

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held REMOTELY on Wednesday, 31 March, 2021 at 10.30am.

Present:

Mr G Adam	Mr S Mackie
Mr R Balfour	Mrs A MacLean
Mrs J Barclay	Mr D Macpherson
Mr B Boyd	Mrs M Paterson
Mr R Bremner	Mr P Saggars
Mrs M Davidson	Mr B Thompson
Mr G MacKenzie	

Non-Members also present:

Mr A Henderson	Mrs T Robertson
Mrs G Sinclair	

Officials in Attendance:

Ms D Manson, Chief Executive
Ms L Denovan, Executive Chief Officer, Resources & Finance
Ms K Lackie, Executive Chief Officer, Performance & Governance
Mr M MacLeod, Executive Chief Officer, Infrastructure and Environment
Ms E Johnston, Corporate Audit & Performance Manager
Miss D Sutherland, Corporate Audit Manager
Mr S Carr, Corporate Performance Manager
Ms R Cleland, Corporate Communications Manager
Mr A McCann, Economy and Regeneration Manager
Ms A MacPherson, Workforce Planning and Staffing Manager
Mr P Hankinson, Senior Auditor
Miss J MacLennan, Principal Administrator, Performance & Governance
Mr A MacInnes, Administrative Assistant, Performance & Governance

Also in attendance:

Ms J Brown, Engagement Lead, Grant Thornton
Ms C Connor, Audit Manager, Grant Thornton

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

Mr G MacKenzie in the Chair

1. Apologies for Absence Leisgeulan

An apology for absence was intimated on behalf of Dr I Cockburn.

2. Declarations of Interest Foillseachaidhean Com-pàirt

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

Item 4 – Mr G Adam, Mr R Bremner, Mr S Mackie, Mrs M Paterson and Mr P Siggers (all non financial), Mr B Thompson (financial and non-financial) and Mrs M Davidson (financial).

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

There had been circulated the External Audit Reports prepared by the Council's External Auditors (Grant Thornton) and issued since the last Audit and Scrutiny Committee meeting – Draft External Audit Plan for 2020/21.

A summary of the report was provided during which it was explained that the Plan was a “roadmap” of how Grant Thornton intended to deliver the audit in 20/21 and where they saw the key risks and challenges facing the Highland Council.

During discussion, Members raised the following issues:-

- the Chair thanked John Boyd, the previous External Auditor, recognising the work he had undertaken with the Council over the last number of years;
- the Plan stated that Grant Thornton had rebutted the presumed risk of fraud in revenue recognition but recognised the accounting treatment of Covid19 grant income as an area of audit focus and the monitoring of this rebuttal was well placed. The Plan reflected the changed circumstances which the Council now found itself in as a result of Covid 19;
- the challenges of auditing when many staff were working remotely were recognised,
- the Financial Statement Audit Risks had changed this year with, amongst others, the valuation of property, plant and equipment and the widening of the scope of the defined pension scheme and the rationality behind this was queried; and
- the auditing of Planning Enforcement was queried. In response it was confirmed that this was an area which could be examined by Internal Audit but it had to be recognised that enforcement powers were limited;

The Committee **NOTED** the terms of the Draft External Audit Plan 2020/21 and **AGREED** that once the Plan was finalised it would be shared with the Committee.

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

Declarations of Interest:

The undernoted Members declared non-financial interests as related organisations had received Covid-related support grants but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that their interests did not preclude them from taking part in the discussion:-

**Mr G Adam - as a non-remunerative director of Black Isle Yurts Limited
Mr R Bremner – as Chair of Thrumster Community Development Association**

Mr S Mackie - as a shareholder and Director of MacDonald Mackie Consulting, Mackie Caledonian Ltd and North Coast Distillers Limited but who had not applied for support grant in 2020

Mrs M Paterson – as a Board Member of the Puffin Pool and Chair of the Highland Football Academy

Mr P Saggars – as Treasurer of Nairn Golf Club, Director of Nairn CAB, Director of Nairn BID and Director of Nairn Community and Arts Centre

Mr B Thompson declared financial and non-financial interests in this item as a shareholder in Nevis Cycles, Sunart Renewables and the Isle of Eigg Brewery and Council appointee on Isle of Eigg Heritage Trust and a Trustee of the Clan Cameron Museum respectively but, having applied the test, concluded that his interest did not preclude him from taking part in the discussion.

Mrs M C Davidson declared a financial interest in this item as a family business had received a relief grant and left the meeting (by turning off cameras and microphones) during discussion.

There was circulated Report No. AS/3/21 dated 19 March 2021 by the Corporate Audit Manager 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.

Prior to turning to the Audit Reports, the Corporate Audit Manager drew Members attention to the Corporate Fraud investigations which had taken place and, in particular, to investigating suspected fraudulent Covid 19 grant applications. Following a request from management, the Team had been assisting in fraud prevention checks for business top-up grant applications for the hospitality, retail and leisure sectors focussing on larger grant sums. To date 146 applications had been referred by the grants team and, following additional checks, 133 had been assessed as fraudulent. The sums of money involved was estimated to total £0.5m and demonstrated that proper mechanisms were in place to identify such criminal activity. It was also pointed out that as Covid 19 has impacted upon internal audit activity and, as a result, insufficient work had taken place during the year to provide the annual opinion. As a result suggested wording provided by CIPFA would be used within the annual report and for the annual governance statement.

