

## **The Highland Council**

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 18 June 2015 at 10.30am.

### **Present:**

Mr R Laird	Mr A Henderson
Mr G Phillips	Mr D Kerr
Dr D Alston	Mr D Mackay
Mr R Balfour	Mr G MacKenzie
Mr A Baxter	Mr A MacKinnon
Mrs H Carmichael	Ms A MacLean
Mr B Clark	Mr A Rhind
Mrs M Davidson	Mr J Rosie
Mr B Fernie	Mr J Stone

### **Non-Members also present:**

Mrs J Barclay	Ms M Smith
Mr B Lobban	

### **Officials in Attendance:**

Mr D Yule, Director of Finance  
Mr N Rose, Head of Audit and Risk Management  
Miss D Sutherland, Audit and Risk Manager  
Mr D Robertson, Head of Corporate Finance  
Mr S Fraser, Head of Corporate Governance  
Ms V Nairn, Head of Digital Transformation  
Mr J Shepherd, ICT Operations Manager  
Ms F Palin, Head of Adult Services  
Ms T Page, Customer Services Manager  
Miss J MacLennan, Democratic Services Manager  
Miss J Green, Administrative Assistant

### **Also in attendance:**

Ms M Bruce, Senior Audit Manager, 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.**

### **Mr R Laird in the Chair**

Prior to the commencement of the formal business, the Chair, on behalf of the Committee, thanked the previous Chair and Vice Chair, Mrs M Davidson and Mr B Fernie, and confirmed that he intended to carry on the good work undertaken by them in future years.

**1. Apologies for Absence  
Leisgeulan**

Apologies for absence were intimated on behalf of Dr I Cockburn, Mr A Duffy, Mr J Ford, Mr D Hendry, Mr B Murphy and Mr G Rimell.

**2. Declarations of Interest  
Foillseachaidhean Com-pàirt**

There were no declarations of interest.

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

There had been circulated Report No. AS/7/15 dated 10 June 2015 by the Head of Internal 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.

During a summary of the current work of the Internal Audit Section, information was provided on work in progress, including progress against the 2015/16 Plan, compliance with the Public Sector Internal Audit Standards and Performance.

Specifically in regard to the timeliness of responses from Services to audit reports, it was confirmed that, although there had been some improvement since the previous Quarter, the response from Services to Audit Reports was still considerably below the target time. During discussion, it was suggested that, if this situation continued, the matter should be brought to the attention of the Chief Executive by the Chair of the Committee.

It was also noted that, in relation to the Planned Work in Progress, the reports on Inverness City Arts Group (Governance Arrangements) and Ben Wyvis Primary School (Capital Contracts) would be submitted to the next meeting in September.

In regard to the final reports, issues were highlighted as follows:-

- (i) Care & Learning – Mental Health Officer Service (Limited Assurance) -
- there was concern that this service was unable to meet the statutory deadlines as stipulated in the legislation;
  - consideration needed to be given as to whether adequate resources were in place and sufficient training provided;
  - this service focused on vulnerable individuals and details of a Recovery Plan (including consideration of whether a restructure of the Service was required) should be submitted to the Education, Children and Adult Services Committee in August as a matter of priority; and
  - the Council had a duty of care to its employees, particularly in terms of the welfare of those who were dealing with a backlog of work.

