



Shetland Islands Council

Report to the Audit Committee, Members of the Council and the
Controller of Audit on the 2017/18 audit

Issued on 4 September 2018 for the meeting on 19 September 2018

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee and Council for the 2018 audit. The scope of our audit was set out within our planning report presented to the Audit Committee in February 2018.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of Best Value and the five Strategic Audit Priorities agreed by the Accounts Commission.



Introduction (continued)

The key messages in this report – financial statements audit

I would like to draw your attention to the key messages of this paper in relation to the audit of the financial statements:

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - Recognition of grant income (page 10);
 - valuation of property assets (page 12); and
 - management override of controls (page 11).
- We have identified two internal control issues regarding financial reporting and the valuation of property assets, discussed on page 15. We are satisfied that these issues have already been addressed in 2018/19 and did not materially impact the annual accounts.
- We have identified two audit adjustments from our procedures to date, both of which have been corrected by management. This is detailed in the appendices at page 53.
- The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Council. A number of recommendations to bring the annual accounts more in line with good practice have been made at page 20.
- The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.
- Based on our audit work, we expect to issue an unmodified audit opinion.
- Our audit of Zetland Educational Trust is also complete, with an unmodified audit opinion, as discussed further on page 14.

Insights

- We have utilised Spotlight, Deloitte's patented analytics tool, to perform analytics on the journal entries posted in the year to profile the journal population which has helped us identify journals of audit interest, such as journals posted on non-business days or journals with key words. Comments from review of journals are included on page 16.
- Given the increasing importance of social media, we have included some insights from analysis of the Council's Twitter account on page 17.
- We have raised several insights for areas where improvements could be made to the Council's operations, detailed on pages 54 - 63.

Status of the audit

- The audit is substantially complete subject to the completion of the following principal matters:
 - Finalisation of our internal quality control procedures;
 - receipt of legal confirmation;
 - Submission of auditor return to Audit Scotland;
 - receipt of signed management representation letter; and
 - our review of events since 31 March 2018.

Introduction (continued)

The key messages in this report – audit dimensions

The following two pages set out the key messages of this paper in relation to the four audit dimensions:

Financial sustainability

The Council has achieved significant savings in the previous 5 years, as shown in the summary below. It has recognised that if it continues with current service levels and delivery models, there would be a funding gap over the next 5 years. The Business Transformation Strategy (2016-20), will require the Council to make major changes to the way it provides services in order to achieve the required savings. The programme is not currently at a sufficiently advanced and robust stage to deliver the required savings and the Council needs to redouble its efforts in this regard in the coming year.

2017/18 final outturn position reported an underspend against budget of £8.57m (7.6%) . This included £8.6m use of revenue and capital reserves.	At 31 March 2018, the Council held £39.81m of non earmarked reserves (32.3% of net expenditure), which comprises the General Fund and the Equalisation Fund. This is significantly above the minimum recommended threshold (2-4%) due to the level of investments held by the Council arising from historic oil income.	A balanced budget for 2018/19 was approved in February 2018. This included £11.73m use of reserves.	The Council achieved in excess of £40 million of savings during the period 2011-2017 by reducing costs across a number of areas at the same time as improving the delivery of services.	The Council's Medium Term Financial Plan estimates a funding gap of £15.6m by 2023/24 with a cumulative funding gap to 2023/24 of £40.8m.
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Financial management

The Council has effective internal control systems, financial planning and management arrangements in place. However, improvements to the reporting calendar could be made to reduce the gap between the preparation of monitoring reports and their presentation to management and Committee to increase the relevance and timeliness of scrutiny.

The Council prepares medium and long-term financial plans and senior management and Councillors regularly review progress. Financial plans are linked to priorities and other strategic developments. The Council's spending is clearly linked to its priorities but it could improve how it shows that the spending makes a difference to these areas. The Council also needs to clearly report how it is performing against savings targets in year to enable scrutiny from Members.

We are satisfied that there is sufficient capacity and skill within the Finance Team to deliver the Council's responsibilities. The Council needs to ensure appropriate change management processes are in place given the change in Executive Manager – Finance in early September 2018, to ensure this does not have a negative impact on Council performance.

Introduction (continued)

The key messages in this report – audit dimensions (continued)

Governance and transparency

The Council and its partners have a clear and shared vision which is set out in the Shetland Partnership Plan. Councillors support this vision. The Partnership Plan has a good understanding of the challenges facing Shetland and is focussing on four priority areas: Participation; people; place; money. In the coming years, the development of delivery plans with clear targets and milestones to ensure the aims of the Partnership Plan are achieved will need to be a key focus for the Council and its partners.

The integration of health and social care continues to pose challenges for the Council, with issues relating to a lack of integration of budgets and significant funding gaps. Although there were a number of high profile resignations of Board members, we are satisfied this does not indicate any underlying issues. The Council have a well established partnership with NHS Shetland through the Shetland Islands Integration Joint Board ('IJB'). As is the case across Scotland, the Council (along with the IJB and NHS Shetland) should continue to work to resolve funding issues around shifting the balance of care between hospitals and communities. We also identified scope for improvement in the governance arrangement between the IJB and its partners to ensure that respective roles and responsibilities are clear.

The Council has strong executive leadership. Despite a number of changes in the senior team in 2018, we have not noted any negative impact on Council performance due to effective change management structures. The relationship between Councillors and Officers is good, and there is evidence of effective challenge from Councillors.

The Council is open and transparent in its decision making with all minutes available through the Council's website. The Council also encourages people to get involved in decisions about Council services and spending public money.

In addition to improvements to the reporting calendar outlined on the previous page, we have noted from our work that there is room for rationalisation of the Council's Committee structure and for improvement in the presentation of performance monitoring information.

Value for Money

The Council has a recently established Shetland Partnership Plan (replacing the Local Outcomes Improvement Plan) in place which sets out the framework for improvement. It is important that the Council focuses on developing delivery plans with clear, measurable targets and milestones to ensure that the aims of the plan are achieved.

Compared to other councils, the Council's overall performance has improved in recent years, and the majority of residents are satisfied with Council services. However, the Council and its partners need to demonstrate how their actions lead to improved outcomes for residents. Challenges remain in some currently topical areas, such as social care, gender balance and recycling.

The Council needs to improve how it reports its performance to residents, linking performance reports with the Council Plan and Shetland Partnership Plan and giving sufficient attention to areas of poor performance and remedial plans in place to address these areas.

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions:

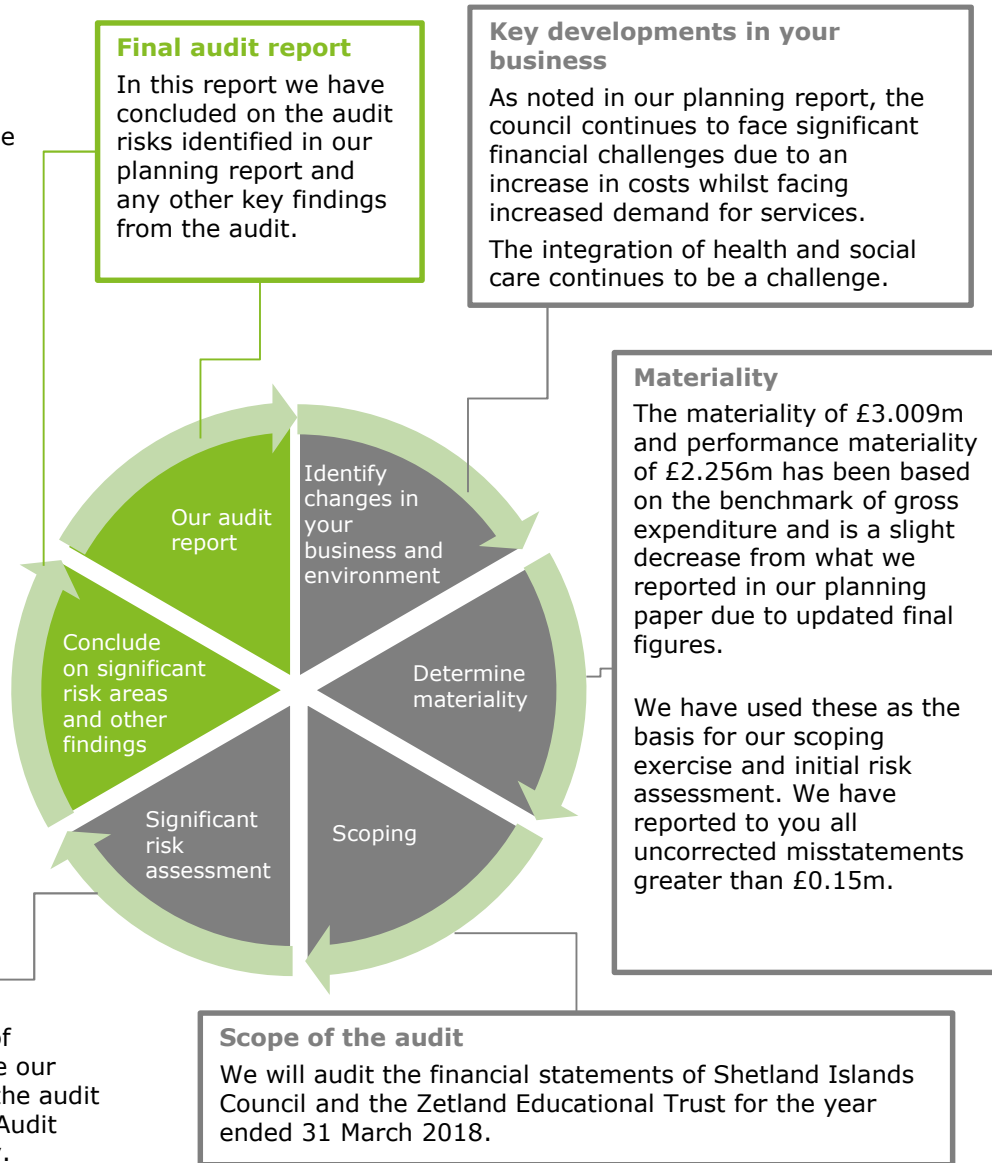
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 9 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of Shetland Islands Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



Timeline 2017/18

November 2017 – February 2018

Meetings with management and other staff to update understanding of the processes and controls.

7 February 2018

Presented planning paper to the Audit Committee

July – August 2018

Review of draft accounts, testing of significant risk and performance of substantive testing of results.

March 2018

Year end

16 August 2018

Audit close meeting

19 September 2018

Audit Committee and full Council meeting










19 September 2018

Accounts sign off

Financial statements audit



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Recognition of grant income			D+I	Satisfactory		Satisfactory	10
Valuation of property assets			D+I	Satisfactory		Satisfactory (see findings on page 15)	12
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 - Recognition of grant income

Risk identified

International Standards on Auditing (ISA) 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

Key components of income for the Council, as summarised in the table below, are the Government Grant and non-domestic rates which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100%.

The significant risk is pinpointed to the recognition of grant income (excluding General Revenue Grant income). Council tax, harbour income and housing rent income are set through the annual budget process with no management judgement and therefore have a low risk of fraud. Similarly, other Service Income includes fees and charges across all Services, which are set through formal approval processes, with no history of fraud or error.



Key judgements and our challenge of them

There is significant management judgement around determining if there are any conditions attached to a grant and if so whether the conditions have been met. The complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.



Deloitte response

We have performed the following:

- Assessed management's controls around recognition of grant income; and
- tested a sample of capital grants and contributions and grants credited to Service Income and confirm these have been recognised in accordance with any conditions applicable.

Type of income	2017/18 (£m)	Significant risk
<u>Taxation and Non-Specific Grant Income</u>		
Council tax income	9.04	
Non domestic rates	23.24	
Government Grant	57.43	
Capital grants and contributions	7.65	✓
<u>Service Income</u>		
Service Grant income	8.20	✓
Housing Benefit Subsidy	3.09	
Housing Revenue Account	7.14	
Harbour Account	28.76	
IJB commission income (book entry)	21.70	
Other Service Income	16.67	

Deloitte view

We have concluded that grant income has been correctly recognised in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting.

Significant risks (continued)

Risk 2 - Management override of controls



Risk identified

In accordance with ISA 240 management override is a significant risk.

This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks around recognition of grant income and valuation of property assets. This is inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte view

- We have not identified any significant bias in the key judgements made by management.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year were projecting to stay within budget and this was closely monitored with confidence that the Council would be able to meet its overall financial targets.
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest.

No issues have been noted from this testing.

Accounting estimates

In addition to our work on key accounting estimates discussed, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements has been completed with no issues noted.

Significant risks (continued)

Risk 3 - Valuation of property assets

Risk identified

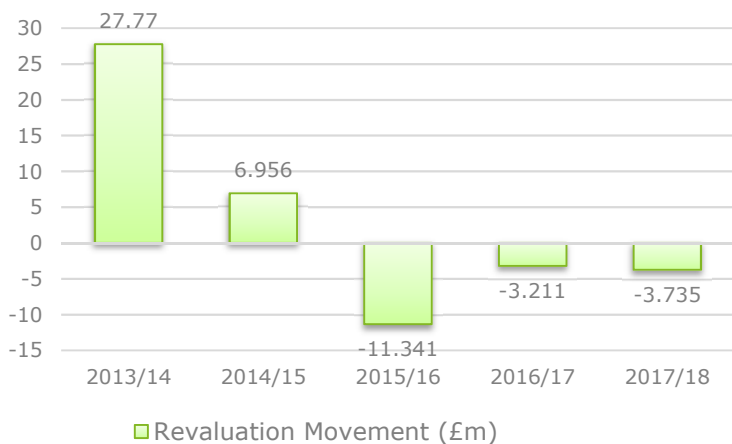
The Council is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.



Key judgements and our challenge of them

The Council held £269.54m of property assets at 31 March 2018. The financial year to 31 March 2018 represented year one of a five year rolling programme in which 20% of the portfolio will be revalued along with 100% of Council dwellings.

Due to prevailing market conditions, there was an overall revaluation loss in the year, in line with 2016/17. This primarily impacted the new Anderson high school (£3.096m), town hall (£0.985m), Eric Gray centre (£0.586m) and the Edward Thomason & Taing care home (£0.756m). These losses have been offset to some degree by increases in areas such as the Staney Hill industrial estate (£0.821m) and the occupational therapy resource centre (£0.716m).



Deloitte response

- We assessed management's controls around the valuation of property assets;
- We reviewed the revaluations performed in the year and assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified independent individuals;
- We tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts;
- We considered material changes in assets not subject to full revaluation during the year;
- We considered assets classified as surplus or held for sale to assess whether these have been valued and disclosed in line with IFRS; and
- We involved the use of our internal property specialists to review and challenge the assumptions and methodology adopted by the council's internal valuation specialists, including sample testing of inputs to the valuation.

