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Louise Adamson
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Date: 7 December 2017

Dear Sir/Madam

You are invited to the following meeting:

Audit Committee
Council Chamber, Town Hall, Lerwick
Thursday 14 December 2017 at 2pm

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

Yours faithfully

Executive Manager – Governance and Law

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

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
- (d) Confirm the minutes of the meetings held on (i) 31 August 2017, and (ii) 20 September 2017 (enclosed)

Items

1. Audit Scotland and Other External Audit Reports
 IA-24-17
2. Update on External Audit Recommendations 2016/17
 F-091



Meeting(s):	Audit Committee	14 December 2017
Report Title:	Audit Scotland and other External Audit Reports	
Reference Number:	IA-24-17-F	
Author / Job Title:	Crawford McIntyre - Executive Manager, Audit, Risk and Improvement	

1.0 Decisions / Action required:

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

2.0 High Level Summary:

- 2.1 This report, presented every second cycle, provides an opportunity for the Audit Committee to consider and monitor progress on any recommended actions resulting from Audit Scotland and External Audit body reports which have been or will be presented to the functional Committees. It also provides an opportunity for the Audit Committee to monitor compliance with the external advisors reports reporting policy and procedures.
- 2.2 The reports produced by the Council's External Auditors and Advisers provide valuable information for Committees and officers throughout the Council.
- 2.3 This report promotes good governance by helping to ensure all external advisers reports are considered by relevant officers and reported to the correct Committee.
- 2.4 It is expected that each report will result in a Council action plan that deals with all the report's recommendations. In the event that no action plan is required, that decision and the report is still reported to the relevant committee.
- 2.5 Progress against the agreed action plan should be monitored by the relevant Service Committee and the Audit Committee.
- 2.6 It is for the Audit Committee to be satisfied that appropriate and timely action is being taken in relation to Audit Scotland and other external audit reports together with relevant action plans, in accordance with Council Policy.

3.0 Corporate Priorities and Joint Working:

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

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

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

4.0 Key Issues:

4.1 Appendix 1 contains a list of the current reports. The lead officer for each report is responsible for the Progress Statement and ensuring that policy deadlines are adhered to

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

4.3 Reports due for presentation on appendix 1 have now been presented to the relevant Committee with two exceptions:

- The Inverclyde Council Best Value Report will now be presented to Policy and Resources in February 2018 as part of a consolidated report considering the first five best value audits (Inverclyde, East Renfrewshire, Renfrewshire, West Lothian and possibly Orkney if released when expected).
- No response has been received from the Acting Principal – Shetland College regarding the Audit Scotland - Scotland's Colleges 2017 report

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	This report highlights and monitors that the recommended actions advised by the external body are completed. This ensures that our customers are getting the best possible service and that we are committed to improving our services across Shetland.
6.2 Human Resources and Organisational Development:	There may be HR implications from the recommended actions from the external body reports.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	There may be legal implications from the recommended actions from the external body reports.
6.5 Finance:	There may be financial implications from the recommended actions from the external body reports.

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

Contact Details:

Crawford McIntyre

Executive Manager – Audit, Risk & Improvement

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30 November 2017

Appendices: Appendix 1 – External Advisers Reports - Progress





Audit Committee - All External Adviser's Reports - Progress


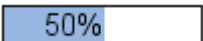
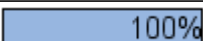
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Report Layout: External Advisers to Audit Committee