- (ii) Care & Learning – Community Payback Orders - Administration of Unpaid Work Orders (Reasonable Assurance) -
- concern was expressed that staffing issues within one particular team had led to a backlog of unrecorded unpaid work records and Court disposals and this could have led to the risk of implications (including further Court sanctions) for offenders;
  - teams not being located in the same building had been cited as a reason for lack of communication but this was not accepted;
  - the issues in the report should have been addressed at a much earlier date and not because of an audit report;
  - training for staff on Carefirst had to be a priority; and
  - re-assurance was needed that this service was now back on track and that all necessary actions had been taken, particularly in relation to the high level actions which had been identified.
- (iii) Corporate Development – Workforce Planning Arrangements (Substantial Assurance) -
- confirmed that Service Workforce Action Plans would be brought to the next cycle of Committee meetings and this was welcomed.
- (iv) Finance – Scottish Welfare Fund Payments (Reasonable Assurance) -
- more information was sought (and provided) on why the Scottish Welfare Fund system was unable to produce an access control report which had led to the Finance Systems Admin Team maintaining an excel spreadsheet detailing all users and their access rights as a compensatory control; and
  - it was helpful that a further report would be submitted to the Resources Committee detailing the background to payments made in the first 9 months of the 2014/15 financial year of £807,710 (as compared to £651,425 paid during 2013/14).
- (v) Finance/ Community Services – Housing Revenue Account – Reconciliation Investigation (No Assurance) –
- there was concern at the period of time over which this had taken place;
  - there was a need for improvement in cross-Service working;
  - governance of systems generally required review, specifically a review of project management and financial controls across the Council;
  - a substantive background report on this issue had to be submitted to the Resources Committee and complete reassurance given that the identified problems had been resolved;
  - there had been a fundamental failure in training and communication, with staff having been unable to raise issues of concern, and this had to be resolved;
  - there had to be a focus on appropriate Induction Training; and
  - the statement that a weekly HRA reconciliation process could not be carried out for 2014/15 (with only an annual reconciliation) was a concern and needed to be reconsidered.

Thereafter, the Committee otherwise **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.

#### **4. Statement on Internal Control and Annual Report 2014/15 Aithris mu In-Smachd agus Aithisg Bhliadhnail 2014/15**

There had been circulated Report No. AS/8/15 dated 9 June 2015 by the Head of Audit and Risk Management which included an assessment of the adequacy, reliability and effectiveness of the Council's system of internal financial control and provided information for the Council's Corporate Governance Assurance Statement.

In this regard, the annual report had also been provided with an overview of the Internal Audit Section's activities and performance data for 2014/15.

During discussion, Members raised the following issues:-

- areas of full compliance had increased from 76% to 97% and this was welcomed;
- monitoring and action by Services on audit recommendations remained a concern in terms of timescales and, although it had already been raised with the Executive Leadership Team, it should be raised again with the Chief Executive if there was no improvement;
- this issue could also be raised with Committee Chairs if necessary;
- there was a need to consider whether Services had sufficient resources in place to deal with actions arising from Audit reports without affecting other service delivery – particularly in light of budget cuts and reducing numbers of staff within Service Teams;
- compliance with audit actions formed a central part of the Performance Review; and
- Directors had to take ownership of actions arising from audit reports and if necessary explain to Members why specific actions had not been addressed.

Thereafter, the Committee otherwise **NOTED** the content of the report and the audit opinion which had been provided.

#### **5. Compliance with Public Sector Internal Audit Standards Gèilleadh ri Inbhean In-sgrùdaidh na Seirbheis Poblach**

There had been circulated Report No. AS/9/15 dated 9 June 2015 by the Head of Audit and Risk Management which referred to a review of the extent to which the Council's Internal Audit Section complied with the Public Sector Internal Audit Standards and the actions being taken towards achieving full compliance.

The Committee **NOTED** the progress which had been made to date in implementing the Standards, the assessment (attached to the report) in terms of areas of full, partial and non-compliance and that the current areas of partial or non-compliance did not impact significantly on the ability to demonstrate overall compliance with the Standards.

## 6. **Six-Monthly Review of Corporate Risks** **Ath-sgrùdadh air Cunnartan Corporra**

There had been circulated Report No. AS/10/15 dated 5 June 2015 by the Head of Audit and Risk Management which provided details of the six-monthly review of the Corporate Risks by the Executive Leadership Team and of a change in the reporting arrangements.

During discussion, Members raised the following issues:-

- there was a need to consider the risks outwith the Council's control in order to mitigate the impact on communities and this could be achieved by regular discussion with partners;
- review of the short and medium term budget strategy had to be the focus of the new Administration in order to address the financial challenges in the years ahead;
- refurbishment of the Building for staff in Dingwall had been marked as 'complete' but Local Members still had outstanding issues in this regard; and
- further information was sought (and provided) on THC 2.5 (Options Appraisal for Inverness Office Project), THC 6.4 (Training for an Emergency), THC 23 (Review of Partnership Arrangements) and THC 42 (Claims for Holiday Pay).

