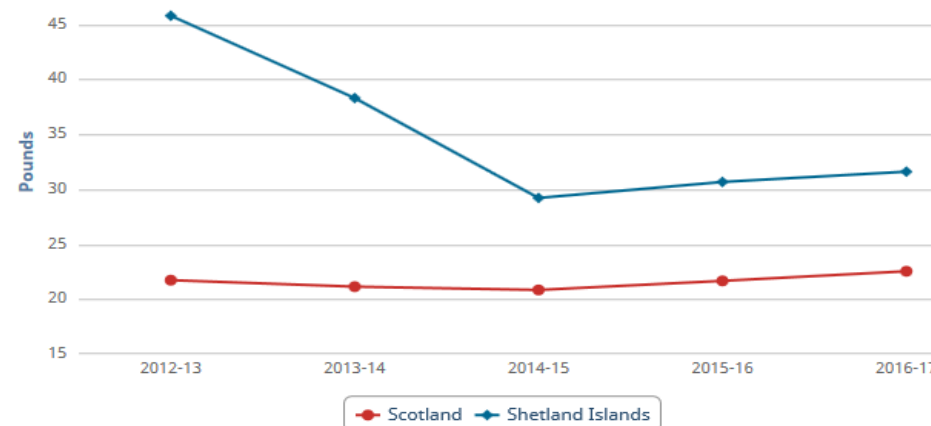
How many people needing social work support use direct payments or personalised managed budgets to meet their support needs?		
Past Performance	Data for all Councils	Future Improvement
Use of Direct Payments/personal budgets has almost doubled in Shetland since the SDS Act came into force in 2014, which bucks the Scottish trend of a decline. New assessment training and SDS awareness training with staff started in 2015, where there is noticeable increase in direct payments and personal budgets.	2016-17	Continue to raise awareness of the SDS Options at assessment and review with individuals and through training with staff. Promote the development of independent services to support people with personal budgets. Improvements need to be made on how we capture data regarding option choices.
Data for Similar Councils		Data over time
For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation		
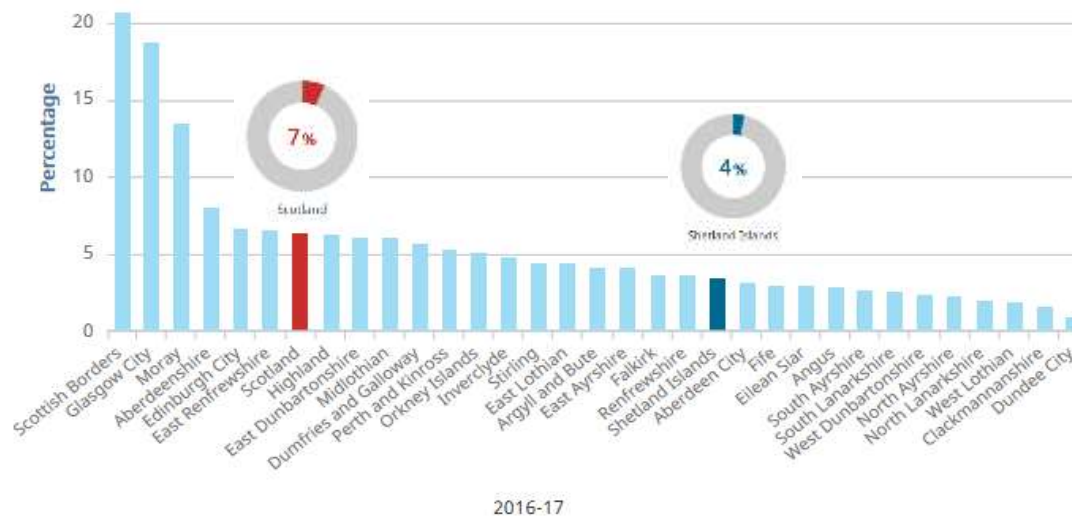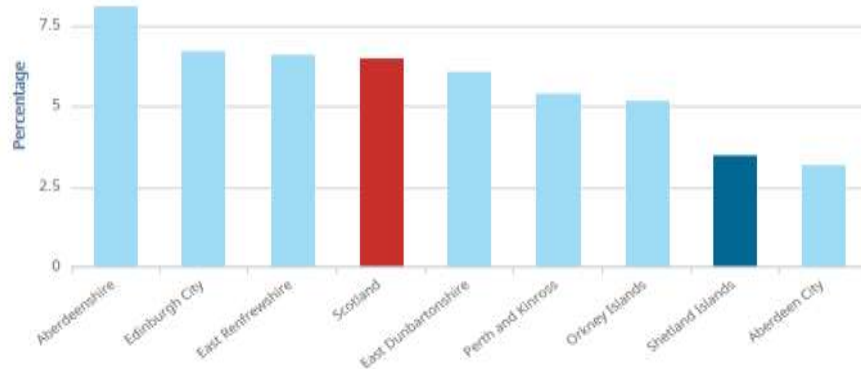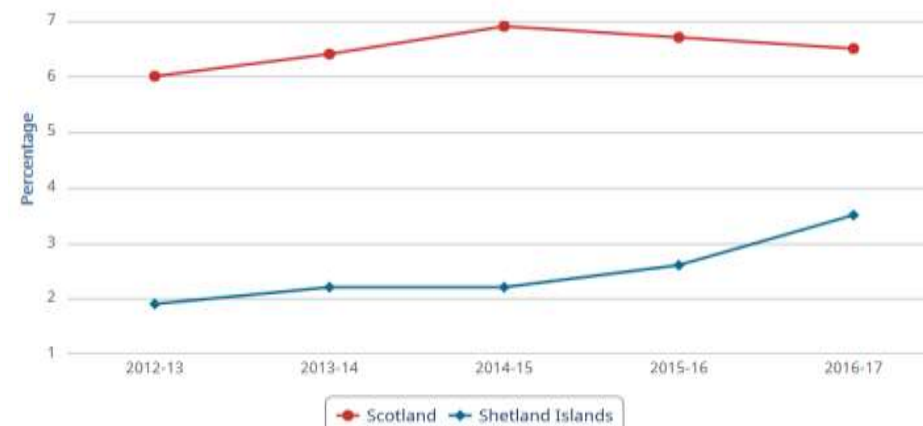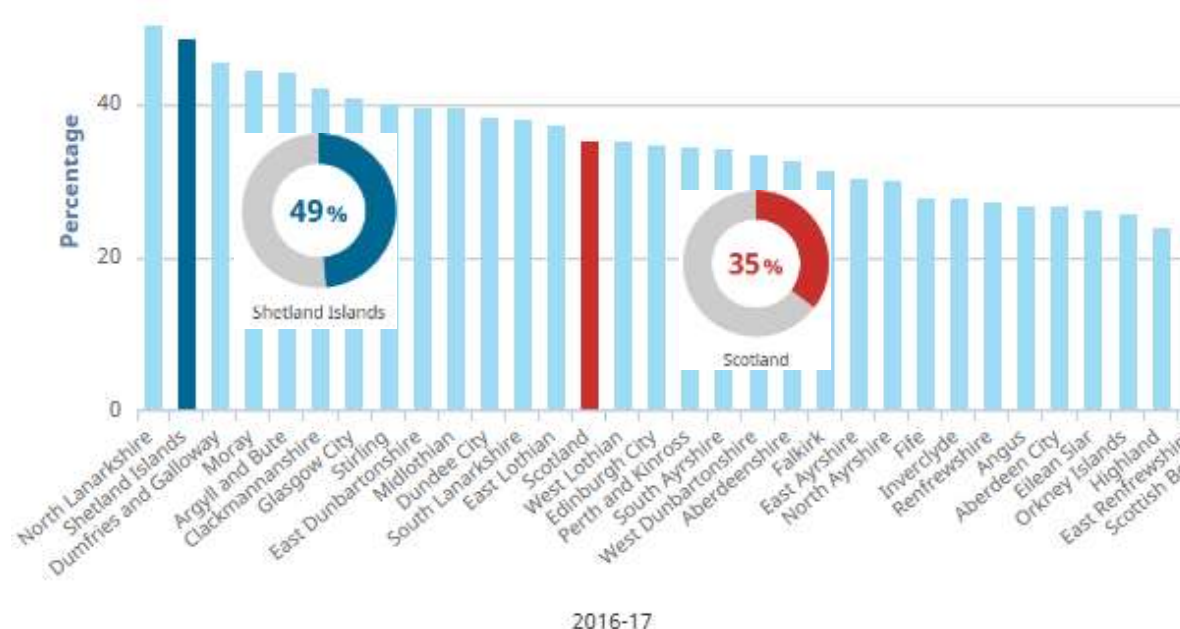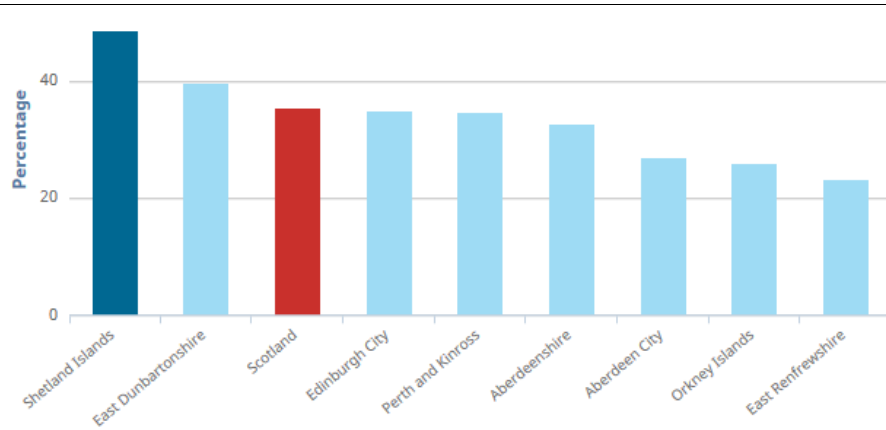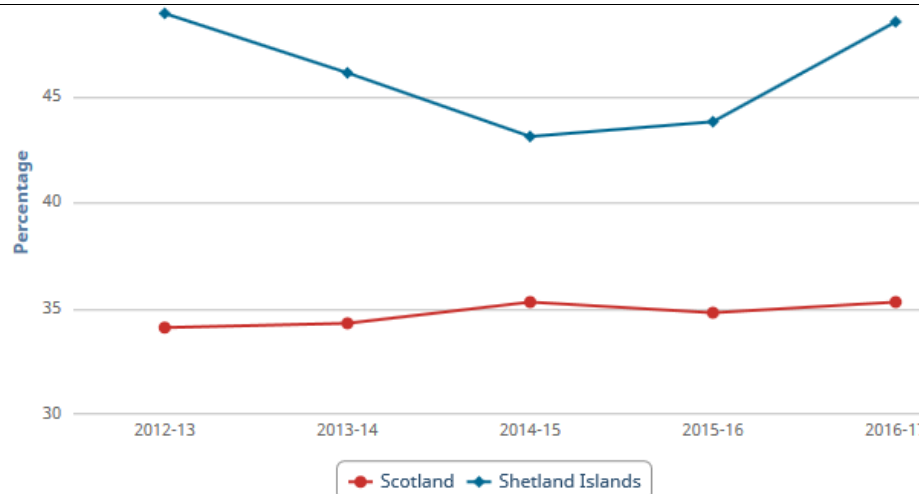
How many older people with intensive needs are supported by my council so that they can remain at home?

Past Performance	Data for all Councils	Future Improvement
Consistently deliver a high level of care into people's homes as an alternative to receiving residential care services.	2016-17	Continue to work closely with agencies and integrating services to enable people to stay at home for longer. It should be noted that reablement and telecare services also enable people to stay at home without necessarily delivering an 'intensive care' package.

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

Scotland — Shetland Islands

How much does my council spend on providing residential care for older people (per person, per week)?

Past Performance

As with other island authorities, we are one of the most expensive in terms of service provision. Mainland authorities run at a lower cost due to competitive private availability and larger residential units.

Data for all Councils

£1,344 per week Shetland Islands

£375 per week Scotland

2016-17
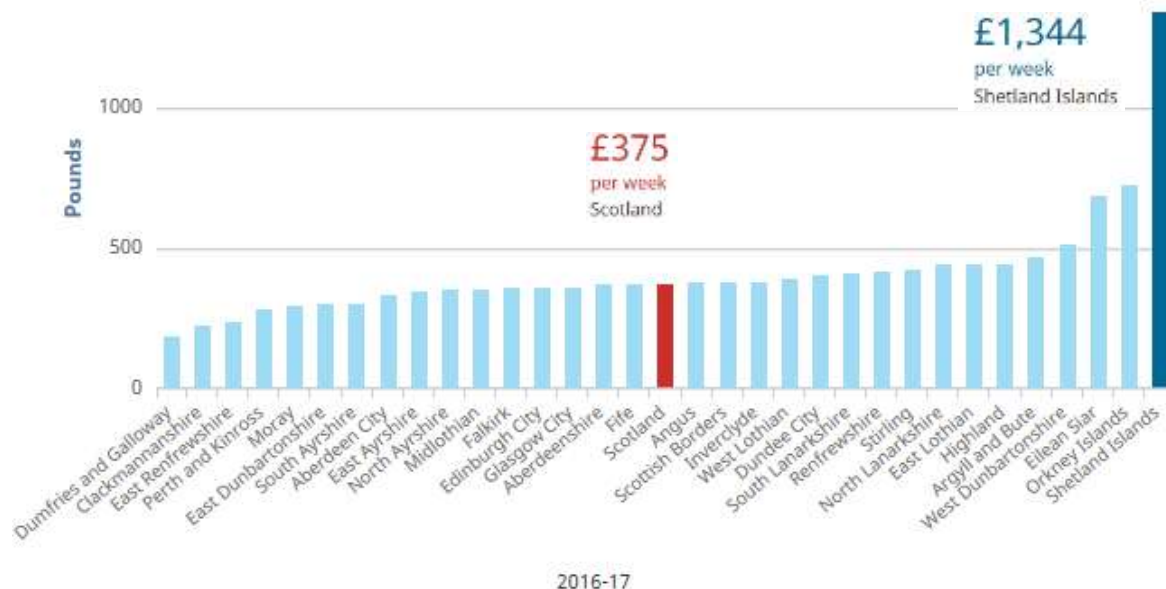
Future Improvement

Staffing has not increased, however employee costs have risen, due to pay increase/changes to NI & Pension and also additional holiday pay. As Employee cost represent the largest proportion of cost, it will impact on the figures. Improvement statement from Finance: A significant piece of work has been done on Sustainable Service Models Social Care Business Case, looking at ways in which a more integrated approach to residential care and care at home services can ensure sustainable service delivery in the future.

Data for Similar Councils

For Children's Services, Adult Social Care Services and Housing Services indicators similar councils are grouped by their level of deprivation

Data over time

Scotland ← Shetland Islands
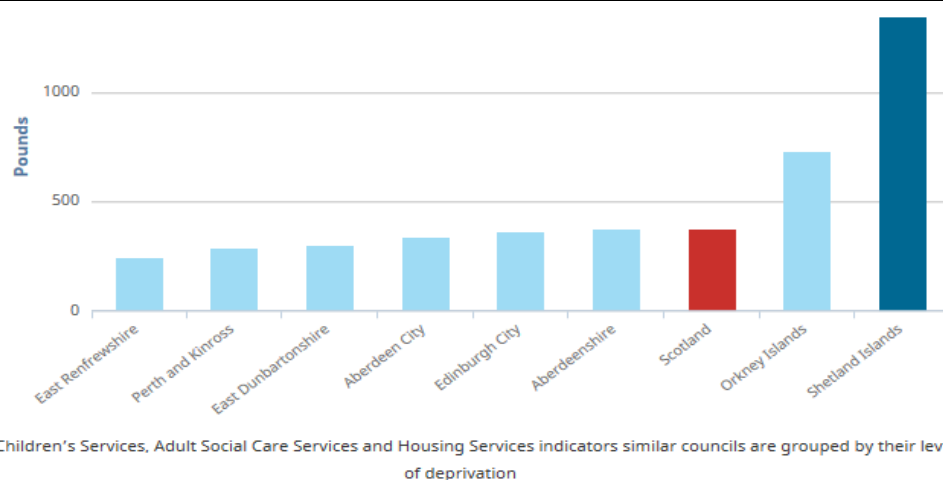
Appendix D – Economic Development – Local Government Benchmarking Framework Indicators

1.   How many unemployed people have been assisted into work by my council?

2.   How much does it cost for each planning application?

3.   How long does it take my council to deliver a commercial planning application decision (on average)?

4.   What percentage of my Councils' procurement is spent on local small/medium enterprises?

5.   How many business gateway supported start-ups are there in my council?

How many unemployed people have been assisted into work by my council?

Past Performance

A lower percentage of people have been assisted in Shetland, compared to the Scottish average; this reflects Shetland's lower unemployment rate and a higher proportion of those receiving support with more complex barriers to employment.

Shetland's performance is favourable, compared to similar Councils, which could be attributable to Shetland's Employability Pathway, established on 1st April 2015.

The improvement in performance between 2014/15 and 2016/17 can, again, be attributed to the Pathway.

Data for all Councils

14.0% Scotland

13.7% Shetland Islands

2016-17
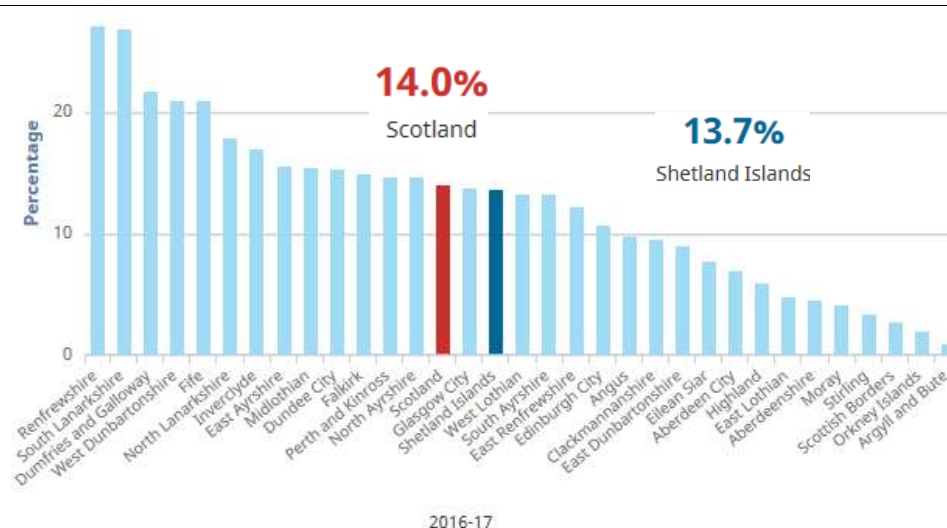
Future Improvement

The expectation is that further improvements will be seen, as the Pathway becomes fully embedded as a way of working across partner agencies in Shetland.

Data for Similar Councils
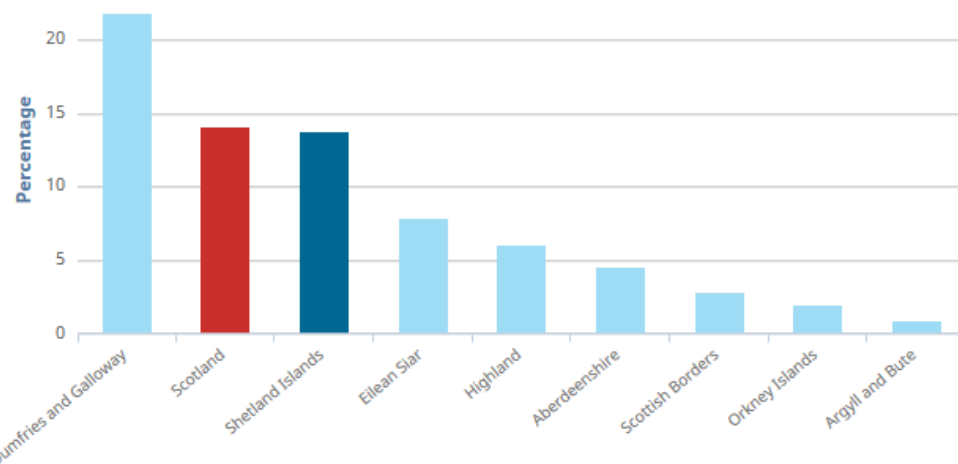
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland — Shetland Islands
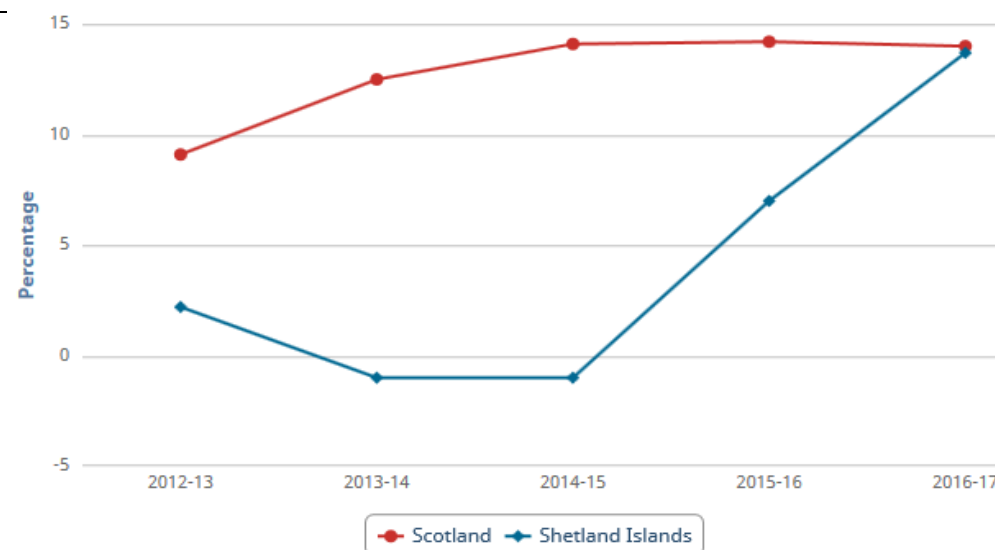
How much does it cost for each planning application?

Past Performance

The cost of a planning application is dependent on the size and nature of development. The fees are set nationally. Staffing Issues have had an impact on this indicator.
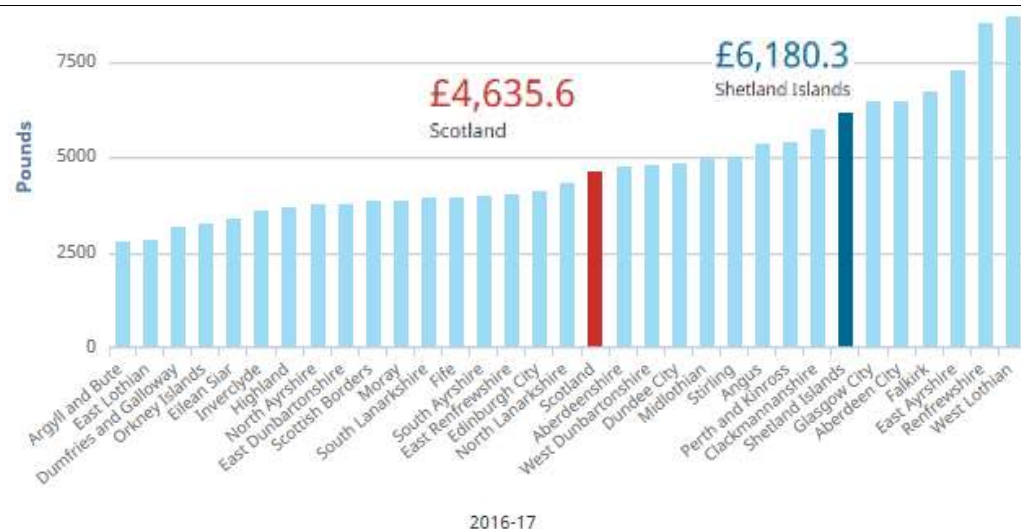
Data for all Councils

Future Improvement

Continue to review and monitor.

Data for Similar Councils
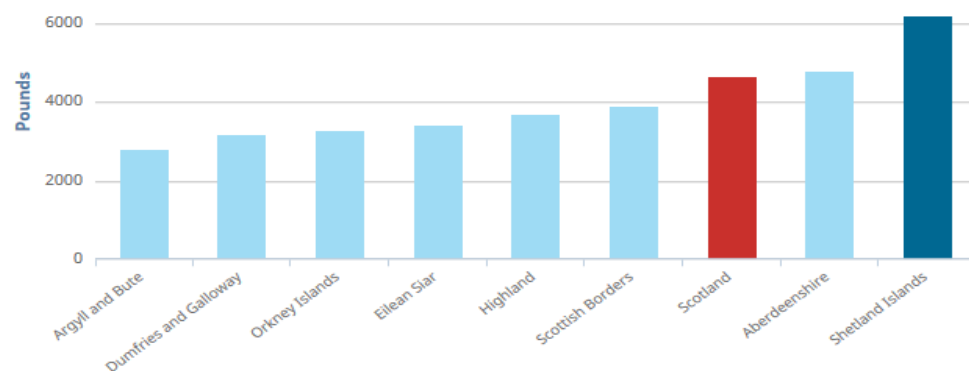
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
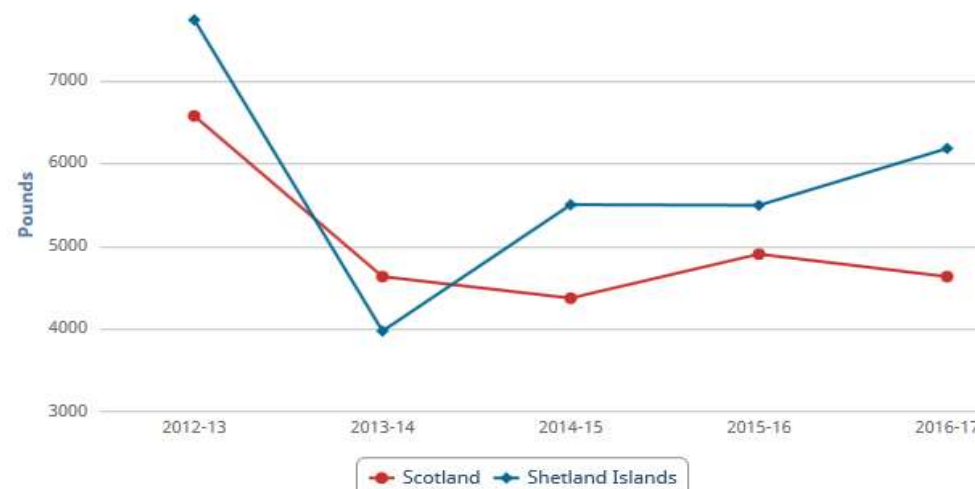
How long does it take my council to deliver a commercial planning application decision (on average)?

