

## **Item: 6**

**Orkney and Shetland Valuation Joint Board: 8 December 2022.**

**Lessons Learned Review.**

**Report by Clerk to the Board.**

### **1. Purpose of Report**

To consider the findings of the Lessons Learned exercise undertaken following the Annual Audit reports for 2020/21 and 2021/22.

### **2. Recommendations**

The Board is invited to note:

#### **2.1.**

The recommendation from the Annual Audit Report 2020/21 which recommended a 'Lessons Learned' exercise was undertaken.

#### **2.2.**

That the Lessons Learned review has been undertaken, with the findings attached as Appendix 1 to this report.

**It is recommended:**

#### **2.3.**

That the Board consider the findings of the Lessons Learned review, attached as Appendix 1 to this report.

### **3. Lessons Learned Review**

#### **3.1.**

The 2020/21 annual audit report and financial statements for the Valuation Joint Board (VJB) identified issues in relation to governance and decision making of the VJB and, as a result, a report was presented by the Controller of Audit to the Accounts Commission for Scotland on 13 March 2022.

#### **3.2.**

The report recommended that *'the VJB should undertake a comprehensive root-cause analysis and 'lessons learned' review given the number and significance of the issues identified during our audit'*. A clear improvement plan would be developed to implement the findings of this review.

### 3.3.

Since the publication of the Annual Audit 2020/21, good progress has been reported by the external auditors in their annual report for 2021/22. The report found that *'The Board has acted quickly to address the weaknesses in the leadership and governance arrangements highlighted in our 2020/21 report. Six of the recommendations have been assessed as fully implemented and the remaining three partially implemented'*. The report did not identify any further recommendations in relation to the audit dimensions of Governance and transparency, Leadership or Procurement.

### 3.4.

The Lessons Learned review has been undertaken and a summary of the findings is attached as Appendix 1 to this report. The content of the Lessons Learned review has been discussed with Board Members at an Information Session prior to this Board meeting. This report is to invite the Board to formally consider the findings and proposed outcome of the review.

### 3.5.

The main findings of the review indicate that the main root cause which led to the governance issues related to a lack of clarity of roles and responsibilities and due to no formal arrangements in place for support services to the VJB. The findings confirm that the improvement actions arising from the 2020/21 audit will address all the issues identified and no further actions have been identified.

### 3.6.

Following consideration by the Board, and subject to the Board being satisfied with these findings, it is therefore proposed to mark this action on the Annual Audit action plan as complete. The Officers of the Board will continue however to ensure that the improvement agenda progresses.

## 4. Financial Implications

There are no financial implications arising directly from this report.

## 5. Governance Aspects

The content and implications of this report have been reviewed and, at this stage, it is deemed that the Board **DOES NOT** require external legal advice in consideration of the recommendations of this report.

## 6. Contact Officer

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## 7. Appendix

Appendix 1: Lessons Learned Findings.

## Orkney and Shetland Valuation Joint Board

### Root Cause and Lessons Learned – 2022

	Issue Identified.	Root Cause.	Lessons Learned.	Progress to date.
1.	Medium Term Financial Planning not in place and there remains a need for the VJB to identify recurring savings in its budget and Medium-Term Financial Planning.	The absence of this was due to there not being a Treasurer in place formally from March 2020 to November 2020.	The VJB is a separate legal entity. New officers appointed to the Board have the duties of the VJB written into their job description and therefore their roles are clear.	<b>Fully Implemented</b> as reported in 2021/22 External Audit Report. A Medium-Term Financial Strategy was developed by the New Treasurer and approved at the Board meeting on 3 March 2022.
2.	Non-compliance with procurement arrangements for the consultant Depute Assessor which resulted in an increase in hourly rate.	The use of a consultant assessor was intended to be a short-term arrangement. When the contract was renewed each year, to ensure business continuity, the officer did not consider an external procurement exercise to test the market was required and the contract was extended each year.	Officers to be aware of the need to undertake procurement. Procurement training delivered to Officers. Induction to include procurement training.	<b>Fully Implemented</b> as reported in 2021/22 External Audit Report. An audit undertaken of all procurement in the past two years has identified that this was an isolated incident. This will be part of the induction for Officers who will receive training in procurement policies and procedures.
3.	No arrangements in place for the provision of legal advice to the VJB.	Historically, the Clerk had advised the Board when it may or may not require legal advice. The Board had not required	The VJB is a separate legal entity and may need legal advice. Therefore, a Legal	<b>Complete.</b> Legal advice provision has now been procured.

