

## **Audit Committee**

**Council Chamber, Town Hall, Lerwick**

**Monday 9 March 2020 at 2pm**

### **Present:**

A Duncan	J Fraser
C Hughson	S Leask
M Lyall	R McGregor
I Scott	C Smith

### **Apologies:**

A Manson

### **In attendance (Officers):**

S Bokor-Ingram, Director of Community Health and Social Care  
C Ferguson, Director of Corporate Services  
D Bell, Executive Manager – Human Resources  
J Best, Executive Manager – Community Care Resources  
J Manson, Executive Manager – Finance  
J Riise, Executive Manager – Governance and Law  
J Robinson, Executive Manager – Allied Health Professionals  
S Duncan, Management Accountant  
M Duncan, External Funding Officer  
E Cripps, Internal Auditor  
R McNeillie, Internal Auditor  
K Collins, Financial Accountant  
L Adamson, Committee Officer

### **Also In Attendance:**

J Campbell, Senior Audit Manager – Glasgow City Council  
F Scott, Senior Audit Manager – Glasgow City Council  
C Healy, Audit Manager, Deloitte LLP  
E Macdonald, SIC

### **Chairperson**

Mr Duncan, Chair of the Committee, presided.

### **Circular**

The circular calling the meeting was held as read.

The Chair ruled that due to special circumstances, namely that due to the timescales involved, the following items of business were to be considered at this meeting as a matter of urgency in terms of paragraphs 3.2.2 of the Council's Standing Orders for Meetings:

- Item 2: Internal Audit – Audit Plan 2020/21
- Item 3: Internal audit Summary Report

### **Declarations of Interest**

Mrs Lyall declared an interest in the report at item 4.

## **Minutes**

The Committee confirmed the minutes of the meeting held on 18 November 2019 on the motion of Mr Leask, seconded by Mr Scott.

### **01/20      Annual Audit Plans 2019/20 for Shetland Islands Council and Shetland Islands Council Pension Fund**

The Committee considered a report by the Executive Manger - Finance (F-016-F) that presented the planned audit work by the Council's external auditors, Deloitte LLP, for the 2019/20 financial year, as set out in the Shetland Islands Council and Shetland Islands Council Pension Fund Audit Plans.

In referring to the Audit Plan for Shetland Island Council, the Audit Manager, Deloitte LLP advised on the background to the Plan being risk focused, and he reported that this was the fourth of the 5-year approach that Deloitte have been performing the Council's Audits. The Audit Manager outlined to the Committee the key messages, the significant risks identified and how these will be addressed. He reported on the other areas of focus, the wider scope requirements, the approach taken to materiality and the audit fee. He also advised on the timing of the audit activity, with the final report to be presented in September 2020.

The Chair thanked the Audit Manager for the comprehensive introduction of the Audit Plan.

In referring to a former risk that had related to the Valuation of Property Assets, it was questioned whether a report would be presented to Committee on how the issues identified had been addressed. The Audit Manager confirmed that Valuation of Property Assets was no longer a significant risk, and that for 2018/19 the only issue reported in that area relates to the acquisition of SLAP. He concluded that a report could be prepared, however it was unlikely there would be any change to the risk ranking.

In response to a question relating to the impact of the Coronavirus on the stock market and the drawdown of reserves, the Audit Manager said that investments are volatile by nature, and that a prudent sustainable draw on reserves would need monitoring on an annual basis. He added that from a one-off event the Council may not want to change its longer-term focus.

In response to questions, the Audit Manager outlined the process followed to set the materiality figure, as reported on Pages 6 and 8 of the Audit Plan. He referred also to the requirement for Audit Committee to be satisfied that the level of materiality is appropriate. Following further comments that the judgement on materiality can be subjective and down to interpretation, a request was made for the external auditors to report on the misstatements identified below the trivial threshold level of £159k, and to also inform on the number of instances and cumulative totals.

During the discussion, reference was made to the audit findings that the Council was not meeting all of its obligations under the Community Empowerment Act, when only recently Shetland has been held as an exemplar in that area. The Audit Manager advised that the conclusion being referred to in the audit report related to the previous year, and the audit findings would be updated in the next Audit Plan.