Past Performance	Data for all Councils	Future Improvement
Our performance is slightly improved from the previous period, but remains slower in terms of average timescale than the Scottish average.		Continue to review and revisit promotion to applicants of availability and promotion of pre-application discussions, to help see that applications contain appropriate information at the outset.

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

What percentage of my Councils' procurement is spent on local small/medium enterprises?

Past Performance

The figures we currently have for the Council's SME procurement spend for 2016/17 are 83% overall and a local spend of 45%. It is understood that the majority of local suppliers are SME's.

Data for all Councils

2016-17
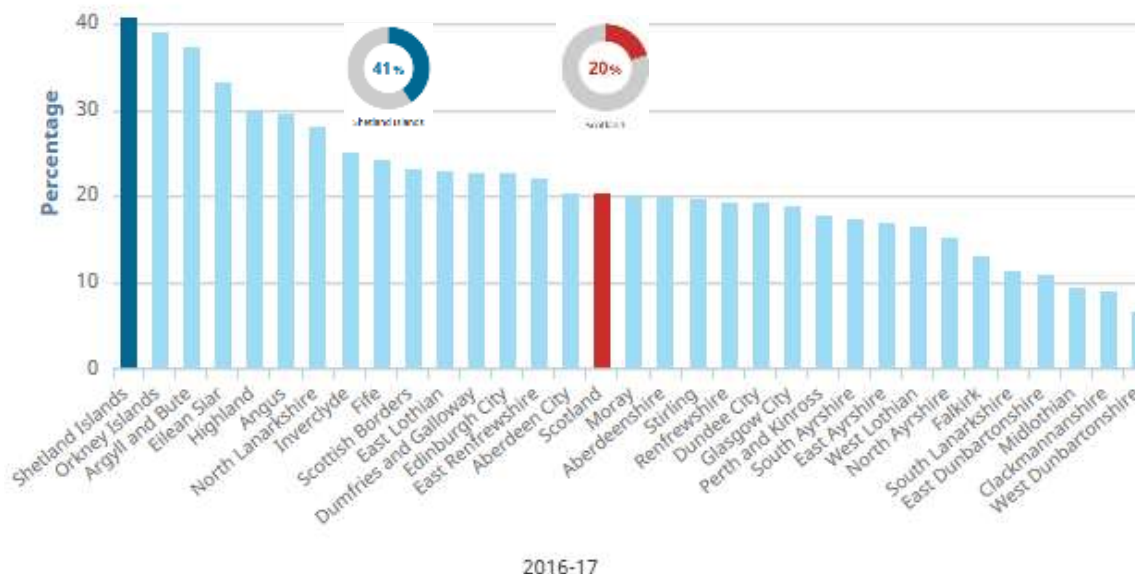
Future Improvement

Future improvement is covered through working with local suppliers via telephone and face-to-case communication and supplier events.

Data for Similar Councils
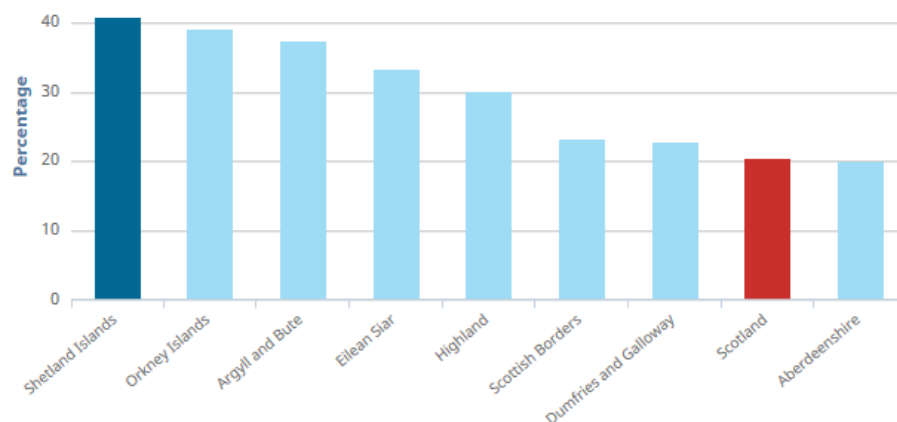
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
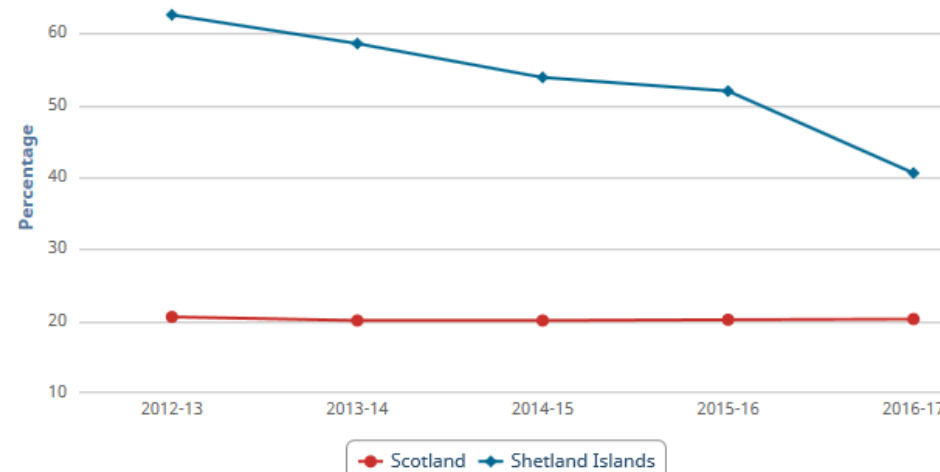
How many business gateway supported start-ups are there in my council?

Past Performance

The low level of unemployment in Shetland impacts on this indicator.

Data for all Councils

Future Improvement

Continue to review and monitor.

Data for Similar Councils
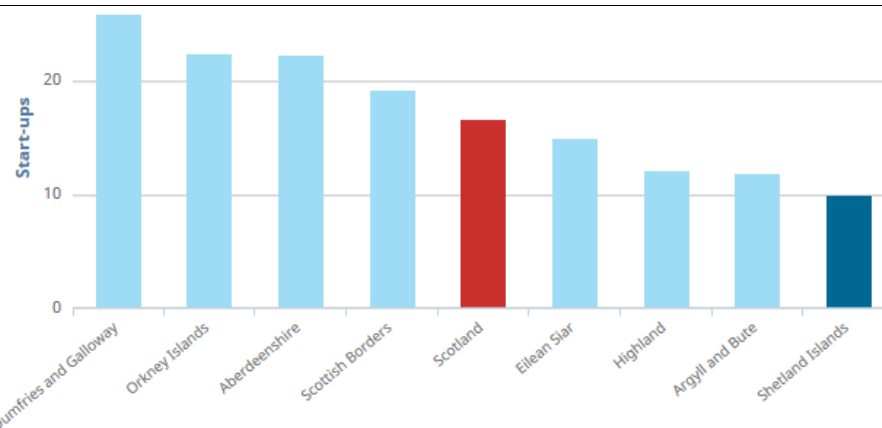
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
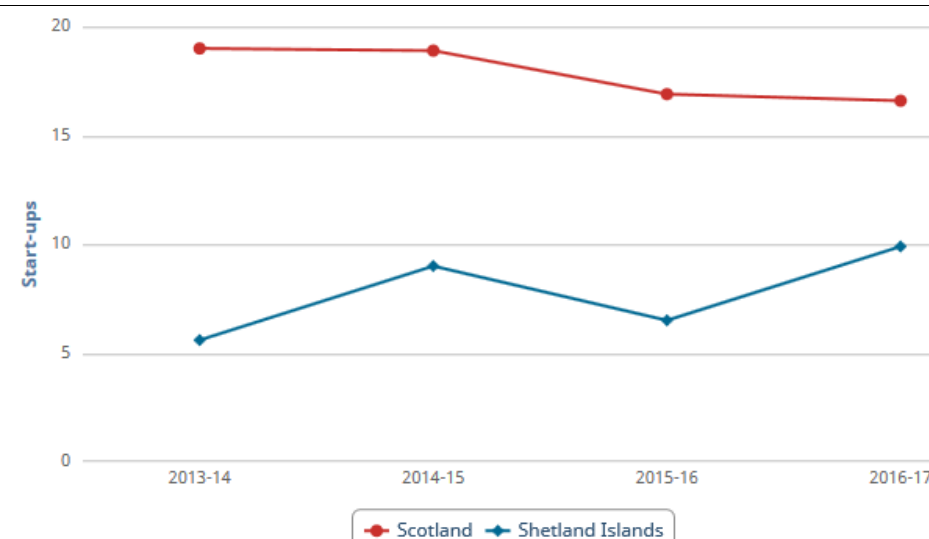
Appendix E – Environmental Services – Local Government Benchmarking Framework Indicators

1.   How much does my council spend on refuse collection (net) (£ per premise)?

2.   How much does much council spend on waste disposal (e.g. recycling and landfill) (net) (£ per premise)?

3.   How much does much council spend on street cleaning (£ per 1,000 people)?

4.   How clean are my local streets?

5.   How much does my council spend on maintaining the condition of my road (£ per kilometre)?

6.   How many of my local A class roads are in need of repair?

7.   How many of my local B class roads are in need of repair?

8.   How many of my local C class roads are in need of repair?

9.   How many of my local unclassified roads are in need of repair?

10.   How much does my council spend on providing trading standards (£ per 1,000 people)?

11.   How much does my council spend on providing environmental health (£ per 1,000 people)?

12.   How much household waste is recycled by my council?

13.   How satisfied are residents with local refuse collection?

14.   How satisfied are residents with local street cleanliness?

How much does my council spend on refuse collection (net) (£ per premise)?

Past Performance

Taking active steps to reduce costs, reduce staff numbers and reduce equipment costs. Cost has gone down because waste disposal charges were included the previous year.

Data for all Councils

£48.0 per premise Shetland Islands

£64.5 per premise Scotland

2016-17

Future Improvement

Service is reviewing routes and considering best practice to improve efficiency.

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
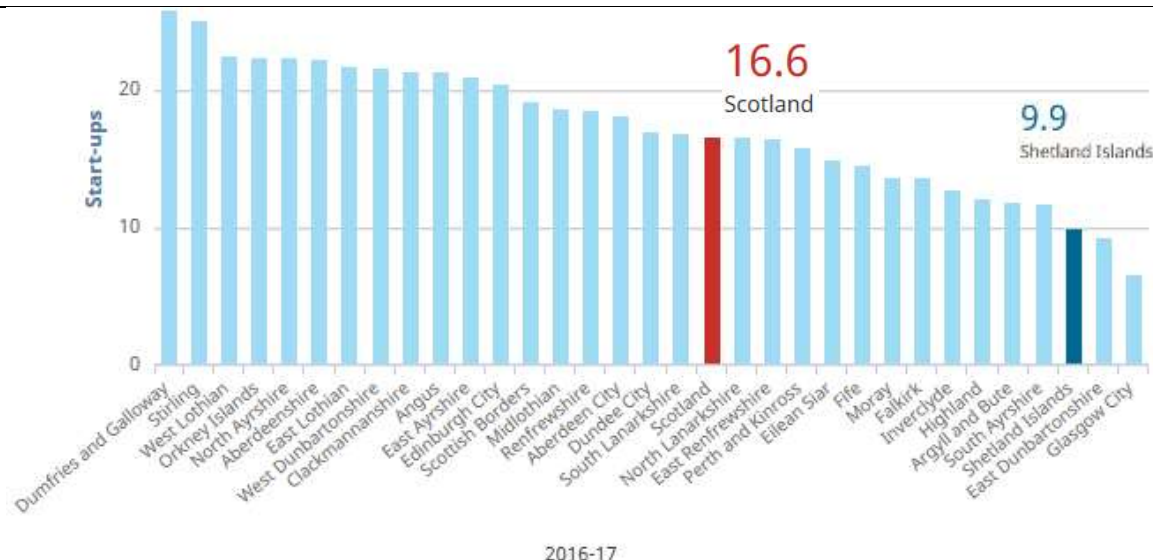
Data over time

Scotland   Shetland Islands

How much does much council spend on waste disposal (e.g. recycling and landfill) (net) (£ per premise)?

Past Performance

Apparent costs have gone up because disposal charges were not included before. Also, the amenity site (which is a disposal facility) was incorrectly charged to collection.

Data for all Councils

£69.4 per premise Shetland Islands

£98.8 per premise Scotland

2016-17
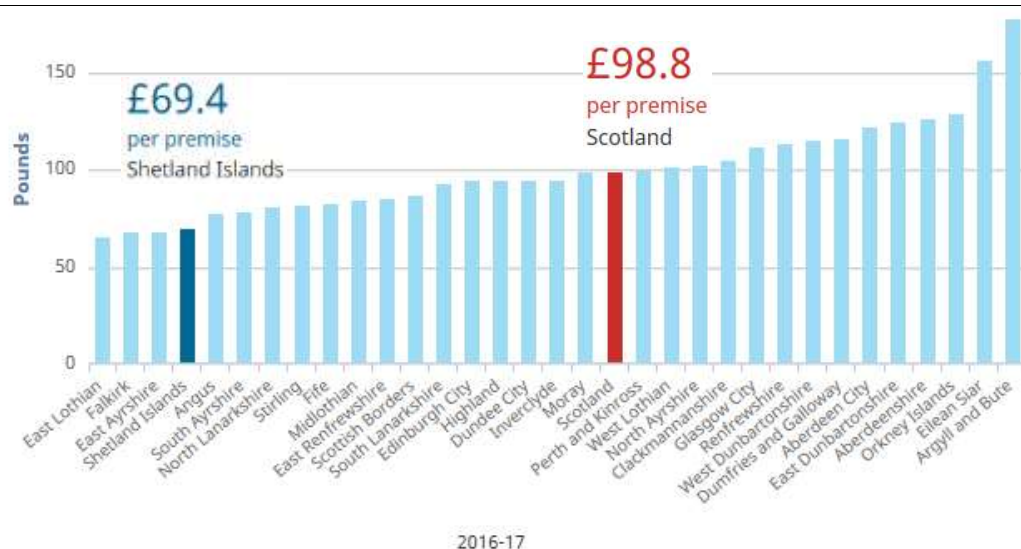
Future Improvement

To maintain the service we provide with new vehicles and improvements on collection routes. Work is ongoing to ensure that this indicator is measuring like-for-like between Councils.

Data for Similar Councils
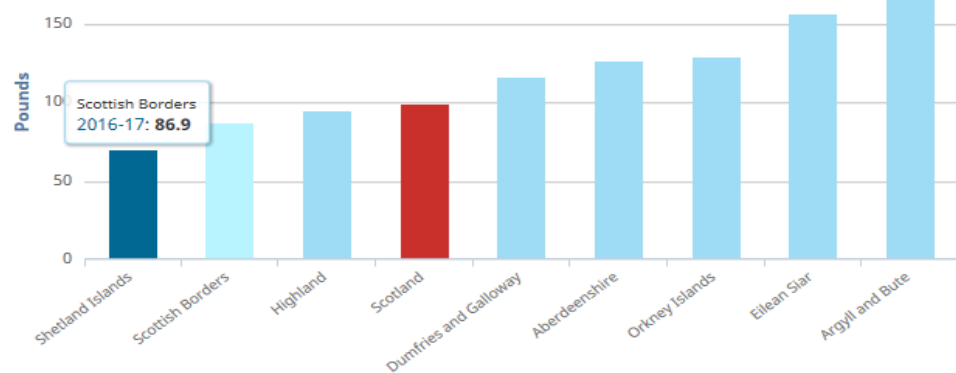
Scottish Borders 2016-17: 86.9

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
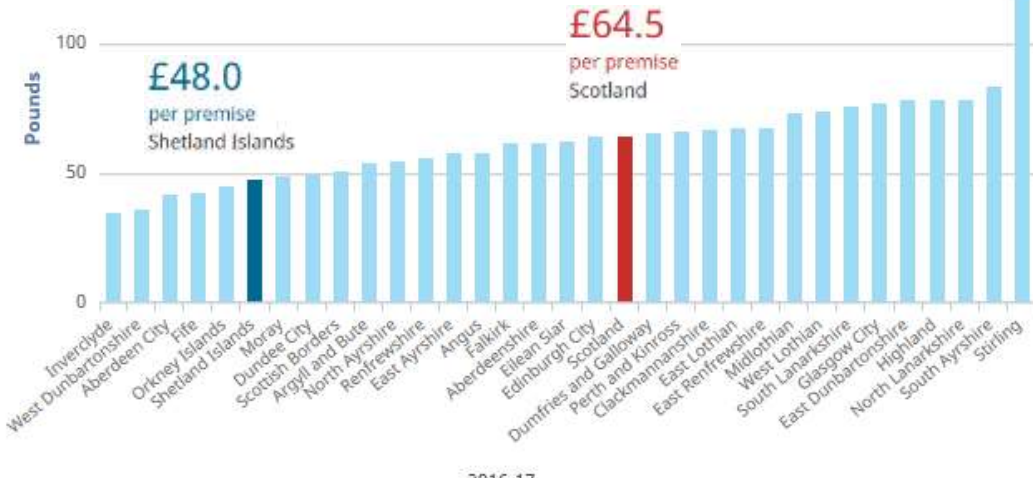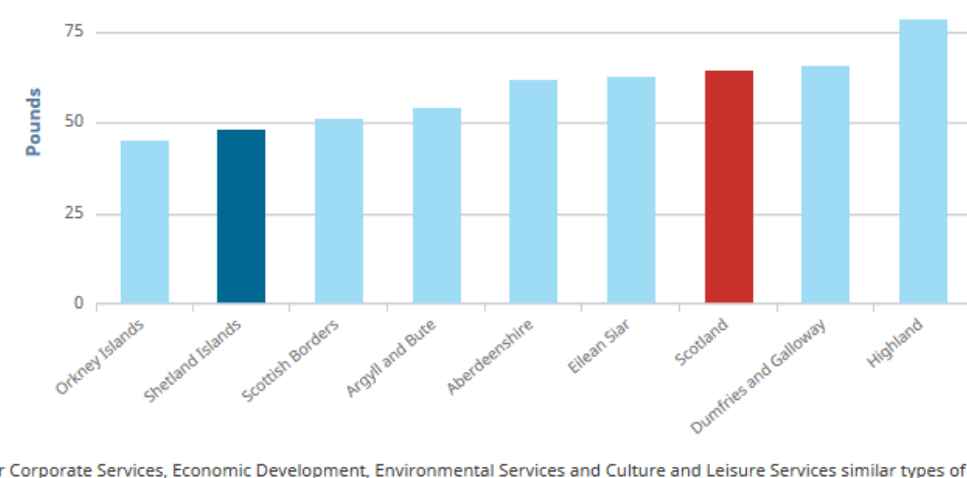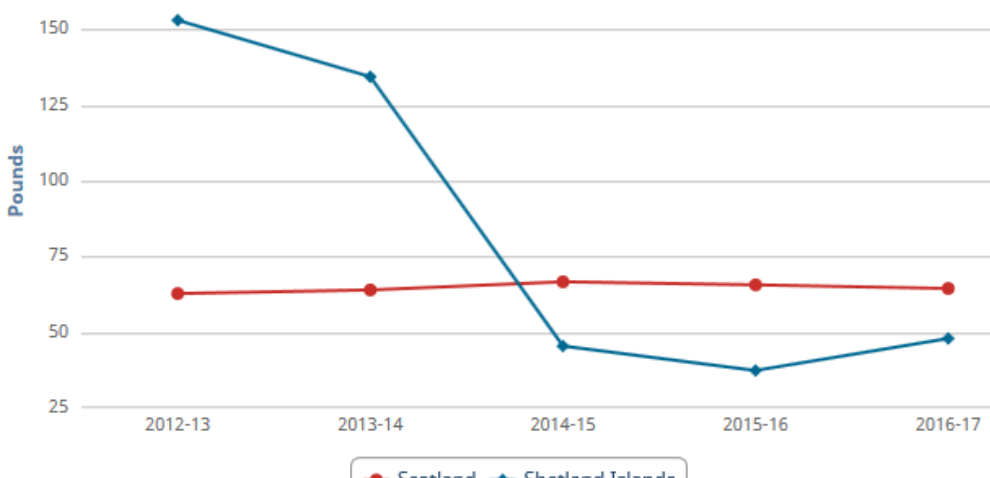
Data over time

Scotland — Shetland Islands
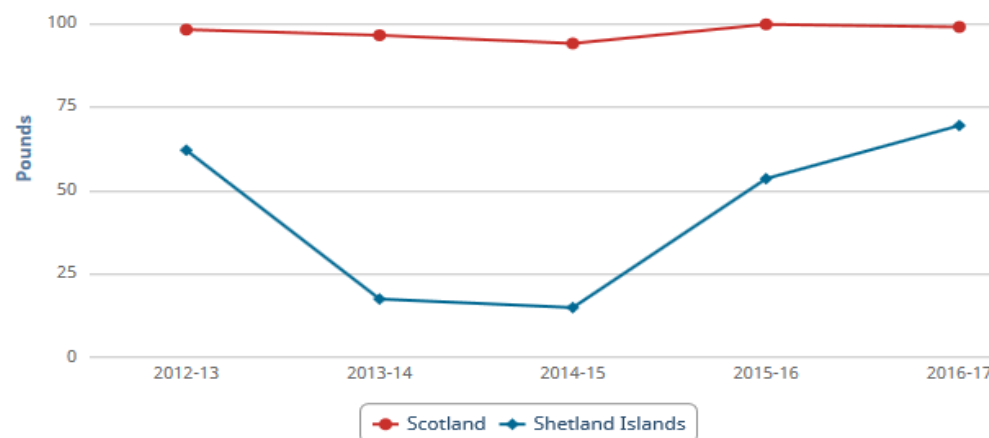
How much does much council spend on street cleaning (£ per 1,000 people)?

Past Performance	Data for all Councils	Future Improvement
The council achieves a high cleanliness score at below average costs		Staff are fully engaged in maintenance to a high cleaning standard. This is actively monitored and reported to maintain performance.

Data for Similar Councils
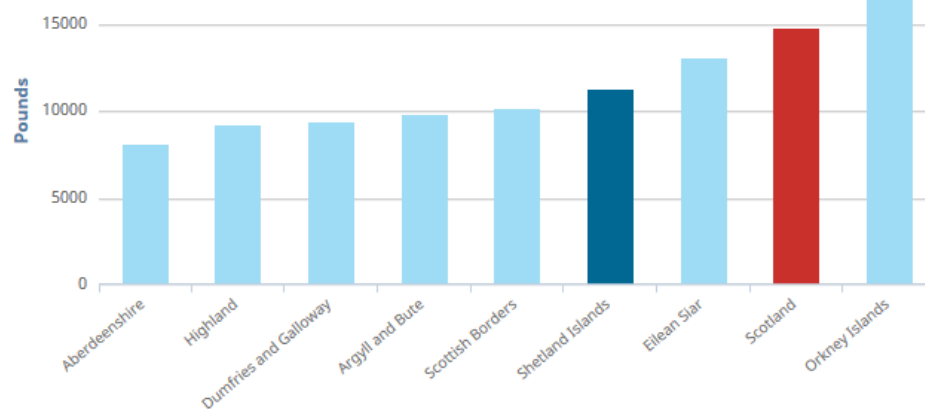
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
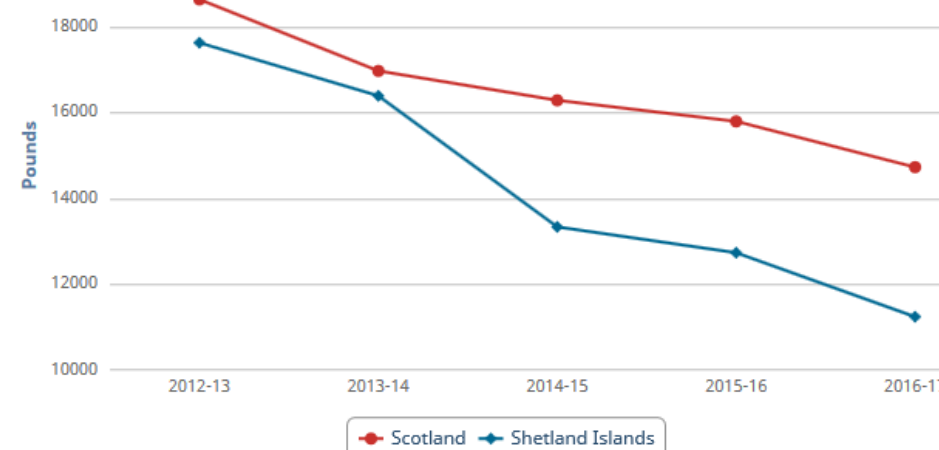
How clean are my local streets?

