

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 29 September 2016 at 10.30am.

Present:

Mr R Laird	Mr N MacDonald (substitute)
Mr G Phillips	Mr G MacKenzie
Mr R Balfour	Mr A MacKinnon
Mr A Baxter	Mr B Murphy
Mr B Clark	Mrs M Paterson
Dr J Davis	Mr T Prag (substitute)
Mr B Fernie	Mr A Rhind
Mr L Fraser	Mrs G Sinclair (substitute)
Mr D Kerr	Mr J Stone

Non-Members also present:

Ms J Douglas	Mr B Lobban
Mr G Farlow	Mrs I McCallum
Mr K Gowans	Mr D Millar

Officials in Attendance:

Mr D Yule, Director of Finance
Mr S Black, Director of Development & Infrastructure
Mr E Foster, Head of Corporate Finance
Mr S Fraser, Head of Corporate Governance
Miss D Sutherland, Audit & Risk Manager
Mr F MacDonald, Head of Property Services
Mr E Boyd, Principal Engineer, Energy and Engineering Services
Ms K Lackie, Business Manager
Miss J MacLennan, Democratic Services Manager
Miss C Maragh, Committee Administrator

Also in attendance:

Mr S Boyle, Assistant Director, Audit Scotland
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

1. Apologies for Absence Leisgeulan

Apologies for absence were intimated on behalf of Dr D Alston, Mr A Christie, Dr I Cockburn, Mrs M Davidson, Mr A Henderson, Mr J Rosie and Mr R Saxon.

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

The Committee **NOTED** the following declaration of interest:-

Item 5 – Mr T Prag (Non-financial)

**3. Recess Powers
Cumhachdan Fosaidh**

It was **NOTED** that the Recess Powers granted by the Council at its meeting on 29 June 2016 had not been exercised in relation to the business of the Audit and Scrutiny Committee.

**4. External Audit Reports
Aithisgean Sgrùdaidh bhon Taobh A-muigh**

The following External Audit Reports had been prepared by the Council's External Auditors (Audit Scotland) and issued since the last meeting:-

Interim Report 2015/16

It was confirmed that this report summarised the findings from the interim audit work which had been carried out as part of the 2015/16 audit of the Council and had covered the following areas – the operation of the internal controls in key financial systems, progress made by the Council in implementing the agreed actions included in the 2014/15 'Review of Internal Controls' report and review of the Council's governance arrangements.

In this respect, it remained the responsibility of management to determine the extent of the internal control system appropriate to the Council although it was stressed that an effective system of internal control was an essential part of the efficient management of any organisation.

Appendix A to the report was an action plan which set out the recommendations to address the risks which had been identified during the course of the audit and in this respect it was confirmed that Officers had considered the issues and had agreed to take the specific steps in the column headed 'Management response and action'.

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

Annual Audit Report 2015/16 and Covering Memo to Members of the Highland Council and Controller of Audit

During a presentation on the Annual Audit Report, and specifically in terms of Key Messages, it was confirmed that the Audit Report on the Council's 2015/16 financial statements was unqualified and this was the same position for the two charitable trusts administered by the Council.

Other key messages included information on issues in relation to the audit of financial statements, financial management and sustainability, governance and transparency, best value and the overall outlook.

In this regard, thanks were conveyed to the Director of Finance and the Head of Corporate Finance for their help and assistance during the process which had been greatly appreciated, not least in terms of the improvements which had been put in place to make the Accounts more accessible.

During discussion, it was suggested that this was a very useful and important document which deserved a high level of scrutiny by Members and also a prominent position within the Council Website.

In noting that this would be their last meeting, thanks were also conveyed to the Assistant Director and Senior Audit Manager from Audit Scotland for the considerable help and expertise which had been provided over recent years which had been much appreciated by all Members of the Committee.

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

5. Audited Accounts 2015/16 Cunntasan Sgrùdaichte 2015/16

Declaration of Interest – Mr T Prag declared a non-financial interest in this item in terms of being a Director of Inverness Airport Business Park but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that his interest did not preclude his involvement in the discussion.

There had been circulated Report No. AS/13/16 dated 27 September 2016 by the Director of Finance which presented the audited accounts and explained the changes made during the audit process.

In this regard, it was confirmed that the management commentary section of the accounts had been provided as Appendix 1 to the report and that Appendix 2 contained details of the most significant movements since the unaudited accounts had been presented to the full Council on 29 June 2016.

It was also confirmed that the Audited Statement of Accounts for the financial year 2015/16 could be accessed and read in full at: www.highland.gov.uk/annualaccounts or a paper copy provided to Members if they so wished.

Thereafter, the Committee otherwise **APPROVED** the Audited Accounts for signature.

6. Revisions to the Internal Audit Charter Ath-sgrùdaidhean dhan Chairt In-Sgrùdaidh

There had been circulated Report No. AS/14/16 dated 14 September 2016 by the Director of Finance which referred to a review of the Internal Audit Charter in order to ensure continued compliance with the requirements of the Public Sector Internal Audit Standards following structural changes within the Service.

The Committee **APPROVED** the revised Internal Audit Charter as circulated.

