

Audit Committee
Council Chamber, Town Hall, Lerwick
Tuesday 12 June 2018 at 2pm

Present:

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

Apologies:

S Leask	A Manson
C Smith	

In attendance (Officers):

J Belford, Executive Manager – Finance
C McIntyre, Executive Manager – Audit, Risk and Improvement
S Brunton, Team Leader - Legal
C McCourt, Financial Accountant
J MacLeod, Performance and Improvement Adviser
R McNeillie, Internal Auditor
L Adamson, Committee Officer

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 26 April 2018 on the motion of Mr Fraser, seconded by Mr Duncan.

07/18 Internal Audit – Annual Report 2018/19

The Committee considered an Annual Report by the Executive Manager – Audit, Risk and Improvement (IA-16-18-F) that presented the activity of the Internal Audit Service for 2017/18.

The Executive Manager – Audit, Risk and Improvement summarised the main terms of the report.

In referring to the Appendix which detailed the Audit Activity for 2017/18, the Chair noted with concern the key issues identified during the audit of Train Shetland Short Courses, and he sought an update on the situation. The Executive Manager –

Audit, Risk and Improvement advised on the assurance given by the Director of Development Services, that most of the actions required have been addressed, and those not complete are work in progress. Following a brief discussion, it was agreed that Train Shetland be requested to provide a briefing to Members of the Committee within two cycles that all issues have been resolved.

In responding to a question relating to the audit of Grants, the Executive Manager – Audit, Risk and Improvement advised that, from the sample audit, no overpayments had been identified. He reported that the issues highlighted from the audit related more to operational matters, and these are under discussion and currently being resolved. During the discussion, the Executive Manager – Finance gave assurance on the work ongoing on the individual aspects identified to ensure processes are improved, and he agreed to provide a briefing to Audit Committee Members in that regard.

During the discussion, the Chair noted with disappointment the inclusion of the two follow up audits, namely adoption allowance and recruitment, where key audit issues previously identified had still not been resolved, and he requested briefings to Members of the Committee within two cycles on the outstanding issues. Following a brief discussion, it was agreed that the Executive Manager – Audit, Risk and Improvement would relay the concerns to the relevant officers, to report back to Committee as requested by the Chair.

In responding to a question relating to the statement in Section 5.1 of the report, in terms of the conclusion of Internal Audit that the Council's systems of internal control, governance and risk were "generally adequate", the Executive Manager – Audit, Risk and Improvement explained that it was unlikely that the statement would alter from having "generally adequate" controls, to "good" controls until such time as no audit issues are identified during the annual audit process. He said while a number of key audit issues were identified during the 2017/18 Audit, he was satisfied that controls were adequate at this time, and there was commitment from the officers for the outstanding issues to be resolved.

In referring to Section 4.12 of the report, the Chair congratulated the Internal Auditor on the progress being made on the CIPFA Accountancy qualification, and in Section 4.13, he commended all staff involved in 90% completion of the Audit Plan 2017/18. The Committee concurred.

Decision:

The Committee NOTED the contents of the Annual Report.

08/18

Annual Governance Statement 2017/18

The Committee considered a report by the Executive Manager – Finance (F-048-F) which sought approval of the Annual Governance Statement 2017/18 that will form part of the annual accounts (Appendix 1).

The Financial Accountant summarised the main terms of the report. In referring to the Annual Governance Statement at Appendix 1, she highlighted the additional sections added to the Review of Effectiveness Section at bullet points 4, 6 and 8.

The Chair expressed his concern at sight of the first point listed at the “Significant Governance Issues” section of Appendix 1, namely “fire and other risk assessments either not being in place or out of date and inadequate health and safety monitoring”, where he made reference to audit issues identified during the previous Council which had included outstanding fire risk assessments and to the subsequent reassurance given that all issues had been addressed. The Chair stressed the need for all fire risk assessments to be in place, and he reported on the critical situation that could arise at care homes should fire risk assessments not be in place. He stated that fire risk assessments have to be up to date and a priority in all care homes around Shetland, and in that regard he sought assurance and requested a report to Audit Committee within two cycles. The Executive Manager – Audit, Risk and Improvement advised that he would relay that request to the relevant officer, however he went on to clarify that the audit work undertaken by Internal Audit and Risk Management on fire and other risk assessments had covered all Council buildings and not solely care homes. He went on to advise that since the audit findings were reported in February to Audit Committee, work has been ongoing to address the issues identified, and he understood an external consultant was to be employed to ensure there are up to date Fire Risk Assessments for all Council buildings. During the discussion, a comment was made that given the seriousness of the issue that the report should be presented within one cycle. The Chair however referred to the assurance given that work was ongoing, and for care homes to be a priority area, whereby his proposal for a report within two cycles would allow time for all fire risk assessments to be undertaken. The Executive Manager – Finance added that risk assessments have been a priority area for extensive discussion by CMT, and is very high on the action agenda.

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

Decision:

The Committee RESOLVED to approve the Annual Governance Statement 2017/18 that will form part of the annual accounts (Appendix 1).

09/18

Audit Scotland and other External Audit Reports

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-18-18-F) which presented 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.

In introducing the report, the Executive Manager – Audit, Risk and Improvement highlighted the overdue action plan relating to the Care Inspectorate Report - Walter and Joan Gray (Support Service) as reported at Section 4.3. The Chair acknowledged the delay with a new manager in place, however he said that the outstanding report was now a recurring issue at Committee, and he sought an explanation to Committee in that regard. The Executive Manager – Audit, Risk and Improvement undertook to relay to the Director of Community Health and Social Care the request for an update to Members of the Audit Committee on the overdue action plan.

Decision:

The Committee NOTED the report.