Thereafter, the Committee otherwise **NOTED** the Corporate Risk Register provided at Appendix 1 and the Risk Profile provided at Appendix 2 to the report.

It was also **NOTED** that a further review of the Corporate Risks would be undertaken by the Executive Leadership Team and the results reported to the September meeting, with reporting thereafter being undertaken in March and September each year.

## 7. **Financial Regulations – Proposed Amendment** **Ath-sgrùdadh air Riaghailtean Ionmhasail**

There had been circulated Report No. AS/11/15 dated 9 June 2015 by the Head of Audit and Risk Management which referred to amendments to the Council's Financial Regulations arising from Internal Audit reports.

During discussion, Members raised the following issues:-

- there was a need for Business Cases to be produced for more than just capital projects i.e. they should also be used for issues not classed as 'projects', such as Stromeferry, Customer Services Review and Rose Street Car Parking; and
- improving the current arrangements for the production of Business Cases would enable Members to have better information on which to base decisions.

Thereafter, the Committee **AGREED TO RECOMMEND** acceptance of the amendments highlighted in the report as follows –

#### Financial Regulation 25.1.1 –

Current Version – The Council has adopted a formal options appraisal process to evaluate and prioritise the projects for inclusion within its Capital Programme. For other projects, including those involving partners and for joint venture initiatives, the project sponsor must ensure that a business case has been established.

Proposed Version – The Council has adopted a formal options appraisal process to evaluate and prioritise the projects for inclusion within its Capital Programme. For other projects, initiatives and areas of significant change (including those involving partners and for joint venture initiatives), the sponsor has to ensure that a Business Case had been established.

#### Financial Regulation 25.1.3 –

Current Version – All reports (relating to projects) must receive Strategic Committee approval.

Proposed Version – All reports (relating to projects) must receive Strategic Committee approval and identify the proposed project expenditure and the source of funding it. If the project expenditure increases by more than 10% during the project, then the expenditure increase and the source of funding must also receive Strategic Committee approval.

#### Financial Regulation 9.8 –

Current Version – Maintenance of appropriate costing systems is essential for the regular monitoring of performance and allocation of costs in the financial ledger. Reconciliation of any costing systems not linked to the financial ledger will be carried out by Services on a regular basis.

Proposed Version – Maintenance of appropriate costing systems is essential for the regular monitoring of performance and allocation of costs in the financial ledger. Reconciliation of any costing systems not linked to the financial ledger will be carried out by Services on a regular basis. Services must obtain any necessary guidance from the Finance Service regarding reconciliation processes and the financial ledger and must also agree the process with the Finance Service.

## **8. Petitions Procedure Modh Athchuingean**

There had been circulated Report No. AS/12/15 dated 2 June 2015 by the Depute Chief Executive/Director of Corporate Development which provided an update on the public petitions received by the Council since the introduction of the Council's Petitions Procedure in August 2013.

During discussion, Members raised the following issues:-

- there had been no feedback given in response to the petitions received in relation to the Customer Services Review and they had not been listed as part of the consultation responses;
- it was regrettable that to date this process had not been used more widely;

- there was need for better promotion of the availability of this procedure, perhaps through the Council Website;
- petitions offered the opportunity to discuss issues which might otherwise not be included on Council/Committee agendas; and
- it would be helpful if a filtering process could be introduced in order to be able to provide advice at an early stage on whether a petition could be accepted by the Council or needed to be referred to another organisation in terms of the subject matter.

Thereafter, the Committee **NOTED** that fourteen public petitions had been considered since the introduction of the procedure in August 2013.

In this regard, it was **AGREED** that a review should be undertaken to promote greater use of the Petitions Procedure.

**9. Standards Commission: Councillors' Code of Conduct Investigation into Complaints**  
**Coimisean nan Inbhean: Sgrùdadh Ghearanan Còd Giùlain nan Comhairlichean**

There had been circulated Report No. AS/13/15 dated 2 June 2015 by the Depute Chief Executive/Director of Corporate Development which provided information in relation to complaints dealt with by the Standards Commission during the period 2014/15 in relation to alleged breaches of the Councillors' Code of Conduct by Members of Highland Council and the outcome of investigations into these complaints.

