

MINUTES

A &

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Audit Committee

Council Chamber, Town Hall, Lerwick

Thursday 7 March 2019 at 10am

Present:

A Duncan	J Fraser
S Leask	A Manson
I Scott	R Thomson

Apologies:

C Hughson	R McGregor
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In attendance (Officers):

C Ferguson, Director of Corporate Services

J Manson, Executive Manager - Finance

J Riise, Executive Manager – Governance and Law

R Sinclair, Executive Manager – Assets, Commissioning and Procurement

M Mullan, Performance and Improvement Officer

L Adamson, Committee Officer

Also:

J Corrigan, Deloitte LLP

C Healy, Deloitte LLP

D Black, Audit Glasgow (by telephone link)

Chairperson

Mr Duncan, Chair of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The Committee confirmed the minutes of the meeting held on 13 December 2018 on the motion of Ms Manson, seconded by Mr Scott.

In response to questions from the Chair, the following updates were provided:

18/18 - External Audit Annual Report 2017/18 – Update on Recommendations

- (4th paragraph): Assurance was given on the ongoing work to value Council assets, including those transferring from SLAP. Following completion of the valuations a comprehensive report would be presented to Members.
- (5th paragraph): The briefing note on the processes in place when considering and accepting offers for the sale of Council assets would be circulated to Members during the next cycle. Any current issues could be raised separately with the Executive Manager – Assets, Commissioning and Procurement.

- (11th paragraph): Regarding staff training, the demands on the training budget are high and the budget is fully committed when set. However, should significant training requirements arise during the year, discussion could take place with the Executive Manager – Human Resources and the Executive Manager – Finance to see how the cost of additional training can be met.

21/18 - Risk Assessment Update

Progress was being made to obtain professional advice to establish the benefits and costs to install sprinkler systems at rural care centres. A brief had been drafted, and a report would be presented to Policy and Resources Committee. The Director of Corporate Services said that she would advise Members soon on the proposed date for presenting the report to Committee.

01/19 **Scottish Household Survey**

The Committee considered a report by the Executive Manager – Assets, Commissioning and Procurement (CPS-03-19-F), which provided an opportunity to discuss the Scottish Household Survey results, the trends in local indicators, and comparisons between the local and national indicators.

In introducing the report, the Executive Manager – Assets, Commissioning and Procurement advised that the report had previously been discussed at Policy and Resources Committee, and he highlighted a number of the local indicators as set out in Section 4.

During the discussion, reference was made to the findings at Section 4.2.7 of the report, that Shetland had scored significantly higher compared to the overall Scotland figure, on the indicator “more involved in decisions”. However it was noted that Shetland had ranked low on the category that the Council “does its best with the money”. In that regard, it was questioned whether there was a need for the Council to communicate more effectively with communities on the more positive outcomes of the Council. In responding, the Director of Corporate Services advised on a number of activities and the different elements of community engagement in Shetland, including participatory budgeting, community choices and the work through the ‘participation’ priority of the Shetland Partnership Plan. In terms of information on the Council finances, she reported that the detailed accounts of the Council were reported annually. She also referred to the update provided on the “Our Plan 2016-20” at the recent Policy and Resources Committee which had included significant information on Council achievements, and she confirmed that the updated Plan was to be publicised widely within the community. She added that at the same meeting, there had also been discussion on how the Council can use additional media outlets to promote the work of, and encourage engagement with, the Council.

In responding to a comment on the Shetland sample size for most indicators, as reported at Section 2.4, the Director of Corporate Services referred to the work done within Community Planning and Development to corroborate sources of data, and the methodology used to make sure the results are statistically representative, which she said can provide confidence to the Shetland Partnership when setting targets and aspirations.

Reference was made to the survey results as reported at Section 4.2.1, that 12% of the Social Sector households “do not manage well financially”. The Executive Manager – Assets, Commissioning and Procurement advised that in the local

environment it was difficult to target intervention in Shetland as there are small pockets of social deprivation close to other areas that are thriving.

In responding to a question, the Executive Manager - Assets, Commissioning and Procurement undertook to contact the Transport Planning Service, for an explanation on the increased satisfaction rates for Shetland public transport in 2016 and 2017, at a time when less people are now using public transport. During a brief discussion, reference was made to the review of the bus network, and Members were informed that consultation is to take place with bus users and also with people who do not travel on buses, to develop a bus service for Shetland that is fit for purpose going forward. Reference was made to the decision to sell the Viking bus station and freight centre, which had impacted on a number of people who travelled by bus to Lerwick and has also had a detrimental effect on the Lerwick shops. Comment was also made that the supermarket delivery service to rural areas has resulted in a decline in the number of people using rural shops.

During debate, the Chair thanked the officers for the preparation of the report, and Members advised that they found the findings in the report to be very interesting.

Comments were made on the good standard of living in Shetland compared to other areas, and that Shetland is a fantastic place to live in terms of provision of services to local communities. It was suggested that more should be done to communicate the positive outcomes of the Council and the good news stories to the Shetland community, through the Council's Communications team, using the various media and social media channels. The Chair suggested that should a Member have any concerns in terms of media coverage, these could be relayed to the Chief Executive, for discussion at her regular meetings with media representatives.

During further debate, it was however acknowledged that there could be a number of factors that could impact on the survey results locally, including lifestyle choices, underlying issues and the unique island circumstances with the higher cost of living in Shetland, and it was suggested that until further analysis was undertaken the results could be considered as purely subjective. It was also questioned, with the small sample size, that the results may not be a true representation of local issues.