Deloitte view

We have raised a number of recommendations in relation to the valuation of property assets which should be considered by the Council going forward, as discussed on page 62. We have identified a control deficiency as outlined on page 15 (which we note has been rectified in 2018/19) and an immaterial error of £0.19m (page 53) which has been corrected.

Overall, we have concluded that the net book value of property assets is not materially misstated. The Council's valuation assumptions are generally reasonable, in line with other Councils and fall within the expected range highlighted by Deloitte Real Estate.

Other matters

Defined benefits pension scheme

Background

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and
- The Shetland Islands Pension Scheme, administered by the Council.

The net pension liability has decreased from £229.68m in 2016/17 to £165.17m in 2017/18 primarily as a result of changes arising from the triennial valuation, combined with a slight increase in the discount rates and a slight decrease in the salary increase rate applied.



Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts;
- we reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown in the table opposite;
- we assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements;
- we reviewed the disclosures within the accounts against the Code; and
- we assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.70	2.57	Reasonable, slightly optimistic
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40	3.05	Prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40	2.05	Prudent
Salary increase (% p.a.) (over RPI inflation)	(0.4)	Council specific	Prudent
Pension increase in payment (% p.a.)	2.40	2.05	Reasonable, slightly prudent
Pension increase in deferment (% p.a.)	2.40	2.05	Reasonable, slightly prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	22.10	21.20	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.90	23.00	Reasonable

Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

Other matters (continued)

Charitable trusts

Risk identified

From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each charity, and a separate audit of each. Shetland Islands Council administers one such registered charity – Zetland Educational Trust.

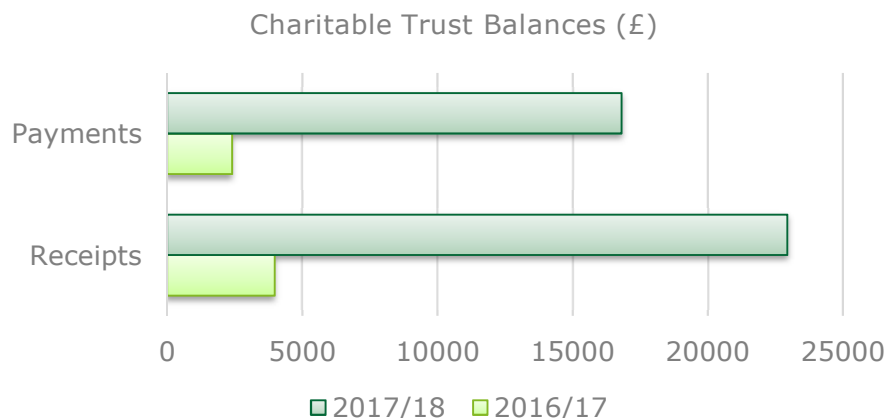
As the gross income of the Trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required and disclosure is limited to that specified in the Regulations.



Deloitte response

We have assessed that the Statement of Receipts and Payments and the Statement of Balances have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006. No issues have been noted.

A summary is provided in the table adjacent. We note that there has been very little movement in the Trust over the last 12 months, with the movements largely relating to interest from investments held. We would encourage the Council to ensure that appropriate plans are in place to ensure these funds are used in accordance with the donors wishes.



Deloitte view

No issues noted from our testing of the Zetland Educational Trust accounts in the year, which were found to be correctly accounted for in accordance with the Regulations.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

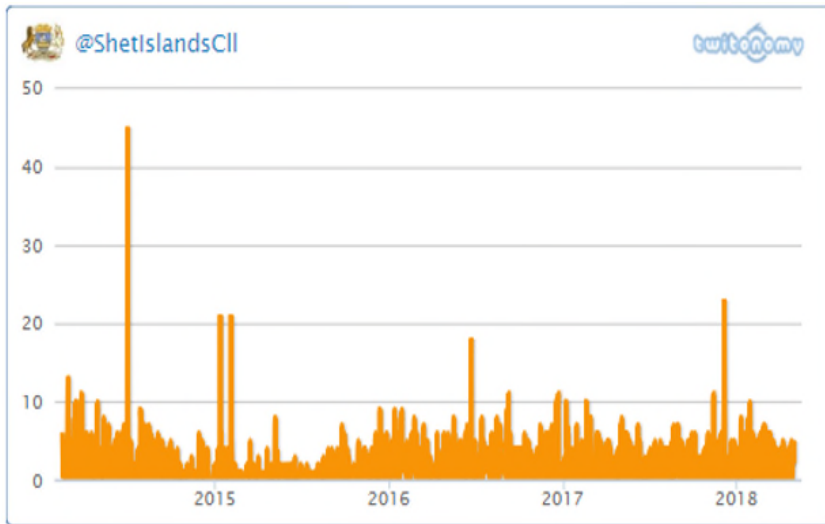
Area	Observation	Priority
Valuations of Property Assets	<p>In the current year, as the Valuer left their position, the Team Leader both carried out the valuations and performed the initial review of methodology. Although there is a subsequent 'sense check' by the Capital Assets team, this team are not Royal Institute of Chartered Surveyors ('RICS') qualified and do not have the requisite competence to perform a detailed technical review of the methodology used in the valuations.</p>	
	<p>This resulted in there being a lack of segregation of duties as the person carrying out the work was also responsible for the technical review of that work. As a consequence of this, a number of recommendations made in the prior year were not fully actioned in the current year – these have been reissued in the current year as outlined on page 62.</p>	High
	<p>Through our audit testing, we identified an immaterial error of £0.19m relating to an overstatement of land values, as outlined on page 53.</p>	
Financial Reporting	<p>An adjustment was raised when the IJB/Zetland Transport Partnership ('ZetTrans') accounts were audited to remove the debtors/creditors between the Council and these bodies as they did not meet the definition of a debtor/creditor per accounting standards. The accounting policy that led to these being recorded as debtors/creditors was not in line with best practice.</p>	
	<p>These adjustments were provided to the Council in early June 2018, before the unaudited accounts for the Council were issued. We appreciate the tight reporting deadline and that these changes may not have been able to be made in the unaudited accounts. Nonetheless, they should have been adjusted in the Council accounts prior to the Council audit commencing. However, the adjustments were not made until the equivalent error was identified from our audit of the Council accounts.</p>	Medium
	<p>This resulted in the debtors/creditors in the Council's unaudited accounts being materially misstated (£23.97m and £23.61m respectively), although the net impact on net assets is immaterial (£0.36m). This has been corrected by management, as discussed on page 53.</p>	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Other significant findings (continued)

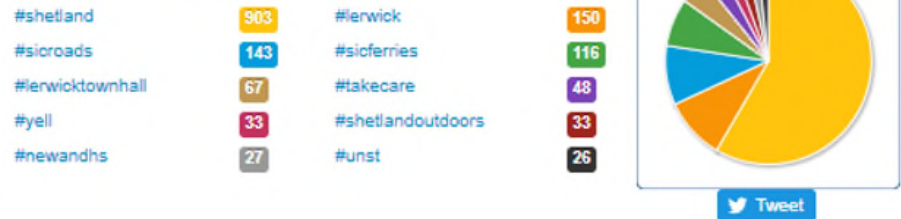
Insights delivered

Given the increasing importance of social media for community engagement and accessibility, we have reviewed the Council's Twitter account for any areas where improvements can be made.



Activity on social media has remained relatively consistent throughout the year, as shown to the left.

Hashtags most used



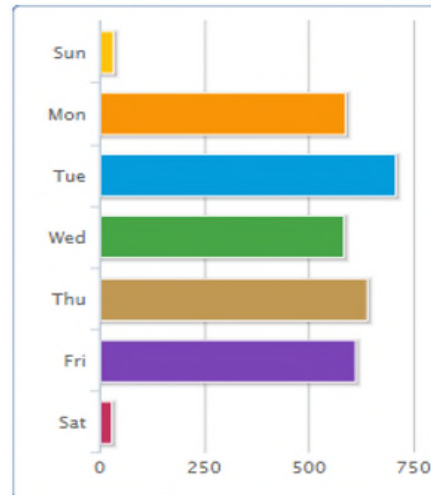
The 'hashtags' most used by the Council are as expected and would be clearly accessible by Shetland residents.

Twitter reports that the time most people checked Twitter is 1 – 3 PM Monday to Thursday, with the lowest amount checking in after 8 PM every day and 3 PM on Fridays. We note that the Council's posts occur evenly throughout the working week, with the timing of the posts also spread evenly.

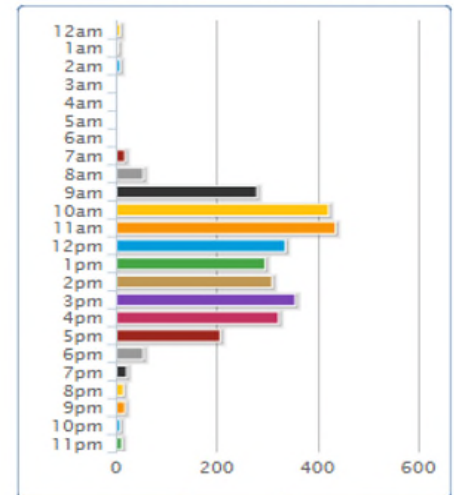
We noted from review of the Council's Twitter account that it regularly posts images and this practice should be continued: according to Twitter, this increases retweets by 41% and favourites by 48%.

From our review, we are satisfied that the Council is utilising social media appropriately to increase its visibility and the accessibility of information for the residents of Shetland.

Days of the week



Hours of the day (UTC+1)



Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. The revisions to ISA (UK) 700 have changed the form and content of audit report, including how different sections are presented.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 19.



Your annual accounts

We welcome this opportunity to set out for the Audit Committee and Council our observations on the annual accounts. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Council also focusses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Our review identified a number of areas where the annual accounts needed revising in order to comply with statutory guidance and to ensure that they were fair, balanced and understandable. We are pleased to note that these changes have been made.</p> <p>We have made a number of recommendations for changes to the annual accounts in line with good practice. We have included elements of good practice for your consideration at page 20.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the council.	We have audited the disclosures of remuneration and pension benefits, pay bands, and exit packages and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that Shetland Islands Council governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

Your annual accounts (continued)

Audit Scotland has issued a series of Good Practice notes to highlight where annual reports can be improved. We would encourage the Council to use the findings to assess and enhance their own disclosures to ensure they provide high quality information to stakeholders in their annual accounts.

We have provided below some extracts which should be considered by the Council in drafting future annual reports.

Management Commentary

The following areas for improvement were identified when reviewing the Council's management commentary:

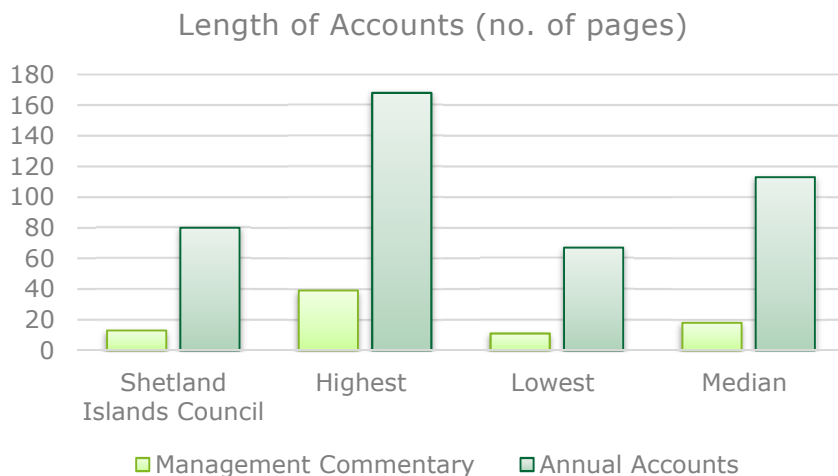
- Explanation of Council performance could be improved by discussing the objectives in a table-style format, including the objective, status against that objective, current performance, and future plans.
- Include a list of financial and non financial KPIs, performance against them in the year, and whether they have been achieved or not. Any areas where they have not been achieved should include a reason and plan to remedy.
- A section on key risks/uncertainties should be clearly differentiated. The risks should explain why they are risks, specific to Shetland. This should include a description, likelihood, impact and mitigating actions.

Governance Statement

The following areas for improvement were identified when reviewing the Council's governance statement:

- An action plan should be included which outlines key issues arising (e.g., the areas highlighted in the significant governance issues section).
- If any significant governance issues were identified in the prior year, they should be followed up in the current year governance statement.

A list of comments for improvement, including the above, have been provided to management at the Council with a recommendation that these be implemented for the 2018/19 annual accounts. Deloitte are satisfied that the accounts are compliant with statutory guidance and all required changes have been made.