Reference was then made to the Wider Scope Requirements, on page 26 and 27 of the Audit Plan, and while it was noted that improvements were being made, there were still areas that required attention. In that regard a request was made for quarterly reporting to Committee. In responding, the Audit Manager reminded Members that the planning report for the audit was risk focused. He went on to advise that the interim report in June 2020 would provide an update on the areas highlighted, and there would also be the Best Value audit work undertaken. He said however that officers could present quarterly to Committee to ensure the issues highlighted are being addressed, and the annual Audit Plan would provide the independent assurance action is being taken.

During further discussion, the request was confirmed for the report to Committee on the misstatements identified below the materiality threshold level. Dialogue would also take place with officers regarding the request for quarterly reporting to Committee on the improvements being made on the audit risks identified in relation to the four audit dimensions.

The Audit Manager then outlined to the Committee the key messages, scope and approach to the Audit Plan 2019/20 of the Council's Pension Fund.

The Audit Manager reported that this would be the last year the audit of the Pension Fund would be presented to Audit Committee. In that regard, he advised on the historical practise that the audit of the Pension Fund has been appended to that of the Council. In going forward the audit of the Pension Fund will be reported only to the Pension Fund Committee. In response to a question, the Executive Manager – Governance and Law confirmed satisfaction with the change of reporting, advising that the Audit Committee carries no additional fiduciary duty. He advised that the Pension Board meets concurrently with the Pension Fund Committee, and therefore there would also be the additional element of external scrutiny.

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#### **Decision:**

The Audit Committee **CONSIDERED** and **NOTED** the contents of the Audit Plans 2019/20 for Shetland Islands Council and Shetland Islands Council Pension Fund, from the Council's external auditors, Deloitte LLP.

02/20

#### **Internal Audit - Audit Plan 2020/21**

The Committee considered a report by the Chief Internal Auditor (CRP-06-20-F), which presented the Internal Audit Plan for 2020/21.

In introducing the report, the Senior Audit Manager (J Campbell) advised on the requirement for an external assessment of internal audit functions every five years, and that an assessment of the Council's audit function would be undertaken by Western Isles Council during 2020/21. She advised that the outcome of the assessment would be reported to Audit Committee in due course. In referring to the table on page 4 of the covering report, which illustrated the planned days per audit category, the Senior Audit Manager advised that she would circulate colour copies to Members of the Committee.

The Senior Audit Manager then referred the Committee to the Council's Internal Audit Plan, at Appendix 2, which lists the audits to be undertaken during 2020/21. She explained that with an increased number of audits planned, the focus will be on

key risk areas rather than wider reviews. Mrs Hughson however sought reassurance on the ability to deliver the Audit Plan for 2020/21, in light of the vacancy within the Council's audit team as reported in Section 4.14 of the report. The Senior Audit Manager advised that the Council's Audit Team are supported to carry out fieldwork by the Audit Team in Glasgow City Council. The team in Glasgow can step in to assist and provide additional support, should that be necessary, to complete the Audit Plan 2020/21.

In responding to a question regarding the inclusion of an audit of the Integration Joint Board (IJB), as referred to in the table on Page 4, the Senior Audit Manager explained that the Audit Team were also the auditors for the Integration Joint Board. She confirmed that only one audit of the IJB would be undertaken, and there would be no areas of duplication in that area.

Reference was made to Appendix 2, where it was noted that the areas of "risk assessments" and "health and safety" had not been audited since 2017. The Senior Audit Manager advised that an audit was currently being undertaken on Risk Management arrangements, which she suggested could include areas of health and safety. She said that if that was not found to be the case, the "risk assessments" and "health and safety" audits would be added to the Audit Plan for 2020/21 or in future years.

During debate, Mr C Smith referred to the significant risks associated with areas of health and safety and risk assessments, and he stated that he would expect these audits to be undertaken during 2020/21. The Senior Audit Manager advised that she would follow this up with management, and provide clarity to Members of the Committee on the audits of "Risk Assessments" and "Health and Safety" being undertaken.

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

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#### **Decision:**

The Audit Committee **APPROVED** the Audit Plan 2020/21.

