

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Chamber, Town House, Inverness on Thursday, 26 March 2015 at 10.30am.

Present:

Mrs M Davidson	Mr D Mackay
Mr B Fernie	Mr G MacKenzie
Mr R Balfour	Ms A MacLean
Dr I Cockburn	Mr B Murphy
Mr A Duffy	Mr A Rhind
Mr K Gowans	Mr G Rimell
Mr A Henderson	Mr J Rosie
Mr D Kerr	Mr J Stone
Mrs L MacDonald	

Non-Member also present:

Mr N MacDonald

Officials in Attendance:

Mr S Black, Director of Development and Infrastructure
Mr N Rose, Head of Audit and Risk Management
Miss D Sutherland, Audit and Risk Manager
Ms K Lackie, Business Manager
Ms T Page, Customer Services Manager
Miss J MacLennan, Democratic Services Manager

Also in attendance:

Mr S Boyle, Assistant Director, Audit Scotland

**An asterisk in the margin denotes a recommendation to the Council.
All decisions with no marking in the margin are delegated to Committee.**

Mrs M Davidson in the Chair

1. Apologies for Absence Leisgeulan

Apologies for absence were intimated on behalf of Mr A Baxter, Mrs H Carmichael, Mr B Clark, Mr J Ford and Mr A MacKinnon.

2. Declaration of Interest Foillseachaidhean Com-pàirt

Mr D Kerr declared a financial interest in any items which might arise during discussion in regard to Council housing on the grounds of being a Council House tenant.

3. Internal Audit Reviews and Progress Report Ath-bhreithneachaidhean In-sgrùdaidh agus Aithisg Adhartais

There had been circulated Report No. AS/1/15 dated 13 March 2015 by the Head of Audit and Risk Management which summarised the final reports issued since the date of the last meeting, together with details of work in progress and other information relevant to the operation of the Internal Audit Section, as follows –

- (i) Care & Learning – Childcare Income (Reasonable Assurance)
- (ii) Care & Learning – Highland Instrumental Unit – Income Systems (Reasonable Assurance)
- (iii) Corporate Development – Corporate Governance Arrangements 2013/14 (Full Assurance)
- (iv) Corporate Development – Corporate Internet Use (follow up) (Reasonable Assurance)
- (v) Development & Infrastructure – Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14 (Substantial Assurance)
- (vi) Finance – Capital Monitoring & Budgetary Control (Substantial Assurance)
- (vii) Finance/Corporate Development – Payments through the Service Centre (Substantial Assurance)

During discussion, and with specific reference to the Internal Audit Section, the congratulations of the Committee were conveyed to the Head of Audit and Risk Management and his team for the work undertaken in relation to compliance with the Public Sector Internal Audit Standards which had increased from the previously reported 86% to in excess of 95%.

With regard to the performance information reported, it was also hoped that in future Services would improve the timescales in which they reported back on individual reports to the Internal Audit team.

In regard to the final reports, Members raised the following issues:-

Care & Learning – Childcare Income – in acknowledging that this was an area of rapid growth at present, it was hoped that current systems could be improved wherever possible.

In this regard, it was noted that this report would be submitted to the Education, Children and Adult Services Committee in due course which would allow further discussion and in the meantime the main issues, such as the need for further training and support for staff, would be raised with the Chair of that Committee and the Director of Care and Learning.

Care & Learning – Highland Instrumental Unit – Income Systems – it was suggested that, in addition to the Direct Debit payment system, there was a need to also offer

the option of paying by Standing Order if this was preferred. Also, there was a need for monitoring and review to be implemented on a more frequent basis than annually and for support to be put in place for the Music Development Officer wherever possible.

In this regard, it was suggested that the whole issue of charging should be looked at again and in the meantime the issues which had been highlighted at the meeting should be raised with the Chair of the Education, Children and Adult Services Committee and the Director of Care and Learning.

Development & Infrastructure – Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14 – it was agreed that the congratulations of the Committee should be extended to the team involved.

Thereafter, the Committee:-

- i. **NOTED** the current work of the Internal Audit Section as detailed in the report and the final reports issued since the date of the last meeting; and
- ii. **APPROVED** the amendments to the Audit Plan for 2014/15 as detailed in the report.

4. Internal Audit Plan 2015/16 Plana In-Sgrùdaidh 2015/16

There had been circulated Report No. AS/2/15 dated 16 March 2015 by the Head of Audit and Risk Management which provided details of and sought approval for the Internal Audit Section's Plan for the financial year 2015/16. In this regard, the Head of Internal Audit and Risk Management clarified that whilst any of the reviews appeared to focus on processes and systems, performance and outcomes would also be considered as part of the requirement of complying with the new Audit Standards.

During discussion, and with specific reference to Common Good Funds (Rental Income), it was stressed that the proposed review should apply to all Common Good Funds across the Highlands.

Also, in relation to the proposed review of the systems within the Development and Infrastructure Service for the identification and collection of lease/rental income due to the Council, it was suggested that this should be expanded to include all relevant Services currently involved in billing processes.

Thereafter, the Committee **APPROVED** the Internal Audit Plan for 2015/16 as circulated.

5. Scottish Public Service Ombudsman Cases Received by the Council – Update Report Cùisean Ombudsman Sheirbheisean Poblach na h-Alba a Fhuairleadh leis a' Chomhairle – Aithisg as Ùr

There had been circulated Report No. AS/3/15 dated 12 March 2015 by the Chief Executive which set out the number and types of complaint about the Council which

had been determined by the Office of the Scottish Public Services Ombudsman (SPSO) in the period since the last report to the Committee.