Past Performance	Data for all Councils	Future Improvement
The council achieves a high clean score at below average costs		Staff are fully engaged in maintenance to a high cleaning standard. This is actively monitored and reported to maintain performance.

Data for Similar Councils
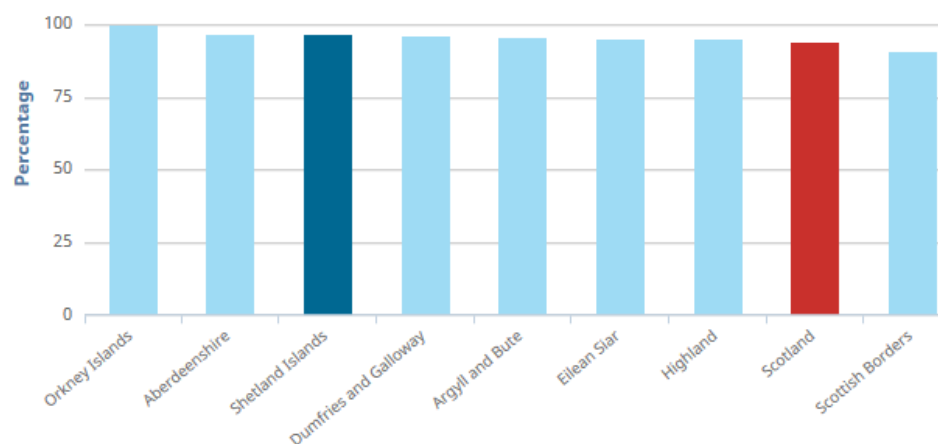
Data over time

How much does my council spend on maintaining the condition of my road (£ per kilometre)?

Past Performance

The programmed works were completed on budget. Budgets have been reduced in line with the Council's medium term financial plan. This is reflected in our performance in comparison to other authorities with our expenditure per km in the lower third.

Data for all Councils

£6,475 per kilometre Shetland Islands

£10,456 per kilometre Scotland

2016-17
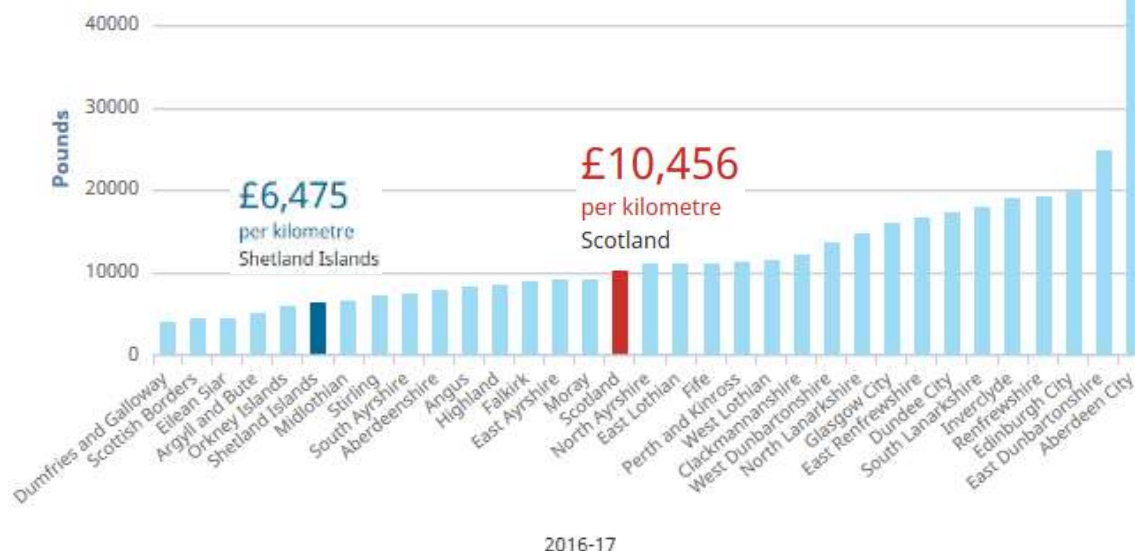
Future Improvement

The Council' Financial Plan is that each service make a 2% efficiency saving year on year.

Data for Similar Councils
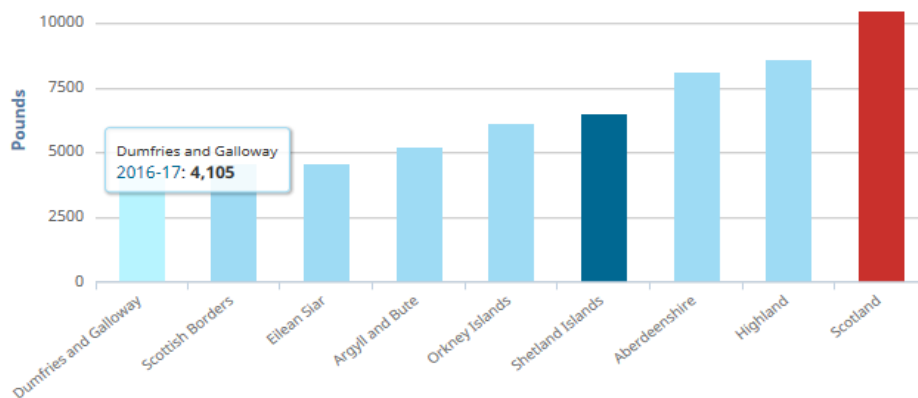
Dumfries and Galloway
2016-17: 4,105

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland Shetland Islands
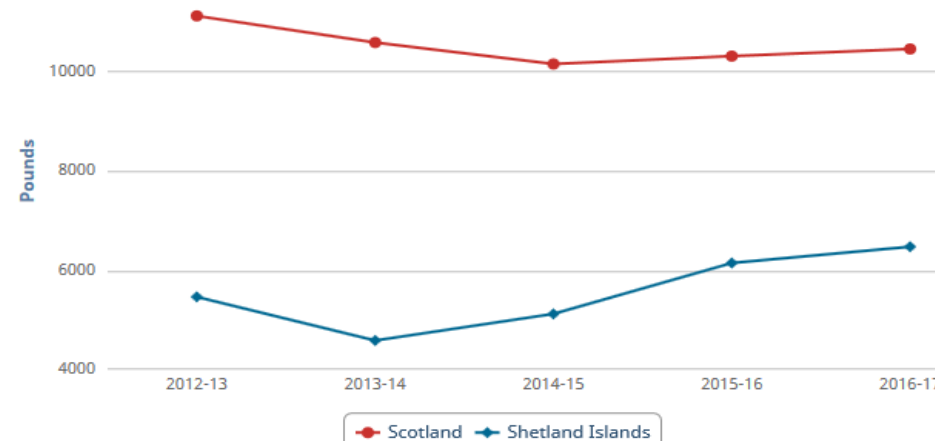
How many of my local A class roads are in need of repair?

Past Performance

The Road Condition Indicator for "A class" roads has improved slightly over the past few years. Therefore we are currently achieving our target of maintaining our "A class" roads in their current condition.

Data for all Councils
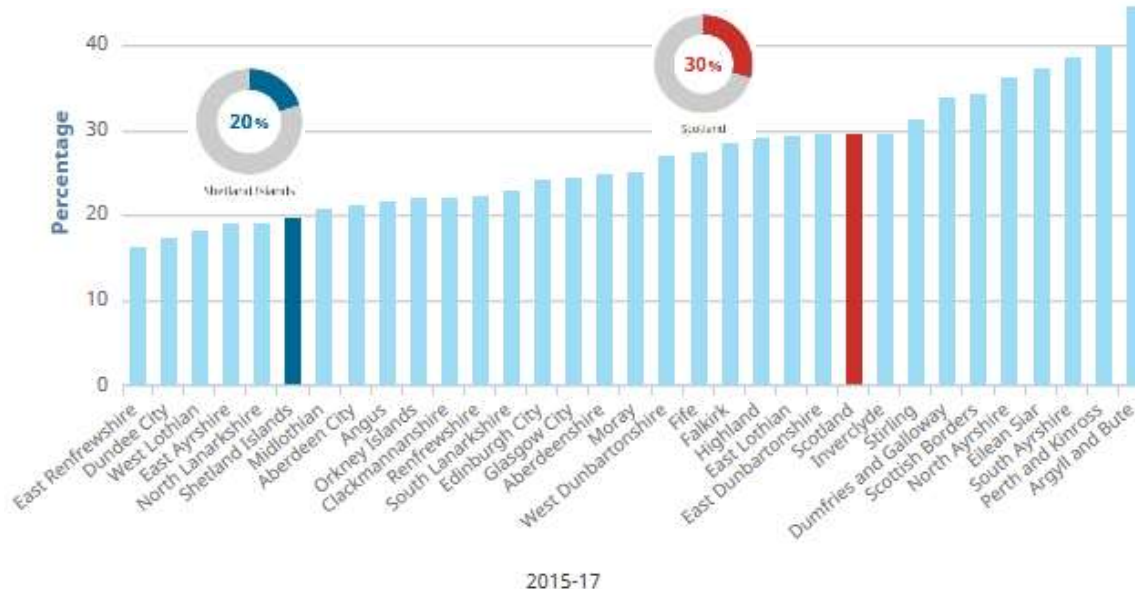
2015-17

Future Improvement

The aim is to maintain Shetland's carriageways at their current condition. The limited resources available for carriageway maintenance mean that improvement is likely to be restricted.
(Please note the Improvement Service has not updated their figures to the latest data from 2016-17. Shetland's latest figure of 19.8% is reported to Environment and Transport Committee this cycle).

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
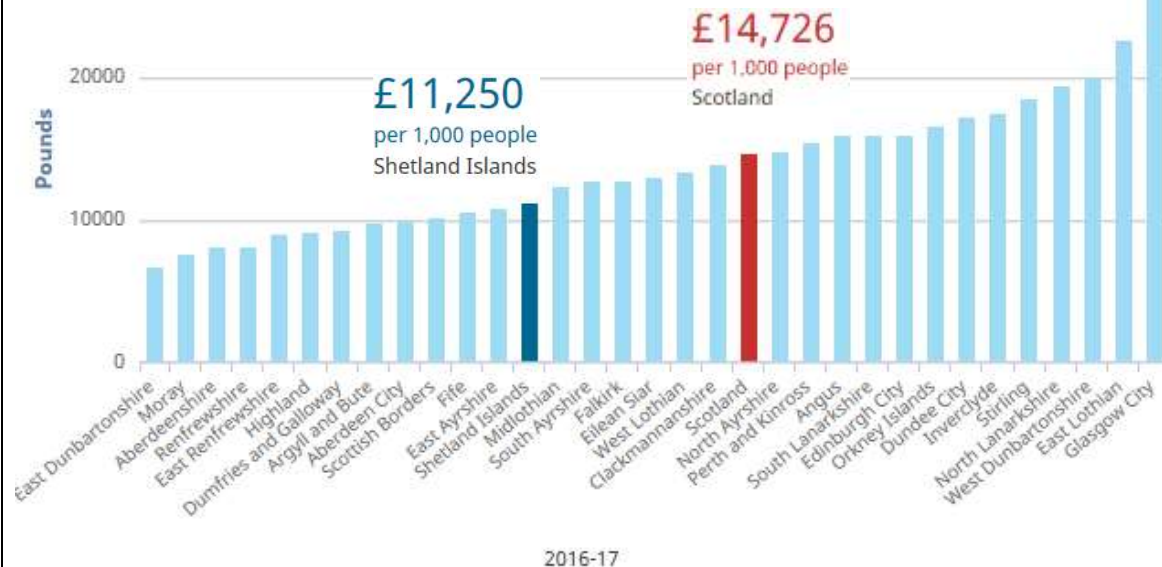
Data over time

How many of my local B class roads are in need of repair?

Past Performance	Data for all Councils	Future Improvement
The Road Condition Indicator for "B class" roads has recovered to the same percentage that it was 10 years ago after a period of deterioration. This reflects the careful programming of treatment works, mostly surface dressing, using surveyed road condition data.		The aim is to maintain Shetland's carriageways at their current condition. The limited resources currently available for carriageway maintenance mean that improvement is likely to be restricted. (Please note the Improvement Service has not updated their figures to the latest data from 2016-17. Shetland's latest figure of 19.8% is reported to Environment and Transport Committee this cycle

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
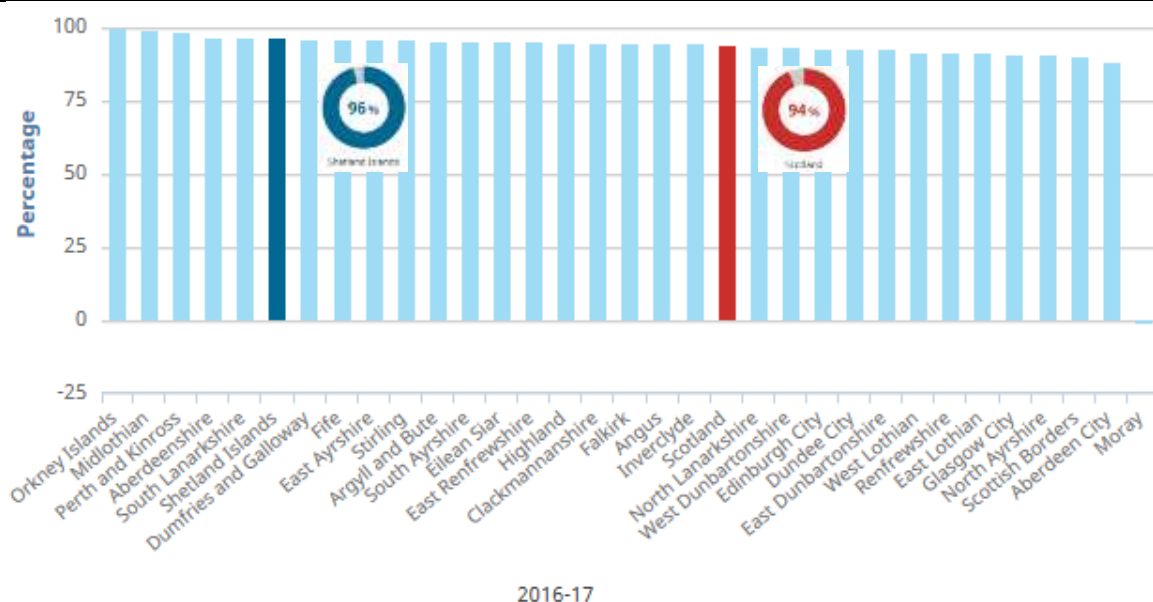
Data over time

How many of my local C class roads are in need of repair?

Past Performance	Data for all Councils	Future Improvement
The Road Condition Indicator for "C class" roads have improved by approximately 8% in the past 5 years. Therefore we are currently achieving our target of maintaining our "C class" roads in their current condition.		The aim is to maintain Shetland's carriageways at their current condition. The limited resources currently available for carriageway maintenance mean that improvement is likely to be restricted. (Please note the Improvement Service has not updated their figures to the latest data from 2016-17. Shetland's latest figure of 19.8% is reported to Environment and Transport Committee this cycle

Data for Similar Councils

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

How many of my local unclassified roads are in need of repair?

Past Performance

The Road Condition Indicator for unclassified roads remains high with a large percentage requiring maintenance. We are in the bottom quartile for performance when compared with other Scottish local authorities. This is detrimental to our overall performance indicator for all classifications of road.
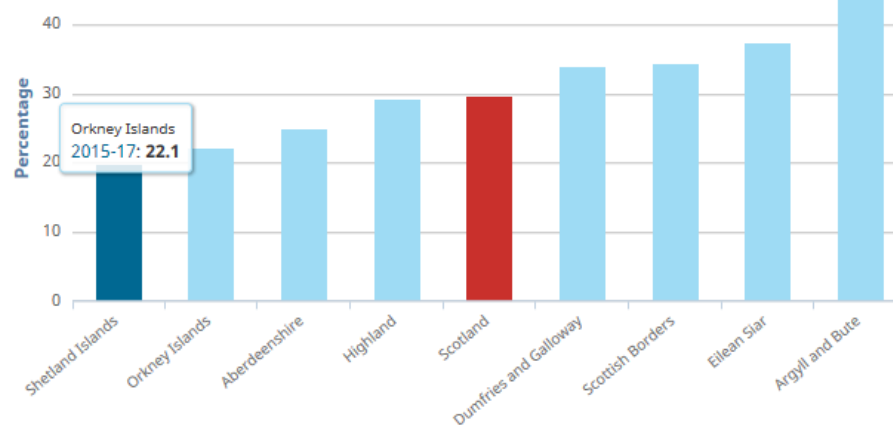
Data for all Councils
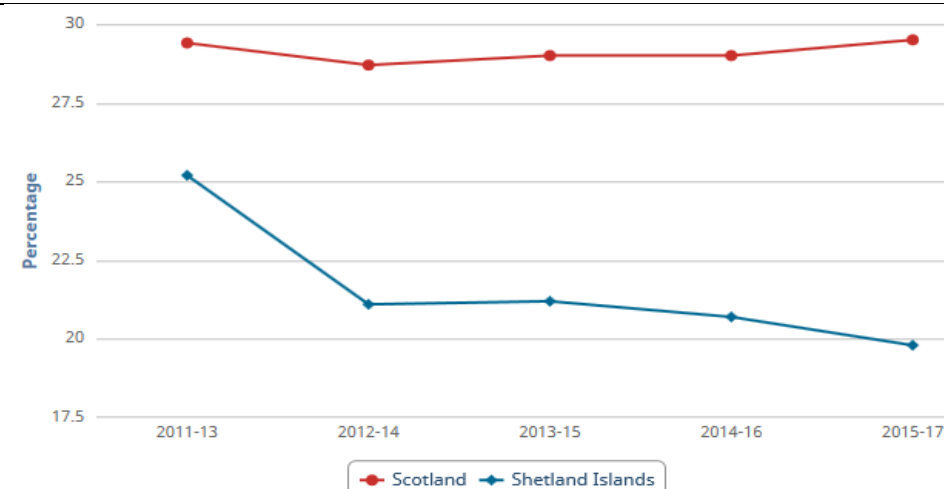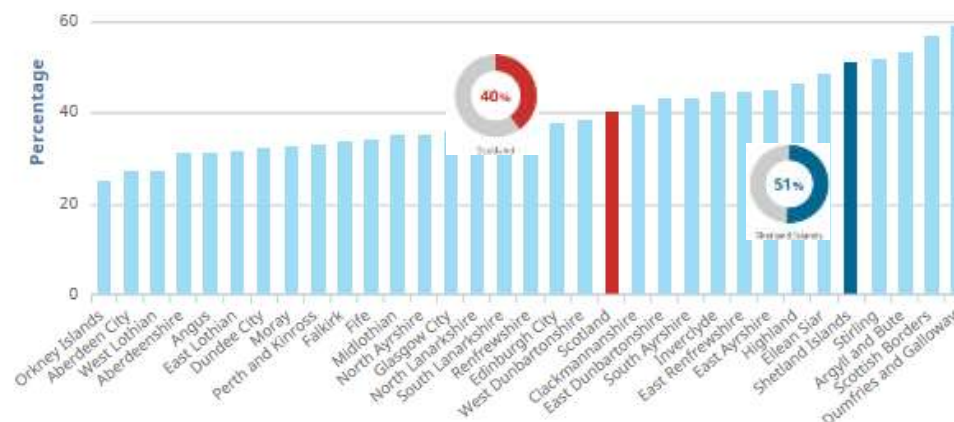

Future Improvement

The aim is to maintain Shetland's carriageways at their current condition. The limited resources currently available for carriageway maintenance mean that improvement is likely to be restricted. However, the decision has been taken to address the condition of our unclassified roads by allocating more of our resurfacing and surface dressing budgets to their maintenance. (The 2016-17 figure for Shetland is 50.5%).

Data for Similar Councils
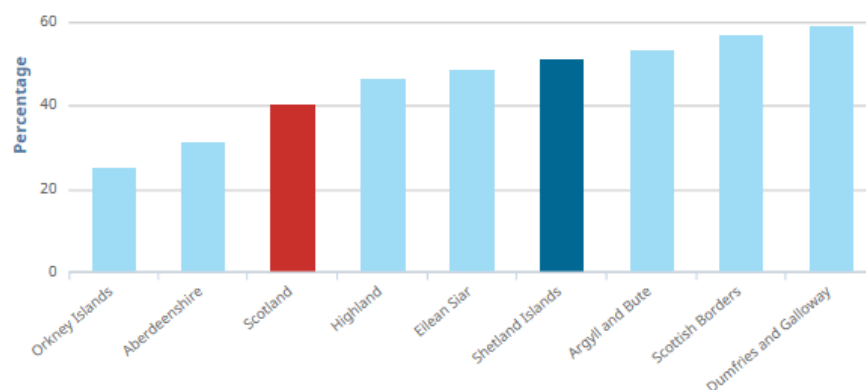
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
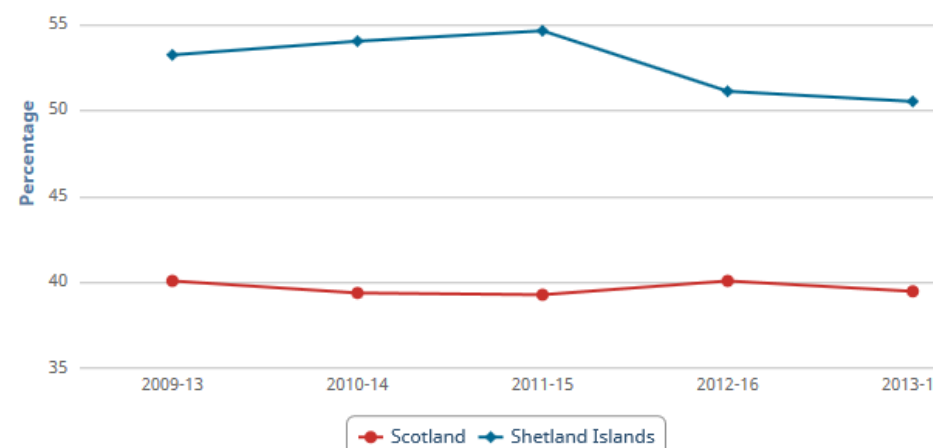
How much does my council spend on providing trading standards (£ per 1,000 people)?

Past Performance	Data for all Councils	Future Improvement
Reduction in staff as part of the council's cuts and restructuring. In addition, Shetland's population has increased over the same period, this also contributed to the reduction in this indicator.		We continue to constrain our costs within the budget set by the Council. This indicator will also be affected by any change in the population figure for Shetland.

Data for Similar Councils
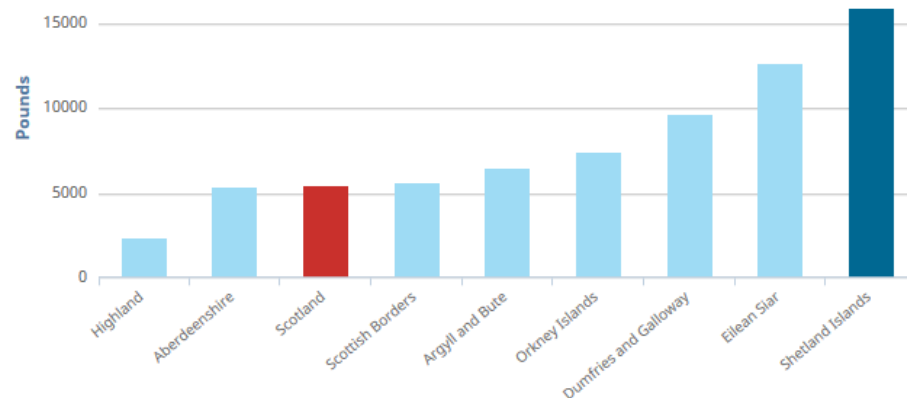
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
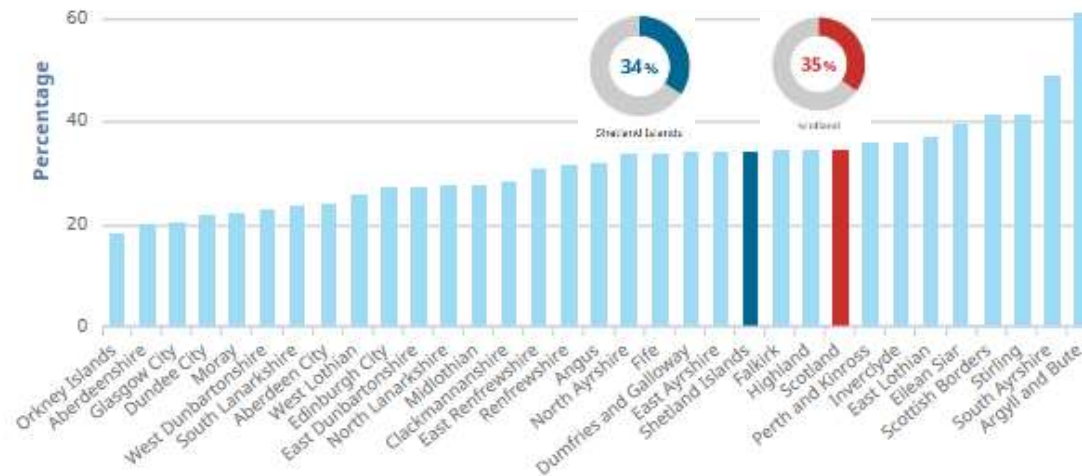
Data over time
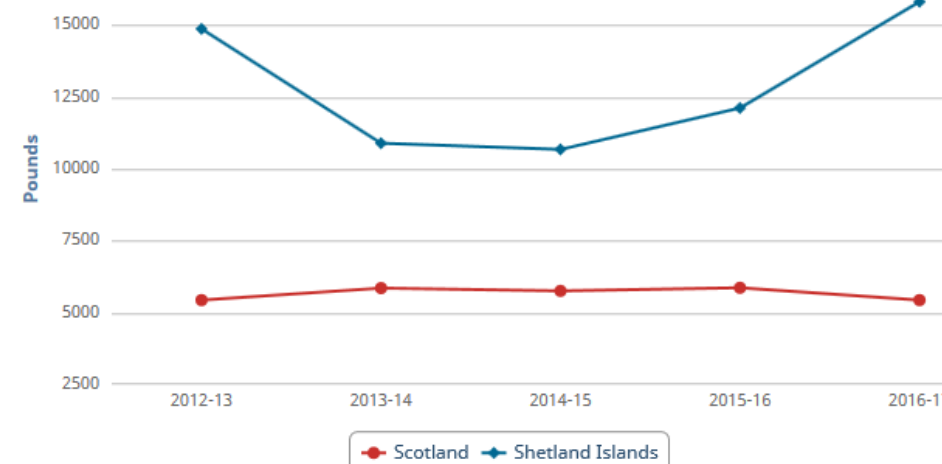
How much does my council spend on providing environmental health (£ per 1,000 people)?