	<b>Issue Identified.</b>	<b>Root Cause.</b>	<b>Lessons Learned.</b>	<b>Progress to date.</b>
		legal advice for some time and did not have arrangements in place.	Advisor should be in place should legal advice be required.	
4.	No VJB specific internal audits have been carried out in over a decade.	Historically the VJB had relied on the work carried out by Shetland Islands Council's (SIC) internal audit function as SIC systems were used.	The VJB is a separate legal entity and requires to ensure its own operations are appropriate. The VJB should make arrangements for an internal audit function.	<b>Fully Implemented</b> as reported in 2021/22 External Audit Report. The VJB has appointed an Internal Auditor and approved an internal audit plan to undertake specific reviews to provide assurance as to the internal control environment of the VJB.
5.	Recruitment of suitably qualified valuation staff to deliver statutory valuation functions.	National shortage of suitably qualified staff. Lower salary offered in Orkney & Shetland VJB.	The VJB Workforce Plan needs to be developed and consider national supply in recruitment options. Need to be more proactive in anticipating and addressing short- and medium-term challenges. Continue to 'grow our own' qualified staff locally.	<b>Complete.</b> These issues are contained within the Workforce Plan as agreed by the Board on 30 September 2021.
6.	Lack of clarity surrounding roles and responsibilities of Board members and management. There has been a blurring of roles and responsibilities between the VJB and OIC.	There were six resignations from the VJB – 3 from the Board and 3 from management. As a result, the Chief Executives of the constituent councils became involved in advising the Board. New	The new Board and management require appropriate induction on roles and responsibilities. The constitution has been reviewed in the form of revised	<b>Fully Implemented</b> for previous Board Members as reported in 2021/22 External Audit Report. For new Board members and officers – all will receive

	Issue Identified.	Root Cause.	Lessons Learned.	Progress to date.
		<p>officers were appointed with no handover or induction.</p> <p>The Board's constitution was not fit for purpose and did not facilitate efficient decision making.</p>	<p>Standing Orders which clearly set out the process for efficient decision making.</p> <p>A draft Scheme of Delegation has also been developed. The VJB will continue to develop its own specific tailored governance documents.</p>	<p>induction on roles and responsibilities.</p> <p>The new Constitution / Standing Orders are in place.</p> <p>A Scheme of Delegation is to be considered by the Board.</p> <p>Further tailored governance documents for the VJB will be developed.</p> <p>Progress will be monitored through the Annual Audit Action Plan.</p>
7.	<p>Actions were taken as a result of an informal meeting.</p>	<p>Interpretation of process to be followed in the event of requiring an urgent decision was not clear. There was a blurring of roles and responsibilities between the VJB and OIC.</p> <p>Although the issues were reported to the subsequent Board meeting, due to the urgent nature for business continuity actions were taken.</p>	<p>Management Team will ensure this is not repeated.</p> <p>Revised Standing Orders allow for a meeting to be called at shorter notice.</p>	<p>Officers of the Board will not take actions out-with those contained within their delegations, unless specifically delegated by the Board at a formal meeting.</p> <p>Training has been prioritised as per item 6 above. It is proposed that <b>no further action is required.</b></p>
8.	<p>Reporting to the Board was incomplete as to the status of the situation on 30 September 2022.</p>	<p>The informal meeting was not referred to within the report submitted to the Board on 30 September 2022.</p>	<p>Reference will always be made to matters pertinent to the subject in future reports.</p>	<p><b>Complete.</b></p> <p>Officers will always refer to pertinent matters in future reports.</p>

	<b>Issue Identified.</b>	<b>Root Cause.</b>	<b>Lessons Learned.</b>	<b>Progress to date.</b>
9.	There is a need for a comprehensive review of VJB's governance framework and the documentation underpinning it, training on it and members and officers understanding of and adherence to it.	The VJB had not clearly set out the governance documentation which it was following.	Clarity on the governance documentation was required – this has been achieved for Finance, HR, Governance Advice, Internal Audit and Legal.	Tailored documents are required and will be developed. Meantime Board decisions have been taken, at the meeting on 3 March 2021, in respect of the governance documents for Governance, Finance, HR and Legal. Training on the governance framework has been delivered to the Board. This is being addressed and progress monitored as part of the <b>Governance Action Plan</b> .
10.	Staff contracts signed by CEOs of Councils. The Board need to specify who they are delegating various actions to.	Lack of clarity at the time of the event as to the roles of the Board management and the roles of the Chief Executives of the Councils.	This has been clarified – only Board Officers should send out contracts, where delegated by the Board to do so.	Officers will only send out contracts, where delegated by the Board to do so. It is proposed that <b>no further action is required</b> .
11.	Revised contract was issued with errors.	HR were not involved in contract issue and could have undertaken this preventing delay and date error. Following HR advice received, procedure on previous contracts was followed in terms of signatories.	HR team to be involved in contract issuing. Clarity on role of Officers will prevent this re-occurring.	HR team to be involved in issuing HR contracts. It is proposed that <b>no further action is required</b> .