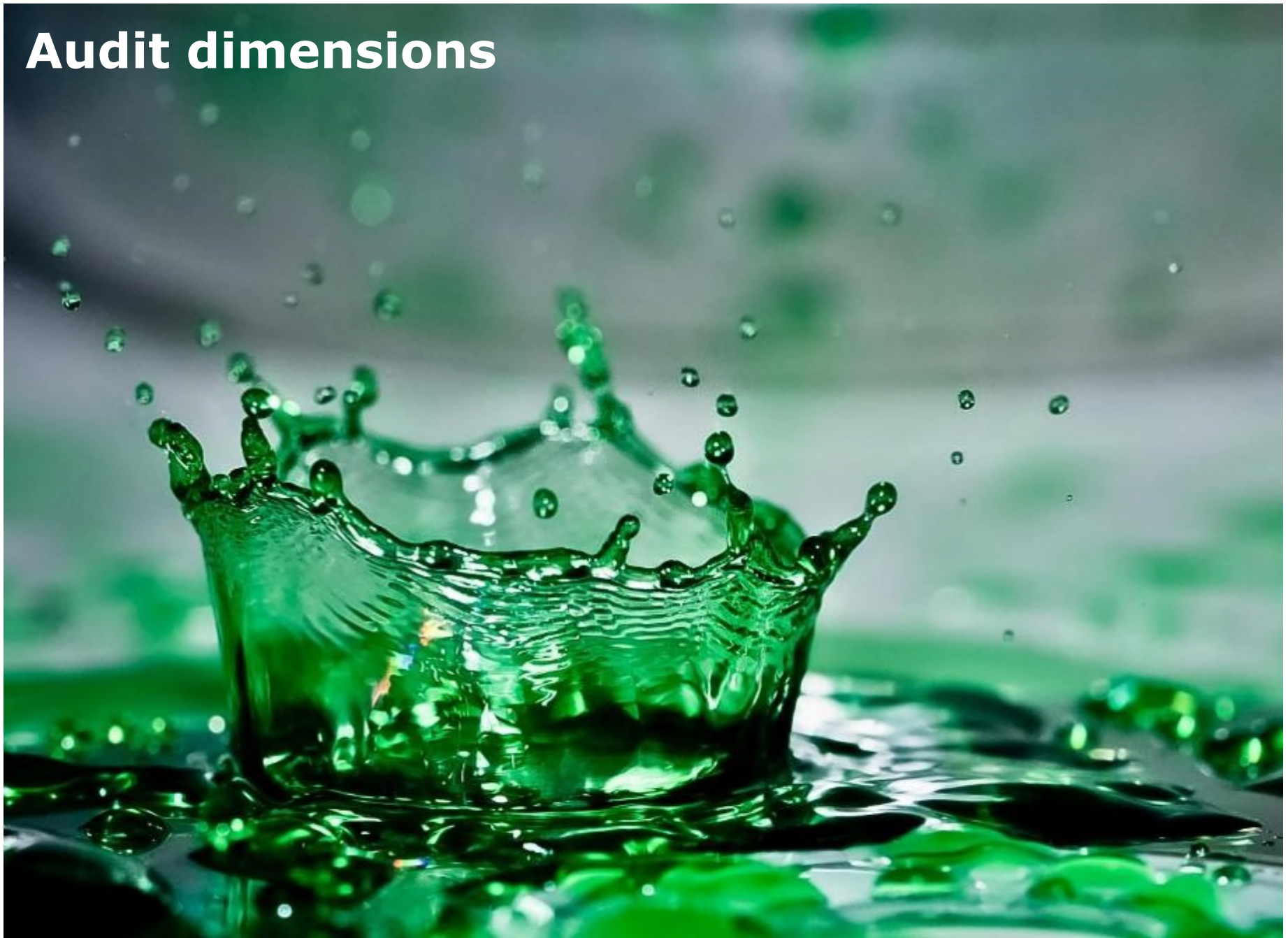
We have reviewed the annual accounts of the Council against other Councils across Scotland.

This shows that the Council is in the lower end of the scale – with the management commentary the third shortest in Scotland, and the accounts as a whole the fourth shortest in Scotland. Despite this, there is scope to remove immaterial information from the accounts, which we are pleased to note the Council has accepted and improved in the current year.

We would note that given this, there is room for the Council to amend the annual accounts going forward to take account of the good practice recommendations.

Despite having annual accounts at the lower end of the scale, the Council complies with all statutory guidance.

Audit dimensions



Audit dimensions

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following:

Audit dimensions

- The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Auditor General for Scotland and for the Accounts Commission.

Strategic audit priorities

- In its Strategy, which is updated annually, the Commission sets out an overall aim of holding Councils to account for their pace, depth and continuity of improvement facilitated by effective governance. Within this, the Commission also sets out five Strategic Audit Priorities (SAPs).

Shared risk assessment

- Local Area Networks (LANs) bring together scrutiny body representatives to agree and write a Shared Risk Assessment (SRA). The output of the SRA process informs an annual Local Scrutiny Plan (LSP) which summarises the results of the SRA of the council and the proposed scrutiny response.

Best value

- The Commission formally agreed the overall framework for the approach to auditing Best Value (BV) in Councils in June 2016. Best Value is assessed over the five year audit appointment, as part of the annual audit work. The BVAR for Shetland Islands Council is planned for future years. We have followed up on the areas reported in our 2016/17 annual audit report and considered these as part of the work on the four audit dimensions to focus on the Council's arrangements for demonstrating Best Value.

Statutory performance indicators

- The 2015 Statutory Performance Information (SPI) Direction published by the Commission requires Councils to report a range of information in accordance with, but not confined to, the requirements of the Local Government Benchmarking Framework. One of the Accounts Commission's Strategic Audit Priorities is "the quality of Councils' reporting of their performance to enhance accountability to citizens and communities". Accordingly, we have considered this as part of our work within this areas. It is also to be addressed in more depth in those Councils subject to a Best Value Assurance Report.

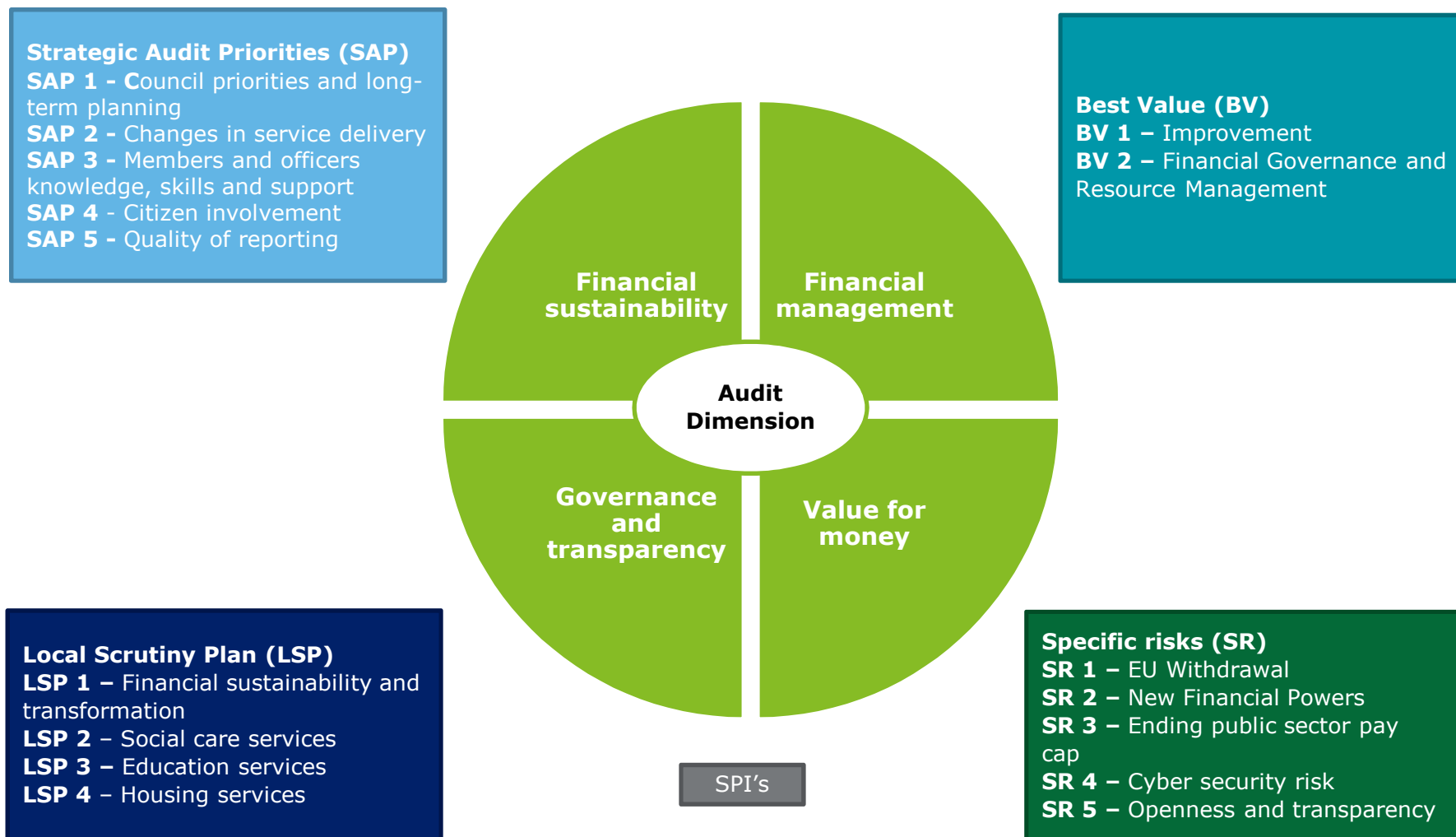
Specific risks

- As set out in our Annual Audit Plan, Audit Scotland had identified a number of specific risks (SRs) faced by the public sector which we have considered as part of our work on the four audit dimensions.

Audit dimensions (continued)

Overview (continued)

This section of our report is structured in accordance with the four audit dimensions, but also covers our specific audit requirements on SAPs, BV, SR, LSP and SPI's, as summarised below.



Audit dimensions (continued)

Financial sustainability

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Areas considered



- The financial planning systems in place across the shorter and longer terms.
- The arrangements to address any identified funding gaps.
- The affordability and effectiveness of funding and investment decisions made.
- Workforce planning.

Deloitte response



From our work in 2016/17 we found that the Council had been successful in making significant savings over the previous 5 years, however estimated further savings of £53m were required between 2018/19 and 2021/22 to meet future budget restraints.

We have assessed whether the Council continues to have effective short, medium and long-term financial planning systems in place so it can achieve financial sustainability over the next 5-10 years.

We have also assessed the effectiveness of the Council's efforts to achieve further sustainable efficiencies, in particular through the Business Transformation and Service Redesign Programmes.

Deloitte view

The Council has a clear process in place for long-term and medium-term financial planning and the current level of reserves held is in excess of the recommended minimum, given the Council's investments. The planned use of reserves to fund services and investments will be sustainable in the short term, however, going forward, the Council should ensure that such an approach is taken only where the level of reserves can continue to be maintained.

The Council theoretically can meet the identified funding gap in the medium term purely from reserves, although it accepts this is not sustainable and has set a savings target of 3.4% per annum in order to reduce the net draw on reserves over the period to a more sustainable £2.055m. However, the feasibility of this savings target needs to be considered given the current stage of transformation programmes, which are not considered to be sufficiently robust to generate the required savings. The Council should consider how it delivers services as a whole, rather than taking an ad-hoc approach to transformation, with this involving a high level of community engagement given the nature of services in Shetland.

The Council is in the fortunate position of having a high level of reserves and could use the existence of this 'buffer' to take radical steps to change its service delivery model so that it is fit for the future given anticipated demographic and financial changes. Shetland is expected to have the highest rate of >75 year olds by the mid 2020s with a corresponding increase in demand for services. The Council is in the position that it can invest in the short term in these changes, rather than having to take a purely 'cost cutting' approach to transformation.

Audit dimensions (continued)

Financial sustainability (continued)

Short-term financial position

For **2017/18**, the Council approved a balanced budget of £110.14m (2016/17: £110.28m), which included the use of £12.25m from reserves (2016/17: £8.10m). The final position for 2017/18 was an underspend against budget of £8.57m million. The underspend has primarily been earmarked for capital programmes planned for the current year which were delayed. Although there are substantial variances in the actual results against the budget, these are monitored regularly throughout the year, with the reasons for these variances being well understood and documented and reported to Committee and Council as appropriate.

The **2018/19** budget was approved by the Council on 14 February 2018. This budgeted net expenditure of £107.76m, which incorporates £1.89m of savings to be made through redesign projects and plans for a draw on reserves of £11.73m.

In setting its budget, the Council has recognised that a number of risks exist, such as demand and demographic changes. The impact of these changes results in growth of 5.1% in service costs, with this level of growth being unsustainable and presenting a specific concern around the achievability of savings targets given the Directorates within the Council are instructed to operate on a 'no growth' basis.

The budget includes pay awards which have been aligned to the thresholds set out by the Cabinet Secretary in the Stage 1 debate on 31 January 2018. It is noted that the local government pay is outwith the remit of the Scottish Government and negotiations for 2018/19 remain live. A pay award in excess of the level provided for would require further savings to be made.

The Council has adopted a **Reserve Strategy** that is in line with the current economic climate. Good practice recommends that local authorities should retain uncommitted reserves of between 2% and 4% of their annual running costs, which is equivalent to between £2.46m and £4.93m for the Council.

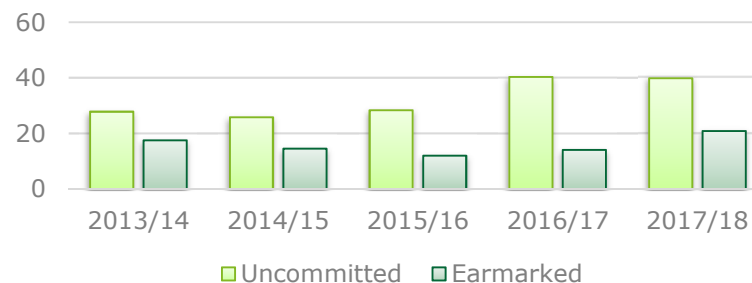
Uncommitted reserves (consisting of the General Fund and Equalisation Fund) were £39.81m as at 31 March 2018, representing 32.3% of net expenditure.

The General Fund earmarked balance at 31 March 2018 was £20.51m. This includes the following:

- £16.25m Local Investment Fund for investment in local businesses and distributing income to local charities;
- £2m Revenue Spend to Save Fund to fund savings initiatives upfront, to be repaid when a saving is realised.

The movement in uncommitted and earmarked reserves over the last five years is illustrated below. The current year uncommitted balance of £39.81m is up from £27.81m in 2013/14, which demonstrates commendable financial management in a period of reducing income and increasing demand.

General Fund Balance (£m)

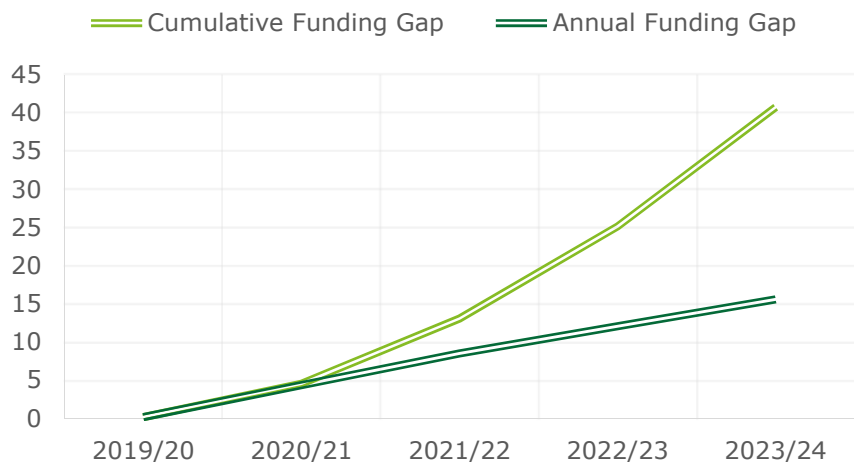


Audit dimensions (continued)

Financial sustainability (continued)

Medium to long-term financial sustainability

The Council has achieved significant savings over the last 5 years, however due to increasing demand for services and the continuing restraint in relation to Council funding settlements, it will have to consider how it can fundamentally transform service delivery in order to continue to meet citizen needs with reducing budgets.