Past Performance

The Environmental Health Service continues to have an increase in demand for the service and is maintaining its budget and service provision with the same staff. Environmental Health function includes licensing, animal health, private sector housing and ASB that sits elsewhere in other Council's so the activities are not like for like. The service participates in the benchmarking exercise facilitated by APSE (Association of Public Sector Excellence) as this is more representative and comparative with other similar councils. Using the APSE criteria the service costs are £11,340 (net including CEC) per 1000 people and is around average for our family group (the highest of which was £19,280 and is less than that of the Western Isles) * no data for Orkney for 2016/17

Data for all Councils

£16,116 per 1,000 people Scotland

£30,776 per 1,000 people Shetland Islands

2016-17
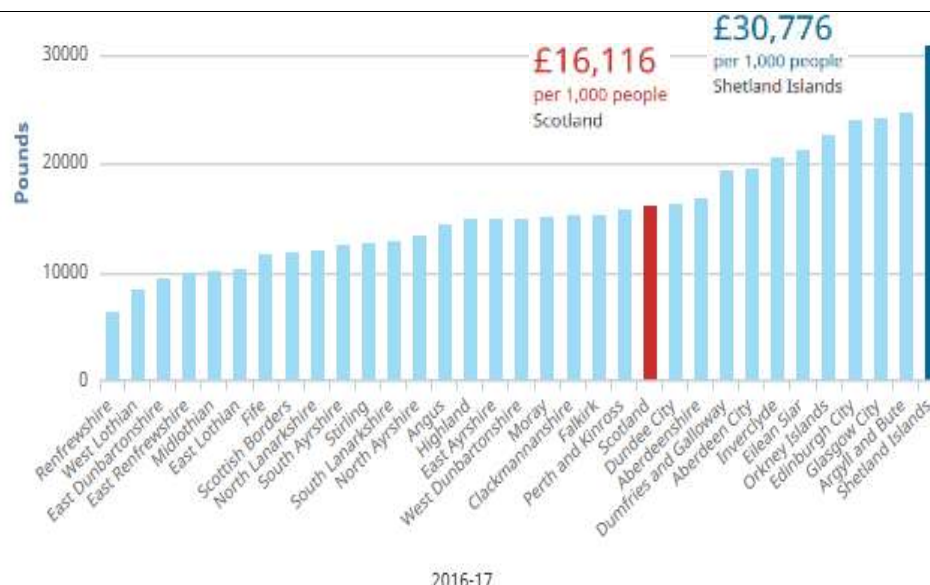
Future Improvement

Maintain position and find further efficiencies through more flexible use of staff. In addition due to a workplace planning exercise the service is training 2 existing staff members via distance learning to EHO level. This will increase capacity and build resilience as the age profile of the existing staff increases and staff head for retirement. There remains a UK shortage of suitably qualified officers.

Data for Similar Councils
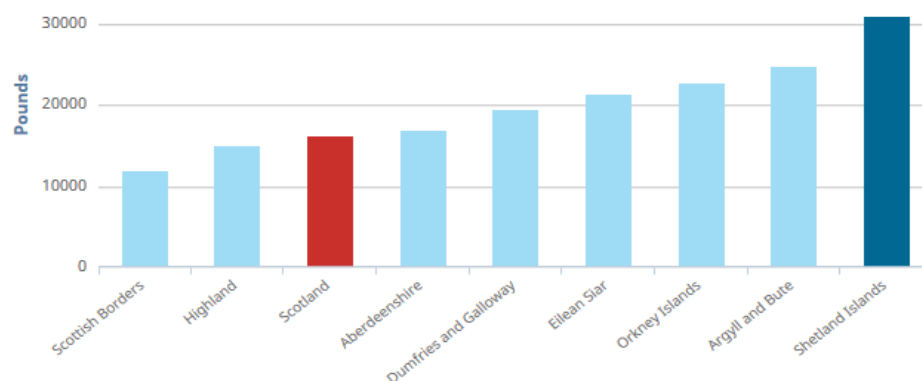
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
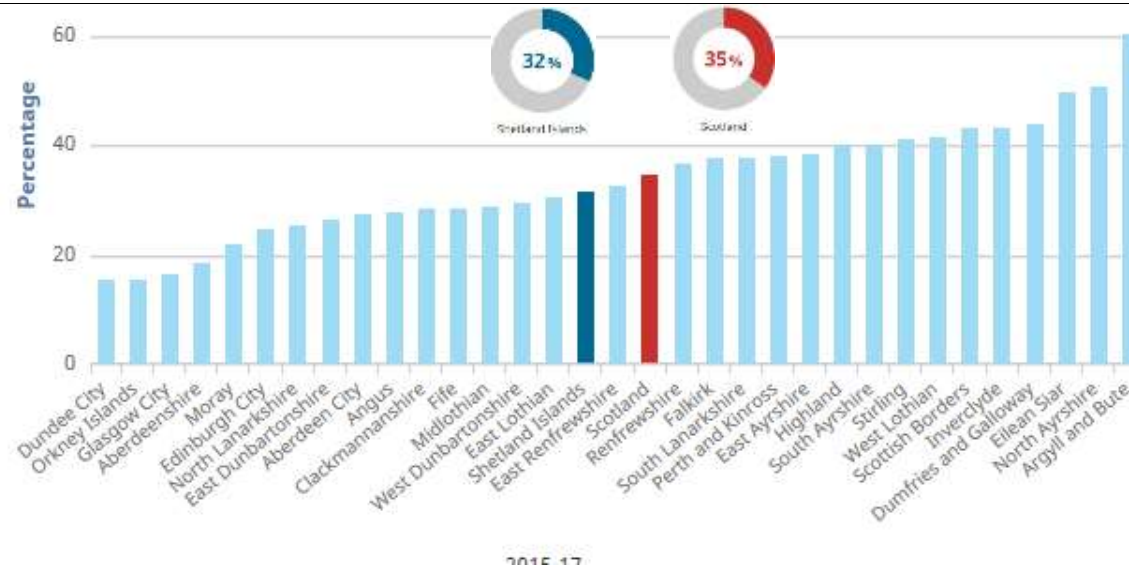
Data over time

Scotland — Shetland Islands
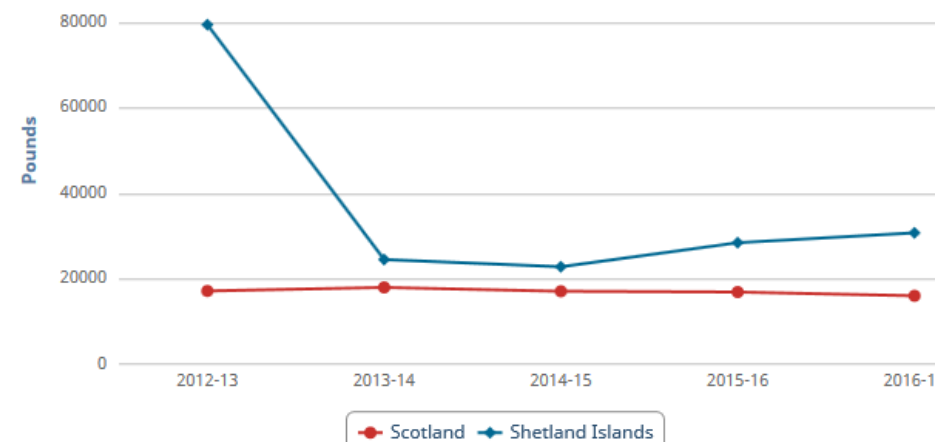
How much household waste is recycled by my council?

Past Performance

Low recycling is due to our geographic location and Best Practical Environmental Option for Shetland is to burn waste to generate heat for a district heating scheme.

Data for all Councils

2016-17
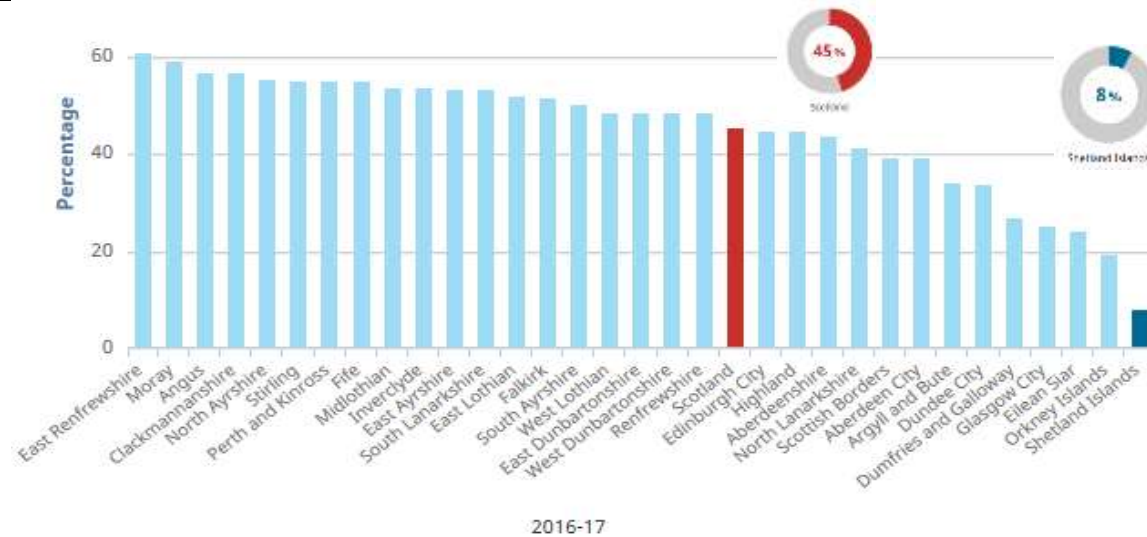
Future Improvement

Introduction of kerbside collections to increase recycling amounts from household.

Data for Similar Councils
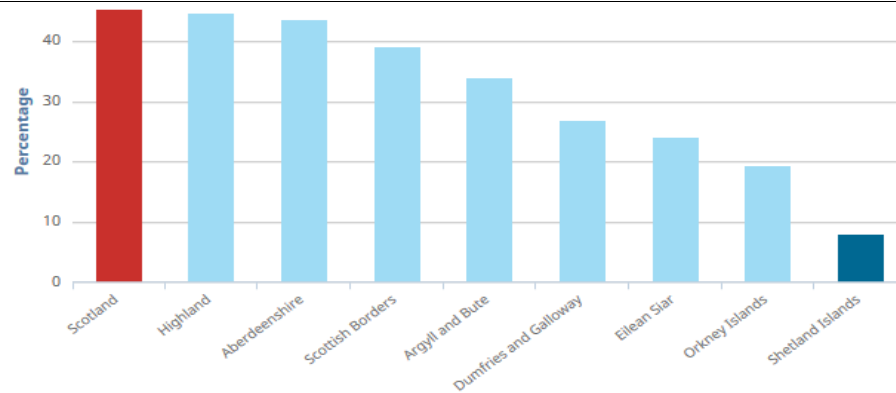
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
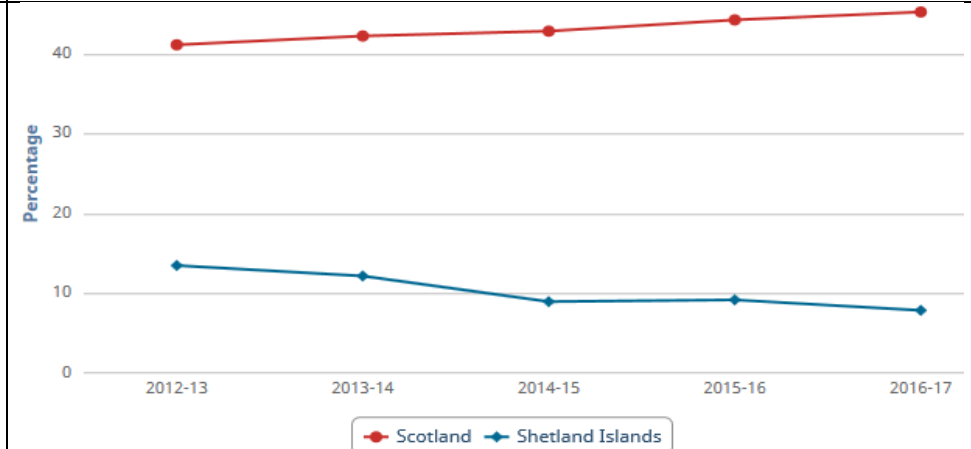
How satisfied are residents with local refuse collection?

Past Performance	Data for all Councils	Future Improvement
Weekly collections and good public cooperation.	**93.0%** Shetland Islands **81.7%** Scotland 2014-17	Continue to work with the public and revisit routes to improve service.
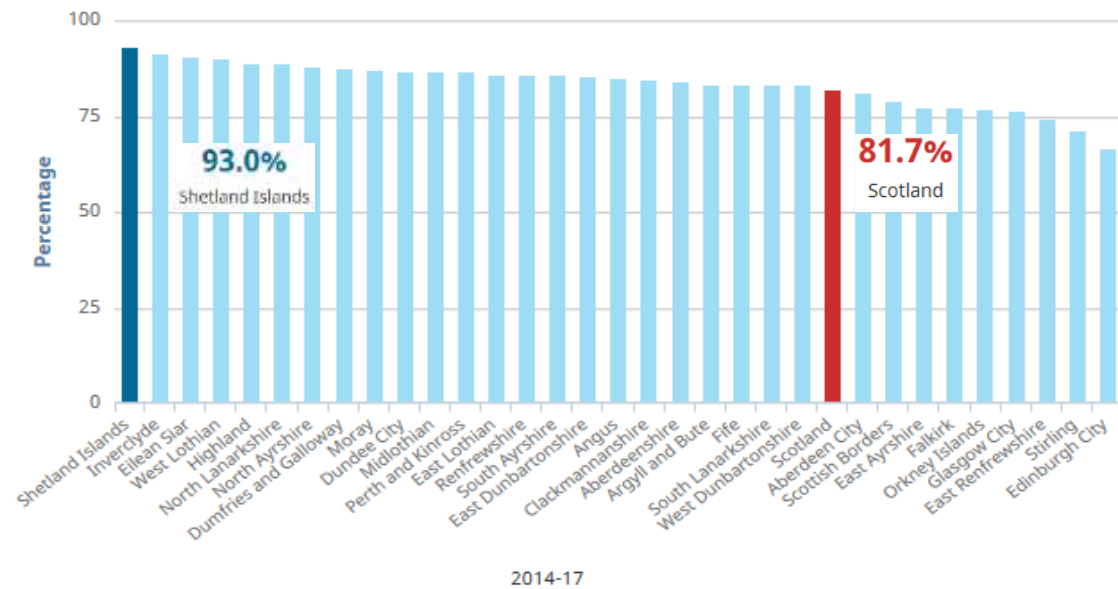
Data for Similar Councils
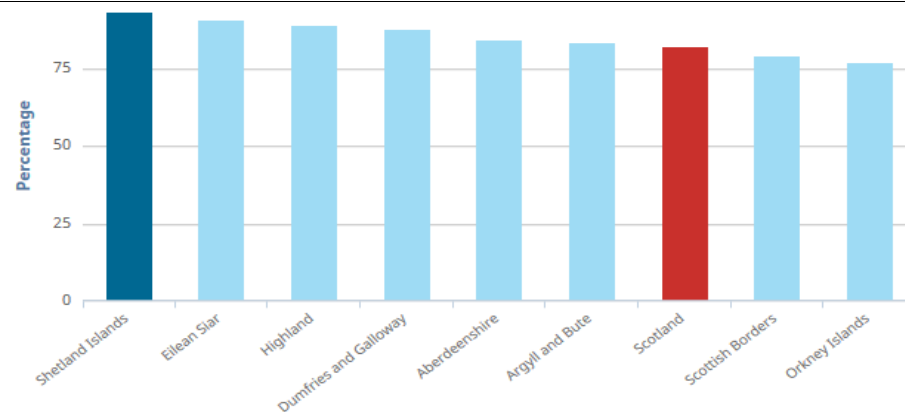
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time

Scotland   Shetland Islands
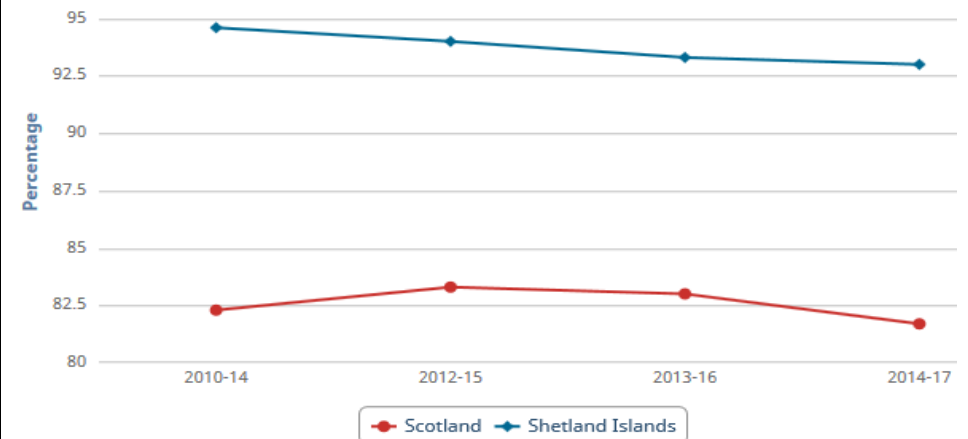
How satisfied are residents with local street cleanliness?

Past Performance

Dedicated cleansing staff

Data for all Councils

72.7% Shetland Islands

72.3% Scotland

2014-17

Future Improvement
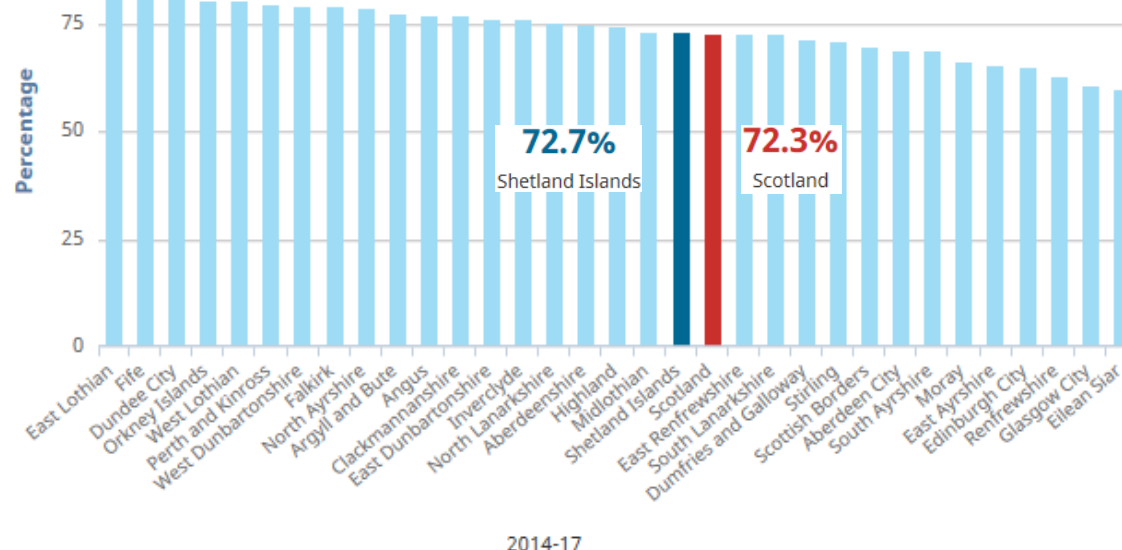
Continue and improve town centre areas and promote reduction in litter and fly tipping.

Data for Similar Councils
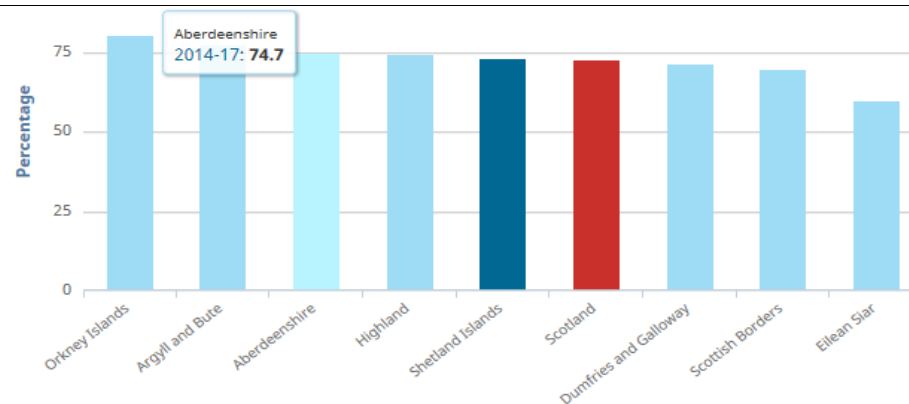
Aberdeenshire 2014-17: **74.7**

For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density
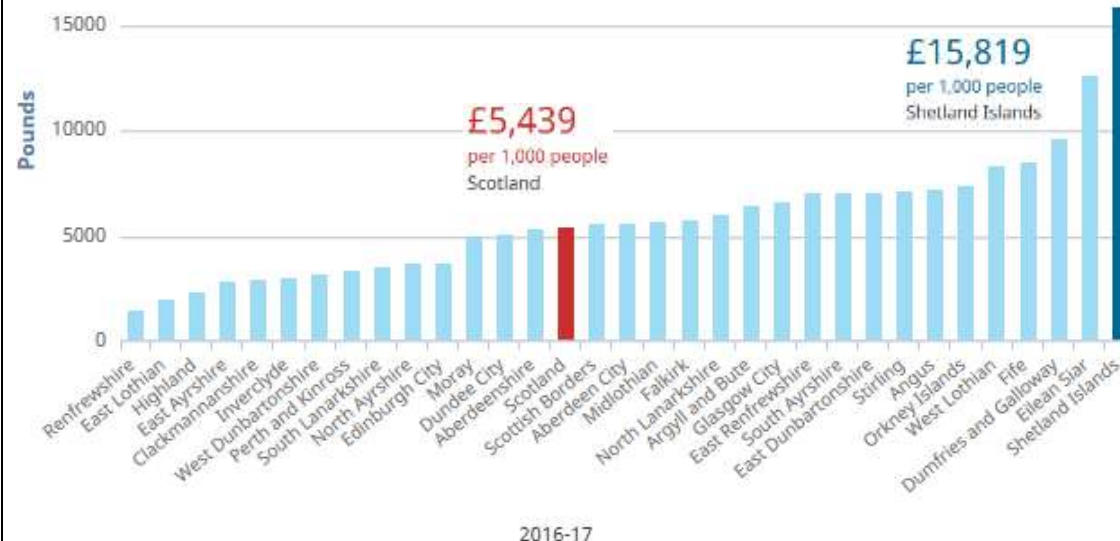
Data over time

Scotland — Shetland Islands
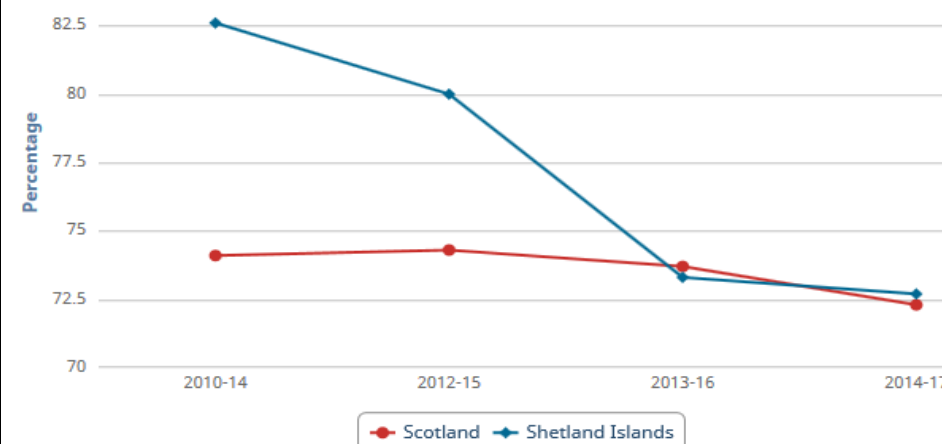
Appendix F – Culture & Leisure Services – Local Government Benchmarking Framework Indicators

1.   C & L1: How much does my council spend on sport and leisure facilities (£ per visit)?

2.   C & L 2: How much does my council spend on libraries (£ per visit)?

3.   C & L 3: How much does my council spend on museums and galleries (£ per visit)?

4.   C & L 4: How much does my council spend on parks and open spaces (£ per 1,000 people)?

5.   C & L 5a: How satisfied are residents with local libraries?

6.   C & L 5c: How satisfied are residents with local museums and galleries?

7.   C & L 5b: How satisfied are residents with local parks and open spaces?

8.   C & L 5d: How satisfied are residents with local leisure facilities?

How much does my council spend on sports and leisure facilities (net) (£ per visit)

