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Audit Committee

Council Chamber, Town Hall, Lerwick

Monday 6 May 2019 at 2pm

Present:

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| A Duncan | J Fraser |
| C Hughson | S Leask |
| A Manson | R McGregor |
| I Scott | |

Apologies:

None

In attendance (Officers):

C Ferguson, Director of Corporate Services
J Manson, Executive Manager - Finance
R McNeillie, Internal Auditor
K Adam, Solicitor
L Adamson, Committee Officer

Also:

D Black, Chief Internal Auditor (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 7 March 2019 on the motion of Mr Fraser, seconded by Mr Leask.

04/19 Internal Audit – Audit Plan 2019/20

The Committee considered a report by the Chief Internal Auditor (CRP-07-19-F), which presented the Internal Audit Plan for 2019/20.

The Chief Internal Auditor firstly apologised to the Committee for not being in person at the meeting, however he confirmed he would be at Audit Committee in June, to present the Internal Audit annual report.

In introducing the report, the Chief Internal Auditor advised on the development of the Audit Plan, as set out in the Key Issues section at 4.0. He reported on the development of the Audit Plan for 2019/20, and the resources in place in the audit team in Shetland to progress the audits, and in Audit Glasgow to oversee delivery

of the Audit Plan. He advised on quality assurance and the annual assessment of compliance, confirming that the Plan is kept under review and that any changes would be reported to Audit Committee. The Chief Internal Auditor then introduced Appendix 1, which included the key audit areas for 2019/20, and the Audit Universe at Appendix 2, which set out key audit areas over the three year period, 2017/18 to 2019/20.

The Chief Internal Auditor invited questions from Members.

A question was posed as to how the joint internal audit arrangements between Audit Glasgow and the audit team in the Council has been working. The Director of Corporate Services advised the Committee that from her perspective, she was delighted on how quickly the working relationship has been established, with the audit service in Shetland receiving support in terms of strategic direction and professional development from Audit Glasgow. The Director of Corporate Services added that during this interim period, in spending time with the local team, she has been heartened by their enthusiasm for the new arrangements in place. The Chief Internal Auditor reported that in the relatively short period, the joint arrangement has worked really well. He advised on the remote sharing of work on the secure website, which has been working very well, and the regular discussions and also opportunities to meet directly in person. He also referred to the good networking support to CIPFA trainees on progression of their qualifications. The Internal Auditor advised on the good working relationship between the team in Shetland and Audit Glasgow, and he added that the team in Audit Glasgow will be a very helpful resource during his progression through the CIPFA qualification. Members commented that they were heartened by the comments made on the close working relationship between Audit Glasgow and the team in Shetland. In that regard, the Chair thanked all involved during the merger of audit business with Audit Glasgow.

In referring to the statement at 4.14 of the report, namely “additional resources can be called on from Glasgow City Council’s wider audit team as required”, the Chair sought clarity as to whether this would entail additional costs to the Council. The Director of Corporate Services advised that while she did not anticipate the need for any additional significant pieces of work over and above that already agreed, there would be scope to purchase additional resources in discussion with Audit Glasgow. The Chief Internal Auditor confirmed the flexible arrangement in place to draw on officers from the wider audit team with expertise and particular areas of specialism depending on the topic of the audits, and in that regard he confirmed that there would be no additional cost.

In response to a question, the Chief Internal Auditor advised on how the number of days to carry out the assurance audit work had been established, which he said had been based on past information and on the size and complexity of the organisation. The Chief Internal Auditor said that while Audit Glasgow consider the indicative number of days for the 2019/20 audit to be sufficient based on information at this time, there would however be flexibility to deal with any additional audit requirements.

Reference as made to the Audit Universe, at Appendix 2, where clarity was sought on the timescales for undertaking the audits on “Risk Assessment” and “Health and Safety”. The Internal Auditor noted the typographical error, and confirmed that both audits had been undertaken during 2018/19.

In response to a question, the Director of Corporate Service referred to the established arrangement and significant commitment from Audit Glasgow to support the in-house audit service. She advised on the proposals going forward, to review the arrangement after year one, and also near to the end of the 3 year contract that is in place.

There was no debate. Mr McGregor moved that the Committee approve the recommendation in the report. Mr Leask seconded.

Decision:

The Committee **APPROVED** the Audit Plan 2019/20.

05/19

National Fraud Initiative – Audit Scotland Report

The Committee considered a report by the Executive Manager – Finance (F-027-F) which presented the results of the most recent National Fraud Initiative exercise, 2016/17.

In introducing the report, the Executive Manager – Finance advised on the Council's involvement in the National Fraud Initiative (NFI) along with all other Scottish Councils, and other public bodies. He reported on the aims and benefits of participating in the NFI exercise, and advised that the outcomes in Scotland from the 2016/17 exercise had been valued at £18.6m. The Executive Manager – Finance reported that the 2016/17 NFI exercise had not identified any specific instances of fraud or errors within Shetland, other than some generic recommendations applicable to all participants. The Executive Manager – Finance encouraged Members of the Audit Committee to review the NFI self-appraisal checklist, and he confirmed that the 2018/19 NFI exercise was currently underway.

In response to a question, the Executive Manager – Finance advised that Audit Scotland were to provide the summary report from the 2018/19 NFI exercise during July/August 2019. He confirmed that should there be any significant instance of fraud or error identified within the Council, this would be reported in early course.

In response to a question relating to the Equifax Public Sector Gateway service as referred to in Section 4.7 of the report, the Executive Manager – Finance explained that this was an alternative data matching service which compares records to identify any differences in information provided. The Executive Manager - Finance advised also that while the Equifax Public Sector Gateway Service was not universal through all local authorities the NFI are keen to encourage the use of that platform.

During the discussion, Mr McGregor stated that while he has every confidence in employees/officers, he enquired on the consideration given to anonymous whistleblowing within the Council. In responding, the Director of Corporate Services advised that the Reporting Concerns at Work Policy would have a number of assurances in place to support an individual who makes representation, however there would be no guarantee of anonymity. In response to a comment, and a suggestion from Mr McGregor for a discussion outside the meeting, the Director of Corporate Services said that she would be happy to discuss the matter in more detail with Mr McGregor.

In response to a question, the Executive Manager – Finance advised on the accuracy checks undertaken within the Council to ensure no omissions or errors in data matches, and for the information to fit the required template for the NFI calculations and algorithms.

During debate, the Chair referred to the final bullet point in Section 4.5 of the report, which stated, “....the NFI exercise did not result in the discovery of any additional instances of fraud or error within Shetland that had not already been identified by the Council's existing internal controls”. The Chair stated that he welcomed the findings from Audit Scotland, and he commented on the good news story for the Council, and in that regard he thanked the staff involved.

The Chair then referred to the statement in Section 4.8 of the report, namely “...it was acknowledged by the external auditor that the Council had fully implemented the recommendations they made in the 2017/18 Audit Report”. On behalf of the Committee, the Chair thanked the staff involved for their hard work, and he asked Senior Officers to relay the Committee's thanks to officers not present at the meeting

Decision:

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

The meeting concluded at 2.45pm.

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Chair