Rows are sorted by Original Due Date

Code & Title	Description		Dates		Progress Statement		Lead
EA0092 Audit Scotland - The National Fraud Initiative in Scotland	Present The National Fraud Initiative in Scotland report to Audit Committee, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-scotland		Report Published	30-Jun-2016	This report has been considered and work has been undertaken by the team to ensure that the 2016 NFI data collection has been completed. A full review of the Council's fraud prevention and detection policies will be considered by the Policy & Resources Committee and key messages from the report were commented on and presented to the Audit Committee in 31 August 2017. No Action Plan Required		Jonathan Belford
			Progress Bar	<div><div>100%</div></div>			
		Present report to Audit Committee.	Due Dates	31-Aug-2016	Complete	31-Aug-2017	
Code & Title	Description		Dates		Progress Statement		Lead
EA0088 Audit Scotland - Reshaping Care for Older People - Impact Report	Present Audit Scotland - Reshaping Care for Older People - Impact Report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/report/reshaping-care-for-older-people-impact-report		Report Published	10-May-2016	This report was presented to IJB on 10 March 2017		Simon Bokor-Ingram
			Progress Bar	<div><div>100%</div></div>			
		Present report to IJB	Due Dates	23-Sep-2016	Complete	10-Mar-2017	
		Action Plan		17-Dec-2017		13-Nov-2017	
Code & Title	Description		Dates		Progress Statement		Lead
EA0090 Care Inspectorate - North Haven (Support Service)	Present Care Inspectorate - North Haven (Support Service) Report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=283485		Report Published	15-Jun-2016	This report was presented to the Joint Governance Group on 16 May 2017 and Clinical Care & Professional Governance Committee on 7 June 2017. An action plan is currently being progressed.		Simon Bokor-Ingram
			Progress Bar	<div><div>50%</div></div>			
		Present report to Clinical Care & Professional Governance Committee	Due Dates	24-Jan-2017	Complete	07-Jun-2017	
		Action plan complete		31-Mar-2017			

