

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

**Present:**

A Duncan                      J Fraser  
C Hughson                     A Manson  
R McGregor                  I Scott  
R Thomson

**Apologies:**

S Leask                        C Smith

**In attendance (Officers):**

C Ferguson, Director of Corporate Services  
J Belford, Executive Manager – Finance  
C McIntyre, Executive Manager – Audit, Risk and Improvement  
J Riise, Executive Manager – Governance and Law  
L Adamson, Committee Officer

**Also:**

J Corrigan, Deloitte LLP

**Chairperson:**

Mr Duncan, Chair of the Committee, presided.

**Circular:**

The circular calling the meeting was held as read.

The Chair welcomed Mr J Corrigan, Deloitte LLP, who was observing at the meeting via video link, and introductions were made.

**Declarations of Interest**

None

**Minutes**

The Committee confirmed the minutes of the meeting held on 31 August 2017 on the motion of Ms Manson, seconded by Mr McGregor.

The Committee confirmed the minutes of the meeting held on 20 September 2017 on the motion of Mr Scott, seconded by Mr Fraser.

13/17      **Audit Scotland and other External Audit Reports**

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-24-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 which have been or will be presented to the functional Committees.

In introducing the report, the Executive Manager – Audit, Risk and Improvement provided updates on the outstanding reports referred to in section 4.3. He advised that a report incorporating the first five Best Value Audit reports would be presented to Committee in February. In referring to the 2<sup>nd</sup> bullet point, he advised that the “Audit Scotland – Scotland’s Colleges 2017” report had been presented to the Shetland College Board on 5 December 2017. In referring to Appendix 1, the Executive Manager – Audit, Risk and Improvement highlighted that a number of the Action Plans were reporting as overdue, and advised that an update on the status of Action Plans would be included in future reports.

The Chair referred to the narratives at the ‘Implications’ section of the covering report, where it stated that “there may be implications from the recommended actions from the external report”. The Executive Manager – Audit, Risk and Improvement explained that the statement had been included to cover the wide ranging subjects reported by Audit Scotland/External Auditors, however he suggested that future reports would include the statement, “There are none arising directly from this report”.

In response to comments from the Chair on the lack of detail in a number of the Progress Statements in Appendix 1, the Executive Manager – Audit, Risk and Improvement undertook to follow up with the Lead Officers to ensure more detailed reporting, particularly on the key issues.

In response to a question relating to the title of the care inspectorate report ‘EA0137’, it was advised that “The Wishart Anderson (Support Service)” is the registered name for the Fernlea Day Care, in Whalsay.

In response to a question regarding progress with the Audit Scotland report, “EA0114 – Transport Scotland’s Ferry Services”, Mr Thomson confirmed that the report had been presented at today’s meeting of ZetTrans, and could therefore be updated as being complete.

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**Decision:**

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

14/17

**Update on External Audit Recommendations 2016/17**

The Committee considered a report by the Executive Manager – Finance (F-091-F), which detailed the progress of the External Auditor’s key recommendations on the 2016/17 Audit Report.

The Executive Manager – Finance summarised the main terms of the report.

In referring to the list of recommendations from Deloitte, as set out in Section 4.2, Mrs Hughson noted that there was no reference to more Member involvement in the financial setting of the Council. The Executive Manager – Finance confirmed Member involvement in the budget setting process, and in terms of understanding and scrutiny of the financial accounts he advised that Members training that would be arranged for the spring of 2018.

In referring to Page 3 of the Action Plan, and the issues highlighted by Deloitte relating to leases, it was questioned whether the priority ranking should be higher

than 'moderate' to ensure the issues are addressed in early course. The Executive Manager – Finance advised that the prioritisation was set by Deloitte, on their understanding of the level of risk and judgement on the risk rating. Mr Corrigan explained that the risk level of moderate was set as the figures in the financial statements were correct, he added however that if the issues with the lease agreements have not been addressed for the next audit, the ranking would be increased to a high priority. During the discussion, information was sought on how and why these issues had occurred, and for assurance that they will not be repeated, and the Executive Manager – Finance said that he would discuss with officers on what information can be provided in that regard. In responding to a question, the Executive Manager – Governance and Law advised that there were no costs to the Council relative to the lease issues highlighted, and there is no legal risk on the Council. He added that he would agree with Deloitte's ranking of a moderate priority, which will ensure errors are not repeated going forward. In response to a question, the Executive Manager – Finance confirmed that the detail and content of the balance sheets and ledgers were correct, and said that the lease issues highlighted by Deloitte would be resolved.

In response to a question, the Executive Manager – Finance provided further detail on the recommendation relating to Fishing Quota Valuation. He advised that Deloitte has requested the Council to source additional background detail in terms of the valuation, and confirmed the information would be sought early in the 2018.

In terms of the recommendation relating to the National Fraud Initiative, the Executive Manager – Finance advised that planning and preparation of the exercise were the main areas for improvement. In referring to the Progress Report at Appendix 2, he advised on the target date of 31 March 2018 to have preparation clearly outlined to those in the process, and that activity would take place mid-way through 2018/19.

Reference was made to a discussion at Audit Committee in August, in terms of a proposed system whereby staff could raise any suspicions of fraud anonymously. In response to a question, it was advised that the Council's "Reporting Concerns at Work Policy" exists for staff to raise any concern in confidence. There are also a number of national bodies and helplines, where concerns of fraud or other issues can be relayed. During the discussion, reference was made to the work undertaken to develop an Anti-Fraud, Bribery and Corruption Policy to be presented next cycle. Following approval, the Policy would be publicised to all employees.

In response to a question relating to the recommendation for improvement on strategic priorities, the Director of Corporate Services reported on the Local Outcome Improvement Plan (LOIP) as being the top level strategic document for the Council. The refreshed LOIP is in draft at this time, and will be discussed in detail by community partners, with a view that the LOIP will be adopted by all partners in the New Year.

During the discussion, reference was made to Section 6.9 "Risk Management", where further detail was sought in terms of the key risk facing the Council in recruiting sufficient qualified staff to carry out property evaluations. The Executive Manager – Finance reported on the challenge facing the Capital Programme Service, where two attempts to recruit qualified valuers have been unsuccessful. He advised that while temporary arrangements are in place, there is clearly a risk around other work that has to be done. In response to questions, he advised that consideration has been given to utilising external valuers and shared resources with

another Local Authority. It was reported, that the shortage of qualified was not solely a local issue, but was a national problem, and the Council is looking at a range of other options including growing our own, career graded progression and targeting universities.

In responding to a question regarding the Council's ownership of land and property, Mr Corrigan confirmed that from a sample test of Council assets there were no issues from an audit perspective.

Mr Corrigan commented on the good progress made on the recommendations to date. In terms of the audit process going forward, he advised that dialogue will take place with the Council's Finance Service to get updates on each of the recommendations and the final audit report will be presented to Council in September 2018.

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**Decision:**

The Committee **NOTED** the progress of the external auditor's key recommendations.

The meeting concluded at 2.55pm.

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Chair