Past Performance	Data for all Councils	Future Improvement
The net cost per visit to sport and leisure facilities in Shetland has generally decreased over the last 5 years and is significantly below the Scottish average. The figures for Shetland are the second lowest in Scotland in 2016-17.		To continue providing a wide range of high quality services and facilities within existing budgets, that encourages and supports the Shetland community to be more physically active.
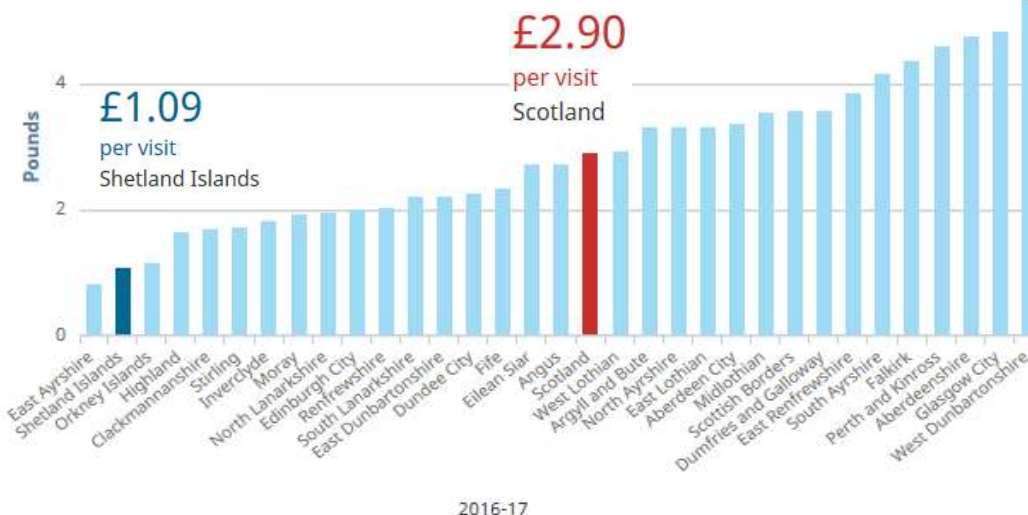
Data for Similar Councils	Data over time
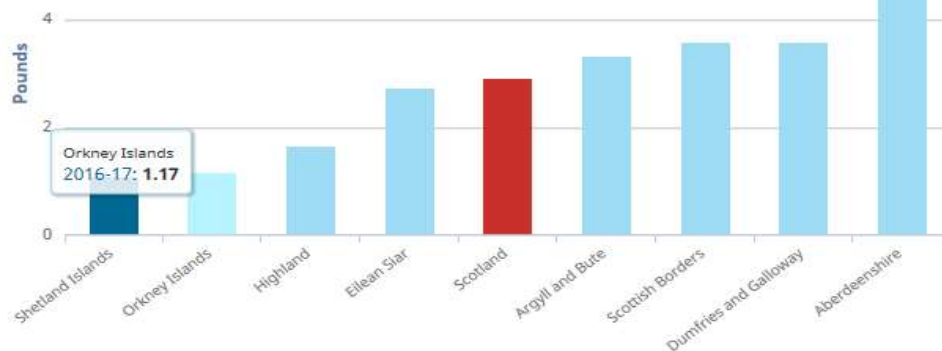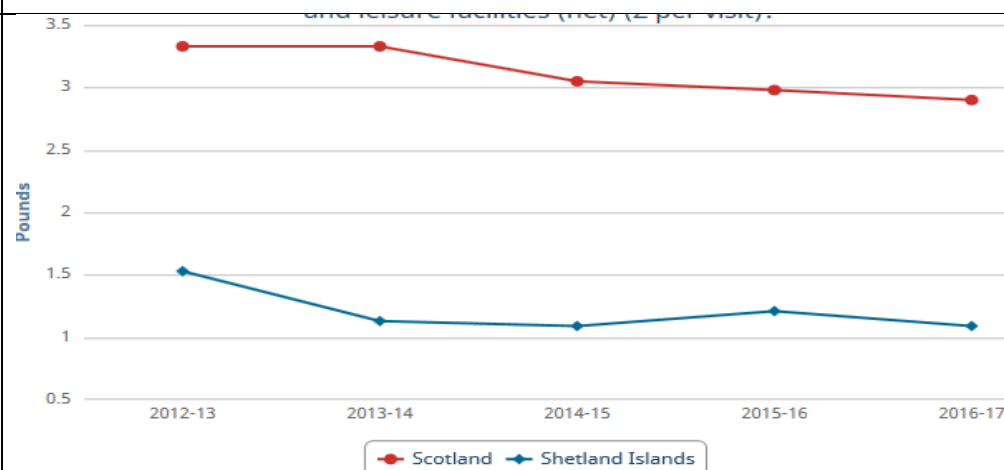
How much does my council spend on libraries (£ per visit)

Past Performance

The cost per visit has gone down from last year, as budgets continue to be reduced and visitor numbers remain healthy.

Data for all Councils

£4.45 per visit
Shetland Islands

£1.98 per visit
Scotland

2016-17
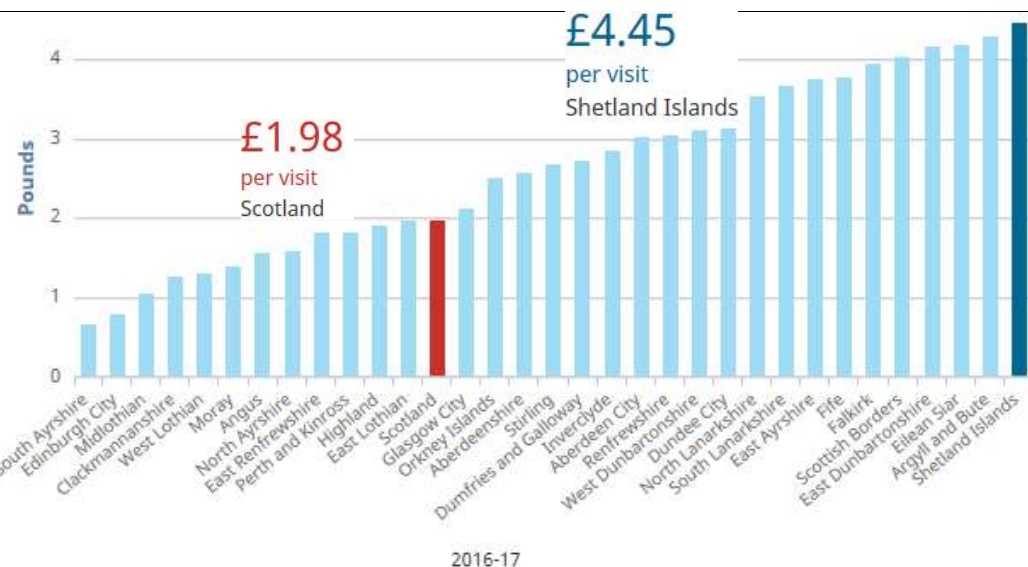
Future Improvement

We will continue to promote library services and make them accessible to those who most need them. We will continue to ensure consistency in our visitor counting and budget reporting.

Data for Similar Councils
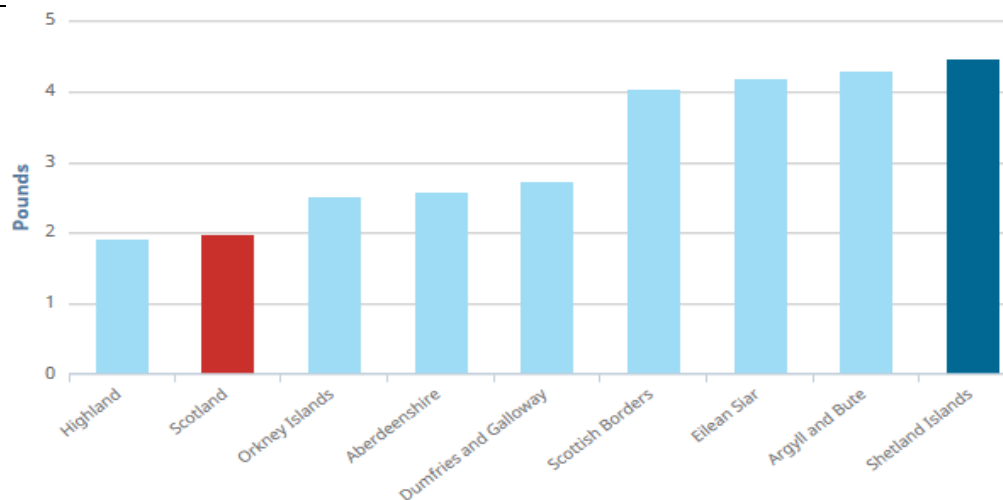
Data over time
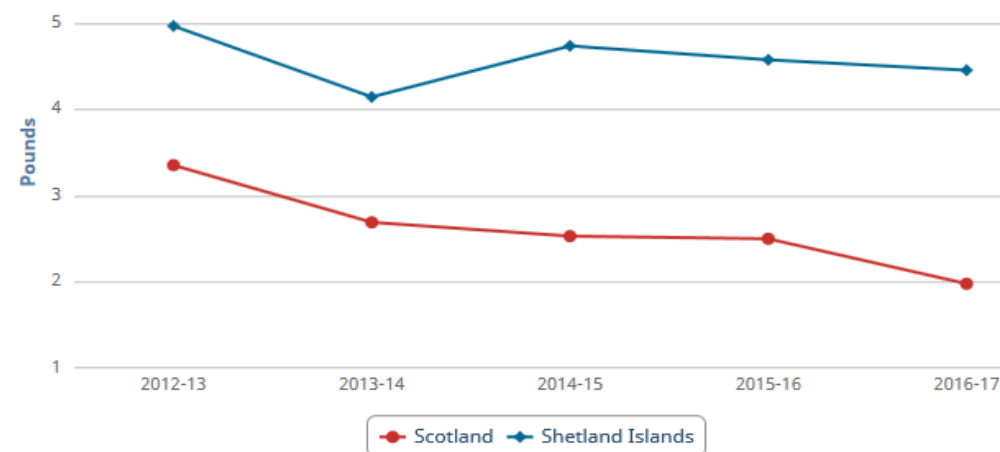
How much does my council spend on museums and galleries (net) (£ per visit)?

Past Performance	Data for all Councils	Future Improvement
This indicator is for information only, these services are not run by the Council		

Data for Similar Councils
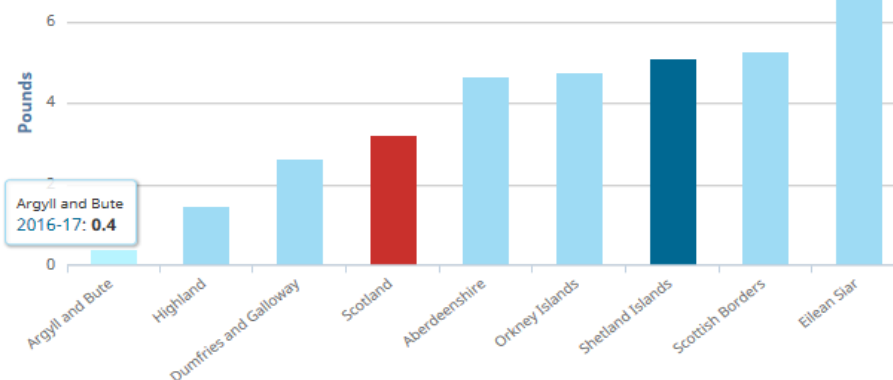
For Corporate Services, Economic Development, Environmental Services and Culture and Leisure Services similar types of councils are grouped by their population density

Data over time
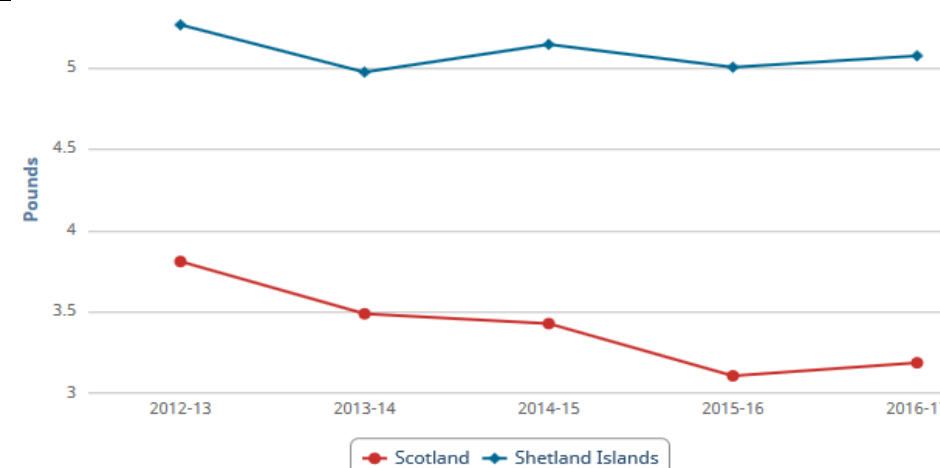
How much does my council spend on parks and open spaces (net) (£ per 1,000 people)?

Past Performance

The cost of parks and open spaces in Shetland has generally decreased over the last 5 years and is significantly below the Scottish average. The slight increase in costs in 2015-16 was caused by the budget for grass cutting of public areas being added to the cost of this service. In 2016-17 the costs for parks and open spaces has reduced further.

Data for all Councils

£13,233 per 1,000 people Shetland Islands

£21,581 per 1,000 people Scotland

2016-17
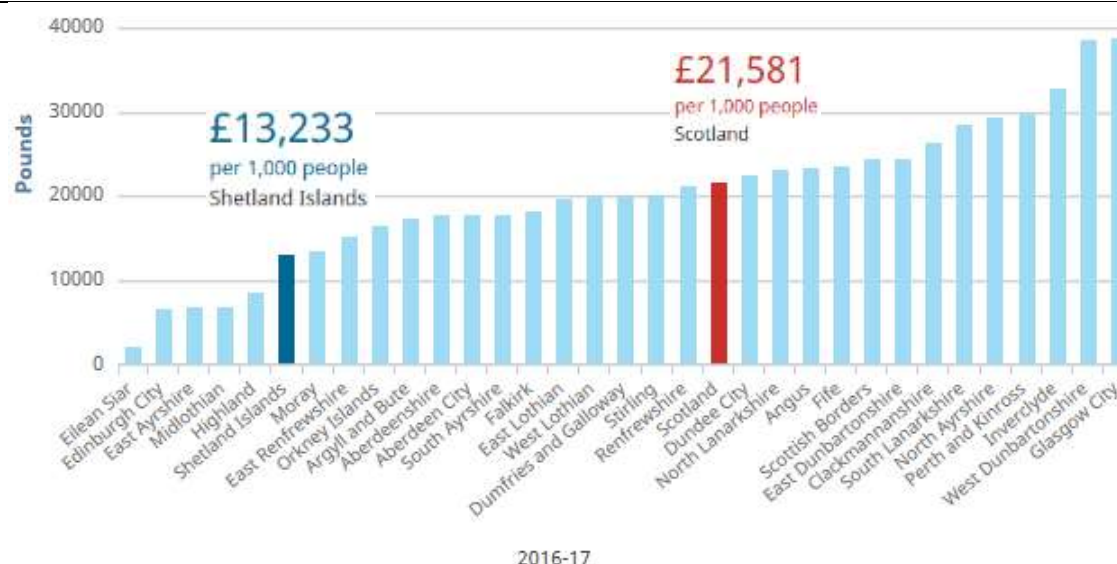
Future Improvement

To continue providing a wide range of high quality services and facilities within existing budgets, that encourages and supports the Shetland community to be more physically active in the outdoors.

Data for Similar Councils
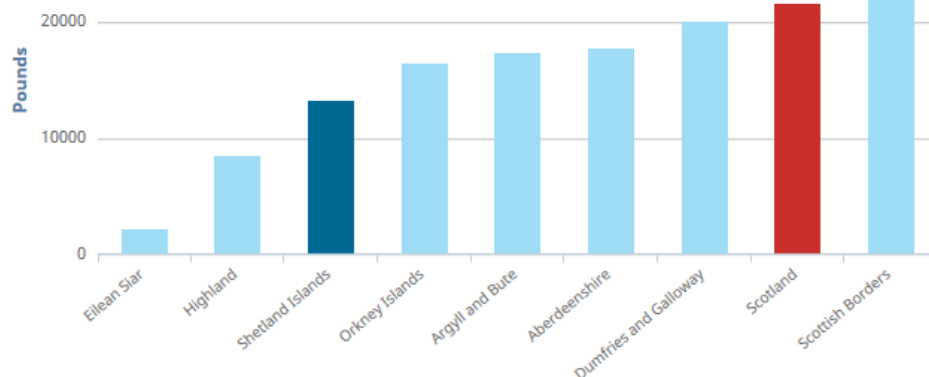
Data over time
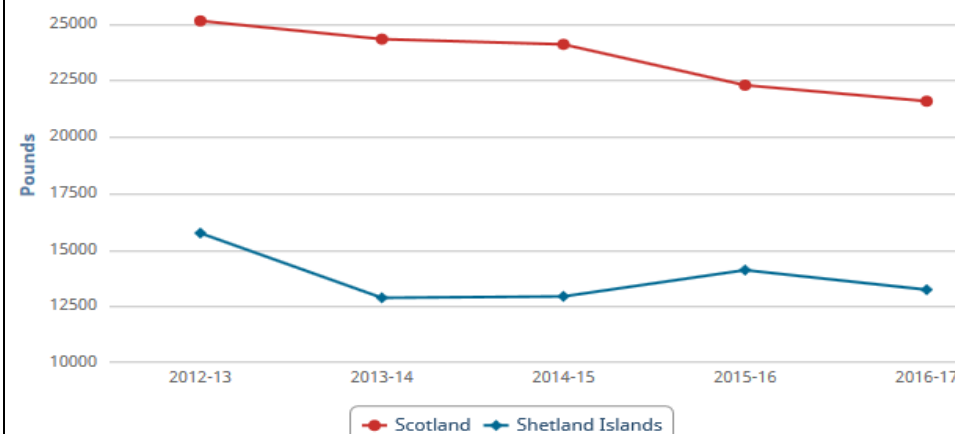
How satisfied are residents with local libraries?

Past Performance

Continued high satisfaction rates. Latest annual in house survey (January 2018) shows a 3% rise to 96% satisfaction.

Data for all Councils

86.7% Shetland Islands

74.7% Scotland
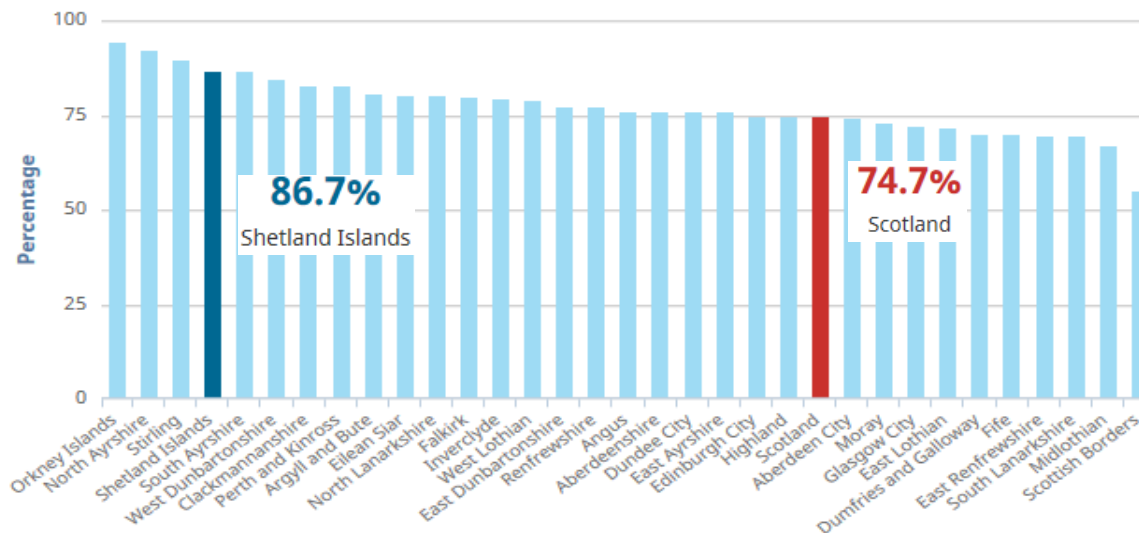
Future Improvement

Customers are very satisfied with every aspect of the service other than 'space and layout' and a refurbishment project is planned to help address this.

Data for Similar Councils
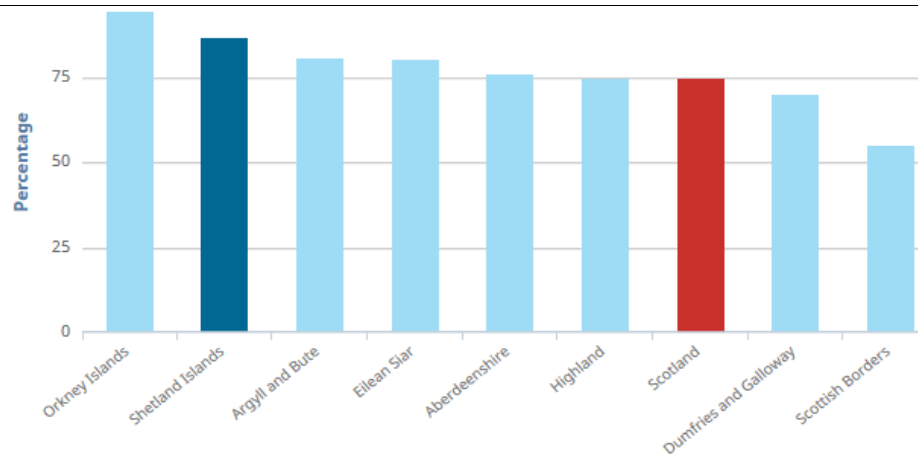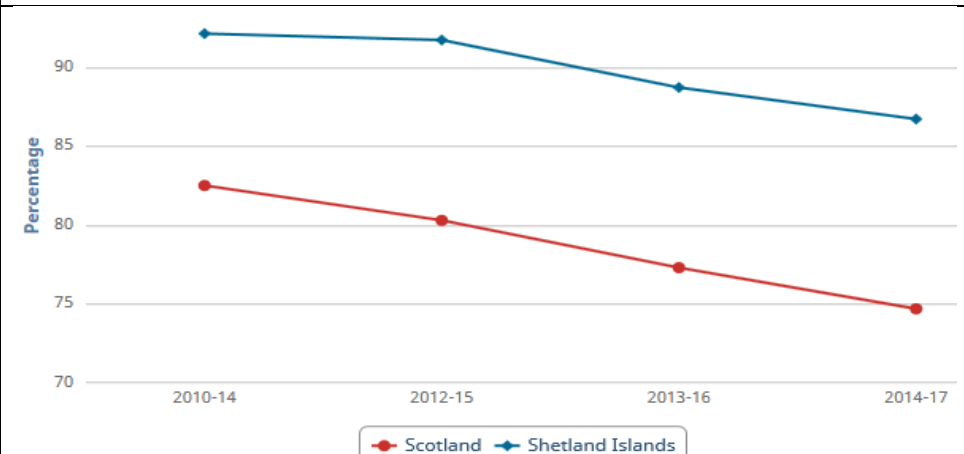
Data over time

How satisfied are residents with local museums and galleries?

Past Performance	Data for all Councils	Future Improvement
This indicator is for information only; these services are not run by the Council.		