During discussion, Members raised the following issues:-

- it would be helpful to have additional information in future reports in regard to the reason for complaints;
- some complaints had cited a lack of respect and it was questioned as to whether this was an appropriate use of the system;
- however, respect was an important issue within the Council and this needed to be acknowledged; and
- the most thing to note was that none of the complaints against Highland Council Members had been upheld.

Thereafter, the Committee otherwise **NOTED** that, in respect of the complaints against Highland Council Members which had been concluded during 2014/15, the Standards Commission had found that no Members had breached the Code of Conduct.

**10. Corporate Complaints Process Report**  
**Aithisg Ghearanan Corporra**

There had been circulated Report No. AS/14/15 dated 1 June 2015 by the Depute Chief Executive/Director of Corporate Development which provided an update on the Council's Corporate Complaints Process for the period 1 October 2014 to 31 March 2015. Comparative data on annual performance had also been included,

along with a high level analysis of complaint handling and how this was being used to better inform the understanding of complaints and to improve performance.

During discussion, Members raised the following issues:-

- performance was still significantly below what was expected and this needed to be improved;
- the highest level of complaints was in relation to Housing Repairs and in this regard there was concern that work being undertaken by external contractors was not being appropriately monitored in terms of quality control and this had to be addressed as a matter of priority;
- there were also similar concerns surrounding quality control in relation to Grounds Maintenance;
- future reports should be in a better format in terms of type size and presentation and specifically there should be clear comparison with previous Quarters/Years in terms of percentages (and not graphs);
- there had been a decline in the number of complaints dealt with at Stage 1 but this had not been highlighted within the report; and
- the highest level of complaints had focused on Community Services but there had been an improvement in how Officers within that Service were dealing with these complaints and this was welcomed.

Thereafter, the Committee otherwise **NOTED** information provided on Stage 1 and Stage 2 complaints over the previous six month period, the benchmarking activity of Ombudsman and Public Sector Improvement Framework work which was being undertaken and the ongoing work in the existing action plan to ensure continued improvement.

## **11. Audit Scotland National Reports Aithisgean Nàiseanta Sgrùdadh Alba**

There had been circulated Report No. AS/15/15 dated 9 June 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:-

- Community Planning – Turning Ambition into Action (presented to the Community Safety, Public Engagement and Equalities Committee on 25 March 2015); and
- Overview of Local Government in Scotland 2015 (presented to the Highland Council on 14 May 2015)

The respective Minutes had also been circulated for information.

During discussion, it was suggested that in future Audit Scotland reports on Community Planning should be submitted to the full Council to allow consideration by all Members of the Council.

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



## 12. Minutes Geàrr-chunntas

There had been circulated the Minutes of Meeting of the Scrutiny Working Group held on 5 May 2015 which were **APPROVED**.

## 13. Exclusion of the Public Às-dùnadh a'Phobaill

The Committee **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting for the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

## 14. Internal Audit Review Ath-bhreithneachadh In-sgrùdaidh

There had been circulated to Members only Report No. AS/16/15 dated 10 June 2015 by the Head of Audit and Risk Management which summarised a final (confidential) report issued since the date of the last meeting in regard to the Finance Service and specifically Project Governance of the Corporate Arrears Recovery System.

During confidential discussion, Members raised the following issues:-

- weaknesses had to be identified and dealt with as a matter of urgency and in this regard there was a need for governance to be reviewed around project management across the Council and appropriate training implemented for Responsible Officers;
- the current 'ragging' process for reports needed to be reviewed at an early date;
- there had to be proper training for Officers who were tasked with delivering projects of this size, with a fully experienced Project Delivery Manager in place from the outset;
- it was essential that Members were given accurate and timely information on projects and regular monitoring reports;
- there was concern that actions arising from Committee meetings and reports requested by Members were not being followed up by Services and this had to change. In this regard, where reports/actions were requested through Minutes of Meetings, the relevant Service had to take responsibility and ensure that such reports/actions were followed up; and
- a very strong message had to be conveyed from the meeting that action had to be taken to resolve the issues identified within the report in order to ensure that this situation was not repeated in future.

Thereafter, the Committee otherwise **NOTED** the terms of the report as circulated.

The meeting ended at 1.45pm.