In order to help deliver this change, the Council has developed a Medium-Term Financial Plan ('MTFP') for the period to 2023/24, which has recently been refreshed.

The MTFP recognises that if the Council continues with current service levels and delivery models, there will be a funding gap over the next five years. Based on a number of assumptions, including grant funding, Council tax, pay inflation, demand pressures and known policy positions, it has estimated a funding gap of £15.61m by 2023/24. This would require savings of around 12% of the Council's current departmental budget.

Addressing the funding gap

We are unable to conclude on whether the savings target of 3.4% per annum in the MTFP is realistic or achievable given the lack of detail in how these savings will be delivered. Although the Council has a history of making required savings, this is becoming increasingly difficult as costs continue to grow (anticipated at 5.1% growth in 2018/19) against a backdrop of flat or reducing funding. The transformation programmes are anticipated to provide recurring savings going forward, however these are not at a sufficiently robust level to rely on to deliver these savings at present.

The Council should implement detailed savings plan to ensure savings targets can be met. Accountability and monitoring of progress is vital in achieving savings targets.

The Council accepts that Service Redesign and the Business Transformation Programme has not delivered financial results as yet. This has been due to change previously being put on the 'back burner'. There is an acceptance that a full team is required to drive transformational change and the Council intends to implement this going forward. Clear targets and milestones should be set to aid in the monitoring of this process.

While the Council has a Business Transformation Programme, it has not yet considered what external support it might require to mitigate any internal skills gaps. Given the complexity of the changes required, the Council also needs to consider the supporting infrastructure required to deliver the strategy such as:

- A programme management office (PMO);
- its change management approach; and
- tools and templates to assess whether intended benefits of change have been achieved.

Audit dimensions (continued)

Financial sustainability (continued)

Medium to long-term financial sustainability (continued)

The Council agreed eight transformational workstreams in the Business Transformation Programme 2016-2020. Despite this programme now being over half way complete, the Council accept that the programme is not sufficiently advanced and robust to deliver the required savings.



Given the current status of the programme, we consider that in order to address the funding gap, the Council should continue to develop a single, unified transformation programme that considers how services are delivered across the Council. This should consider the potential for upfront investments in redesigning service delivery, if a business case can demonstrate that this will deliver longer-term savings and value.

This could be helped through the development of a single medium-term strategy to address the funding gap, which could look at various options such as service redesign, service stoppage, income generation and efficiency cost savings. Each of these should be sufficiently robust to demonstrate the feasibility of the savings target and the sustainability of Council services going forward.

The progress of these projects should be regularly monitored to ensure savings are being delivered and in order to evaluate whether the project delivered the intended outcome. In addition, progress should be reported to Members, as Member involvement is key in ensuring the success of a transformation programme. Consequently, we would expect to see Members playing a very active role in the transformation programme.

Best practice

English councils that have delivered and sustained transformational change on the scale required by Shetland Islands Council have tended to focus on the following six key requirements:

- A strategic driven response;
- Being a 'place' leader;
- Digital data analytics and insights;
- Efficiency, productivity and income generation;
- Outcome-focused partnership working; and
- Reframing the relationship between the citizen and the state.

We have included case studies of transformational change for the Council's consideration at pages 43 – 45.

Audit dimensions (continued)

Financial sustainability (continued)

Long-term financial planning

The Council has a Long Term Financial Plan ('LTFP') covering the period to 2050. Management should consider, in conjunction with Members, whether the LTFP should include additional detail on how the Council can continue to provide services and deliver outcomes in line with its current and anticipated objectives, given the anticipated longer-term demographic and technological changes that will impact Shetland.

Although Deloitte accept that the LTFP is used currently to identify how current trends will impact on the financial health of the Council in the longer term, this could be more useful to Members and have more impact on current decision making if it was made clearer how current and medium-term decisions will impact on the longer term, especially on the ability of the Council to achieve its vision and priorities. This would provide Members with a greater ability to take a 'future focused' approach to decision making, as opposed to giving undue weight to the short/medium-term impacts of decisions and regarding the longer term as more of an afterthought - the result of the decision, rather than the driver of it.

We also noted that there was minimal community engagement in the development of the LTFP. The Council should consider at the next revision of the LTFP whether community engagement would result in better information for Members on the longer-term aspirations and expectations of the community and how this should be built into financial projections and considerations of future trends.

Insofar as sufficient information is provided to the community to make informed decisions, this process could result in the LTFP being better aligned with these aspirations and expectations, with this information potentially being a useful tool to combine with 'current trends' and 'future decision making' - the community the Council serves, their aspirations and expectations should be a key consideration in the LTFP as this will undoubtedly have an impact on decision making and consequent financial health of the Council.

Aligned with the other recommendation on the LTFP, this would allow Members to make more 'future focused' decisions - driving longer-term change, rather than being subject to it.

Further, this information could also be combined with current Council vision and priorities to consider whether these remain appropriate in a changing environment.

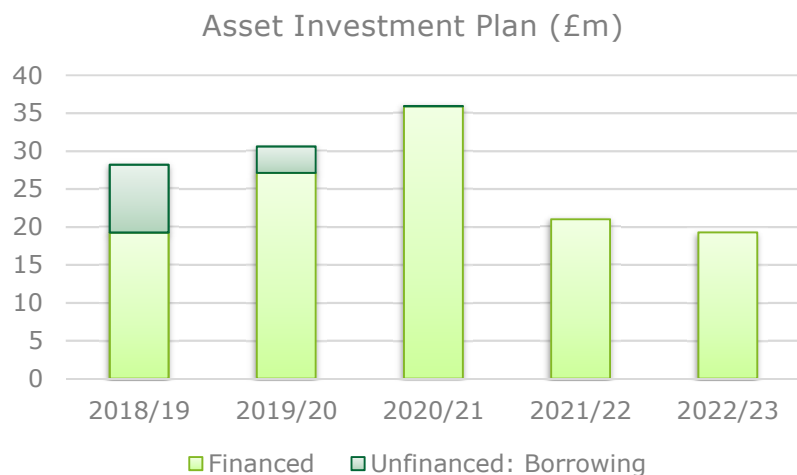
Audit dimensions (continued)

Financial sustainability (continued)

Treasury management

The Council updates its Investment and Treasury Strategy on an annual basis. This, in conjunction with the five-year Asset Investment Plan, details the Council's expected borrowing requirement compared to its operational boundaries and details interest rates. The strategy notes that the Council is in the position that it can use reserves to fund expenditure rather than borrowing when the interest on borrowing is in excess of the long-term average return achieved on investments.

Given this, the Council intends to use borrowing on an increasingly limited basis, aiming to eliminate the need for additional borrowing entirely by 2021/22, reducing each year from the £10.16m obtained in 2017/18.



Evaluation of projects

The Council has approved an Asset Investment Plan to 2022/23, outlining anticipated capital expenditure over the period and how this will be funded. Given the cost of the Asset Investment Plan, totalling £135m to 2022/23, the Council should carry out self-evaluation on completion of projects, to confirm whether the project achieved its stated aims, delivered value for money, and how it performed against budget (in terms of cost and time). This will also allow 'lessons learned' to be shared across the Council to ensure that good work is repeated and areas for improvement are actioned.

As highlighted in 'Best Value' audits conducted at other councils, the Council needs to demonstrate how its actions actually make a difference to the lives of residents - the Council should ensure such a section is included on any post-completion evaluation of projects.

Long-term capital planning

Given the high level of assets held by the Council and that the Council accepts that it will need to reduce its asset base in the longer term (or deal with the increasing cost of maintenance and keeping these assets), a longer-term capital plan should be developed (with this clearly linked to the Business Transformation Programme), looking at:

- The current asset base;
- anticipated additional assets to be acquired in the medium to longer term to meet demographic and other changes;
- assets which currently could be classified as unneeded and which could be disposed of;
- what the Council considers to be an affordable asset base; and
- the difference between this affordable base and the anticipated medium-term base, with appropriate plans developed to bridge this gap in the longer term.

Audit dimensions (continued)

Financial sustainability (continued)

Workforce strategy and plan

The Council's Workforce Strategy 2016-20 describes the Council's vision for supporting and developing its staff. However, there is no Council-wide workforce planning in place, with this completed at individual Directorate level.

We note that workforce planning is a stream within the Business Transformation Programme (as referred to on page 26). As with the wider programme, this is not at a sufficiently advanced stage to allow conclusions to be drawn on its effectiveness.

Given that employee costs account for approximately 60% of net Council expenditure, the Council needs to create a Council-wide Workforce Plan. The Council have identified they have an ageing workforce and in particular the Council has difficulty with recruitment in social care and they need to develop a plan to address this issue.

Further, we recommend further thought is given to succession planning and is considered for the Council as a whole within the Workforce Plan.

The Council has not been immune to the UK wide issue with regards to difficulty attracting high calibre staff into local government, and this is further exacerbated by the geographical isolation of the islands. There is limited detail on how the Council intends to combat this, with the development of a Council-wide workforce plan being pivotal to this.

The Council has confirmed that a facilitated session on workforce planning is to be held with the senior management team (executive managers and team leaders). This was meant to happen early July, however we note this was delayed and is now due to take place in the middle of September. Given the importance of this stream to the wider Business Transformation Programme, we strongly encourage the Council to focus on the development of a Workforce Plan in 2018/19.

Members

This Council is made up of 22 elected Members and following the local election in May 2017, there are 21 independent Members and 1 SNP Member.

Subsequent to the local elections, the Council carried out an induction programme for all the elected Council Members. The induction included overviews of the Council and Partnership Plans and all of the Council's other key strategies, challenges facing the Council and the support they will receive in their role as Council Members.

Members also have a development plan for each year. This includes core training, one to one meetings, improvement service workshops and bespoke training where a need is identified.

The Corporate Management Team reviews financial performance on a monthly basis, with Committee reporting on a quarterly basis to the Policy & Resources Committee and the full Council. Further information is available on the Councillors' intranet site and Officers are available to discuss any aspects of the report with Councillors. The level of scrutiny and debate is increasing as Members' knowledge and understanding grows.

Audit dimensions (continued)

Financial management

Audit dimension

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Areas considered

- Budgetary control system.
- Systems of internal control.
- Financial capacity and skills.
- Arrangements for the prevention and detection of fraud.



Deloitte response

We have reviewed the budget and monitoring reporting to the Council during the year and the year-end position to assess whether financial management and budget setting is effective.

We have evaluated the key financial systems and internal control as part of our financial statements audit work and considered the work of internal audit.

We have considered the capacity and skills within the senior management of the finance team.

We have reviewed the Council's arrangements for the prevention and detection of fraud and irregularities, including their participation in the NFI exercise.

Deloitte view

We are satisfied the Council has strong budget setting and financial monitoring arrangements which are robust enough to sufficiently manage financial activity and capture and address any challenges to the achievement of financial targets. However, we note there is limited reporting in the year of performance against savings targets in the year and recommend that improvements be made in this regard.

We note that there is a large gap between the preparation of monitoring reports and their presentation to Committee, which reduces the relevance of scrutiny and limits the time for improvements to be made. The Council accepts that currently, the Committee cycle drives business, rather than vice versa, and that this needs to change.

We are satisfied that the Finance Team has sufficient capacity and skills to carry out its responsibilities. However, the Council needs to ensure appropriate change management processes are in place given the change in Executive Manager – Finance in early September 2018 to minimise any disruption to Council activities.

We have also reviewed internal audit reports issued in the year and note our broad agreement with their findings and conclusions.

From our testing throughout the audit we are satisfied that the Council has an adequate system of internal controls in place, subject to the small number of issues highlighted on page 15.

Following recommendations made in our report in 2016/17, we are satisfied that the Council places appropriate emphasis and provides sufficient resource for the timely completion of the NFI process.

We are satisfied the Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

Audit dimensions (continued)

Financial management

Budgetary control systems

The Council has effective financial planning and management arrangements in place. Senior management and Councillors regularly review progress. The Corporate Management Team and the Policy & Resources Committee review financial performance monthly and quarterly respectively.

We have seen a move in other bodies to reporting on a more risk-based approach, with higher risk areas being reported more regularly and lower risk areas less frequently. This can help with the management workload and allows Members to receive more up-to-date reports on areas more critical for decision making and action.

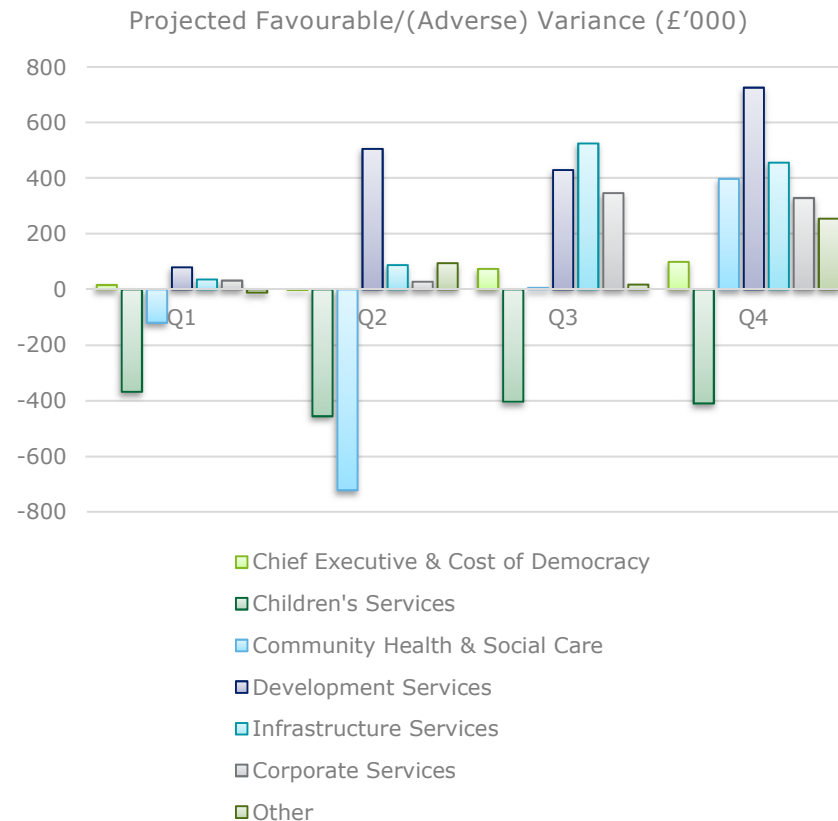
The Finance Team is led by the Executive Manager – Finance and Team Leader – Accountancy, both of whom are experienced in local government finance roles. We have not identified any issues with the financial skills, capacity and capability of the Finance Team.