Data for all Councils
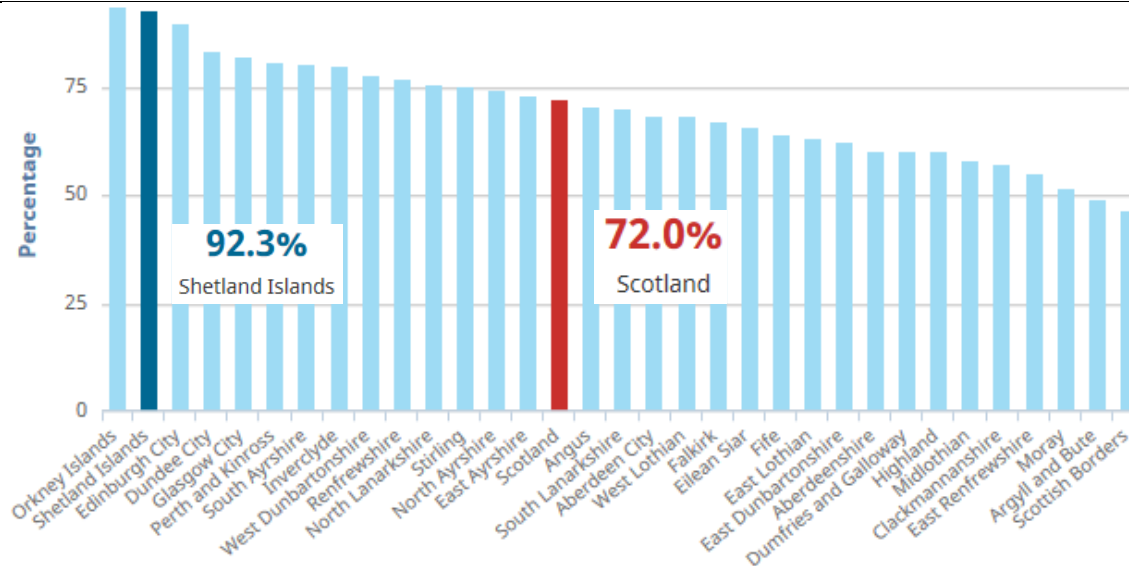
92.3%
Shetland Islands

72.0%
Scotland

Data for Similar Councils

Data over time

Scotland / Shetland Islands
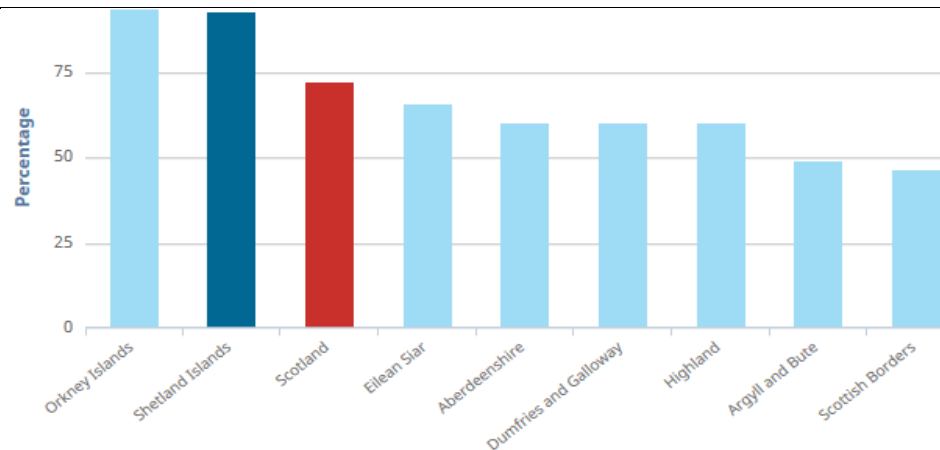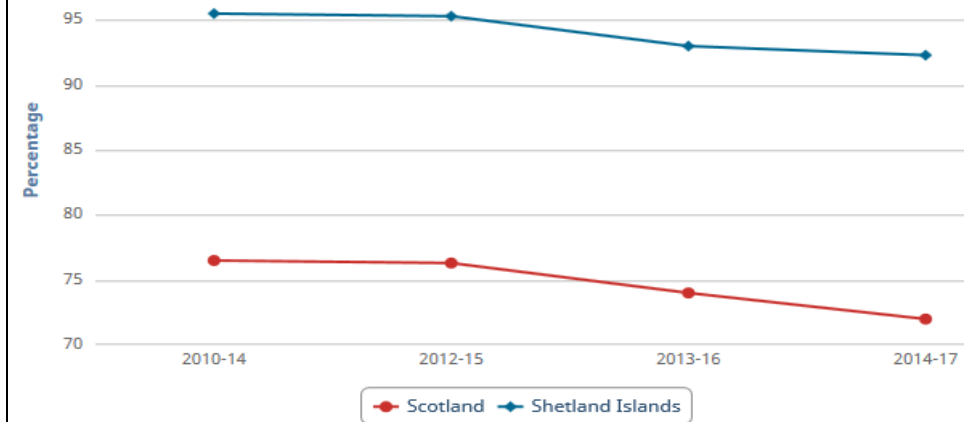
How satisfied are residents with local parks and open spaces?

Past Performance

Over the last 5 years satisfaction rates for local parks and open spaces in Shetland have slightly decreased but are still significantly above the Scottish average and in 2016-17 Shetland has the second highest level of satisfaction in Scotland.

Data for all Councils

92.3% Shetland Islands

86.0% Scotland
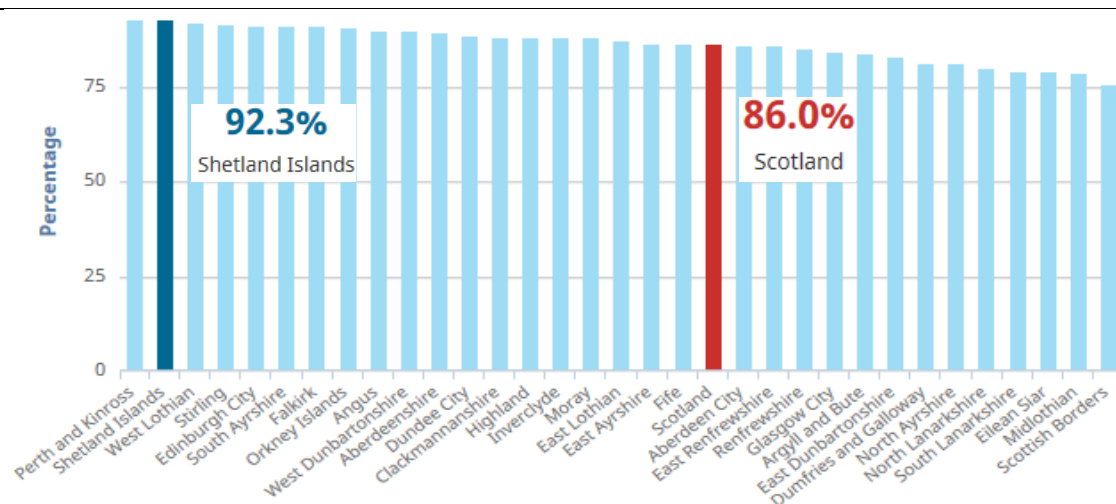
Future Improvement

To listen to the views of customers and maintain the high standard of management and maintenance of our local parks and open spaces to retain the high levels of satisfaction with these amenities in Shetland.

Data for Similar Councils
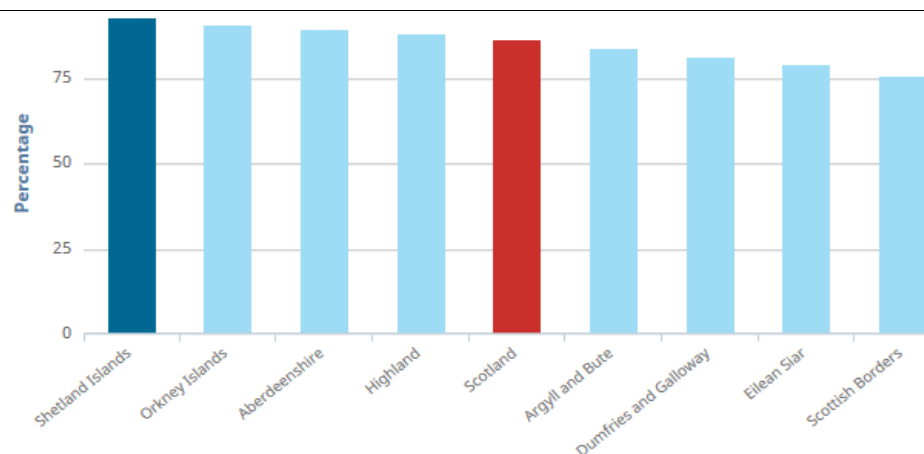
Data over time
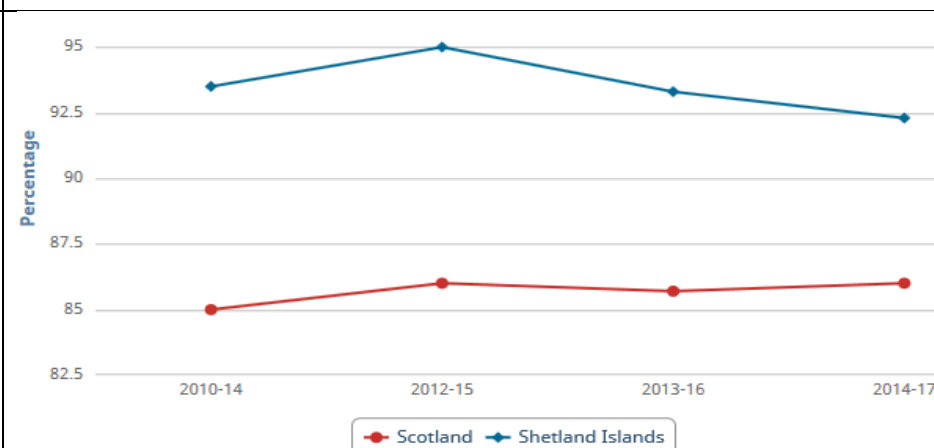
How satisfied are residents with local leisure facilities?

Past Performance

Over the last 5 years satisfaction rates with local leisure facilities has slightly decreased in Shetland and across Scotland, but the satisfaction rate for Shetland's facilities is still significantly higher than the Scottish average. In 2016-17 Shetland had the second highest level of satisfaction in Scotland.

Data for all Councils

91.0% Shetland Islands

74.0% Scotland
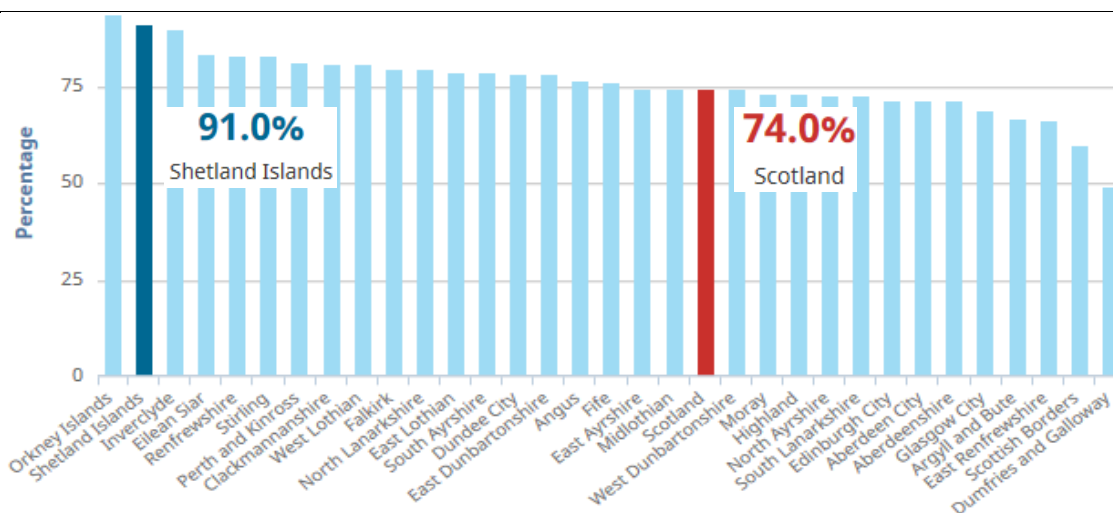
Future Improvement

To hear the views of customers and maintain the high level of management, maintenance and programming of our leisure facilities to retain the high levels of satisfaction with these facilities in Shetland.

Data for Similar Councils
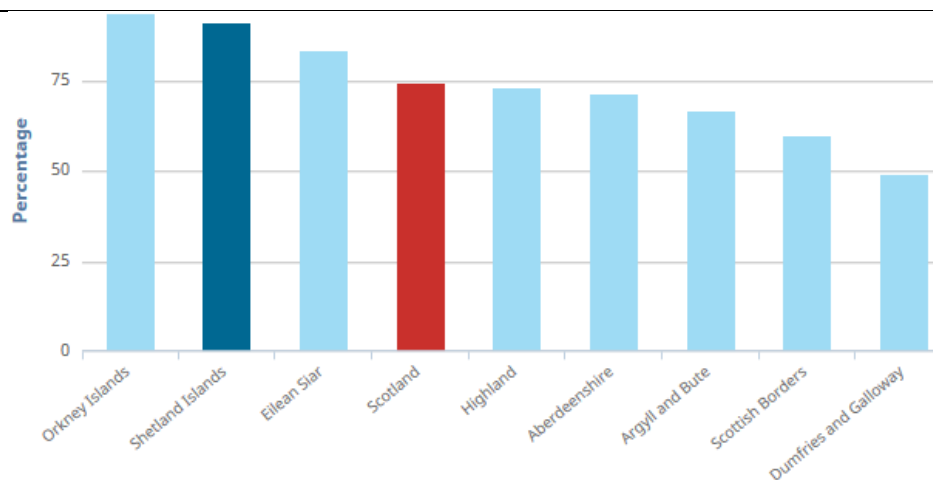
Data over time
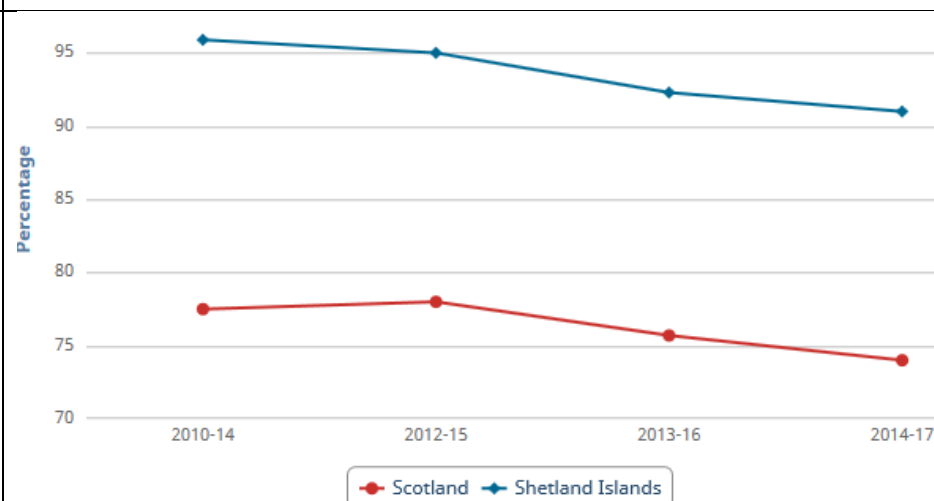
Appendix G – Housing Services – Local Government Benchmarking Framework Indicators

1. How much rent is owed to the council due to arrears (gross)?

2. How much rent was lost due to empty properties?

3. What is the quality and standard of housing provided by my council measured by the Scottish Housing Quality Standard?

4. How long does it take my council to complete non emergency repairs

5. How energy efficient is the housing provided by my council as measured by the Scottish Housing Quality Standard?

How much rent is owed to the council due to arrears (gross)?

Past Performance

The 2015/2016 performance showed that we are slightly above the Scottish average. The collection of rent arrears remains as a priority for the Housing Service. Joint working between Housing and Finance staff leads to a very low % of tenants with arrears in comparison with other local authorities. Management Team monitor this on a regular basis

Data for all Councils
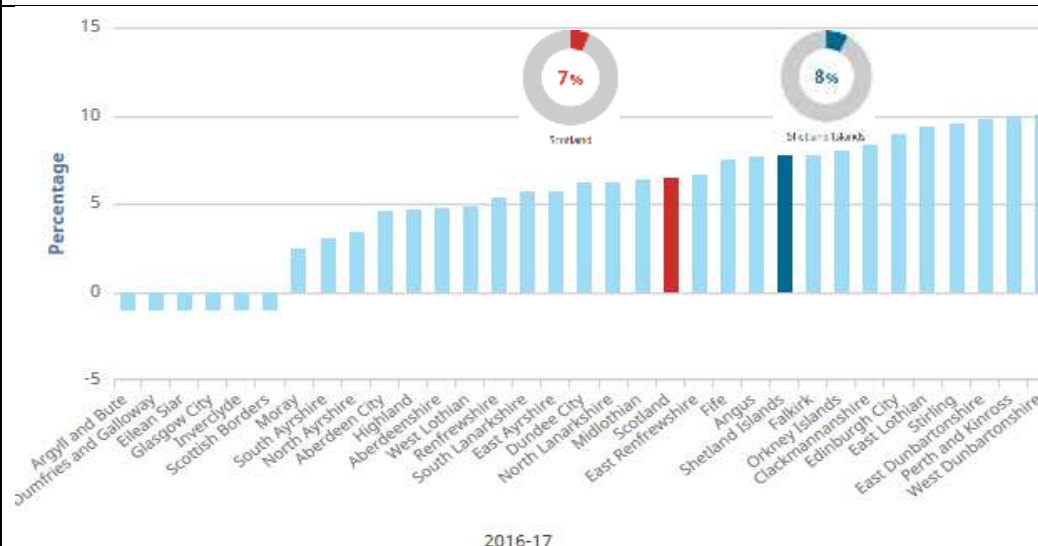
Future Improvement

The joint working and close monitoring will continue to ensure our performance continues to be high. It will be challenging to maintain this performance with the changes to the welfare benefits.

Data for Similar Councils
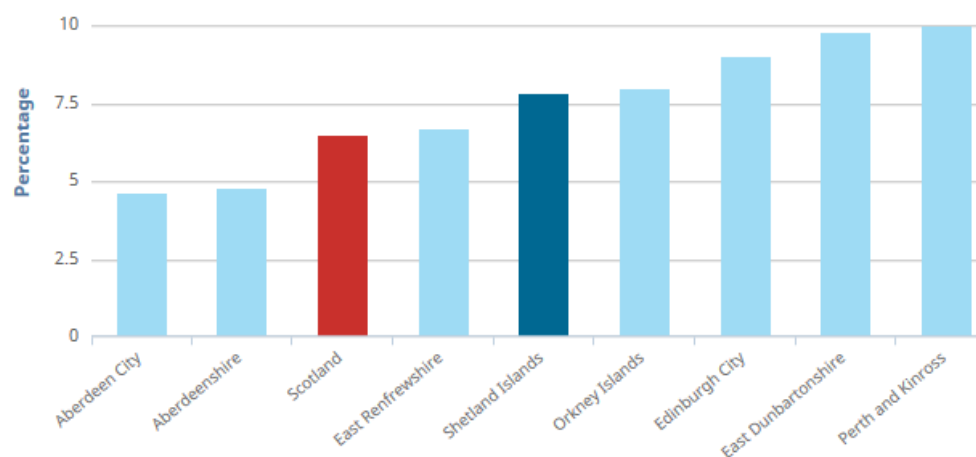
Data over time
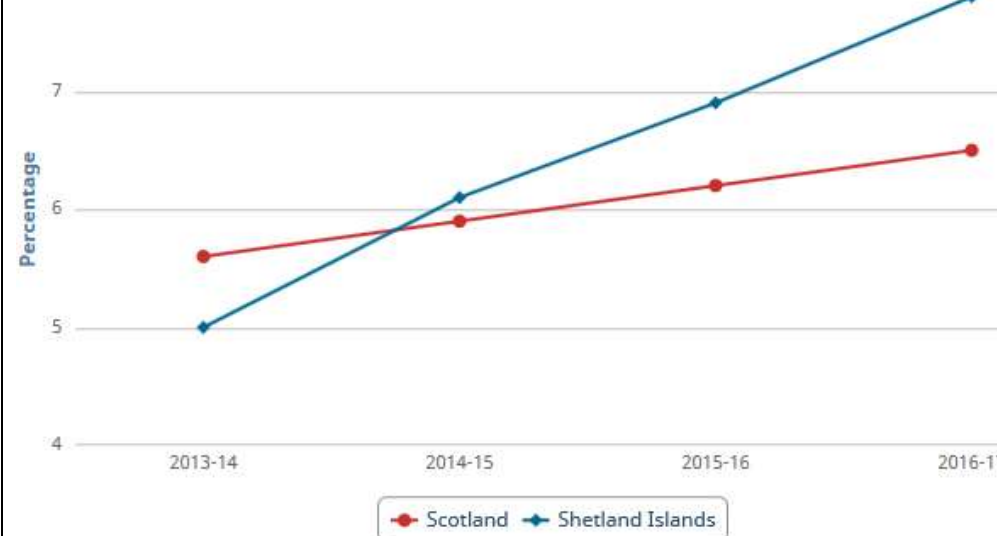
How much rent was lost due to empty properties?

Past Performance

The rent lost due to empty properties is mainly due to the number of void properties in low demand areas, particularly in the North Isles.

Data for all Councils

2016-17
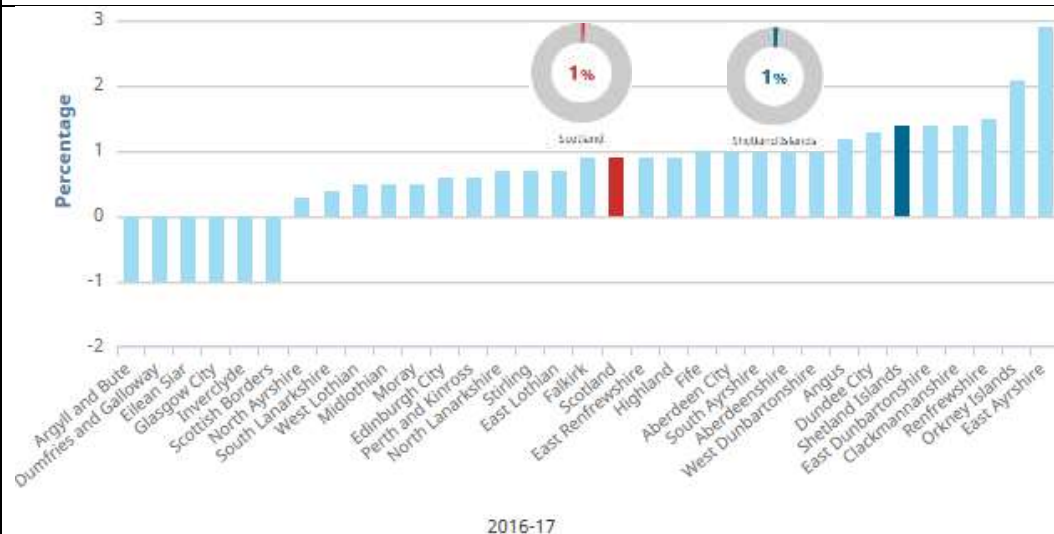
Future Improvement

We are committed to continuing to seek ways of advertising and promoting low demand properties, and will continue to monitor our performance. Our void policy has been updated and close monitoring on this will continue.

Data for Similar Councils
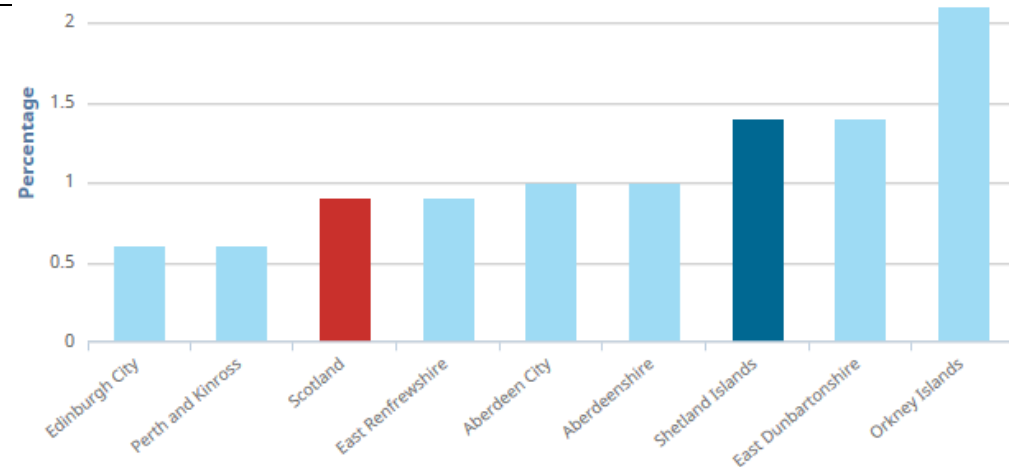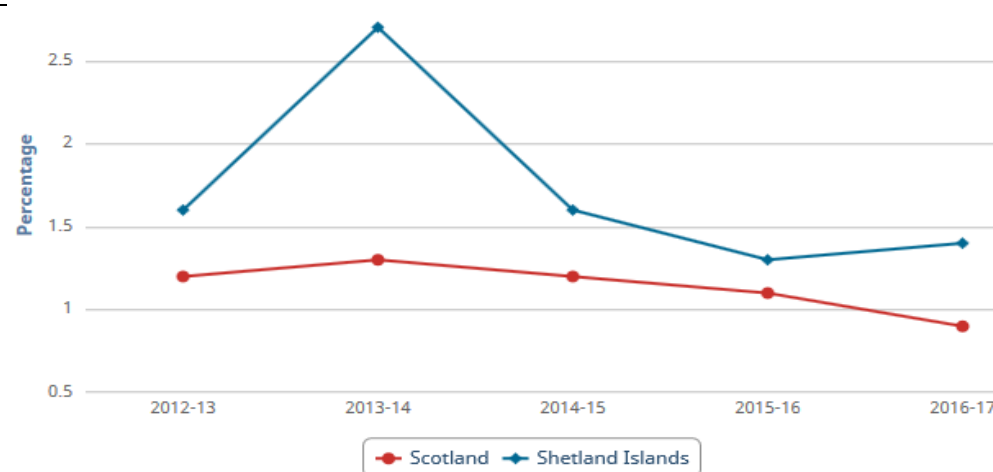
Data over time

What is the quality and standard of housing provided by my council measured by the Scottish Housing Quality Standard?

Past Performance	Data for all Councils	Future Improvement
The quality and standard of council housing provided by the SIC is in line with the Scottish average. All properties, apart from some exemptions, were compliant by April 2015, as required.		The next legislative requirement we are working towards is EESSH which relates to energy efficiency. All SIC Housing stock is to be compliant by April 2020.