Code & Title	Description	Dates		Progress Statement		Lead
EA0112 Care Inspectorate - Children's Residential Services	Present Care Inspectorate - Children's Residential Services report to IJB, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=285695	Report Published	13-Oct-2016	The Executive Manager - Children's Resources advised that following discussion due to the August meeting focusing on Performance this report will now be presented at Education and Families committee in October 2017.		Scott Hunter; Jordan Sutherland
		Progress Bar				
	Present report to Education & Families Committee	Due Dates	06-Feb-2017	Complete	02-Oct-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0125 Care Inspectorate - Support @ Home (Shetland)	Present Care Inspectorate - Support @ Home (Shetland) to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=288840	Report Published	14-Feb-2017	This report was presented to the Joint Governance Group on 30 August 2017.		Simon Bokor-Ingram
		Progress Bar				
	Action Plan	Due Dates	30-Aug-2017	Complete	02-Nov-2017	
	Present report to Joint Governance Group		30-Aug-2017		30-Aug-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0122 Audit Scotland - Local government in Scotland: Performance and challenges 2017	Present Audit Scotland - Local government in Scotland: Performance and challenges 2017: an update, and where applicable implement action plan. http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_170307_local_government_performance.pdf	Report Published	07-Mar-2017	Executive Manager - Finance advises report was presented to P&R on 29 August 2017. No action required.		Jonathan Belford
		Progress Bar				
	Present report to Policy and Resources committee	Due Dates	29-Aug-2017	Complete	29-Aug-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0129 Audit Scotland - Principles for a digital future	Consider any action points for this council from this report. http://www.audit-scotland.gov.uk/report/principles-for-a-digital-future	Report Published	11-Mar-2017	No specific actions for this council from this report, P&R notified on 6/12/17.		Susan Msalila
		Progress Bar				
	Present - Principles for a digital future to Audit Committee	Due Dates	31-Aug-2017	Complete	29-Nov-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0127 Care Inspectorate - Wastview (Support Service)	Present Care Inspectorate - Wastview Care Centre report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=289888	Report Published	13-Apr-2017	This report was presented to the Joint Governance Group on 30 August 2017.		Simon Bokor-Ingram
		Progress Bar				
	Present report to Joint Governance Group	Due Dates	02-Oct-2017	Complete	13-Nov-2017	
	Action plan		29-Dec-2017		13-Nov-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0128 Care Inspectorate - Walter & Joan Gray (Support Service)	Present Care Inspectorate - Walter & Joan Gray (Support Service) report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=290423	Report Published	12-Apr-2017	This report was presented to the Joint Governance Group on 30 August 2017.		Simon Bokor-Ingram
		Progress Bar				
	Presented report to Joint Governance Group on 30 August 2017	Due Dates	02-Oct-2017	Complete	13-Nov-2017	
	Action plan in place and being worked through		29-Dec-2017			
Code & Title	Description	Dates		Progress Statement		Lead
EA0132 Care Inspectorate - Montfield Support Service	Present Care Inspectorate - Montfield Support Service report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=291282	Report Published	10-Jul-2017	This report was presented to the Joint Governance Group on 30 August 2017		Simon Bokor-Ingram
		Progress Bar				
	Present report to Joint Governance Group	Due Dates	02-Oct-2017	Complete	30-Aug-2017	
	Action plan		29-Dec-2017		13-Nov-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0133 Care Inspectorate - Mental Health Community Support Service @ Annsbrae House	Present Care Inspectorate - Mental Health Community Support Service @ Annsbrae House report to Clinical Care & Professional Governance Committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCare/services/html/reports/getPdfBlob.php?id=291472	Report Published	20-Jul-2017	This report was presented to the Joint Governance Group on 30 August 2017		Simon Bokor-Ingram; Nicki Hamer
		Progress Bar	<div><div>50%</div></div>			
	Present report to Clinical Care & Professional Governance Committee. Action plan	Due Dates	02-Oct-2017 29-Dec-2017	Complete	30-Aug-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0131 Audit Scotland - Best Value Assurance Reports	Present Audit Scotland - Best Value Assurance Report: Inverclyde Council report to Audit Committee, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/report/best-value-assurance-report-inverclyde-council	Report Published	01-Jun-2017	A report will be presented to P&R on 12/2/18. This will reflect on the first 4/5 Best Value reports for Inverclyde, Renfrewshire, East Renfrewshire, West Lothian and possibly Orkney.		Christine Ferguson; Crawford McIntyre
		Progress Bar	<div><div>0%</div></div>			
	Present report to Audit Committee Action Plan	Due Dates	04-Oct-2017 29-Dec-2017	Complete		
Code & Title	Description	Dates		Progress Statement		Lead
EA0130 Audit Scotland - Scotland's Colleges 2017	Present Audit Scotland - Scotland's Colleges 2017 report to Shetland College Board, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_170622_scotlands_colleges.pdf	Report Published	22-Jun-2017	No response from lead officer.		Willie Shannon
		Progress Bar	<div><div>0%</div></div>			
	Present report to Shetland College Board Action Plan	Due Dates	05-Oct-2017 29-Dec-2017	Complete		
Code & Title	Description	Dates		Progress Statement		Lead
EA0138 Education Scotland - North Roe Primary School	Present Education Scotland - North Roe Primary School report to Education and Families Committee, and where applicable implement action plan. Link to report: https://education.gov.scot/inspection-reports/shetland-islands/6101925	Report Published	29-Aug-2017	The report was presented to Education & Families Committee 2/10/17. Action Plan in place.		Audrey Edwards
		Progress Bar	<div><div>50%</div></div>			
	Present report to Education & Families Committee Action plan	Due Dates	05-Feb-2018 29-Jun-2018	Complete	02-Oct-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0139 Education Scotland - Scalloway Primary School & Early Years Class	Present Education Scotland - Scalloway Primary School & Early Years Class report to Education and Families Committee, and where applicable implement action plan. Link to report: https://education.gov.scot/inspection-reports/shetland-islands/6103936	Report Published	22-Aug-2017	This report was presented to Education and Families Committee on 2/10/17. No Action Plan Required. Issues will be addressed through normal improvement process.		Audrey Edwards
		Progress Bar	<div><div>100%</div></div>			
	Present report to Education & Families Committee	Due Dates	05-Feb-2018	Complete	02-Oct-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0143 Care Inspectorate - Skeld Primary School Nursey	Present Care Inspectorate - Skeld Primary School Nursey report to Education & Families committee, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=292876	Report Published	30-Aug-2017	To be presented to Education and Families 4/12/17. There is no action plan but the report refers to how the recommendation is being met.		Audrey Edwards
		Progress Bar	<div><div>0%</div></div>			
	Present report to Education & Families Committee	Due Dates	05-Feb-2018	Complete		
	Action plan		29-Jun-2018			

Code & Title	Description	Dates		Progress Statement		Lead
EA0137 Care Inspectorate - Fernlea, The Wishart Anderson (Support Service)	Present Care Inspectorate - Fernlea, The Wishart Anderson (Support Service) report to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=292314	Report Published	27-Jul-2017	This report will be presented to the Joint Governance Group in January 2018		Simon Bokor-Ingram
		Progress Bar	<div><div>50%</div></div>			
	Present report to Joint Governance Group	Due Dates	06-Feb-2018	Complete		
	Action plan		29-Jun-2018		14-Nov-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0140 Care Inspectorate - Walter & Joan Gray (Care Home)	Present Care Inspectorate - Walter & Joan Gray (Care Home) report to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCareServices/html/reports/getPdfBlob.php?id=292684	Report Published	27-Jul-2017	This report will be presented to the Joint Governance Group in January 2018		Simon Bokor-Ingram
		Progress Bar	<div><div>0%</div></div>			
	Present report to Joint Governance Group	Due Dates	06-Feb-2018	Complete		
	Action plan		29-Jun-2018			