We are aware that there will be a change in the Executive Manager – Finance position from September 2018. The Council needs to have appropriate change management processes in place to ensure this does not impact negatively on how the Council delivers its responsibilities.

Financial performance – General Fund

The Comprehensive Income and Expenditure Statement (CIES) reported a deficit of £25.49m on the provision of services in 2017/18. Adjusting this balance to remove the accounting entries required by the Code of Practice for Local Authority Accounting, the Council's usable reserves increased by £5.74m – driven primarily by increases in earmarked reserves (as discussed on page 25).

The variances to budget reported throughout the year are summarised across by Directorate:



The key reasons for the variances were:

- Increased cost of providing residential care for looked after children;
- Lower than initially anticipated capital costs due to delays; and
- Lower than anticipated staff costs due to ongoing vacancies.

We recommend that the Council documents why revisions to the budget were unforeseeable and thus not captured in the original budget. This will allow a clearer understanding of whether variances are due to Council actions or areas outwith Council control.

Audit dimensions (continued)

Financial management (continued)

Financial performance – Housing Revenue Account

The Housing Revenue Account reported a deficit of £0.14m on the provision of services in 2017/18. Adjusting this balance to remove the accounting entries required by the Code of Practice for Local Authority Accounting, the Council's HRA fund increased by £1.88m. This compared to budget as summarised in the table below:

	Budget (£m)	Actual (£m)	Variance (£m)
Expenditure	£7.30	£7.91	£0.61
Income	£6.82	£7.77	£0.95
Transfer to / (Use of) HRA	(£0.48)	£1.88	£2.36

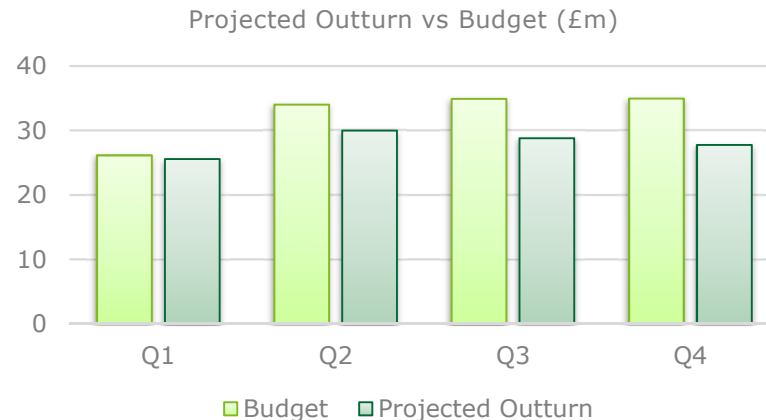
The main driver of the variances in the year was due to capital receipts being used to fund capital expenditure, rather than these being funded from current revenue.

Capital expenditure

The key areas of capital expenditure incurred in delivering the Asset Investment Plan in 2017/18 by the Council were roads, schools, infrastructure and housing which totalled £27.76m, compared to £20.89m in 2016/17. Funding for this spend came from a number of sources:

- Capital receipts - £2.08m;
- Government Grants and contributions - £7.64m;
- Sums set aside from revenue - £1.53m;
- Borrowings - £10.16m; and
- Reserves - £6.35m.

The movement in budget and forecast allocation in the year is illustrated below:



In all main categories of capital spend, the Council underspent against its budget. However, it needs to be recognised that this underspend is an in year underspend only, caused by a slippage in commencement dates and other delays in capital programmes. Given that this follows a similar underspend in 2016/17, the Council needs to consider if this is a wider issue with capacity to deliver the Asset Investment Plan.

Audit dimensions (continued)

Financial management (continued)

Systems of internal financial control

As discussed further on page 15, we have evaluated the Council's key financial systems and internal control to determine whether they are adequate to prevent misstatements in the annual accounts. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

No material weaknesses have been identified from our audit work performed. However, there are two areas (see page 15) where we have identified areas for improvement.

Fraud and irregularity

We have reviewed the Council's arrangements for the prevention and detection of fraud and irregularities. Overall we found the Council's arrangements to be operating effectively.

In accordance with Audit Scotland planning guidance, we are required to monitor the Council's participation and progress in the National Fraud Initiative (NFI) during 2016/17 and 2017/18. An NFI audit questionnaire was completed and submitted to Audit Scotland on 28 February 2018, which concluded that the Council was fully engaged in the exercise.

We are pleased to note that recommendations made in our 2016/17 audit report on NFI participation have been actioned by the Council in the current year, as discussed on page 61.

Internal Audit

While the internal audit function is responsible for providing internal audit services to the Council, the IJB, the internal audits are relied upon by ZetTrans and the Orkney & Shetland Valuation Joint Board ('VJB') as they use Council staff and systems.

In both 2016/17 and 2017/18, we have noted that a number of items on the initial internal audit Annual Plan have been carried forward to the following year (8% in 2016/17, 10% in 2017/18). We also note from review of the internal audit 2017/18 Annual Report that the resources available for internal audit have been reduced in the previous few years and that this has impacted on the Audit Plan for 2018/19.

Given the importance of the internal audit function, the Council needs to consider if the Audit Plan for 2018/19 is appropriately robust on its own merits (as opposed to considering if it is robust enough given budgetary constraints) and whether sufficient resourcing is available to deliver a comprehensive programme of high quality internal audits.

The Council's Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have reviewed all internal audits presented to the Audit Committee and the conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

From our review of the internal audit reports issued during 2017/18, we have noted a number of recommendations, including issues identified from internal audit around lack of segregation of duties and inconsistent application of controls. These findings are in line with our findings on internal controls.

We note that no frauds have been identified as a result of these issues.

Audit dimensions (continued)

Governance and transparency

Audit dimension

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

Areas considered



- Governance arrangements.
- Scrutiny, challenge and transparency on decision making and financial and performance reports.
- Quality and timeliness of financial and performance reporting.

Deloitte response



We have reviewed the financial and performance reporting to the council during the year as well as minutes of Committee meetings to assess the effectiveness of the governance arrangements. Our attending at Audit Committees has also informed our work in this area.

We have also reviewed the governance arrangements in relation to the IJB.

Deloitte view

The Council has robust governance arrangements in place. However, there is room for improvement in the reporting calendar, rationalisation of the Committee structure and the presentation of performance monitoring reports to Committees.

We are pleased to note the development of a new Shetland Partnership Plan in the current year. However, it is imperative that delivery plans are developed to ensure that the aims of this plan are achieved, with these plans including clear targets and milestones to enable appropriate scrutiny. We further recommend that the Council align its strategic priorities with those of the Partnership Plan when preparing an updated Council Plan.

We have found that the integration of health and social care has continued to be an area of concern in the current year, with a number of areas for improvement highlighted both within this report and within the separate audit report to the Shetland Islands Integration Joint Board, which we encourage the Council to follow up (this has already been reported to Shetland NHS in our 2017/18 audit report). There is a lack of integration in budget setting, a significant funding gap which has resulted in no budget being approved for 2018/19 and a number of resignations of Board members, with these receiving substantial coverage in the press. Each of these presents an issue for the integration of health and social care in Shetland and the Council needs to work closely with its partners in the NHS and the IJB to deliver the required changes to address these challenges.

From our review of the internal audit plan for 2017/18 and internal audit reports, we are satisfied that there are appropriate systems of internal control in place and no significant weaknesses have been identified. Appropriate disclosure has been made in the annual governance statement of issues identified from the work of internal audit and any actions being taken.

Audit dimensions (continued)

Governance and transparency (continued)

Leadership and vision

The Council has strong leadership and, with its partners, has a clear vision for what it wants to achieve for the people of Shetland. Councillors and staff support the vision.

The Community Plan for 2018-28 sets out both national and local priorities and specifies four key priority areas for the life of the plan. Measures of success for each priority are set out in the plan. These are predominantly aspirational and the actions and detailed/proxy measures used to assess progress are set out in individual delivery plans.

We recommend the creation of comprehensive delivery plans as soon as possible to assist in the achievement of the targets set out in the Plan. We further recommend that these plans contain measurable milestones, to allow analysis/comparison at year-end of performance.

A recommendation was made in the prior year regarding aligning the visions of the various plans across Shetland. Although this has been partially taken on board by having a clear 'vision' in the Partnership Plan, it is confusing to have several competing strategic priorities (as the Council priorities are distinct from the Partnership Plan) when there is no clear link between them or which takes priority if there is competition between them. The Council should ensure that the strategic priorities are aligned when developing an updated Council Plan so that each Plan progresses the other, rather than competes with it.

Governance arrangements

Following the local government elections in May 2017, the Council appointed elected members to the Council's decision making structure, including Leader and Deputy Leader. The Council comprises predominantly of independent Members.

From our observations from attendance at Audit Committee meetings, we note that they are generally well attended and a good level of scrutiny and debate is evident. Council meetings are held in public and all papers and minutes are available through the Council's website. The Council is open and transparent about the way it conducts its business and how decisions are made.

The Council has a large number of Committees, with some Members on a significant amount of these. The Council should consider rationalising its Committee structure to ensure that it is sufficient to provide effective governance and scrutiny in the current climate. The Council should consider if the responsibilities of any Committees can be merged to reduce the number of Committees whilst maintaining the overall responsibilities, given that this will reduce the administrative time in preparing papers for and attending differing Committees without the loss of any scrutiny. Additional Committees require additional Member and management time and detract from time which can be spent elsewhere.

The Shetland Partnership Plan's **vision** is:

"Shetland is a place where everyone is able to thrive; live well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges."

The Shetland Partnership Plan has agreed four **strategic priorities** to help make this happen:

Participation

People

Place

Money

Audit dimensions (continued)

Governance and transparency (continued)

Governance arrangements (continued)

Although performance reports are generally sufficiently detailed, they could give more qualitative descriptions, which highlight/draw out what the challenges are. It would also enable greater scrutiny to benchmark against other Councils. Management accept that data is reported but does not reflect on where the challenges are. Management further accepts that the risk element of the report should link back to the data.

We have noted from discussions that due to time pressures, preparation of reports does not always receive the level of attention it should. Rationalising the Committee structure (as recommended on page 59) and the reporting calendar (per page 58) would be expected to help alleviate this problem.

The Council is currently in the process of rewriting the performance management strategy to make it more accessible (e.g., infographics). The Council notes that there are no issues with availability of data, but with use of it.

Finally, we have noted from our work that members of the Audit Committee have not formally reviewed their effectiveness or training in the year. The Audit Committee should carry out an annual effectiveness self-review in order to identify areas for improvement and to ensure that the training needs of Members are appropriately met. We have noted in other clients that non-Committee members (e.g., Council Members) attend one Committee meeting in the first couple of years of their appointment so that they can see how the Committee operates and satisfy themselves as to its performance (and thus better challenge the Audit Committee report to the full Council). This would also benefit scrutiny at full Council of internal and external audit issues.

Following the public pound

The statutory requirements to comply with the Following the Public Pound Code, in conjunction with the wider statutory duty to ensure Best Value, means that Councils should have appropriate arrangements to approve, monitor and hold third parties accountable for public funding provided to them. We are satisfied that through the use of Council systems and services and joint Committees, the Council has sufficient oversight of money provided to the Shetland Islands Integration Joint Board, Zetland Transport Partnership and Orkney & Shetland Valuation Joint Board.

Audit dimensions (continued)

Governance and transparency (continued)

Health and social care integration

The Council and the NHS have a well established partnership, strengthened by the Shetland Islands Integration Joint Board (IJB) which was established in June 2015. The IJB worked quickly to agree its plans, which reflect both national and local commitments.

For **2017/18**, the IJB approved an unbalanced budget of £44.22m (2016/17: £43.45m), with an unresolved funding gap of £2.53m. The final position for 2017/18, was an underspend against budget of £0.24m due to an underspend in the Scottish Government Additionality Funding. However, this underspend occurred only after a 'one-off' payment from the NHS to bridge the funding gap.

The **2018/19** budget was noted by the IJB but as yet it is not approved due to the inability to deliver a balanced budget.

	2017/18 budget (£m)	2017/18 revised budget (£m)	2017/18 actual (£m)	2018/19 budget (£m)
Council managed budget	£20.49	£22.15	£21.71	£24.13
NHS managed budget	£24.37	£22.07	£24.91	£22.27
IJB Total	£44.86	£44.22	£46.62	£46.40

As is the case across Scotland, the Council (along with the IJB and NHS Shetland) should continue to work to resolve funding issues around shifting the balance of care between hospitals and communities. At present, the IJB budget is still monitored against the Council and NHS Shetland managed budgets, rather than a genuine pooled budget for the IJB as a whole.

The partnership recognises that increasing demand, less money and the need to make savings means that it needs to think and work differently. Despite this, the IJB currently has no independent medium or long-term financial plan in place, relying on the separate NHS and Council plans instead.

Although the IJB is aware of the need to make savings and has identified a funding gap of £2.28m in 2018/19, there are no plans currently in place on how to deliver the required savings. We do note, however, that there is currently a 'scenario planning' programme underway which is looking at alternative models for the delivery of health and social care services in Shetland. The IJB estimates that it needs to achieve £9.96m of savings from this exercise over the coming five years.

The high turnover of Board members, along with the press comments for resignation, initially gave cause for concern with regards to governance arrangements but we are satisfied that these do not indicate any underlying issues and that membership will be consistent going forward.

We are aware that the process of creating the IJB caused tension between the Council and NHS. Given this, with the lessons learned in the previous number of years, the Council (in conjunction with the NHS) should consider reviewing the Integration Scheme to ensure it is fit for purpose.

Separately, given the pattern of Members going to the press when there are areas of concern or dispute, the Council needs to consider whether its internal mechanisms for identifying issues at an early stage and implementing appropriate remedies are sufficient. The involvement of the press does not solve the dispute and brings the Council and the IJB into disrepute.

Audit dimensions (continued)

Governance and transparency (continued)

Community engagement

The **Community Empowerment (Scotland) Act 2015** gives people more influence over how their Council and its partners plan services. It provides more formal ways for people to get involved. For example, people can ask to take part in decisions about Council services, which is called a Participation Request. The Act also makes it easier for communities to take ownership of land and buildings in a process known as asset transfers. This allows them to have a say in how the Council should spend money locally.

Shetland Islands Council understands the importance of community engagement and empowerment, however, limited focus was placed on this in 2017/18. Management have noted that this was due to it being an election year.

From our work, we noted that the Council primarily involves the community once a decision has been taken, for consultation and approval, rather than at the decision making stage.