In this regard, it was confirmed that the SPSO reports could be accessed and read in full at: www.spsso.org.uk

The Committee **NOTED** the terms of the report as circulated.

6. Audit Scotland National Reports Aithisgean Nàiseanta Sgrùdadh Alba

There had been circulated Report No. AS/4/15 dated 16 March 2015 by the Head of Audit and Risk Management which provided details of the National Reports issued by Audit Scotland and the action taken within the Council to address the report findings as follows – ‘School Education’ (presented to the Education, Children and Adult Services Committee on 12 November 2014) and ‘Procurement in Councils’ (presented to the Resources Committee on 25 February 2015).

During discussion, Members raised the following issues:-

School Education – in acknowledging that this was a very powerful and valuable report which stressed the need for the Council to improve current arrangements whereby Services followed up/implemented agreed actions from Committee meetings, it was highlighted that the Workshop which had been agreed by Members for January 2015 had not yet been arranged.

It was also suggested that there was a need for more scrutiny to identify the factors which affected educational attainment across the Highlands.

Procurement in Councils – it was suggested that there was a need for further training for Members in terms of procurement, most particularly in terms of understanding and acknowledging the issues which affected businesses across the Highlands.

Thereafter, the Committee **NOTED** the action being taken by the respective Committees to address Audit Scotland’s National Reports as detailed.

7. External Audit Reports Aithisgean Sgrùdaidh bhon Taobh A-muigh

There had been circulated External Audit Reports prepared by the Council’s External Auditors (Audit Scotland) and issued since the last Audit and Scrutiny Committee as follows:-

a) The Highland Council’s Annual Audit Plan 2014/15

During discussion, Members raised the following issues:-

- confirmation that the rent account reconciliation process would remain an area of focus as part of the 2014/15 audit was welcomed;
- the proposed review of governance arrangements for charitable trusts would be helpful in terms of future monitoring/scrutiny;

- there was a need for clarification in due course as to whether the change in accounting policy for transport infrastructure assets would have any additional budgetary implications for the Council and specifically Community Services; and
- a further report was required in due course in regard to the future monitoring of the Partnership Agreement between Highland Council and NHS Highland in relation to Health and Social Care integration.

b) Major Capital Investments in Councils: A Follow-up Report

During discussion, Members raised the following issues:-

- there was a need for more frequent and regular 'milestone' reports for Members as major projects progressed (at both Strategic Committee and Ward level) in order to allow greater scrutiny and monitoring;
- there was also a requirement for more training for Members;
- more information on specific project management arrangements and more 'end of project' assessment reports were necessary for major projects to allow greater analysis;
- there was ongoing concern in relation to actions agreed by Members at Strategic Committee meetings being followed up by Services and it was suggested that a more robust process should be instigated in this regard;
- there would be a further opportunity to consider and raise issues arising from this report at the next Resources Committee meeting and in the meantime the issues raised at this meeting would be highlighted to the Chair of the Resources Committee and the relevant Service Directors;
- accurate cost estimates were essential from the outset of major capital projects and it was a concern that the Council had acknowledged that there was a need to improve the way in which costs were estimated at present;
- lessons had to be learned from issues which had arisen from project management in the past in order to put in place improvements for the future;
- an assessment of the right level and type of information being provided for Members was extremely important; and
- there was a need to reconsider the template of future reports in order to ensure that summaries contained the relevant information and the appropriate level of detail was provided.

Thereafter, the Committee **NOTED** the terms of the reports as circulated.

8. Financial Regulations – Proposed Amendment Atharrachadh do Riaghailtean Ionmhasail

There had been circulated Report No. AS/5/15 dated 13 March 2015 by the Head of Audit and Risk Management which referred to a minor proposed amendment to the Council's Financial Regulations in relation to Paragraph 7.5 whereby currently (and at the completion of each project on the Capital Programme) Service Directors were required to provide relevant Strategic Committees with a report on the total cost of the project against the original budget and timescale.

In this respect, it was now proposed that this should be restricted to significant projects only i.e. those either estimated to be or which resulted in being greater than £5m.

- * The Committee **AGREED TO RECOMMEND** the proposed amendment to the Financial Regulations as detailed.

9. **Scrutiny Review – Managing Sickness Absences** **Raon-ùghdarrais Sgrùdaidh – Stiùireadh Neo-làthaireachd Tinneis**

There had been circulated Report No. AS/6/15 dated 13 March 2015 by the Head of Audit and Risk Management which sought formal approval for the scope of the Scrutiny Working Group's review of Managing Sickness Absence and provided a summary of the work undertaken to date.

The Committee:-

- i. **APPROVED** the scope of the Scrutiny Working Group's review of Managing Sickness Absence; and
- ii. **NOTED** the work undertaken to date and the remaining work proposed.

10. **Minutes** **Geàrr-chunntas**

The following Minutes were circulated and **APPROVED**:-

- i. Scrutiny Working Group held on 11 November 2014;
- ii. Scrutiny Working Group held on 13 February 2015;
- iii. Scrutiny Working Group held on 26 February 2015; and
- iv. Scrutiny Working Group held on 10 March 2015.

The meeting ended at 12.30pm.