Code & Title	Description	Dates		Progress Statement		Lead
EA0141 Care Inspectorate - Isleshavn (Care Home)	Present Care Inspectorate - Isleshavn (Care Home) report to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCare/services/html/reports/getPdfBlob.php?id=292688	Report Published	04-Aug-2017	This report will be presented to the Joint Governance Group in January 2018		Simon Bokor-Ingram
		Progress Bar	<div><div>50%</div></div>			
	Present report to Joint Governance Group	Due Dates	06-Feb-2018	Complete		
	Action plan		29-Jun-2018		14-Nov-2017	
Code & Title	Description	Dates		Progress Statement		Lead
EA0142 Care Inspectorate - North Haven (Care Home)	Present Care Inspectorate - North Haven (Care Home) report to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCare/services/html/reports/getPdfBlob.php?id=292704	Report Published	28-Jul-2017	This report will be presented to the Joint Governance Group in January 2018		Simon Bokor-Ingram
		Progress Bar	<div><div>0%</div></div>			
	Present report to Joint Governance Group	Due Dates	06-Feb-2018	Complete		
	Action plan		29-Jun-2018			
Code & Title	Description	Dates		Progress Statement		Lead
EA0135 Audit Scotland - Best Value Assurance Report: Renfrewshire Council	Present Audit Scotland - Best Value Assurance Report: Renfrewshire Council report to Audit Committee, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/report/best-value-assurance-report-renfrewshire-council	Report Published	31-Aug-2017	A report will be presented to P&R on 12/2/18. This will reflect on the first 4/5 Best Value reports for Inverclyde, Renfrewshire, East Renfrewshire, West Lothian and possibly Orkney.		Christine Ferguson; Crawford McIntyre
		Progress Bar	<div><div>0%</div></div>			
	Present report to Audit Committee	Due Dates	07-Feb-2018	Complete		
	Action Plan		29-Jun-2018			
Code & Title	Description	Dates		Progress Statement		Lead
EA0136 Audit Scotland - Equal Pay in Scottish Councils	Consider any action points for this council from this report. Link to report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_170907_equal_pay.pdf	Report Published	07-Sep-2017	No specific actions for this council from this report, P&R notified on 6/12/17.		Denise Bell
		Progress Bar	<div><div>100%</div></div>			
	Present report to Audit Committee	Due Dates	07-Feb-2018	Complete	06-Dec-2017	

Code & Title	Description	Dates		Progress Statement		Lead
EA0144 Audit Scotland - Transport Scotland's Ferry Services	Present Audit Scotland - Transport Scotland's Ferry Services report to ZetTrans, and where applicable implement action plan. Link to report: http://www.audit-scotland.gov.uk/report/transport-scotland-s-ferry-services	Report Published	19-Oct-2017	Presented to ZetTrans 2/11/17. This was an initial view, detailed reflection to be presented at the next meeting.		Michael Craigie; Craig Robertson
		Progress Bar	<input type="text" value="0%"/>			
	Present report to ZetTrans	Due Dates	07-Feb-2018	Complete		
	Action Plan		29-Jun-2018			
Code & Title	Description	Dates		Progress Statement		Lead
EA0145 Care Inspectorate - Newcraigielea Care Home Service	Present Care Inspectorate - "Newcraigielea Care Home Service" report to Joint Governance Group, and where applicable implement action plan. Link to report: http://www.careinspectorate.com/berengCare/services/html/reports/getPdfBlob.php?id=293447	Report Published	13-Nov-2017	Under consideration		Simon Bokor-Ingram
		Progress Bar	<input type="text" value="0%"/>			
	Present report to Joint Governance Group	Due Dates	06-Feb-2018	Complete		
	Action plan		31-Mar-2018			



Meeting(s):	Audit Committee	14 December 2017
Report Title:	Update on External Audit Recommendations 2016/17	
Reference Number:	F-091-F	
Author / Job Title:	Executive Manager – Finance	

1.0 Decisions / Action required:

- 1.1 That the Audit Committee NOTES the progress of the external auditor's key recommendations on the 2016/17 annual accounts.