Data for Similar Councils

Data over time

w
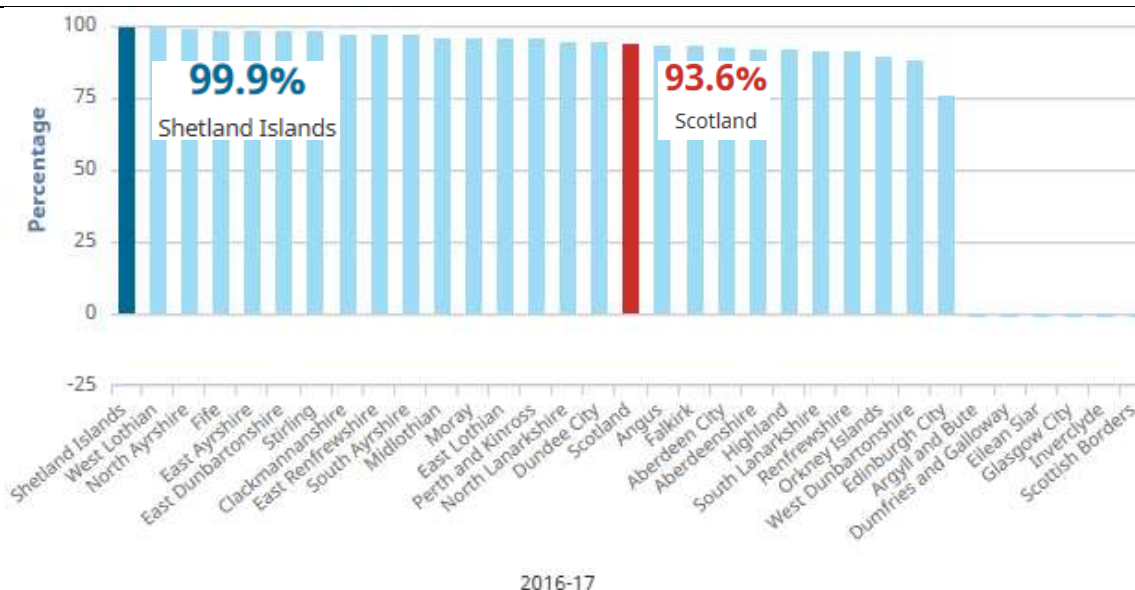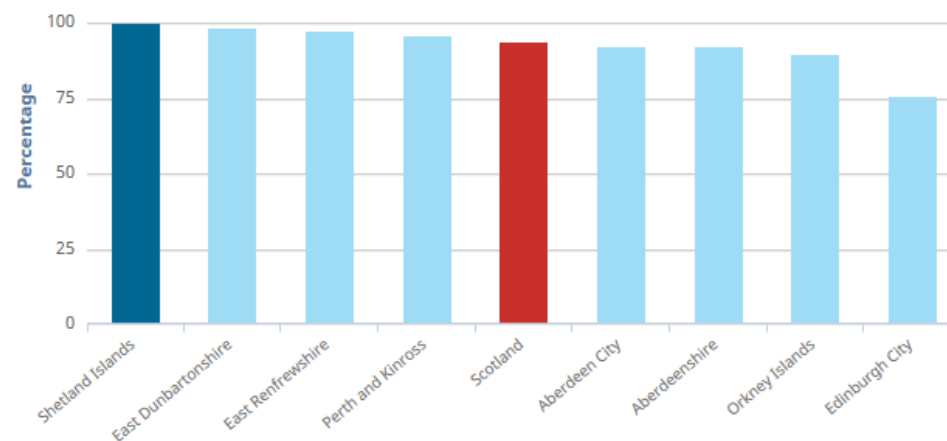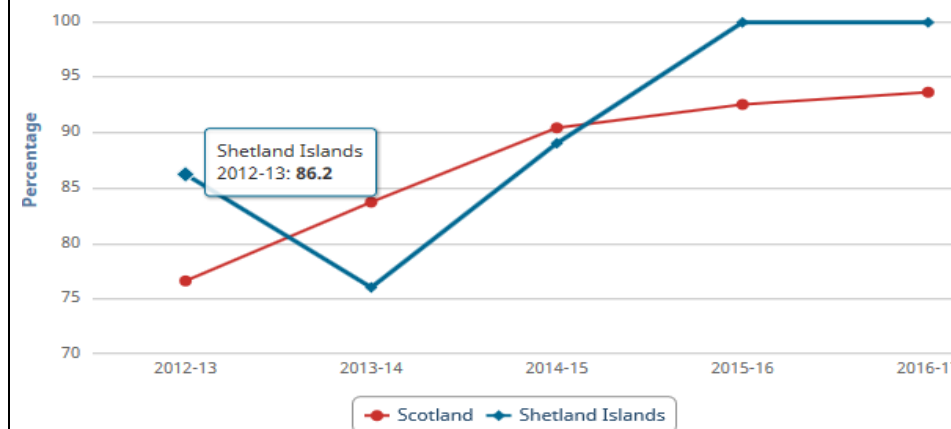
How long does it take my council to complete non emergency repairs (average number of days)?

Past Performance	Data for all Councils	Future Improvement
This indicator includes all work ordered which is not an emergency. This includes those ordered as Urgent, Routine and 3-Month jobs. Priority timescales are set locally so direct comparison with others is difficult.		Continued monitoring by staff and management team.
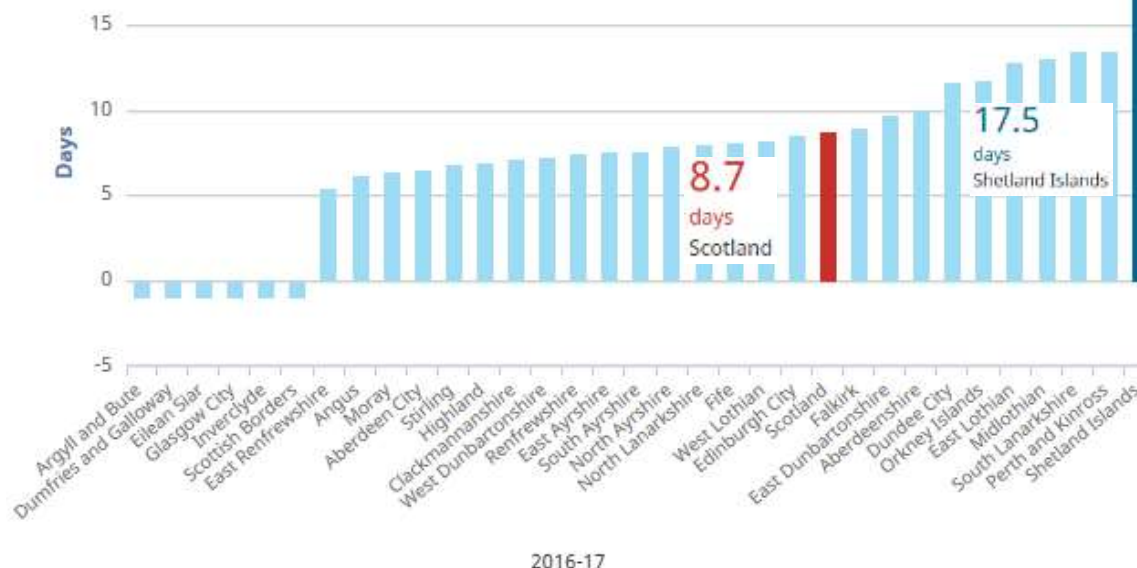
Data for Similar Councils
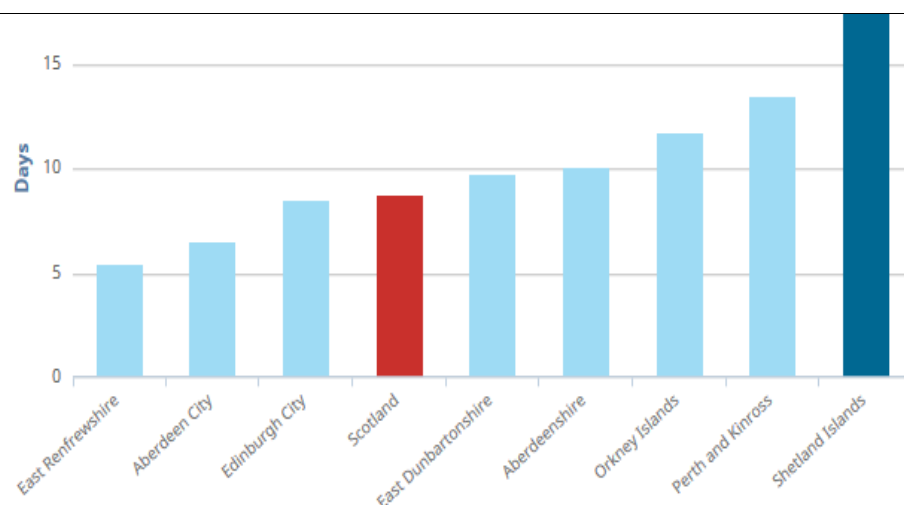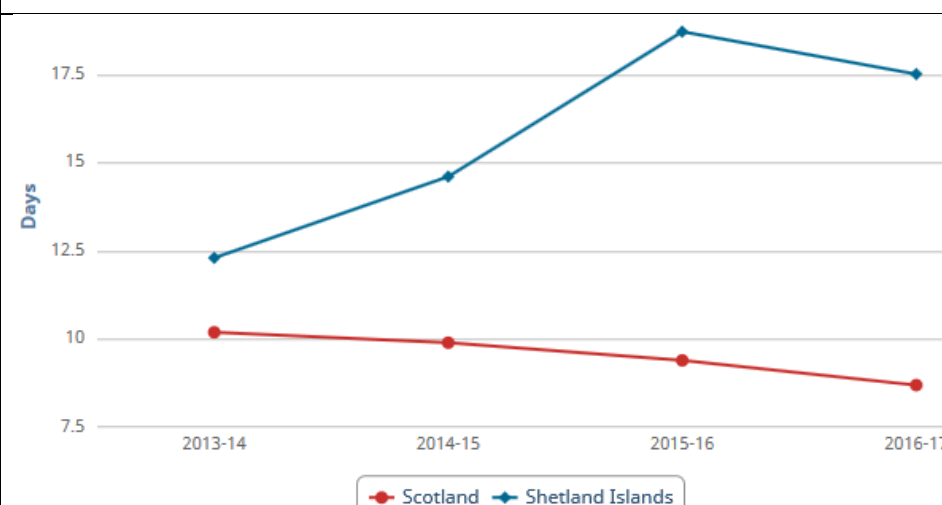
Data over time

How energy efficient is the housing provided by my council as measured by the Scottish Housing Quality Standard?

Past Performance	Data for all Councils	Future Improvement
The reported figure is based on Charter reporting which does not include exemptions. All properties, apart from some exemptions, were compliant by April 2015, as required.		The next legislative requirement we are working towards is EESSH which relates to energy efficiency. All SIC Housing stock is to be compliant by April 2020.

Data for Similar Councils

Data over time

Shetland Islands Council
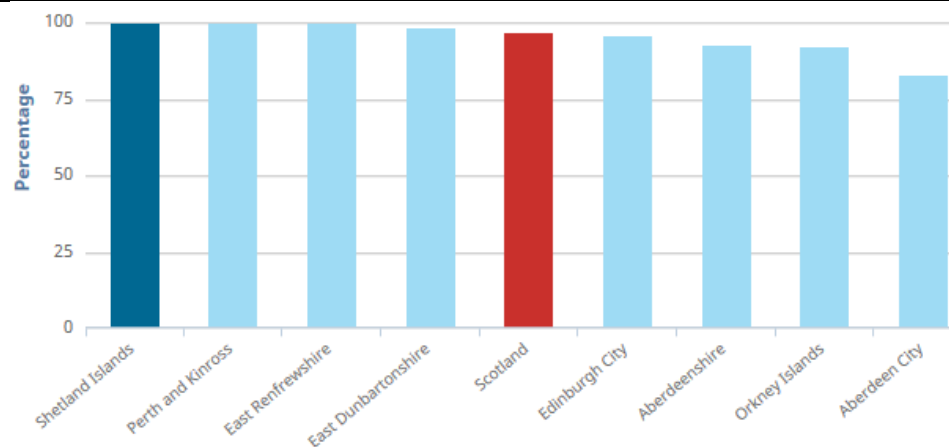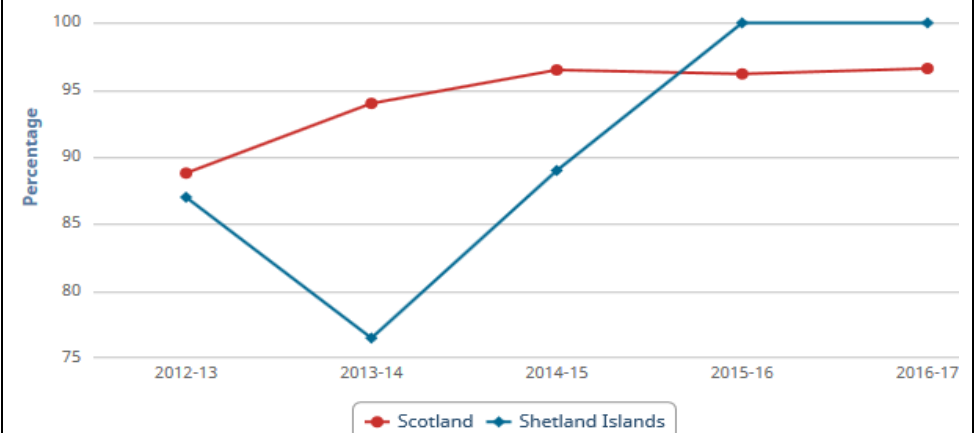
Meeting:	Audit Committee	12 June 2018
Report Title:	Audit Committee Self-Assessment	
Reference Number:	IA-17-18-F	
Author / Job Title:	Crawford McIntyre – Executive Manager – Audit, Risk & Improvement	

1.0   Decisions / Action required:

1.1   That the Audit Committee NOTES the contents of this report and ENDORSE the proposal for a self-assessment to be undertaken with a summary of findings subject to a further report to Committee for consideration.

1.2   COMMENT on suggested participants and content.

2.0   High Level Summary:

2.1   This report presents the Audit Committee with a proposal that a self-assessment of the Audit Committee is carried out using Smart Survey; the Council approved online tool used to undertake surveys. Smart Survey is a secure and trusted platform that does not share collected data with commercial bodies and is in compliance with local government data retention policies.

2.2   Networking with colleagues at a national level has identified that self-assessment is undertaken by some other Scottish Local Authority Audit Committees. In addition Local Authority external auditors have formally commented on the absence of self-assessment in other authorities.

2.3   CIPFA have recently published refreshed "Practical Guidance for Local Authorities and Police for Audit Committees" which would suggest self-assessment as best practice.

2.4   The current membership of the Audit Committee has been in place for just over a year and this would seem an opportune time to undertake this self-assessment.

3.0   Corporate Priorities and Joint Working:

3.1   The undertaking of an Audit Committee self-assessment will contribute to improving the arrangements for Member engagement in monitoring Council performance and contributes to high standards of governance and thereafter working in a more effective way.

4.0	Key Issues:

4.1 Having reviewed the implementation of this work in other councils, it is proposed that the self-assessment be undertaken with the following required to participate:

- All Audit Committee Members
- Convener & Leader
- Chief Executive
- Director of Corporate Services
- 3 x Executive Managers – Finance, Governance & Law and Audit, Risk & Improvement
- 3 x Council Officers who regularly contribute to the Audit Committee (one from each of the above Executive Manager teams).

4.2 Appendix 1, based on CIPFA guidance, is a suggested format which will be developed to be accommodated within a Smart Survey.

4.3 The survey would be undertaken over the summer recess with a report on the findings presented to Audit Committee before the end of 2018.

4.4 It would be expected that all requested to participate would complete the survey. However, there will be complete confidentiality and anonymity in answers given.

5.0	Exempt and/or confidential information:

5.1 None.

6.0	Implications:	
6.1 **Service Users, Patients and Communities:**	The Council must ensure best value in the delivery of services. The undertaking of a self-assessment could provide assurance in this regard.
6.2 **Human Resources and Organisational Development:**	None directly arising from this report.
6.3 **Equality, Diversity and Human Rights:**	None directly arising from this report.
6.4 **Legal:**	The Local Authority Accounts (Scotland) Regulations 2014 make it a statutory requirement for a local authority to operate a professional objective internal auditing service. Section 95 of the Local Government (Scotland) Act 1973 specifies that all Scottish Councils are required to have in place arrangements for ensuring propriety, regularity and best value in their stewardship of public funds. Any issues identified in a self-assessment will help enhance these arrangements.
6.5 **Finance:**	The work of the Audit Committee contributes towards effective financial stewardship within Shetland Islands Council.

6.6 Assets and Property:	None arising directly from this report.	
6.7 ICT and new technologies:	None directly arising from this report.	
6.8 Environmental:	None directly arising from this report.	
6.9 Risk Management:	Whilst no specific risk can be attributed to this report analysis from the self-assessment may identify potential risks to the Council which could be addressed. In addition failure to conduct a self-assessment raises the risk of non-compliance with obligations.	
6.10 Policy and Delegated Authority:	The Audit Committee remit includes promoting good internal control, financial management, risk, governance and performance management a self-assessment may identify further improvements required.	
6.11 Previously considered by:	None	N/A

Contact Details:
Crawford McIntyre
Executive Manager – Audit, Risk & Improvement
Crawford.mcintyre@shetland.gov.uk
4 June 2018

Appendices:
Appendix 1 – Self Assessment questionnaire.

END

Shetland Islands Council - Audit Committee Self-Assessment Questionnaire

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
A	**Audit Committee Purpose and Status**						
A1	There is sufficient clarity over the role of the Audit Committee within the Council's governance arrangements.						
A2	The role and purpose of the Committee is understood and accepted across the Council.						
A3	The Committee is highly regarded by other Elected Members.						
A4	The Council acts upon the Committee's recommendations.						
A5	There is adequate communication between the Audit Committee and Full Council/ other Committees to ensure there are neither gaps nor duplication of effort.						
B	**Committee Arrangements & Support**						
B1	The Committee is of an appropriate size.						
B2	The composition of the Committee is appropriate.						
B3	Audit Committee meetings are sufficiently frequent.						
B4	The Committee is provided with adequate secretariat and administrative support.						
B5	Agendas, papers and minutes are distributed appropriately (timeliness, format) to enable proper consideration prior to the meeting.						
B6	Audit Committee meetings provide sufficient time for items of business to be considered to the appropriate level of detail.						
B7	Appropriate minutes are prepared and circulated, reporting on matters arising and utilising allocated action points.						
B8	The Audit Committee is easily able to secure the attendance of Council Officers of appropriate standing and expertise when required.						
B9	The Audit Committee has sufficient access to Internal Audit (including both formally and in private).						
B10	The Audit Committee has sufficient access to external audit, (including both formally and in private).						

Appendix 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
B11	The Audit Committee has open channels of communication with officers and other Committees/Elected Members to keep them aware of topical/regulatory issues.						
B12	Committee members receive sufficient and appropriate training and briefings on key issues relevant to their responsibilities.						
C	**Members**						
C1	Audit Committee members have a clear understanding of their role.						
C2	The Committee has the appropriate mix of knowledge, expertise and skills among its membership to fulfil its role effectively.						
C3	The Chair of Audit Committee ensures appropriately balanced input to meetings from all members.						
C4	Members attach the appropriate level of seriousness to preparing for and attending meetings.						
C5	The Committee has good working relations with key people and organisations, including External Audit, Internal Audit and the Chief Financial Officer.						
D	**Effectiveness**						
D1	The Committee functions in a positive and constructive manner, including interaction between Members and with officers during Committee meetings.						
D2	Committee members feel comfortable asking candid questions.						
D3	The Committee provides constructive challenge to Council management and other officers.						
D4	The Committee receives adequate responses from officers to their questions.						
D5	Committee decisions are executed properly and in a timely manner.						
D6	Members review the annual accounts and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices.						

Appendix 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
D7	Members consider the contents and conclusion(s) of the Annual Governance Statement before deciding whether to approve the annual accounts for signature.						
D8	The Committee provides effective review and challenge of risk management, including the application of risk management policy and procedures and the mitigation of key areas of risk.						
D9	The Committee is effective in following-up outstanding actions or improvement plans						
D10	The Committee ensures that the Council has effective governance arrangements in place in respect of its relationships with related bodies (ie, those included in the Council Group accounts).						
D11	The Committee provides effective support to the internal audit process.						
D12	The Committee ensures it gets best value from the internal and external auditors and, where relevant, other assurance providers.						
D13	The Committee fulfils its role as stated in the Scheme of Delegation.						
D14	Overall, the Audit Committee provides effective accountability to the public through effective challenge of governance, risk and control matters.						

Additional Comments:

Appendix 1

Shetland Islands Council

Meeting(s):	Audit Committee	12 June 2018
Report Title:	Dundee City Council – Report on Significant Fraud	
Reference Number:	F-051-F	
Author / Job Title:	Jonathan Belford Executive Manager – Finance	

1.0	Decisions / Action required:

1.1   That the Audit Committee NOTE the content of the report and actions being taken in relation to the findings and lessons described by the Accounts Commission.

2.0	High Level Summary:

2.1   Each year the Accounts Commission publish a range of specific audit reports and also a number of national reports that cover topics that affect parts of Scottish public sector activity as a whole. It is normal practice for each of these national reports to be considered by the most appropriate committee and for the key findings to be identified and described in the context of Shetland Islands Council.

2.2   The purpose of this report is to provide an insight into the significant fraud that was discovered at Dundee City Council in 2016 and to highlight the lessons that other Councils should consider in light of the findings.

2.3   A copy of the report is attached at Appendix 1 and the Commission Findings in the report are:

2.3.1   "The Commission accepts the Controller of Audit's report on a matter arising from the 2016/17 audit of Dundee City Council. The report refers to a significant fraud perpetrated against the council.

2.3.2   We note the conclusion of the Controller that failures in fundamental controls within the council allowed this fraud to continue over a prolonged period. We also note the conclusion that appropriate action was taken by management on discovering the fraud and that it continues to try and enhance public confidence by improving its resilience to fraud and corruption.

2.3.3   It is important that we, in our role of providing assurance to the public about councils' governance and their custodianship of public money, underline the lessons to be learned by every council from this matter. Councils must ensure that fundamental internal controls are in place and working effectively. Such controls include appropriately segregating duties of those involved in managing controls, ensuring systems reconciliations are carried out, accurate documenting of procedures, and budget monitoring.

2.3.4   It is management's responsibility for ensuring that such arrangements are in place and thus help assure elected members and the public that risks are being identified and managed effectively. We expect a council's external

	auditor to review such procedures and make recommendations where weaknesses are identified. We expect management to act upon and apply recommendations from both external and internal auditors to address potential weaknesses and risks."
3.0	**Corporate Priorities and Joint Working:**
3.1	The Corporate Plan places a great deal of emphasis on governance and management of the Council. This report supports core priorities in relation to "Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means."
3.2	There is a clear emphasis in the Accounts Commission report to action by management and appropriate control environments that underpin the principles of good governance.
4.0	**Key Issues:**
4.1	The Accounts Commission report provides an insight into the fraud that was perpetrated against Dundee City Council and the complex nature meant that it went undiscovered for a number of years. This resulted in a long-term employee embezzling over £1 million.
4.2	The report was prepared by the Controller of Audit to draw to the attention of the Accounts Commission how the fraud was perpetrated, the weaknesses in the control systems, and the actions taken by the Council following discovery.
4.3	An overview of the situation is as follows and is provided in more detail in the report at Appendix 1.
	4.3.1 During routine year end procedures the council highlighted an invoice for £7,337 where supporting information could not be found. The payment for this invoice was made into an employee's bank account in May 2016 which resulted in an internal investigation and a Police Scotland investigation. The reviews highlighted fundamental weaknesses in the council's internal financial control systems. Investigations identified fraudulent payments to the employee totalling £1,065,085 during the period from August 2009 to May 2016.
	4.3.2 The fraud resulted from the employee having unrestricted access to several systems which allowed him to insert fake invoices into the system and alter the bank payment details of suppliers without detection.
	4.3.3 The employee was immediately suspended and resigned from his position in June 2016. The Police Scotland investigation resulted in the ex-employee pleading guilty on 2 August 2017 to the charge of embezzling £1,065,085 from the council and on 24 August 2017 at the High Court in Glasgow he was sentenced to 5 years 4 months imprisonment.
	4.3.4 Full recovery of the loss, excluding the policy excess of £10,000 and fees of £8,663, has been achieved through a range of methods. The recovery included the pension of the convicted individual, an ex gratia payment from a third party and the proceeds of the council's fidelity insurance policy.

4.4   PricewaterhouseCoopers LLP assisted Dundee City Council with specialist support
        and their initial report highlighted control issues that included:

        • Segregation of duties;
        • Interface reconciliations;
        • Balance Sheet reconciliations;
        • Supplier statement reconciliations;
        • System limitations.

4.5   The audit conclusions note that wider lesson from this incident, for other Councils
        to consider, is the importance of key internal controls. (described in appendix 3 of
        the Accounts Commission report)

4.6   The Council has reviewed the report and lessons that should be considered, as
        detailed in the report. Action has been taken on a number of the recommendations
        and details are provided in Appendix 2 to this report – which is exempt for the
        reasons listed below.

4.7   This report is brought to the attention of management the importance of internal
        controls. It is clear from the internal and external audit of the Council over the
        years that the control environment has been found to be robust. That said there is
        a balance to be struck between the controls and resources deployed to achieve
        those controls, it is for this reason that the control environment can never provide
        absolute assurance, the annual governance statement for example refers to
        providing reasonable and objective assurance that any significant risks impacting
        on the achievement of our principal objectives will be identified, and actions taken
        to avoid or mitigate the impact.

4.8   The Finance Service has reviewed and taken specific action in terms of the
        recommendations in the report and in addition the Council continues to review and
        audit systems and processes in line with the internal audit plan which includes
        finance systems. A specific audit focussing on the issues identified by the
        Accounts Commission has been included in the 2018/19 Internal Audit Plan.
        External auditors conduct specific audit testing in relation to systems and financial
        transactions and are aware of the findings of this report.

4.9   In conclusion this report is a sobering reminder of the potential for fraud to be
        perpetrated in an environment where organisations rely on systems and people to
        manage, administer and develop them. Management remains very aware of the
        potential for fraud and ensures that appropriate resources are in place to maintain
        a robust control environment across the Council.