03/20

#### **Internal Audit Summary Reports**

The Committee considered a report by the Chief Internal Auditor (CRP-07-20-F), which provided Members with an overview of the work undertaken by Internal Audit to 29 February 2020 as part of the agreed 2019/20 Internal Audit.

In introducing the report, the Senior Audit Manager (F Scott) reminded the Committee on the four levels of audit opinion. In referring to Section 4 of the report, the Senior Audit Manager outlined to the Committee the scope and recommendations from the three audits undertaken, namely, Members Expenses, Starters and Leavers and ICT Change Control.

In responding to a question on the Starters and Leavers audit, the Senior Audit Manager advised on the findings that the full induction process was not being consistently applied in some areas of the Council, and that improvements are to be made to ensure a more consistent approach. In response to a concern that new starts could be financially disadvantaged should processes not be consistently

applied or through officer error, the Executive Manager – HR confirm the well-established system in place that would follow up on payments required.

During debate, concern was expressed at the findings in the ICT Change Control audit that there were instances whereby staff who have left the Council were still able to access the Council's ICT system, and that this was an issue that had to be addressed.

Comment was made on the importance for Managers to be made aware of the findings and recommendations from the audits, and to ensure improvements are monitored going forward. In response to a comment from the Chair, in terms of reporting back to Committee with assurance that the recommendations from the audits have been complied with, the Director of Corporate Services advised that the Committee receive regular reports on the actions being taken forward on the audit findings. She suggested however, that should earlier assurance be sought, a briefing note could be circulated to Members of the Committee. After hearing the Senior Audit Manager advise on the follow up process on the audits, that managers have agreed the actions to be addressed, the Committee agreed there was no requirement for an interim report, and that due process would be followed.

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**Decision:**

The Audit Committee **NOTED** the content of the report.

**In order to avoid the disclosure of exempt information, Mr Duncan moved, Mr Leask seconded, and the Committee RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following item of business.**

*(Mrs Lyall declared an interest in the following item, advising that the report refers to a period when she was a member of staff at the Walter and Joan Gray Care Home. Mrs Lyall left the meeting).*

*(Mr C Smith left the meeting during the following item.)*

04/20

**External Provider Residential and Day Care Services, Walter and Joan Gray, Scalloway**

The Committee considered a report by the Executive Manager – Community Care Resources, which provided Members with performance information in relation to the provision of residential and day care services at Walter and Joan Gray (W&JG) Care Home, Scalloway as required by the Audit Committee on 25 September 2019.

The Executive Manager – Community Care Resources summarised the main terms of the report, advising on the contractual arrangements between the Council and Crossreach, the areas of improvement identified following Care Inspectorate Inspections.

The Committee proceeded to questions and discussion, and received responses from officers on matters of concern and for clarification. Following a short adjournment, the Committee moved to debate the recommendations in the report.

During debate, the Chair thanked all officers who had been involved in preparing the report, and in that regard, he acknowledged the hard work to move to a satisfactory conclusion. In referring to the decisions as set out in the report, the

Chair proposed a briefing to the next meeting of Audit Committee. Mr Leask referred to the concerns within the community on the delivery of services at the W&JG Care Home, but said he was heartened on the possibility of a new and reconfigured manner in which care at the W&JG Care Home can be distributed. He said that the community have for years had an emotive connection to the W&JG Care Home and it would be good to see its future stability, recognising that good partnership working can take place between the Council and Crossreach to make sure everything is in a good situation.

Following further discussion and debate, the Committee RESOLVED, following a vote, to

- **NOTE** the contents of the report which provided details of the provision of residential and day care services by Crossreach at Walter and Joan Gray, Scalloway and the conclusion in terms of the Performance Management Framework 2019-2024
- **NOTE** the usage and outcomes under the current contract; , and
- **NOTE** that a report for a decision in relation to future contractual provisions will be presented to the Integration Joint Board. Subsequent reports will be presented to the Policy and Resources Committee (to advise of any service change in line with the overall framework of strategies contained in the policy framework) and the Audit Committee for performance management purposes in due course.

The meeting concluded at 4.50pm.

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Chair