2.0 High Level Summary:

- 2.1 The 2016/17 audited accounts for Shetland Islands Council were approved by the council on 20 September 2017 (Min. Ref.: 67/17).
- 2.2 At that time, the Council's external auditor, Deloitte LLP, presented their Annual Audit Report 2016/17 that confirmed their unmodified opinion on the accounts and published an Action Plan on six key recommendations (Appendix 1).
- 2.3 Progress on each of the six key recommendations is provided in Appendix 2.

3.0 Corporate Priorities and Joint Working:

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

4.0 Key Issues:

- 4.1 The Council's accounts for the year to 31 March 2017 were submitted to Deloitte LLP by the statutory deadline of 30 June 2017. The external auditor was required to complete the audit by 30 September 2017 and to report on certain matters arising to those charged with governance.
- 4.2 Deloitte LLP present an agreed Action Plan as part of their Annual Audit Report (Appendix 1), showing recommended improvements in certain Council processes for governance, compliance and efficiency purposes. These include recommendations that:
- a) the Council reconsiders its priorities to ensure better alignment with outcomes;
 - b) the Council's lease register is reviewed to ensure that all agreements are signed by both parties, with all key terms clearly defined within;
 - c) processes around property valuations are improved in relation to specific points raised by Deloitte LLP's property specialists;
 - d) appropriate resources are put in place to ensure the National Fraud Initiative information is acted upon in a timely basis;
 - e) further supporting information is sought from the external valuer regarding the Council's fishing quota held; and
 - f) full year transaction listings are reconciled to the trial balance in advance of the audit commencing.
- 4.3 Only the first point is considered to be high priority by the external auditor.

4.4 Appendix 2 describes how each of these items have progressed since September 2017, along with plans for implementation of any outstanding actions.	
5.0 Exempt and/or confidential information:	
5.1 None.	
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Implementation of the recommendation around Strategic priorities should enhance the community's understanding of the Council's vision, priorities and outcomes.
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	None
6.5 Finance:	None
6.6 Assets and Property:	Implementation of the recommendations around leases and property valuations should strengthen asset governance.
6.7 ICT and new technologies:	None
6.8 Environmental:	None
6.9 Risk Management:	The auditor's recommendations for improvement identify areas of risk in subsequent financial year audits. Implementation of these recommendations should mitigate the risk of a modified opinion on the annual accounts in these areas in future years. One key risk facing the Council in its pursuit of these improvements is the difficulty in recruiting sufficient qualified staff to carry out property valuations. There is a vacancy here at present and it is likely that temporary arrangements will need to be considered to ensure that this aspect of the annual accounts is completed on time and in line with auditors' requirements.
6.10 Policy and Delegated Authority:	The remit of the Audit Committee includes consideration of audit matters as well as overseeing and reviewing any action taken in relation to audit activity. The preparation and presentation of the Annual Accounts, is a key element of the Council's overall governance and reporting arrangements.
6.11 Previously considered by:	N/A

Contact Details:

Jonathan Belford, Executive Manager - Finance

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5 December 2017

Appendices:

Appendix 1: Annual Audit Report 2016/17 for Shetland Islands Council – Action Plan

Appendix 2: Audit 2016/17 Recommendations – Progress Report

Action plan

Recommendations for improvement (1/3)

Area	Recommendation	Management Response	Responsible Person	Target Date	Priority
National Fraud Initiative	When completing the NFI Questionnaire, it was noted that various items were outstanding and that this arose due to resourcing and staffing issues. 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.	Jonathan Belford, Executive Manager - Finance	31 March 2018	Moderate
PPE Valuations	The valuation carried out in the current year was relatively basic and a number of issues were identified with the approach taken. 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. Deloitte note that the Council is currently in the 5th year of the rolling revaluation programme and is midway through updating its valuation approach.	The valuers have noted all the points raised by Deloitte and have agreed that these points will be considered in valuations going forward.	Robert Sinclair, Executive Manager – Capital Programmes	31 March 2018	Moderate

Action plan

Recommendations for improvement (2/3)