Decision:

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

02/19

Audit Scotland and Other External Audit Reports

The Committee considered a report by the Executive Manager – Assets, Commissioning and Procurement (CPS-06-19-F) which provided an opportunity for the Committee to consider and monitor progress on any recommended actions resulting from Audit Scotland and External Audit body reports that have been or will be presented to the functional Committees.

The Executive Manager – Assets, Commissioning and Procurement introduced the report.

In responding to a question on the two actions overdue for reporting, the Director of Corporate Services explained that a change in the postholder at Executive Manager level had contributed to the oversight and the delayed reporting on EA176 and

EA188. She confirmed however that work was ongoing to present the reports to the Joint Governance Group in May 2019.

Decision:

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

03/19

Annual Audit Plans 2018/19 for Shetland Islands Council and Shetland Islands Council Pension Fund

The Committee considered a report by the Executive Manager – Finance (F-016-F) which presented the planned audit work by the Council's external auditors, Deloitte LLP, for the 2018/19 financial year, as set out in the Shetland Islands Council and Shetland Islands Council Pension Fund Audit Plans.

The Executive Manager – Finance introduced the report, and advised that Mr Healy and Mr Corrigan, from Deloitte LLP, would present the Audit Plans to Committee.

Mr Corrigan advised on the key messages from the Annual Audit Plan for Shetland Islands Council, including the key risks and the wider audit dimensions. Members were advised on the proposed change in reporting on the Audit Plan, with an interim report to Audit Committee in June 2019 to cover wider scope areas and the annual report in September 2019 where more focus would be on the financial statement audit.

Mr Healy provided further detail on the areas of audit focus for 2018/19, including the Council's decision to purchase SLAP, Health and Social Care Integration and the College Merger. He also advised on the wider scope requirements that were a common framework for all public sector audits in Scotland. Members' attention was drawn to the audit fee, which was noted to be substantially higher due to additional work required on a number of areas.

In responding to questions, Mr Corrigan advised on how the range of materiality had been determined, and the approach taken in that regard. It was reported that while there has been an increase this year, the level of materiality was very much in line across the board. Members were advised that materiality would be regularly reviewed as the audit progresses and any change would be reported in the year end audit.

During the discussion, reference was made to the area of audit focus on "governance and transparency", where it was questioned whether the assessment of governance arrangements would include the benefit of having a Policy and Resources Committee. It was however advised that consideration of the Council's Committee structure would form part of the Council's Governance review, and any proposals for change would be reported to Council rather than through the Audit Committee.

In responding to a question on the proposal to split the reporting on the audit plan, Mr Healy advised on the benefit to report on the wider scope elements in June, which would allow for additional focus on the financial statements when reported in September.

During the discussion comment was made on the significant work anticipated as part of the audit of the College Merger. In responding to a question, Mr Healy

advised on the requirement to report audit findings to Audit Committee, however he added that the Council can request for a report on any specific areas of audit work to be reported to other Committees of the Council.

In responding to questions on the preparations for the withdrawal from the EU, Mr Healy commented on the uncertainty in this area. He advised however that Deloitte LLP are in contact with the Scottish Government and Audit Scotland, and guidance has been provided to Councils to assist in their Brexit preparations. The Director of Corporate Services and the Executive Manager – Governance and Law outlined to Members the ongoing areas of focus within the Council in terms of readiness for the EU withdrawal.

In response to a question on the audit work to be undertaken following the Council's decision to purchase SLAP, Mr Healy reported on the areas of audit focus being value for money and lessons learned. It was noted that while the purchase had been agreed in October 2018, ongoing work in terms of due diligence had been delegated to the Executive Manager – Governance and Law.

Reference was made to the Key Risk, at Page 3 of the Audit Plan, namely, "In accordance with auditing standards, management override of controls has also been identified as a significant audit risk", where assurance was sought from Deloitte on the controls in place in the Council to prevent instances of fraud. In his response, Mr Healy advised this was a standard key risk area within all audit plans, even when there are no areas of concerns with the controls in place.

Reference was then made to Page 5 of the Audit Plan, where clarity was sought on the report that there were 'vacancies' on the Council's Audit Committee. Mr Healy advised on the typographical error, confirming that there was only one vacancy.

The Committee noted the contents of the Audit Plan 2018/19 and the Sector Developments paper for Shetland Islands Council.

(Mr Fraser left the meeting).

Mr Healy then introduced the Audit Plan 2018/19 for the Pension Fund, outlining the key messages, the audit dimensions and wider scope requirements. Members were also advised that the Audit Plan had been presented at the Pension Fund Committee/Pension Board earlier this week.

In response to a question, Mr Healy advised that the Pension Fund not being 100% funded would be considered a business risk for the Pension Fund, rather than an audit risk. He added that the audit work includes assessment of processes in place for revaluations and the assumptions used, and the Council's ability to meet its contributions.

There were no further questions, or debate, and the Committee noted the report.

Decision:

The Committee **NOTED** the contents of the Audit Plan 2018/19, and the Sector Developments paper for Shetland Islands Council, and the Audit Plan 2018/19 for Shetland Islands Council Pension Fund, from the Council's external auditors, Deloitte LLP.

The meeting concluded at 12.05pm.

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Chair