5.0   Exempt and/or confidential information:

5.1   This report and Appendix 1 – 2016/17 Audit of Dundee City Council – is not
        exempt. Appendix 2 refers to the control arrangements in the Council and the
        specific roles of individuals and is therefore confidential under Paragraph 1 of the
        Local Government (Scotland) Act 1973, Schedule 7A..

6.0   Implications :

6.1 **Service Users,** **Patients and** **Communities:**	There are no implications arising directly from this report.
6.2 **Human Resources** **and Organisational** **Development:**	The report makes it clear that through appropriate checking and questioning of information and invoices the fraud in Dundee City Council was finally detected. While trust is a vital part of the relationship between the Council and it's staff it is the responsibility of all staff to be vigilant and to adhere to the controls that are in place to protect the Council from fraud. Reporting concerns immediately is also a fundamental aspect of maintaining controls.
6.3 **Equality, Diversity** **and Human Rights:**	There are no implications arising directly from this report.
6.4 **Legal:**	There are no implications arising directly from this report.
6.5 **Finance:**	There are no implications arising directly from this report. An appropriate level of resource should be deployed to ensure there are robust controls in place and this should be balanced against wasting resources if it doesn't add value to the control environment. Being clear on what is being controlled and the most effective means of achieving control has to be regularly reviewed.
6.6 **Assets and Property:**	There are no implications arising directly from this report.
6.7 **ICT and new** **technologies:**	A review of system access and authority levels has been conducted as a result of the findings detailed in the report.
6.8 **Environmental:**	There are no implications arising directly from this report.
6.9 **Risk Management:**	There is an inherent risk in the processing of payments to individuals and suppliers that controls may become vulnerable or people may attempt to circumvent the controls for financial gain. The Council has in place a range of controls across the various financial systems that seek to reduce or eliminate the risk of fraud. It must be recognised that, as has been seen with increased levels of cybercrime and phishing, for example, the Council must remain vigilant in this matter.
6.10 **Policy and Delegated** **Authority:**	As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the remit includes *"... to consider a selection of performance and inspection reports from internal audit, external audit and other relevant agencies"*. This delegation supports the policy requirement and procedure for

	presenting External Adviser reports as set out above. It is a matter for the Audit Committee to monitor and ensure compliance with this policy. The remit also includes *"…to promote an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability"* and *"…to promote good financial practice within the Council."*. It is clear that the Audit Committee has the authority to consider this report.	
6.11 Previously considered by:	*None*	

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6 June 2018

Appendices:
Appendix 1 – Accounts Commission report. 2016/17 Audit of Dundee City Council – Report on Significant Fraud

Background Documents:
None

2016/17 Audit of Dundee City Council

Report on a significant fraud

ACCOUNTS COMMISSION

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Commission findings

1. The Commission accepts the Controller of Audit's report on a matter arising from the 2016/17 audit of Dundee City Council. The report refers to a significant fraud perpetrated against the council.

2. We note the conclusion of the Controller that failures in fundamental controls within the council allowed this fraud to continue over a prolonged period. We also note the conclusion that appropriate action was taken by management on discovering the fraud and that it continues to try and enhance public confidence by improving its resilience to fraud and corruption.

3. It is important that we, in our role of providing assurance to the public about councils' governance and their custodianship of public money, underline the lessons to be learned by every council from this matter. Councils must ensure that fundamental internal controls are in place and working effectively. Such controls include appropriately segregating duties of those involved in managing controls, ensuring systems reconciliations are carried out, accurate documenting of procedures, and budget monitoring.

4. It is management's responsibility for ensuring that such arrangements are in place and thus help assure elected members and the public that risks are being identified and managed effectively. We expect a council's external auditor to review such procedures and make recommendations where weaknesses are identified. We expect management to act upon and apply recommendations from both external and internal auditors to address potential weaknesses and risks.

Executive summary

Introduction

1. The external auditor's report on the 2016/17 audit refers to a significant fraud perpetrated against Dundee City Council. The fraud was complex and resulted in a long-term employee embezzling £1.065 million from the council between August 2009 and May 2016. I submit this report under section 102(1) of the Local Government (Scotland) Act 1973 as a matter that the Controller of Audit considers should be considered by the local authority or brought to the attention of the public.

2. The purpose of this report is to draw the Accounts Commission's attention to how the fraud was perpetrated; the weaknesses in the council's control systems; and the actions taken by the council following discovery of the fraud. The financial loss to the council and the recovery outcome are also reported.

Summary

3. During routine year end procedures the council highlighted an invoice for £7,337 where supporting information could not be found. The payment for this invoice was made into an employee's bank account in May 2016 which resulted in an internal investigation and a Police Scotland investigation. The reviews highlighted fundamental weaknesses in the council's internal financial control systems. Investigations identified fraudulent payments to the employee totalling £1,065,085 during the period from August 2009 to May 2016.

4. The fraud resulted from the employee having unrestricted access to several systems which allowed him to insert fake invoices into the system and alter the bank payment details of suppliers without detection.

5. The employee was immediately suspended and resigned from his position in June 2016. The Police Scotland investigation resulted in the ex-employee pleading guilty on 2 August 2017 to the charge of embezzling £1,065,085 from the council and on 24 August 2017 at the High Court in Glasgow he was sentenced to 5 years 4 months imprisonment.

6. Full recovery of the loss, excluding the policy excess of £10,000 and fees of £8,663, has been achieved through a range of methods. The recovery included the pension of the convicted individual, an ex gratia payment from a third party and the proceeds of the council's fidelity insurance policy.

7. PricewaterhouseCoopers (PwC) provided additional specialist support, under their internal audit contract, for the investigation. The PwC reports issued to management in October 2016 and June 2017 highlighted control weaknesses; recommendations for improvement; and details of reviews undertaken to ensure no further anomalous payments were made.

8. The Leader of the Council, Depute Leader and Group Secretary were provided with details of the fraud in June 2016. During 2016 the Chair of the Scrutiny Committee and other senior

politicians were briefed on the fraud and the actions being taken. Member briefings on the fraud were provided by management on 19 April and 5 December 2017 with a report considered by the Scrutiny Committee on 13 December 2017. The Scrutiny Committee report indicated that all the PwC recommendations had been implemented or had an agreed implementation date.

9. Internal audit's plan for 2018/19 are to include following up the PwC recommendations to ensure that these have been implemented effectively. Internal audit as part of the current year have planned to review the Bank Automated Clearance System (BACS) and User Access Levels to provide further assurance to members for these areas.

Auditor's opinion

10. The fraudulent payments totalled £1.065 million over several years and the impact on the financial statements from 2009/10 to 2015/16 did not represent a material misstatement in any given year. However, there were failures in fundamental controls within the council that allowed this fraud to continue over a prolonged period resulting in a loss to the council. In particular, the lack of segregation of duties allowed the perpetrator access to a number of systems, enabling them to carry out the fraud. Internal controls such as system reconciliations were not carried out or were ineffective and as a result the payments were not identified as anomalies for further investigation at an early stage.

11. On discovery of the erroneous payment the council acted promptly to deal with the individual and reporting the fraud to Police Scotland. Officers undertook appropriate investigations and effective recovery of the fraudulent payments. The investigations highlighted the control weaknesses and officers have acted to address the issues and strengthen the control environment.

12. Elected members and the local external audit team have been kept up to date at appropriate key stages of the fraud investigations since its discovery.

13. Members' briefings were held in April and December 2017 and a report was also presented to the Scrutiny Committee on 13 December 2017. External audit was invited and attended these meetings and considered them comprehensive and informative.

14. The council continues to strengthen its control environment through its Corporate Integrity Group, which was established in February 2017. Police Scotland has also approached the council in order to develop a case study of the fraud to provide a resilience message across Scotland's public sector.

15. The wider lesson from this incident, for other councils to consider, is the importance of key internal controls. These are documented in Appendix 3 and cover areas such as: segregation of duties (including user access rights); effective system reconciliations; system documentation; and effective budget monitoring.

Fraud details

Initial discovery and quantification

16. On 20 May 2016, as part of the council's year-end procedures, an invoice for £7,337 was highlighted where supporting information could not be found. A request was made on 23 May to the IT helpdesk to investigate the issue. On 25 May the IT officer investigating the issue (the perpetrator of the fraud) highlighted that he had been carrying out testing of the BACS system and had used his own bank details to test a payment. The employee immediately returned the payment of £7,337 to the council. Finance staff notified senior management and it was agreed that the employee should be suspended with immediate effect to allow for a full investigation to be undertaken. The employee was suspended on 26 May 2016 and Police Scotland notified on 30 May.

17. At the same time a further query on a fleet management invoice by council staff for an invoice of £17,846 highlighted a second bank account, suspected to be controlled by the employee.

18. A formal disciplinary meeting was held with the employee on 9 June 2016, solely in relation to the payment of the initial £7,337 discovered. At the meeting, prior to being issued with a notice of dismissal, the employee tendered his resignation.

19. In June 2016 PwC were requested to provide additional support for the investigation through an existing internal audit contract to:

    - establish the extent of any anomalous payments and where these are posted in the accounting records

    - establish where failings in the current control environment enabled the fraud to be perpetrated without detection

    - identify improvements to the control environment that would help prevent similar incidents in future

    - assess the resilience of the council's systems to external threats.

20. Interrogation of the BACS system by PwC verified £804,775 of fraudulent payments, 44 made to the employee's personal account dating from March 2012 totalling £786,929 and 1 of £17,846 made to a second bank account. The BACS system was upgraded in March 2012 and the council was unable to establish whether payments had been made to these accounts prior to the system change.

21. Police Scotland's investigation subsequently identified an additional 12 fraudulent transactions totalling £260,310 between August 2009 and July 2012.

22. From August 2009 to May 2016 the fraud totalled £1,065,085 resulting from 57 transactions with payments to two bank accounts. These accounts were different accounts from where the employee's salary was paid into.

23. The employee was charged and convicted with regard to the fraud and is currently serving five years in prison.

Financial loss to the council

24. The council has insurance cover (Fidelity guarantee) to protect itself against dishonesty of employees resulting in financial loss to the authority. Following discovery of the fraud, a formal claim was submitted with the insurer appointing an independent loss adjuster to investigate the claim.

25. The council has recovered all of the loss from the fraud excluding the policy excess of £10,000. The recovery methods included the pension of the convicted individual, an ex gratia payment through a third party and the proceeds of the fidelity insurance policy. The recovery also covered £47,141 towards the PwC fees of £55,804 for their investigation.

How the fraud was perpetrated

26. The employee was an IT officer with over 30 years' service, who had extensive access to a large number of the council's financial systems which had been built up over many years.

27. The employee combined his knowledge of the systems, and his system access privileges, to insert fake invoices into the purchase ledger for payment. These invoices appeared to have come through an interface from a subsystem and were payable to known suppliers. The sub-systems did not record these transactions.

28. Further to this, the employee was able to intercept these fake invoices and divert payments to bank accounts within the individual's control. A genuine payment to the same supplier would not be intercepted, resulting in suppliers being paid as normal.

Why budgetary control processes did not detect the fraud

29. Prior to 2012 the council is unable to assess the quality of its control environment as no audit trail has been retained by the council prior to this period. The 45 fraudulent transactions totalling £804,775 that the council is able to access were processed through two systems (29 payments through the construction sub-system totalling £501,407; and 16 payments through the fleet management sub-system totalling £303,368).

30. The construction sub-system is a bespoke system developed in-house in the 1980s. The employee who committed the fraud, was involved in the development and has extensive knowledge of this sub-system. Interfaces from the construction sub-system enter the council's ledger as a batch total split across cost centres rather than on an invoice by invoice basis.

31. The fraudulent transactions were not recorded in the sub-system and the fake interface of these transactions to the purchase ledger resulted in them being split across various cost centres.

32. A review of the construction sub-system would therefore not contain any fraudulent transactions and a review of the general ledger would not allow budget holders to dig down to

individual invoices to investigate variances. As the fraudulent payments were for small amounts between £5,898 and £27,557 over a number of years they did not stand out in the high value and volume of genuine transactions processed through the construction sub-system. Budget monitoring did not, therefore, identify any of the fraudulent payments.

33. The fleet management system is an "off the shelf" system widely used in the private and public sector. The council's ledger for these areas should have been subject to regular management review and would have allowed analysis down to invoice level. One of the fraudulent payments (£17,846 highlighted above) was queried however it is unclear why the remaining payments went undetected by budget holders although the volatility of fuel prices may have helped mask the impact of these payments.

Control weaknesses that facilitated the fraud

34. The PwC report *Phase 1* was issued to management in October 2016. The report highlighted a number of fundamental control failings that enabled the fraudulent payments to go undetected and resulted in key areas for control improvement (Appendix 1) in relation to:

- **segregation of duties:** The employee had unrestricted access to a number of key systems across the purchase to payable cycle that allowed the insertion of fictitious invoices and malicious code into interfaces and the BACS payment system.

- **interface reconciliations**: Interface reconciliations were ineffective. An effective interface reconciliation of the number and value of transactions interfaced may have allowed for earlier detection of the fraudulent activity.

- **balance sheet reconciliations**: A reconciliation of the fleet management system to the general ledger was not undertaken. The limitations in the construction sub-system resulted in the reconciliation for the construction system to the general ledger being an ineffective control.

- **supplier statement reconciliations**: The council had not conducted supplier statement reconciliations to supplier's accounts that would have highlighted the fake invoices.

- **system limitation**: Limitations on the construction sub-system had a pervasive impact across the control environment, undermining the effective operation of segregation of duties, interface, and balance sheet reconciliation controls. This was exacerbated by the lack of system and process documentation which articulate the flow of transactions and sets out how interfaces work. The system is viewed by management as no longer fit for purpose and is scheduled to be replaced in 2018.

35. A further PwC review was agreed in December 2016 with the scope to:

- review the control environment over the construction purchase-to-pay process to identify gaps and/or weaknesses and design appropriate controls to mitigate these

- review the existing reconciliations performed between the construction sub-system and the council's general ledger to identify and design improvements in the reconciliation process.

36. The PwC report *Phase 2* was issued to management in June 2017 and highlighted additional improvements surrounding the construction IT system and included:

- journal, reconciliation and interface controls
- process improvements for journal entries for construction invoices
- construction system and civica reconciliations
- segregation of duties within IT
- super-user/administrative passwords.

Informing the elected members of the fraud

37. The Leader of the Council, Depute Leader and Group Secretary were informed of the fraud through discussions with the Chief Executive and Executive Director of Corporate Services on 13 June 2016. During 2016 the Chair of the Scrutiny Committee and other senior politicians were briefed on the fraud and the actions being taken. No formal documented briefings were presented to members during this time as investigations which were part of disciplinary and police investigations were ongoing. The external auditor has been kept well informed since the discovery of the fraud.

38. Scrutiny Committee members were invited to a briefing in April 2017 and all elected members were invited to attend briefings on the fraud in December 2017. These briefings were also attended by the external audit team who considered them comprehensive and informative.

39. The report to the Scrutiny Committee in December 2017 summarised the above actions and findings from the PwC reports. The reports indicated that all the PwC recommendations had been implemented with the exception of system and process documentation which is nearing completion and is linked with the implementation of the new construction system which is planned to go live in August 2018.

Data analytics

40. To provide assurance to the council that no further fraudulent transactions were processed in a similar manner, in other systems, PwC used data analytics to scan for any anomalous payments:

- identifying suppliers with BACS payments to more than one bank account
- comparing payment files in the purchase ledger and the BACS system
- matching invoices in the construction sub-system with those in the general ledger
- matching invoices in the fleet management system with those in the general ledger.

41. The testing did not identify any further fraudulent payments. The testing in this area was restricted to the back-up information retained by the council (eg PwC highlighted that only 76.5 per cent of payment files have survived for the analysis of the post-2012 BACS payments). Due to system limitations it was also not possible to run effective analytical tests on payments made through the pre-2012 BACS system.

Internal audit

42. The 2017/18 Internal audit plan agreed by the Scrutiny Committee in April 2017 contains planned reviews of BACS and User Access Levels to provide assurance to members and management around the control environments in these areas.

43. As part of the 2018/19 internal audit plan, resources will be set aside to follow-up on all recommendations made in the PwC report to ensure these have been implemented as intended. A report on the findings from that review will be submitted to the Scrutiny Committee in line with standard reporting procedures.

Further council action

44. The council continues to try to enhance public confidence and improve the organisation's resilience to fraud and corruption, through its Corporate Integrity Group, which had been established in February 2017 and is chaired by the Head of Corporate Finance. The integrity group model used is the approach recommended by Police Scotland's Public Sector Anti-Corruption Unit and is already utilised in a number of Scottish local authorities. The Corporate Integrity Group's remit includes:

   - undertaking a fraud and corruption risk assessment and compiling an integrity risk register

   - assisting with the development, review and communication of policies and procedures to mitigate the risk of fraud and corruption

   - highlighting emerging risks, threats, vulnerabilities and related fraud and corruption opportunities

   - receiving, considering and monitoring organisational vulnerability alerts / fraud and corruption flags and developing appropriate mechanisms for reporting and communicating these as appropriate

   - agreeing appropriate actions to mitigate the fraud and corruption risks identified, including sustainable preventative measures

   - raising awareness of fraud and corruption in the council as a method of prevention

   - developing an action plan to implement / address the above and keep the response proportionate to the risks

   - ensure proper communication and exchange of information with other groups, eg Serious Organised Crime Group.

45. Police Scotland has also asked to work jointly with the council to pull together a case study on the fraud that would be valuable in getting the resilience message across Scotland's wider public sector. It is envisaged that this case study would also be used to inform various groups across the public sector including: the Local Government Directors of Finance (Scotland) Group and the Scottish Local Authorities Chief Internal Auditors Group.

Responsibilities for preventing and detecting fraud

46. Councils are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. They are also responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

47. The auditor is required to review those arrangements as part of their responsibility for assessing the suitability and effectiveness of the council's corporate governance arrangements, as required by the Code of Audit Practice. External auditor reports have not identified any weaknesses in the council's overall arrangements for the prevention and detection of fraud.

48. The previous external auditor reported in 2011/12, 2012/13 and 2013/14 that system reconciliations were an improvement area for management to address, although the issues raised were not specifically in relation to either the construction system or the fleet management system. Management agreed to document the key reconciliations that are undertaken around the various financial and non-financial systems operated by the council and to review the sufficiency of each reconciliation and implement an improvement action where required. The external auditor also reported in 2011/12 that the council did not undertake supplier statement reconciliations, with management agreeing that this would be implemented on a sample basis. The reports on the audits of 2014/15 and 2015/16 did not highlight any issues in relation to these areas.

49. As referred to at paragraph 1, the current external auditor, appointed in 2016/17, reported on the fraud in her latest annual audit report.

Audit conclusions

50. Failures in fundamental controls within the council allowed this fraud to continue over a prolonged period. From the 57 fraudulent transactions only two were detected by the control systems in operation and resulted in the investigations.

51. On discovering the fraud appropriate action was taken by management as follows:

- individual - immediately suspended and access to systems removed. Disciplinary meeting held timeously where the employee resigned.

- investigations - the review undertaken were appropriately scoped to provide evidence of the fraudulent payments; identify the control weaknesses; and provide assurance that no further frauds had occurred.

- Police Scotland - informed timeously of the council's findings from the reviews and co-operated with the investigations. This resulted in the individual pleading guilty to the embezzlement of £1,065,085 from the council and he was sentenced to 5 years 4 months imprisonment.

- recovery of fraudulent payments - full recovery of the loss has been achieved with the exception of the £10,000 policy excess and £8,663 of PwC fees.

- control improvements - recommendations arising from the two PwC reviews have been implemented with the exception of system and process documentation which is nearing completion and is linked with the implementation of the new construction system which is planned to go live in August 2018. Follow-ups to the PwC reports are to be incorporated into internal audit's 2018/19 plan to provide assurance that the implemented controls are operating effectively.

52. The wider lesson from this incident, for other councils to consider, is the importance of key internal controls. These are documented in Appendix 3 and cover areas such as: segregation of duties (including user access rights); effective reconciliations; system documentation; and effective budget monitoring.

Appendix 1 - PwC recommendations

Ref.	Findings	Recommendations
1.	**Restricted access for privileged system users** The method used to process the fraudulent payments was the result of over-reliance on a single individual within IT who abused his privileged access rights. The user had access to systems right across the purchase to payable cycle and was able to use that access to execute the fraud.	Restricting system access rights, and, where possible, segregating responsibilities, limits the ability of any one user being able to bypass system enforced segregation of duties controls. An analysis should be undertaken across the council's financially significant systems, to identify all system administrators and super-users. Where conflicting access rights exist, these access rights should either be segregated or, if segregation is not possible, then monitoring of that user's access should be implemented. The next step is to undertake a wider review of system access for all users across financially significant systems, focusing on identifying potential segregation of duties conflicts and defining the access users require for their job role and responsibilities.
2.	**Interface reconciliations** It is our view that effective interface reconciliation controls may have helped identify the fraudulent transactions earlier.	Controls should be implemented to verify the completeness and accuracy of the data being interfaced between sub-systems and the general ledger. Any differences identified should be investigated and resolved.

Ref.	Findings	Recommendations
3.	**Balance sheet reconciliations** DCC did not conduct a balance sheet reconciliation from the Tranman subsystem to the general ledger. Such a reconciliation would have shown the fraudulent invoices 'routed' through this system. DCC did conduct a balance sheet reconciliation for the construction sub-system but this was an ineffective control.	It is recommended that DCC reconsider the balance sheet reconciliations that they are performing to determine if there are any missing reconciliations (such as the Tranman reconciliation) and whether the reconciliations that are currently taking place are effective.
4.	**Supplier statement reconciliations** DCC did not conduct any supplier statement reconciliations on the supplier accounts that MC placed his false invoices into. While it is accepted that this may not be practicable for the construction subcontractors, a monthly supplier statement reconciliation of the Scottish Fuels account should have revealed the fraudulent invoices that were 'routed' through the Tranman subsystem.	It is accepted that conducting supplier statement reconciliations is resource intensive, but we recommend that DCC consider whether they could conduct reconciliations on key supplier accounts, where it would be easiest to 'hide' fraudulent invoices.
5.	**System limitations** It is clear that the limitations of the current construction sub-system, DCS, have had a pervasive impact across the control environment, undermining the effective operation of segregation of duties, interface, and balance sheet reconciliation controls. Management have identified that the system is no longer fit for purpose and the process is underway to procure a new construction sub-system to replace the existing construction sub-system.	Until a new construction sub-system can be procured and implemented, management will need to consider the practicalities of developing a short-term fix to address these issues.

Ref.	Findings	Recommendations
6.	**System and process documentation** DCC do not have detailed system notes and mapping which articulate the flow of transactions and sets out how the interfaces work. This lack of documentation, while not a factor in enabling the fraud, was a contributing factor in the difficulty in tracking the accounting entries, as DCC could not demonstrate how the accounting systems actually worked. In order to gain an understanding of how the processes were working, PwC had to track entries through the systems, seeking to understand on a step-by-step basis what was happening at each stage of the process. This task, which was time consuming and labour intensive, would have been significantly streamlined had systems documentation been available. This lack of documentation places DCC at increased operational and financial risk should an unexpected event befall any of its IT systems in future.	DCC should document the processes and accounting pathways for each of its systems to ensure that they have a record of how these systems operate for future reference.

Source: PwC report Phase 1

.

Appendix 2 - Timeline

Date	Event
27 April 2016	Invoice added to system marked Prompt Payment.
20 May 2016	Finance doing year-end work and noticed one payment had no invoice or remittance slip.
23 May 2016	On investigation data was going missing from live system, and call logged with IT.
24 May 2016	IT officer assigned call and spoke to finance staff: trace put on payment.
25 May 2016	IT officer advises payment was made into his bank account in error and this money would be refunded into the council's bank account.
26 May 2016	IT officer is suspended from duties and all access to buildings and computer systems is disabled.
30 May 2016	Police Scotland notified of the incident.
6 June 2016	PwC discussion around scope of work for Phase 1 review.
9 June 2016	A formal disciplinary meeting arranged – IT officer resigns from his post.
13 June 2016	Council Leader, Depute Leader and Group Secretary advised of incident.
14 June 2016	PwC begin working with the council.
July to Oct 2016	Chair of Scrutiny Committee and other senior politicians briefed on fraud and action being taken.
6 October 2016	Police Scotland advise officers of fraudulent payment pre 2012.
26 October 2016	PwC report to officers on fraud - Phase 1.
27 October 2016	Briefing with senior politicians from cross parties.
2 November 2016	Briefing for senior politicians and the Administration Group
19 December 2016	Agreed scope of work for Phase 2 of PwC investigation.
19 April 2017	Scrutiny Committee Members briefing on fraud.
1 June 2017	PwC report to officers on Phase 2.
2 August 2017	Individual pleads guilty to embezzling £1.065 million.
24 August 2017	Individual sentenced to 5 years 4 months imprisonment.
5 December 2017	Members briefing on fraud.
13 December 2017	Report to Scrutiny Committee on fraud

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Appendix 3 - Lessons for other councils to consider

While the fraud was complex, weaknesses in the council's key internal controls, facilitated the fraud and meant that it was not detected for some time. Other councils could learn lessons from this incident. They should consider whether the following fundamental internal controls are operating effectively:

- segregation of duties: ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).

- reconciliations: ensuring feeder systems are effectively reconciled to other systems (eg general ledger); using third party information (supplier's statements) and reconciling with payment systems.

- system documentation: system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.

- budget monitoring: budget monitoring should be at a level that would allow budget holders to identify anomalous payments at an early stage.

2016/17 Audit of Dundee City Council

Report on a significant fraud

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