Given the findings in the Partnership Plan - that 41% of residents want to be more involved in decision making, while only 27% feel they can currently influence local decisions - there is scope for improvement in this area. This is a new way of delivering local government and will require a change in mindset from Members and management to allow the community to drive decision, rather than the Council.

The pace of implementation of the requirements of the Act could be improved. Although the reasons for a 'slow' implementation are understood and admirable (attempting to 'get the process right'), this does not negate the fact that the Council could currently do more with regards to Community Empowerment.

With regards to participatory budgeting and the 1% Scottish Government target by 2020, Shetland is not currently but 'can' be on track. Management note that there are currently capacity issues in making this a high priority. However, this is a known challenge and is discussed at CMT meetings.

We note that in order to achieve the 1% target, a lot of emphasis is placed on bus tenders. There is a Council desire to improve engagement with the community, with Members considered to be on board with this. However, there is an acceptance that a cultural shift is required, so that this is treated as a method for the sharing of ideas rather than pitching for money.

Audit dimensions (continued)

Value for money

Audit dimension

Value for money is concerned with using resources effectively and continually improving services.

Areas considered



- Value for money in the use of resources.
- Link between money spent and outputs and the outcomes delivered.
- Improvement of outcomes.
- Focus on and pace of improvement.

Deloitte response



We have considered the arrangements the Council has in place to monitor how it is achieving its targets and addressing areas of poor performance.

We have additionally considered the Council's arrangements for demonstrating value for money in the use of resources and the linkage between money spent, outputs and outcomes delivered.

Deloitte view

There is a clear framework in place to ensure that Council performance is monitored and reported.

We are satisfied that following a number of changes to the unaudited annual accounts, Council performance is appropriately discussed within the Management Commentary in the Annual Accounts and management have introduced plans to address areas where progress has not been satisfactory.

Performance information is readily available to Shetland Islands residents via the Council website. However, there are areas for improvement in the presentation of this information, with the Council performance report reading like a list of Council achievements rather than a review of performance given the lack of linkage to the Council Plan or Local Outcome Improvement Plan and the use of graphs and infographics to highlight areas of good performance only, with little attention paid to areas of poor performance.

The Council performs well in the Local Government Benchmarking Framework ('LGBF'), although the differential between the percentage of indicators in the top and bottom quartile has decreased from 14% to 9% in the current year. Further, we note that areas where the Council performs poorly are 'topical' areas such as social care, environmental measures and gender balance. The areas of good and poor performance remain relatively consistent year on year, suggesting a focus on areas where the Council already performs well rather than on areas requiring improvement. This focus needs to be reconsidered.

Finally, we consider that more work could be done to evidence the link between spend and outcomes delivered at both a Council and Partnership level.

Audit dimensions (continued)

Value for money (continued)

Performance Management

The Council gathers performance information to monitor, track and improve service delivery to the community. The Shetland Partnership Plan and the Council Annual Performance Report are the main strategic tools which are used to plan for and report on the Council's performance. The Council monitors performance using the following measures:

- Local indicators detailed in Directorate and Service Plans;
- Local government benchmarking framework;
- Statutory indicators set by Audit Scotland;
- Shetland Partnership Plan indicators.

Although the Council has made an attempt to understand the nature and needs of residents in the Shetland Partnership Plan (2018-28), there is no clear link between actions taken by the Council and outcomes for local residents in the monitoring reports. The Council uses the 'Annual Performance Report' to report on actions taken in the year to progress the Partnership Plan, although there is a lack of any clear link between these actions, the goals set out in the Plan and the actual outcomes arising from these actions. As a result of this, although there is an attempt at applying demand management in the Plan itself, it is difficult to determine if this is being applied across the Council.

Performance information is readily available to Shetland residents and the use of infographics allows this information to be presented in a way that is visually interesting. However, given the lack of linkage between the performance reports and the plans against which this performance is meant to be measured, the Annual Performance Report reads like a list of Council achievements rather than a genuine analysis of performance.

The Annual Performance Report should be clearly linked to the Council's strategic priorities, with appropriate analysis given - especially in areas of poor performance (impact this has on achievability of the objective and remedial work taken.)

Although the inclusion of infographics and graphs is useful for accessibility, we noted from review of the 2016/17 Annual Performance Report that 7 graphs from the LGBF were included, and all 7 showed areas where the Council was outperforming the national average. Further, areas where there was perceived 'good' performance were accompanied by enlarged text and images, whereas areas of 'poor' performance were buried in the general text. The public will generally skim these documents - presenting the report in this way is misleading, and is not a balanced review of performance in the year.

Statutory performance indicators

The Accounts Commission places great emphasis on Councils' responsibility for public performance reporting. The Commission does not prescribe how Councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

For 2017/18, two SPIs were prescribed:

- SPI 1: Covering a range of information relating to service performance and local outcomes; and
- SPI 2: Relates to reporting of performance information as required by the Local Government Benchmarking Framework.

Overall, we concluded that the Council's arrangement for publication are satisfactory, subject to the improvements recommended above.

Audit dimensions (continued)

Value for money (continued)

Performance Data

We have drawn on the Local Government Benchmarking Framework (LGBF) to make a high level assessment of the Council's performance, relative to all Scottish councils, in 2016/17 (the latest data available). The LGBF includes a number of indicators organised under common service areas. Performance is summarised in the below table.*



* Note that the Council did not submit data for 100% of the indicators in the LGBF, hence why the amount in each quartile do not sum to 100%.

The Council's performance has become increasingly polarised in terms of the LGBF since 2011/12. In 2011/12, the Council sat in the top and bottom quartiles for 26% of indicators. In 2016/17, the Council was in the top quartile for 40% of indicators - up from 34% in 2015/16 - and in the bottom quartile for 31% of indicators - up from 20% in 2015/16. The areas of good and poor performance have remained relatively consistent year on year, demonstrating that where the Council does well, it appears to continue to invest and make decisions which improve the performance of that area, with areas of weaker performance being comparatively neglected.

The Accounts Commission accepts that Council's cannot excel in all areas in the current economic environment and that performance below the national average is acceptable if based on well considered, deliberate policy decisions. The Council should be aware of this when considering changes to improve performance in the areas in which it is historically poor performing.

Our review noted that areas of political/topical interest where the Council performs poorly are:

1. Recycling (only 8% of household waste recycled). Deloitte are aware that steps are being taken to improve this, with 'wheelie' bins being rolled out currently.
2. Satisfaction with adult social care and support (this is despite the fact that the Council spends 3.6 times the Scottish average on providing residential care to older people) is below the national average. This needs to be viewed in conjunction with the discussion on the integration of health and social care, as discussed on page 38.
3. Gender balance in senior posts (25% being female in Shetland, well below the Scottish average of 52% and a gender pay gap of 8.2% (compared to national average of 4.1%). We are aware that this is a known issue and management are taking steps to close this gap. This would be aided by the development of a Council-wide Workforce Plan, as discussed on page 30.
4. The Council spends £8,927 per child per week on residential care for 'looked after' children, well in excess of the Scottish average of £3,404. This compares with £399 per week on foster/family placements (Scottish average of £313). In Shetland, only 84% of 'looked after' children are in foster/family placements, compared to a Scottish average of 90% and the school attendance rate of 'looked after' children is substantially below the Scottish average. Management accept that this is not affordable and are currently progressing plans to reduce the use of residential care.

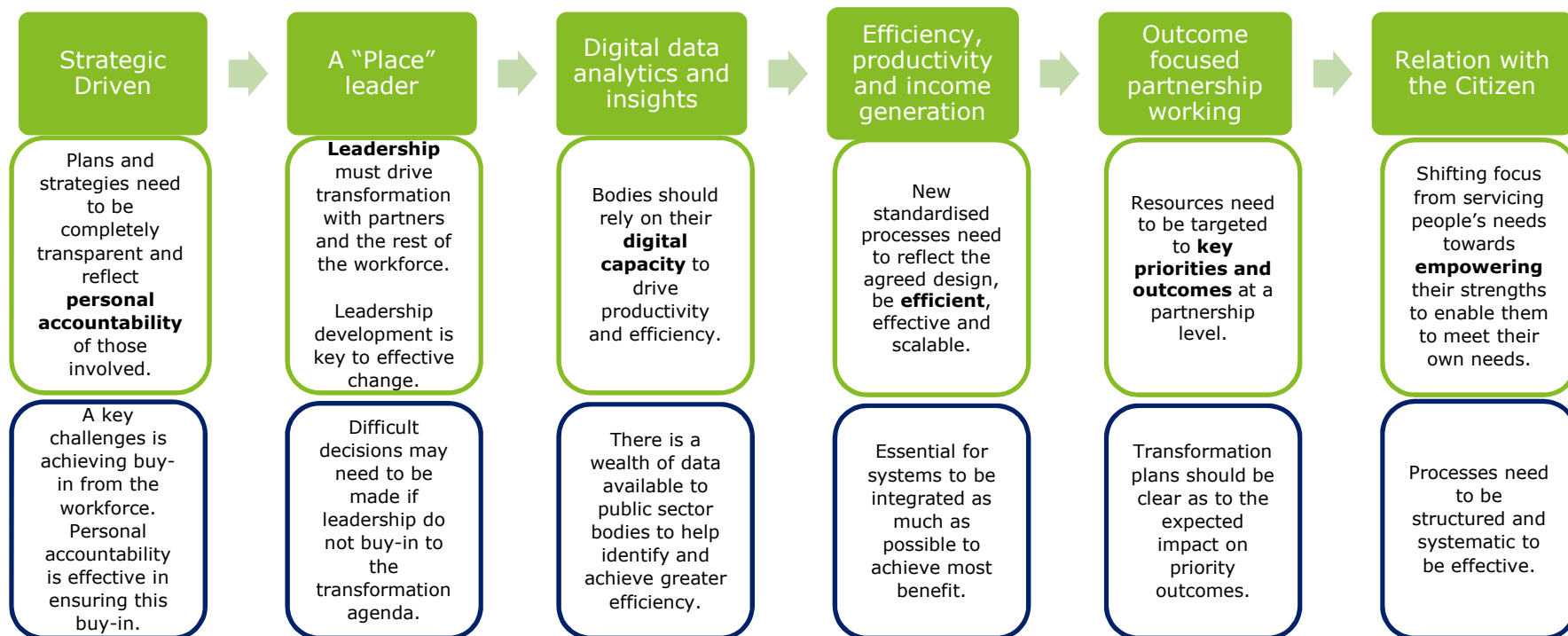
Audit dimensions (continued)

Sharing best practice

In our 2016/17 report, we provided the Council with some case study data where Deloitte has been involved in cost reduction work with a number of public sector bodies in England. We recommended that the Council reviews these case studies and considers them as opportunities for improvement going forward as potential areas for cost reduction.

During 2017/18, we have had some further discussion with the Chief Executive of Shetland Islands Council and the Chief Operating Officer for the Shetland Health and Social Care Partnership, to share areas of best practice around transformation and integration from our work in England.

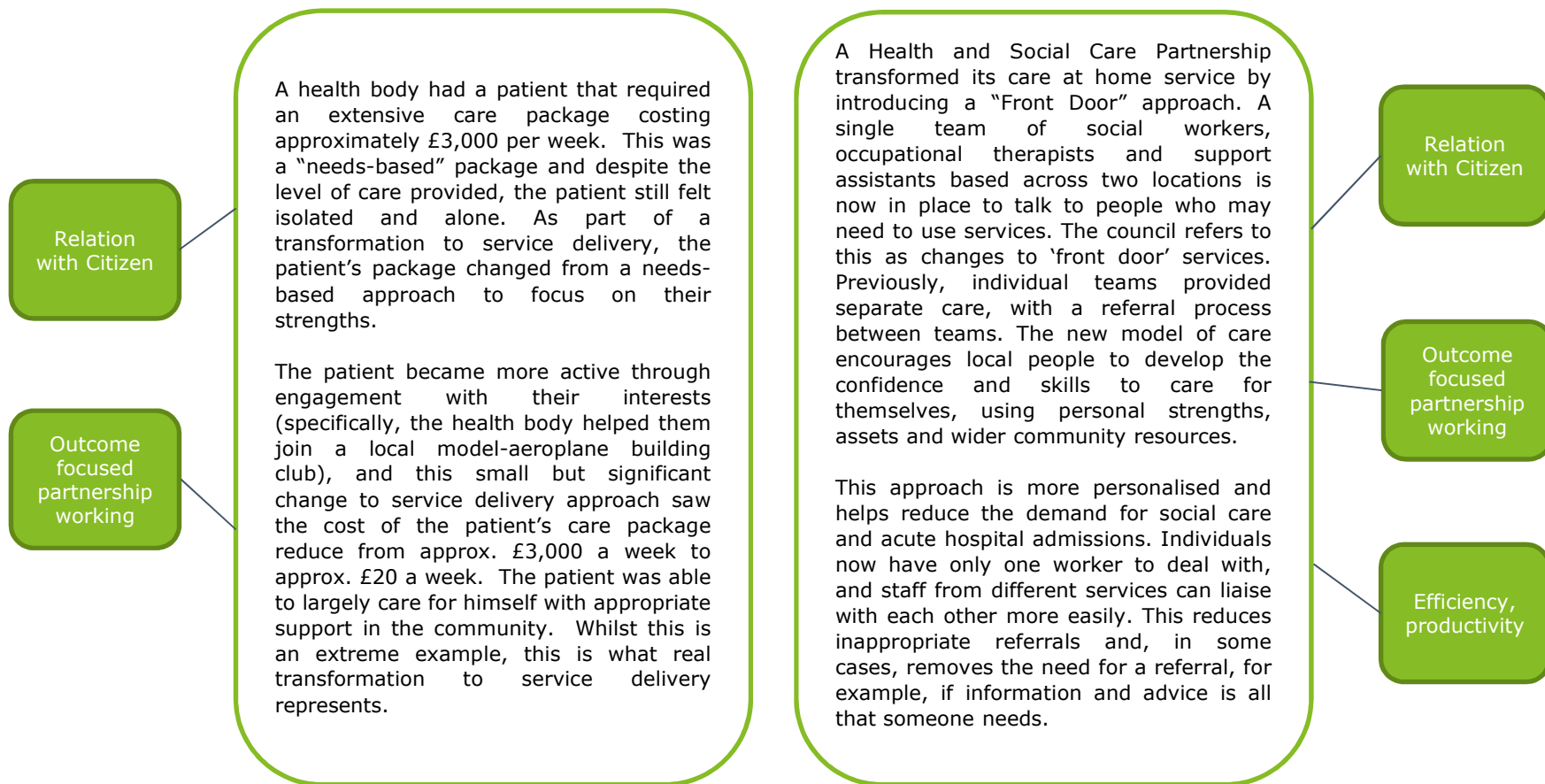
From our experience, public sector bodies that have successfully delivered and sustained transformational change have tended to focus on the following six key requirements. The overarching aspect throughout a transformation programme is having strong leadership that believes in and can drive transformational change.