10/18

Local Government Benchmarking Framework

The Committee considered a report by the Executive Manager – Audit, Risk and Improvement (IA-15-18-F) presenting benchmarking information, which compared Shetland Islands Council's performance with other Scottish Councils.

The Performance and Improvement Adviser summarised the main terms of the report.

During the discussion, Mrs Hughson thanked the Performance and Improvement Adviser for the comprehensive report. Referring to Performance Indicator "What percentage of child protection registrations were re-registered within 18 months", explanation was sought on why no data had been available from the Council for 2016/17. The Performance and Improvement Adviser said that he would follow this up, and advise Members of the Audit Committee.

In response to questions relating to the Performance Indicator "How much of my council's total running costs is spent on administrative support services", the Executive Manager – Finance advised on a range of costs that could be considered as "administrative support". He confirmed however that he would circulate the definition of what is taken into account within this indicator, and on the expenditure incurred in this area.

In responding to a question relating to the Performance Indicator "How satisfied are residents with local leisure facilities, where it was noted that Shetland was the 2nd highest satisfaction rate, the Performance and Improvement Adviser confirmed that this indicator referred to all leisure facilities and activities in Shetland.

In responding to a question relating to the statement in Section 6.6 of the report, and proposals to further reduce the number of operational properties within the Council following the staff moving back to 8 North Ness, the Executive Manager – Finance confirmed that budget setting for 2018/19 included accommodation rationalisation proposals to achieve savings through reducing the number of buildings, and using buildings more effectively. In that regard, he referred to the decision made not to renew the lease of Charlotte House, and confirmed there would be a continued focus to reduce the number of buildings owned by the Council.

Reference was made to the Past Performance statement, relating to the Indicator "How much does my Council spend on providing residential accommodation for "looked after children" per week", where clarity was sought on the method of calculation being derived from general budgets rather than service specific budgets. In responding, the Executive Manager – Finance advised that this had been an indicator where there had been significant disparity historically, however he confirmed that actual expenditure incurred in this area would have been submitted from the Council. The Committee were also advised that this was one of the indicators subject to national review to ensure more consistent responses between Councils, and that the new guidance would make it a more effective indicator across Scotland.

In responding to questions relating to the Performance Indicator, “How many “looked after children” are being cared for in foster/family placements rather than residential accommodation?”, the Solicitor advised from her role as Legal Adviser to the Adoption and Fostering Panel, on the progress being made to develop a Fee Paid Foster Carers scheme in Shetland to ensure there can be sufficient foster placements in Shetland. The Committee was advised that a report was being presented to Education and Families Committee next cycle, to look at options for additional residential child care in Shetland.

During debate, comments was made on the danger of being too reliant on the comparisons within the performance indicators, as each Council has its own financial challenges and local circumstances. However, it was also stated that benchmarking statistics can be very useful, and can be a good guide. The Chair added that Shetland’s performance overall was very good, and he congratulated all staff involved in the preparation of the Benchmarking Framework report.

Decision:

The Committee NOTED the report.

11/18 **Audit Committee Self-Assessment**

The Executive Manager – Audit, Risk and Improvement presented a report (IA-17-18-F) with a proposal that a self-assessment of the Audit Committee is carried out using Smart Survey; the Council approved online tool used to undertake surveys.

The Executive Manager – Audit, Risk and Improvement summarised the main terms of the report.

In responding to questions, the Executive Manager – Audit, Risk and Improvement advised on a number of benefits to the Committee for the Self-Assessment to be undertaken, which he said would be best practice and could identify improvements going forward.

During debate, reference was made to the list of proposed participants of the self-assessment survey at section 4.1 of the report, where it was hoped that responses would be at the fullest extent possible.

On the motion of Mr Fraser, seconded by Mr McGregor, the Committee approved the recommendation in the report.

Decision:

The Committee ENDORSED the proposal for a self-assessment to be undertaken with a summary of findings subject to a further report to Committee for consideration.

In order to avoid the disclosure of exempt information, Mr Duncan moved, Mr Fraser seconded, and the Committee agreed to exclude the public in terms of the relevant legislation during consideration of Appendix 2 of the following item of business.

12/18 **Audit of Dundee City Council - Significant Fraud**

The Committee considered a report by the Executive Manager – Finance (F-051-F) that provided an insight into the significant fraud that was discovered at Dundee City Council in 2016 and highlighted the lessons that other Councils should consider in light of the findings.

In introducing the report, the Executive Manager – Finance clarified that the report on the significant fraud at Dundee City Council, at Appendix 1, has been in the public domain for some months. He advised that the report informs on the serious matter investigated and brings to the attention lessons that can be learned to be widely shared. He said that the report was a timely reminder that fraud is a very serious issue, and advised on the vital importance for controls and resources to be in place, and to be ever vigilant in this area.

The Chair thanked the Executive Manager – Finance for the very detailed and comprehensive report. Reference was made to the response given during discussion on the Dundee City Council significant fraud at the previous Committee meeting, that immediate discussion had taken place with staff, who were alerted to be vigilant for any indication of fraud, which the Chair said had been welcomed reassurance for Members of the Committee.

During the discussion, the Executive Manager – Finance responded to questions relating to the circumstances which facilitated the fraud against Dundee City Council, and on the detection of the fraud, the controls in place, and on the prolonged period where the individual had access to the systems.

In referring to Appendix 2, the Executive Manager – Finance advised on the various controls, systems and resources in place within the Council, and on the importance to have protocols and documentation to be up to date. He also advised on his experience of a good control environment and on assurance in that regard from the work of the staff within the teams, and on the audit work undertaken by Internal Audit and the External Auditors.

Decision:

The Committee NOTED the content of the report and actions being taken in relation to the findings and lessons described by the Accounts Commission.

The meeting concluded at 3.30pm.

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Chair