Area	Recommendation	Management Response	Responsible Person	Target Date	Priority
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). It should also be made clear as part of the valuation letter how the valuer has satisfied themselves that the fishing quota allocation is accurate (i.e. by agreeing to the Government listing). This information should be requested so that the Council can satisfy itself that the valuation reached is appropriate and that the valuation has been carried out to an appropriate level.	Management have agreed to obtain additional documentation to back up the valuation is appropriate.	Jonathan Belford, Executive Manager - Finance	31 March 2018	Moderate
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. The risk of not performing this reconciliation is two-fold: i) the trial balance may be incomplete if journals are missing and as a result the financial statements will be incorrect; and ii) as part of our audit procedures the journal listing we receive could be incomplete if it does not tie to the trial balance, raising the possibility that fraudulent journal entries are being posted that we do not have visibility over when performing our audit procedures.	Management has taken this on board and the finance team will produce a reconciliation in future periods.	Jonathan Belford, Executive Manager - Finance	31 March 2018	Moderate

Action plan

Recommendations for improvement (3/3)

Area	Recommendation	Management Response	Responsible Person	Target Date	Priority
Leases	As part of procedures on operating leases we noted that some leases were not signed by both parties, and other leases - although signed - were missing pivotal information (e.g. rent amount, the start and end date of the lease). These issues were noted in leases both where the Council is the lessor and where the Council is the lessee. 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.	Robert Sinclair, Executive Manager – Capital Programmes	31 March 2018	Moderate
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.	Agreed.	Mark Boden, Chief Executive	31 March 2018	High



Shetland Islands Council - Audit Recommendations for Improvement

Appendix 2

Area	Responsible Officer	Management Response	Progress to date	Plan to achieve target date of 31 March 2018
National Fraud Initiative	Jonathan Belford, Executive Manager - Finance	Additional resources are planned to be allocated to the completion of the NFI going forward.	An update on NFI was presented to Audit Committee on 31 August 2017; an annual report will be prepared on the subject of Fraud / NFI. The Anti-Fraud strategy has been updated and is due to be presented to Council on 13 December 2017.	The activity required in the planning and preparation for the next NFI exercise will be during 2018/19, however clarification of roles and tasks will be undertaken prior to the year-end.
PPE Valuations	Robert Sinclair, Executive Manager – Capital Programmes	The valuers have noted all the points raised by Deloitte and have agreed that these points will be considered in valuations going forward.	Points for consideration have been discussed with auditors and will be implemented in the 2018 valuations.	Will be applied in rolling programme of valuations
Fishing Quota Valuation	Jonathan Belford, Executive Manager – Finance	Management have agreed to obtain additional documentation to back up the valuation as appropriate.	No action to date	Officers will write to LHD in the new year to establish the required supporting evidence for the 31 March 2018 valuation.
Journal Entry Listing	Jonathan Belford, Executive Manager - Finance	Management has taken this on board and the Finance team will produce a reconciliation in future periods.	Monthly transaction listings have been reconciled to opening and closing trial balances for each accounting period since 1 April 2017.	On target to deliver opening and closing trial balances and their associated, reconciled transactions to external audit at the outset of the 2017/18 audit.
Leases	Robert Sinclair, Executive Manager – Capital Programmes	Management accepts these points noting that it is their intention and practise that these issues should not arise in the first instance and that going forward they will ensure these issues do not recur.	All lease agreements are to be finalised by Governance & Law and copies of the engrossed documents copied to Asset & Properties.	Process implemented and in place.



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Appendix 2

Strategic Priorities	Mark Boden, Chief Executive	Agreed.	<p>The Shetland Partnership has been overseeing three interconnected projects - Governance, Locality Planning and Community Participation.</p> <p>The three project strands will be brought together in a refreshed Local Outcomes Improvement Plan (LOIP) 2018-28 for Shetland, with a consultative draft LOIP published in December 2017. The Council will be invited to provide a response to the consultation, including the strategic vision and priorities proposed.</p>	<p>Consultation responses will be analysed during February, with a final draft LOIP published for sign-off by all Schedule 1 partners, including the Council, during March / April 2018.</p> <p>In agreeing the LOIP, the Council as a statutory community planning partner must take account of the LOIP in carrying out its functions, is jointly responsible for ensuring the CPP delivers its commitments in the plan and individually responsible for helping to ensure these commitments are fulfilled.</p> <p>At the point the Council is in receipt of the final draft it should be able to review its service and resource planning arrangement so that there is clearer connection to the LOIP.</p>
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