Audit dimensions (continued)

Sharing best practice (continued)

Below are some real life examples of work done in other public sector bodies to demonstrate how some of these six key requirements outlined on page 43 can be applied in practice.



Audit dimensions (continued)

Sharing best practice (continued)

Relationship with Citizen

A Council in England committed to a series of pledges and in return need residents and businesses to play their part too (The Deal). So far through working together, the Council has saved £115m, with evidence based outcome improvements.

The Deals are wide ranging, offering partnership work and support in a number of areas. As an example, the **Deal for Health and Wellness**, includes the following:

Our Part

- Ensure there are a wide range of facilities within local communities including parks, open spaces, leisure, safe cycling routes, good quality housing
- Ensure easy, timely access to good quality GP services, seven days a week, to screen, diagnose and treat and prevent disease as early as possible
- Support families to ensure their children have the best start in life

Your Part

- Keep active at whatever stage of life
- Register with a GP and go for regular check-ups – taking charge of your own health and wellbeing
- Quit smoking. Drink and eat sensibly and encourage your children to do the same

A Health and Social Care Partnership invested in its digital capacity to collect and process data so it can better predict chronic health issues occurring amongst patients. This investment has allowed the partnership to reduce its acute care costs as less expensive and more effective health care can be provided upfront to address potential chronic health risks predicted by the data.

Digital data analytics and insights

A police force, in partnership with its local health body, used data to reduce acquisitive crime rates. Data identified a pattern of acquisitive crime peaking on the weekends, and the police force determined that this was largely driven by the fact that methadone prescriptions in the area were issued every Friday. therefore led a programme to stagger the prescriptions throughout the week, leading the acquisitive crime rates levelling out and becoming more manageable.

Wider scope audit work (continued)

Specific risks

In accordance with our Audit Plan, we have considered the specific risks identified by Audit Scotland as part of our audit as follows:

Risk identified	Response
<p>EU Withdrawal</p>	<p>The UK is expected to leave the European Union (EU) on 29 March 2019, followed by a transition period to the end of 2020. There are still a lot of uncertainties surrounding the terms of the withdrawal agreement but the outcome will inevitably have significant implications for devolved governments in Scotland and for Scottish public sector bodies.</p> <p>Given the scale of the potential implications and possible timescales for implementing changes, it is critical that public sector bodies are working to understand, assess and prepare for the impact on their organisation. This is likely to include consideration of three areas:</p> <p>Workforce: the extent to which potential changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.</p> <p>Funding: the extent to which potential changes to funding flows, including amounts anticipated under existing EU funding programmes, are likely to affect the finances of the organisation and the activity that such funding supports.</p> <p>Regulation: the extent to which potential changes to regulation across a broad range of areas currently overseen at an EU level are likely to affect the activity of the organisation.</p> <p>Within the Council, the Development Committee specifically are considering the impact of the EU withdrawal in conjunction with a new sounding board set up to consider this area. There are approximately 1,000 EU nationals employed in Shetland, with approximately £20m of EU funding received in the community per annum.</p> <p>We note that the Highlands & Islands leadership group published a report recently on the impact of Brexit. The Council is considering the applicability of each risk to Shetland. Further, the Council is currently trying to identify areas of potential benefit rather than purely viewing EU withdrawal as a threat.</p> <p>Given the above, we are satisfied that adequate consideration is being given by the Council to EU withdrawal preparations, although the Council must ensure it increasingly focuses on the impact of withdrawal as the likely outcomes become clearer in 2018/19.</p>
<p>New financial powers</p>	<p>The Scottish Parliament's new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public financials. The Scottish Government will publish its medium-term financial strategy in 2018 in response to recommendations in the Budget Process Review Group final report, and has made a number of other commitments to improve financial management to help Parliamentary scrutiny of decisions.</p> <p>As a result of this, there is an expectation that public bodies will be seen before subject committees of the Parliament more often. Councils should therefore use this as an opportunity to make comment within their annual reports beyond the compliance requirements to clearly articulate their achievements against outcomes and future plans.</p>

Wider scope audit work (continued)

Specific risks (continued)

Risk identified	Response
Ending public sector pay cap	<p>As discussed on page 25, the 2018/19 budget includes pay awards which have been aligned to the thresholds set out by the Cabinet Secretary in the Stage 1 debate on 31 January 2018. The impact of the ending of the public sector pay cap has been further built into the Medium-Term Financial Plan, with this expected to result in an additional £2m in costs to the Council per annum.</p>
Cyber security risk	<p>In light of recent cyber incidents, the Scottish Government has produced new guidance for public bodies. This builds on Scotland's cyber resilience strategy (Safe, Secure and Prosperous), provides more concrete actions for bodies to take and develops a monitoring framework for the Scottish Government.</p> <p>The Council are undertaking all the required steps to achieve certification in line with Scottish Government requirements, with cyber risk built into Council working.</p> <p>The Council are now doing Cyber Essentials Plus certification along with the annual PSN CoCo certification.</p> <p>Further, the Council recently carried out an IT Health Check. Results are outstanding, but once received, the Council will put in place a plan to address any remediation work necessary, and finalise their Cyber Essentials Plus application. The Council expect to achieve this with little difficulty.</p> <p>The Council have taken the Scottish Government Cyber Response Plan and amended it for their specific circumstances, with this forming part of the Council's Emergency Response plan, and the Emergency Planner will hold an exercise later in the year in this area.</p> <p>The Council has a dedicated team dealing with cyber risk and is carrying out all the expected steps to ensure it is cyber resilient.</p>
Openness and transparency	<p>From our audit work, we are satisfied that the Council is appropriately open and transparent in its operations and decision making. All reports presented to Committees and minutes of meetings are available on the Council website.</p> <p>However, we do note that there are a large number of Committees and the Council accepts that review and rationalisation may be appropriate, as outlined on pages 58 and 59.</p>

Technical update



Technical Update

New standards for 2018/19 accounting code

IFRS 9, Financial instruments and IFRS 15, Revenue from contracts with customers, have been adopted for the 2018/19 accounting code. Transitional reporting requirements have been adopted such that the preceding year is not restated. In order to support local authorities, CIPFA, under the guidance of LAAP, has issued separate guidance for local authority practitioners. We would encourage the council to consider these to ensure that it is fully prepared for implementation in 2018/19. We have summarised the key implications of the new standards below.

IFRS 9, Financial Instruments

- It is likely that many collective investment vehicles would be classified to fair value through profit or loss (FVPL) from 1 April 2018, so that the fair value gains and losses will be chargeable to the Surplus or Deficit on the Provision of Services as they arise.
- There has been some debate around whether collective investment vehicles qualify for the presentation election under IFRS 9 to be reclassified to fair value through other comprehensive income (FVOCI). In order to qualify for this presentation the investment would need to meet the definition of an equity instrument. This would not be the case if instrument is 'puttable' (i.e. the holder has the right to demand repurchase or repayment of the principal).
- One of the other main features of IFRS 9 is the change in the impairment loss model for financial assets from one based on incurred losses to one based on expected (credit) losses. The new forward looking approach is likely to result in an increase in the allowances required as at 1 April 2018. As allowances are based on the risk of default and the approach to investments in local authorities is to opt for security and high quality financial instruments, CIPFA has indicated that for many financial assets the impact should be modest. Particular attention will need to be paid to material balances or loans to third parties against which there has been no default but there are significant possibilities that there may be in the future.

IFRS 15, Revenue from Contracts with Customers

- IFRS 15 will require local authorities to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipient (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. CIPFA is of the view that generally this should not have a substantial effect for local authorities with relatively predictable income streams but it may have an impact on authorities where the consideration is variable and/or when income is recognised over time.
- CIPFA would also note that the disclosure framework under IFRS 15 is substantially increased. It is intended to allow an understanding of the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and includes the disaggregation of revenue, information on performance objectives, the significant judgements made and contract balances. CIPFA would encourage local authority accounts preparers to focus on the materiality of the income that is recognised to ensure that the key messages in local authority financial statements are not obscured.

Potential impact on the Council

We do not anticipate that IFRS 15 will have a significant impact on the Council. However, given the level of investments held by the Council, IFRS 9 will have a substantial impact, as outlined in our planning paper in February 2018. This could result in investment gains and losses being recognised through the CIES unless a specific designation is made otherwise, to continue the current practice of disclosing these as other comprehensive income and expenditure. There is also a need to consider the revised three stage impairment model, which includes lease receivables, and the associated additional disclosure requirements. As these are changes for the 2018/19 Code, the Council needs to consider now the steps it is going to take to comply with the new requirements and the time and resources required to comply. We will focus closely in this area in our 2018/19 audit.

Technical Update

IFRS 16 Leases

The effective date of IFRS 16 Leases is 1 January 2019. Therefore (subject to CIPFA/ LASAAC decision) the standard is anticipated to be adopted in the 2019/20 Code.

IFRS 16 removes the existing classifications of operating and finance leases under IAS 17 *Leases* for lessees.

It requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing the lessee's obligation to make lease payments for the asset.

The consultation papers and the Exposure Draft have been drafted by CIPFA/LASAAC with the assistance of its sub group. However, both CIPFA and CIPFA/LASAAC are considering new ways of assessing how the standard will impact on local authorities.

CIPFA/LASAAC will issue the consultation as soon as possible, and notification of the issue of the consultation will be via Treasurers Societies, the Networks and CIPFA social media or via the CIPFA/LASAAC pages of the CIPFA website. This consideration will also include the assessment of the practical effects of implementation. The consultation papers, for example, include a readiness assessment questionnaire to assist CIPFA/LASAAC with an understanding of the impact (and could also be usefully used by local authorities to assess the issues that need to be considered).

Potential impact on the Council

The Council has substantial operating leases as lessee, totalling £15.6m as at 31 March 2018. These are currently disclosed in the notes to the annual accounts but not included on the balance sheet. From 2019/20, the Council will be required to recognise a 'right-of-use' asset and corresponding lease liability. The former will be valued at the same as the lease liability plus any incidental costs to the lease, whereas the latter will be valued at the present value of future lease payments. The leases will need to be assessed for depreciation and impairment as currently undertaken for the Council's other assets.

This will have a substantial impact on the assets and liabilities held by the Council as all operating leases going forward will essentially be treated as finance leases. Due to the number of operating leases and the work involved in calculating the value of the asset and corresponding liability, we recommend that the Council carry out preparatory work in 2018/19 to ensure it is in a position to comply with the new requirements from the beginning of 2019/20. We are pleased to note that the Council has carried out some work and prepared a briefing note for staff on the new standard, key points, transitional arrangements and planned 'next steps'.

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated separately.

This report has been prepared for the Audit Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents.

We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



for and on behalf of Deloitte LLP
Glasgow

4 September 2018

Audit adjustments

Corrected misstatements

We have identified the following misstatements from our audit work, all of which have been corrected by management but we nonetheless bring to your attention. The net impact of these misstatements on the deficit for the period is £nil.

		Debit/ (credit) in CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m	If applicable, control deficiency identified
Corrected misstatements					
Valuation of Property Assets	[1]		(0.19)	0.19	Yes – page 15
IJB & ZetTrans Debtors and Creditors	[2]		(0.36)	0.36	Yes – page 15
Total			(0.55)	0.55	

[1] This error has arisen due to the Council's approach to valuation of specialised assets not being consistent with valuation guidance, which direct the Council to reflect 'least cost to replace' considerations, focusing on commercial rather than residential land values. Including residential land values in the calculation of 'least cost to replace' overstates the value of the assets to the Council by £0.19m, as the Council would not be in a position to bid for such sites. This adjustment also removes the corresponding increase in the revaluation reserve.

[2] This error arose as the Council was accounting for all income and expenditure with the IJB and ZetTrans as debtors and creditors at the year end. An adjustment has been raised to ensure that the debtors and creditors recorded by the Council reflect the amounts actually outstanding with the IJB and ZetTrans at the year end.

The adjustment posted relating to the IJB reduces the level of debtors and creditors held by the Council by £22.07m and £21.71m respectively. This results in the Council recording a net creditor of £0.18m owing to the IJB, due to the Scottish Government 'Additionality Funding' it is holding on their behalf. The net impact of this on net assets is a reduction of £0.36m. The adjustment also removes a corresponding amount that the Council had held in its Community Care Fund reserves relating to this Additionality Funding, as these are not Council reserves.

The adjustment posted relating to ZetTrans reduces the level of debtors and creditors held by the Council by £1.90m both ways. There is no impact on net assets as the Council was previously treating ZetTrans as a net debtor and this is appropriate as ZetTrans owe the Council £0.19m.