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

There had been circulated Report No. AS/15/16 dated 20 September 2016 by the Audit and Risk Manager which summarised the final reports issued since the previous meeting of this Committee, together with details of work in progress and other information relevant to the operation of the Internal Audit Section.

In regard to the work of the Internal Audit Section, specific reference was made to Other Work (including work undertaken on behalf of the Valuation Joint Board and the Pension Fund, Housing Benefit Count testing and Corporate Fraud work), Staffing Issues (during which it was confirmed that the Section was now fully staffed), Progress Against the 2016/17 Plan (with details of audit reviews in progress and which would be reported to future meetings being provided), Performance Information (including details of the 2016/17 Quarter 1 performance) and Corporate Fraud (which included details of the number and types of fraud referrals made during the Quarter together with the cumulative number for the year).

The final reports were then highlighted as follows:-

Corporate Development – Third Party Arrangements in Relation to Information Security (Reasonable Assurance)
Corporate Development – SharePoint (Reasonable Assurance)
Corporate Development/ Finance – Personnel Recruitment Process (Reasonable Assurance)
Finance – Debtors (Reasonable Assurance)

The Committee **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.

8. Six-Monthly Review of Corporate Risks Ath-Sgrùdaidh air Cunnartan Corporra

There had been circulated Report No. AS/16/16 dated 15 September 2016 by the Audit and Risk Manager which provided details of the latest review of the Corporate Risks by the Executive Leadership Team within the Council.

During discussion, Members raised the following issues:-

- this was a very important area of work, particularly in light of the service reviews which were about to commence as part of the redesign of the Council, and it was imperative that it was clear for Members as to how these different areas of work would be combined, specifically in terms of how and where potential risks would be highlighted;
- in regard to the significant reduction in the workforce arising from the Voluntary Redundancy Scheme which would reduce the capacity available to deliver services, there was serious concern in relation to the effect on the remaining workforce and particularly those Officers who had delegated powers in terms of regulatory services;
- it was also of concern that any further reductions in staff numbers would have a detrimental effect on service delivery across the Council;

- it had been highlighted that the Council had to engage effectively with partners in order to capitalise on the benefits of improved community working and resilience but this had not always been the case in the past and had to be improved if this was to be realised in the future; and
- the Council had a duty of care in relation to its staff and the re-assurances which had been given in terms of the monitoring of stress and sickness/absence levels across Services following the implementation of the Voluntary Redundancy Scheme were welcomed.

Thereafter, the Committee:-

- NOTED** the Corporate Risk Register provided at Appendix 1 and the risk profile at Appendix 2 to the report; and
- NOTED** that the next review of the Corporate Risks would be reported to the March 2017 Committee meeting.

9. Annual Report of Scottish Public Service Ombudsman Cases Received by the Council 2015/16

Aithisg Bhliadhnail Ombudsman Sheirbheisean Poblach na h-Alba – Cùisean a Fhuair a' Chomhairle 2015/16

There had been circulated Report No. AS/17/16 dated 19 September 2016 by the Chief Executive which set out the number and types of complaint against the Council that had been referred to the Office of the Scottish Public Sector Ombudsman (SPSO) in 2015/16 and the subsequent judgement in the cases where the SPSO has concluded his inquiry.

The report also provided a comparison with the Council's performance in 2014/15.

During discussion, concern was expressed in relation to the instances of bullying at Primary Schools which had been highlighted within the report and it was suggested that a further report should be submitted to the Education, Children & Adult Services Committee to provide an update on the review of the policy on this issue which had been undertaken by the Service.

It was also suggested that all agencies should be involved in determining responses to instances of bullying on social media sites and that this should also include Head Teachers, Teachers, Social Work staff and parents whenever and wherever necessary.

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

**10. Audit Scotland National Report – The National Fraud Initiative in Scotland
Aithisg Nàiseanta Sgrùdadh Alba – An Iomairt Foille Nàiseanta ann an Alba**

There had been circulated Report No. AS/18/16 dated 16 September 2016 by the Audit and Risk Manager which presented Audit Scotland's most recent report on the National Fraud Initiative (NFI) which had been published in June 2016 and which highlighted key messages.

Details were also provided of the Council's results from the NFI matches.

During discussion, reference was made to the introduction of universal credit and specifically the impact which this could have on the future arrangements for payment of housing benefit. In this regard, it was suggested that there was a need for close monitoring of this situation in order that measures could be put in place at an early date if necessary to avoid any potential problems which might follow, particularly in terms of payment being made to the Council and the potential for an increase in rent arrears.

Thereafter, the Committee otherwise **NOTED** the national report and the results of the NFI exercise for the Highland Council.

11. Exclusion of the Public **Às-dùnadh a'Phobail**

Following clarification of the current legal position, 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.

12. Internal Audit Review **Ath-bhreithneachadh In-sgrùdaidh**

There had been circulated to Members only Report No. AS/19/16 dated 19 September 2016 by the Audit and Risk Manager which summarised a final confidential report issued since the date of the last meeting as follows –

Development & Infrastructure – Renewable Heat Incentive (RHI) Scheme Income (Reasonable Assurance)

Following detailed discussion, the Committee **AGREED** that a further report should be submitted to the October Council meeting. Also, that a meeting (open to all Members of the Council) should be held to set the remit for the report.

The meeting ended at 1.10pm.