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Valuation of property assets	<p>The Council should ensure that the post of Valuer, independent of the Team Leader of Estates and Assets, is filled for 2018/19 and that sufficient segregation of duties exist between the person carrying out the valuation of property assets and the person carrying out the technical review of that work.</p> <p>(Refer to page 15 for details)</p>	Management have confirmed that the post has been filled for 2018/19.	Executive Manager – Capital Programmes	31 December 2018	High
<i>Financial Sustainability:</i> Workforce planning	<p>The Council should develop a Council-wide workforce plan. This should include details on succession planning, recruitment and retentions.</p> <p>(Refer to page 30 for details)</p>	The Council has confirmed that a facilitated session on workforce planning is to be held with the senior management team in September 2018.	Executive Manager – HR	31 December 2019	High
<i>Financial Sustainability:</i> Savings target	<p>Additional work needs to be done to determine the feasibility of the Council savings target of 3.4% across the board and how these savings will be delivered.</p> <p>Business Transformation and Service Redesign projects need to include clear targets and milestones against which to measure performance.</p> <p>In addition, progress on these projects and against savings targets in general should be clearly reported to Members as part of the quarterly monitoring reports.</p> <p>(Refer to page 26 for details)</p>	Management has confirmed the Business Transformation and Service Redesign programmes will continue to be reported regularly to monitor and measure performance. Members had been asked where focus and priorities should be in the medium term and management will continue to work with members to deliver these projects.	Executive Manager – Finance	31 March 2019	High

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability:</i> Transformation programme	<p>The Council needs to consider how it delivers services as a whole through a single, unified transformation programme which includes a medium-term plan for addressing the funding gap, rather than taking an ad-hoc approach to transformation. This must involve a high level of community and Member engagement given the nature of services in Shetland.</p> <p>The Council is in the fortunate position of having a high level of reserves and should use the existence of this 'buffer' to take the necessary steps to change its service delivery model so that it is fit for the future given anticipated demographic and financial changes.</p> <p>The Council must further consider the infrastructure in place to deliver such a programme, including significant Member involvement, a PMO, its change management approach and access to relevant tools and templates to assess performance.</p> <p>(Refer to page 26 for details)</p>	<p>The Policy and Resources Committee receives updates on the Business Transformation and Service Redesign programmes quarterly. The programmes are linked and seen as inter-dependent rather than as one programme. The programmes and individual projects are managed using PRINCE2 methodologies. There are Sounding Boards for each programme with elected members as core members. The Corporate Management Team regularly reviews performance and savings targets. The Council is currently exploring ways of providing additional staffing resources to take forward projects using Spend to Save and Service Change budgets established for this purpose.</p>	Director – Corporate Services	31 March 2019	High
<i>Value for Money:</i> Local government benchmarking	<p>The Council should consider its priority areas compared with it's areas of poor performance in the LGBF and compare what is being carried out locally with what is being done at other Councils which sit at the higher end of the scale. The Council has far greater resources available to it than other Councils nationally, and should have the ability to carry out the necessary changes to improve performance in the areas which are historically poor performing.</p> <p>(Refer to page 42 for details)</p>	<p>LGBF data is reported to the Council and functional Committees. One of the priority areas in the Service Redesign Programme is the consideration of "outliers" where the Council's LGBF data is at odds with similar Council's data this includes fully understanding the data and whether the service outcomes being delivered explain the difference in Shetland's data.</p>	Chief Executive	31 March 2019	High

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability:</i> Long-term financial planning	<p>In line with best practice, the Long-Term Financial Plan should include additional detail on how the Council can continue to provide services and deliver outcomes in line with its current and anticipated objectives, given anticipated longer-term demographic and technological changes. This should include a long-term capital plan (with this clearly linked to the Business Transformation Programme).</p> <p>The Council should also consider at the next revision of the LTFP whether community engagement would result in better information for Members on the longer-term aspirations and expectations of the community (in line with best practice), as we have noted that there was no community engagement in the development of the current LTFP.</p> <p>(Refer to page 28 and 29 for details)</p>	<p>The current LTFP covers a 35-year period to 2050. Work on the next iteration of the LTFP is expected to commence over the next 12-18 months and community engagement will be considered as part of this process.</p>	Executive Manager - Finance	31 August 2019	High
<i>Governance & Transparency:</i> Health and social care integration	<p>There is a need to improve integration of the IJB budget, rather than viewing it as two separate budgets from the Council and NHS. Steps also need to be taken to close the funding gap at the IJB.</p> <p>Given the lessons learned in the previous number of years, the Council (in conjunction with the NHS) should consider reviewing the Integration Scheme to ensure it is fit for purpose.</p> <p>Separately, the Council also needs to consider whether its internal mechanisms for identifying disputes at an early stage and implementing appropriate remedies are sufficient. We have also found that there is scope for the governance arrangements between the Council and IJB to be improved to ensure that the respective roles and responsibilities are clear.</p> <p>(Refer to page 38 for details)</p>	<p>Work has commenced on a self-evaluation of the IJB's governance framework and production of a Code of Corporate Governance. This evaluation will consider the recommendations made, including the need for a review of the Integration Scheme and its supporting governance and reporting arrangements.</p>	Executive Manager – Governance & Law	31 March 2019	High

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Management:</i> Budget setting	<p>The Council should adopt a priority-based approach to budget setting, whereby resources are focused on the Council's priority areas. Applying a 3.4% savings target across the board (a 'salami slice' approach) is difficult to put into practice and not achievable in the long term, is vague in how savings will actually be achieved and does not protect priority areas.</p> <p>The Council should carry out self-evaluation on completion of projects, to confirm whether the project achieved its stated aims, delivered value for money, and how it performed against budget (in terms of cost and time).</p> <p>As highlighted in 'Best Value' audits conducted at other councils, the Council needs to demonstrate how its actions actually make a difference to the lives of residents - the Council should ensure such a section is included on any post-completion evaluation of projects.</p> <p>(Refer to page 29 and 32 for details)</p>	<p>Management recognise the difficulty with the 'salami slice' approach and promotes that a more selective approach in line with Council priorities is the way forward.</p> <p>Evaluation on completion of projects is an integral part of the Building Better Business Cases methodology being applied to the Service Redesign programme.</p>	Executive Manager – Finance	31 March 2019	High
<i>Value for Money:</i> Performance reporting	<p>The Annual Performance Report should be clearly linked to the Council's strategic priorities and the Partnership Plan, with appropriate analysis given - especially in areas of poor performance (including the impact this has on achievability of the objective and remedial work taken).</p> <p>The Council also needs to reconsider how the report is presented in future years to ensure that the message presented to the public is fair and balanced.</p> <p>(Refer to page 41 for details)</p>	<p>A recent Council Customer First survey asked the public for views on how the Council provides performance information. Executive Services will ensure that feedback from that exercise, together with the recommendations in this Action Plan, is taken into account in producing the next annual public performance report.</p>	Executive Manager – Executive Services	31 March 2019	High

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Management:</i> Reporting calendar	<p>The Council should reconsider its reporting calendar for reporting to Committee and Council, narrowing the gap between the time the monitoring reports are prepared and when they are presented to Members.</p> <p>We also recommend that the Council consider reporting on a more risk-based approach, with higher risk areas being reported more regularly and lower risk areas less frequently.</p> <p>(Refer to page 32 for details)</p>	<p>Work is due to commence on the reporting calendar for 2019/20. This will take account of the recommendations made in relation to performance and financial reporting timescales, alongside the needs of other business and reporting requirements and timescales.</p>	Executive Manager – Governance & Law	31 March 2019	Medium
<i>Governance & Transparency:</i> Partnership planning	<p>As the Council is currently refreshing the Council Plan, we recommend that it is made clear within the Council Plan how the strategic priorities and plans of the Council align with and help achieve the priorities in the Partnership Plan.</p> <p>Further, it is important that comprehensive delivery plans are developed in the near future to ensure that the aims of the Partnership Plan are achieved. These delivery plans need to include measurable milestones to allow monitoring of performance.</p> <p>(Refer to page 36 for details)</p>	<p>The Shetland Partnership is commencing the development of delivery plans. The Partnership is also developing the governance structure to ensure the plans are monitored against the milestones for changing individual and community outcomes. The Council's Corporate Plan halfway review is being reported to the Council in September. Directorate Performance reports now refer to both the Corporate Plan performance and the Directorate's links to the partnership plan. This will be made clearer in the revised Directorate plans developed as part of the budget preparation process between September 2018- February 2019.</p>	Chief Executive	31 March 2019	Medium

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Governance & Transparency:</i> Committee framework	<p>The Council should consider rationalising its Committee structure to ensure that there are enough Committees to provide effective governance and scrutiny, but no more than that as additional Committees require additional Member and management time and detract from time which can be spent elsewhere.</p> <p>As part of this rationalisation, the Council should consider if the responsibilities of any Committees can be merged to reduce the number of Committees whilst maintaining the overall responsibilities, given that this will reduce the administrative time in preparing papers for and attending differing Committees without the loss of any scrutiny.</p>	<p>Work has commenced on a self-evaluation of the Council's governance framework. This evaluation will consider the recommendations made, recognising the need to reduce Member and management time at meetings, but will balance this with the overall need to ensure the decision-making framework supports sound and effective corporate governance.</p>	Executive Manager – Governance & Law	31 March 2019	Medium
(Refer to page 36 for details)					
<i>Governance & Transparency:</i> Performance monitoring	<p>Performance monitoring reports should give more qualitative descriptions, which highlight and draw out what the challenges are.</p> <p>Further, although performance reports are generally sufficiently detailed, they should include comparative information by benchmarking to other Councils.</p>	<p>Benchmarking data is already reported as part of Performance reports- APSE reports, LGBF, audit reports. Performance Management is a key strand in the Business Transformation Programme and this issues will be picked up by targeted work during the next 6 months.</p>	Chief Executive	31 March 2019	Medium
(Refer to page 37 for details)					

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Value for Money:</i> Participatory budgeting	<p>The Council is not currently on track to meet the 1% target for 2020 set by the Scottish Government. More emphasis needs to be placed on this area in 2018/19 to identify areas where participatory budgeting can be improved in order to achieve, or exceed, the national target by 2020.</p> <p>(Refer to page 39 for details)</p>	<p>Management note that there is a Council desire to improve engagement with the community, with Members considered to be on board, however there are currently capacity issues in making this the highest priority. As and when services are reviewed, the relevance of community consultation will be considered.</p>	Executive Manager – Finance	31 March 2019	Medium
<i>Governance & Transparency:</i> Community engagement	<p>Given the findings in the Partnership Plan - that 41% of residents want to be more involved in decision making, while only 27% feel they can currently influence local decisions - there is scope for improvement in community engagement.</p> <p>This is a new way of delivering local government and will require a change in mindset from Members and management to allow the community to drive decisions, rather than the Council.</p> <p>(Refer to page 39 for details)</p>	<p>Participation is a key strand in in the Partnership Plan and the Corporate Plan which are focused on Community Empowerment. A number of initiatives have been developed to enhance participation, including the "Voices for Equity" mentoring scheme and promotion of Community Council roles through a film and publicity programme. The Council supports Participatory Budgeting. Opportunities for community engagement are built into the Service redesign projects. The Council continues to explore the appropriate balance between participatory and representative democracy in its decision making processes.</p>	Chief Executive	31 March 2019	Medium

Action plan

Follow-up of 2016/17 recommendations

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
Strategic Priorities	While the Council has multiple sets of outcomes, priorities and aims to deliver its vision, we recommend that these be reconsidered to ensure better alignment with outcomes.	Management agreed with this recommendation.	Chief Executive	March 2018	High	<p><i>Partially implemented:</i> The outcomes, priorities, aims and vision in the Partnership Plan and the Council Plan are not entirely aligned and there is no 'bridging' document which shows how the Council will align with the Partnership Plan whilst still delivering on its own individual vision. The updated Council Plan should clearly link with the Partnership Plan priorities.</p> <p>Updated management response: The halfway review of the Corporate Plan is being reported to Council in September 2018. The Directorate Plans being prepared between September 2018 and February 2019 will show how Directorates' activities are delivering on the Partnership Plan outcomes as well as the actions in the Council's Corporate Plan. The delivery plans that are prepared by the Partnership will assist in ensuring that it is clear how the Council prioritises activity that impact on Partnership plan outcomes.</p> <p>Updated target date: March 2019</p>
National Fraud Initiative	The Council should ensure that appropriate resources are put in place to address the NFI matches on a timely basis.	Additional resources are planned to be allocated to the completion of the NFI going forward.	Executive Manager – Finance	March 2018	Medium	<p><i>Fully implemented:</i> All matches investigated and the NFI exercise now completed. Further, a new anti fraud policy has been implemented and the NFI & Fraud Annual Report completed.</p>

Action plan

Follow-up of 2016/17 recommendations (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
PPE Valuations	A number of recommendations have been made in review of the valuation exercise, undertaken by our property specialists. These points should be considered when preparing the valuation report in the coming year.	The valuers have noted all the points raised by Deloitte and have agreed that these points will be considered in valuations going forward.	Executive Manager – Capital Programmes	March 2018	Medium	<p><i>Partially implemented:</i> The majority of recommendations made in 2016/17 were taken on board and applied in the 2017/18 valuations. However, not all recommendations were actioned - this is likely due to the change in key personnel in the year.</p> <p>Updated management response: Management confirmed that they aim to address all recommendations in the year they are raised, and that they will follow up and implement all recommendations made with regards to the valuation process in 2018/19.</p> <p>Updated target date: 31 December 2018</p>
Fishing Quota Valuation	The Council should request additional information regarding any assumptions used (e.g. if it references prices offered - these should be attached in an appendix to the valuation with evidence).	Management have agreed to obtain additional documentation to back up the valuation as appropriate.	Executive Manager – Finance	March 2018	Medium	<p><i>Fully implemented:</i> The Council have included in the scope of the work of the valuer a list of items as highlighted by Deloitte that should be provided (competence, work carried out, back up for valuation, etc.). Deloitte confirmed this was appropriate and that the Council is to perform a sense-check when the valuation is received.</p> <p>The valuation received was sufficiently precise and appropriately supported, with the Council checking this proactively and requesting Deloitte feedback before accepting the valuation.</p>

Action plan

Follow-up of 2016/17 recommendations (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
Journal Entry Listing	As part of year end reporting, the full journal entry listing should be reconciled to the trial balance used to generate the financial statements.	Management has taken this on board and the finance team will produce a reconciliation in future periods.	Executive Manager – Finance	March 2018	Medium	<i>Fully implemented:</i> A fully reconciled journal listing and trial balance were provided when the auditors arrived on site.
Leases	All lease agreements should be signed by both parties, with all key terms clearly defined within.	Management accepts these points, noting that it is their intention and practice that these issues should not arise in the first instance and that going forward they will ensure these issues do not recur.	Executive Manager – Capital Programmes	March 2018	Medium	<p><i>Partially implemented:</i> No issues were noted in internal checks with leases following these points. However, no retrospective review of leases has been carried out.</p> <p>Updated management response: There has been no retrospective review of existing leases, however on renewal or extension all agreements will be signed by both parties.</p> <p>Updated target date: Not applicable – leases to be checked on renewal or extension, rather than retrospectively.</p>

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in complying with recognition of grant income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with internal audit, management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been identified regarding fraud.



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2017/18 is £211,741 as detailed in our Audit Plan.</p> <p>No fees for non-audit services have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



Events and publications

Our publications and insights to support the Council

Publications

The State of the State 2017-18

Citizens, government and business

This year's report finds the UK Government amid the complex challenge of leaving the EU. Inevitably, this early phase of EU exit is taking place under intense media scrutiny and passionate political debate. But while EU exit issues may dominate headlines, the public services face more local challenges as they address rising demand, budget restraint and renewed levels of concern about social inequality.

The State of the State 2017-18 explores government through three lenses – the citizen lens, the public sector lens and the business lens.

Download a copy of our publication here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/state-of-the-state.html>



Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

Perspectives: Do you have a digital mindset?

Accelerating health and care integration

Digital technology is helping to transform the way citizens interact with service providers across all other service industries. The time is now ripe for changing the relationship between health and social care commissioners and providers and service users.

Read the full blog here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/do-you-have-a-digital-mindset.html>

Article: Public sector transformation

Five lessons from the private sector

An analysis of private sector global companies, including high-tech start-ups, manufacturers, banks, retailers and insurance firms, reveal five valuable lessons for the public sector.

Read the full article here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-transformation.html>



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