During discussion, Members raised the following issues:-

- the Chair praised the work of the team in identifying the fraudulent grant applications. He also referred to the remarkable relief effort the team had made during lockdown whilst also still carrying out their day-to-day duties. This was echoed by fellow Members and the identification of fraudsters gave not only Elected Members confidence, but the public too;
- in response to a question it was confirmed that the fraudulent claims were not confined solely to Highland with similar applications being made to other Scottish and English Local Authorities. The applications were thought to relate to organised criminal activity and were not cases of applicant error. This fraudulent activity had been reported to Police Scotland and Members emphasised the need for a robust approach to actively pursue perpetrators to deter other attempts to misuse public money;
- it was queried if it was also possible to monitor fraudulent activity on applications for funding for smaller grant schemes;

- the delay in the production of the new audit plan and the limitation of scope during the year was understandable given the Covid 19 pandemic; and
- targets for client feedback were generally well met but there was a significant drop in Quarter 3. It was thought this was as a result of pressure of work but this would be highlighted at the Senior Leadership Team to encourage Services to provide feedback on audits.

The final reports were then presented as follows:-

- (i) Education & Learning - Payment of Relief Staff (Reasonable Assurance) – no issues raised at the meeting.
- (ii) Infrastructure & Environment – Review of Covid-19 Grants (Reasonable Assurance).

During discussion, Members raised the following issues:-

- on behalf of the Committee, the Chair thanked the Economy and Regeneration Manager and his team for their hard work in putting in place a grant management scheme at short notice and being able to turn around grants so quickly. The Reasonable Assurance finding was testament to its success. The challenges faced had been unprecedented and it had to be borne in mind that Highland Council was the third largest Covid 19 grant scheme in Scotland. The Economy and Regeneration Manager also took the opportunity to thank his team;
- the team had gone from 4 members of staff to 50 in a short period of time with many staff being seconded from other services, some with no previous experience of the grant system;
- the complexities of the rateable value system had become apparent in April/May 2020 and these had caused difficulties for several small businesses when applying for grants. However, the team had handled these cases well and appropriately;
- the scheme totalled £75m and there had been 7,500 applications. However, the sample applications taken by Internal Audit was 20 and it was queried how representative this was. In response, the Sample Strategy adopted was explained;
- confirmation was sought, and provided, that a future audit of later schemes would take place and increasing the sample would be considered;
- businesses had received appropriate grant funding timeously and this was to be welcomed. This had no doubt sustained and retained jobs in Highland;
- should there be further regional lockdowns confirmation was sought, and provided, that the system could be adapted; and
- details of the appeal system were sought, and provided.

The Committee **NOTED**:-

- i. the Final Reports referred to in Section 4.1 of the report;
- ii. the current work of the Internal Audit Section outlined at section 5 of the report, details of progress against the 2020/21 audit plan at Appendix 1 and that work in progress or not started will be carried forward into the next year;

- iii. a limitation of scope will be provided within the 2020/21 annual audit opinion with regard to the aspect of internal control. The suggested wording provided by CIPFA (see Appendix 2) will be used within the annual report and for the annual governance statement;
- iv. note that the normal audit planning process would commence later than usual with the aim of producing the 2021/22 audit plan for approval by the Audit & Scrutiny Committee on 17 June 2021;
- v. assurance was given that there would be a robust pursuance of fraudulent Covid 19 grant claims.

5. Review of Corporate Risks Ath-Sgrùdaidh air Cunnartan Corporra

There had been circulated Report No AS/4/21 dated 10 March, 2021 by the Corporate Audit and Performance Manager.

During discussion, Members raised the following points:-

- the reporting of the Corporate Risk Register to every Audit and Scrutiny Committee meeting was welcomed as there was considerable benefit to be gained;
- the ongoing review of the Council's budget had been complemented in the Register, a positive move forward resulting in greater financial sustainability;
- it also gave the opportunity for each of the Strategic Committees to incorporate this as a reference point. It also brought forward issues that might otherwise be omitted at these Committees and Strategic Chairs were encouraged to contribute to the report when it came forward to future Audit and Scrutiny Committees;
- the Chair of Communities and Place referred to recent criticism of the maintenance of playparks. However, the budget of £170k was spread over 10 Area Committees and consequently there were difficulties and complexities in getting this work completed;
- three additions had been made to the Risk Register but it was argued that the risk associated with possibility of Scotland leaving the UK should also be included. However, it was pointed out that the Corporate Risk Register was an operational document but Members' concerns would be reported back to the Executive Leadership Team;
- whilst acknowledging that the document was an operational document, as a public organisation it was also important to include a degree of strategy;
- it was also suggested that the timely implementation of the Visitor Management Plan should also be included. It was important to Members and the public that the necessary preparations were made for what was expected to be a very busy tourist season. The Visitor Management Plan involved cross-departmental working and, while working well to date, it should be assessed by Audit and Scrutiny. In this regard, the Chair explained that the Visitor Management Plan was monitored by the Recovery Board and any concerns or delays could be brought to their attention;
- the importance of cyber security was acknowledged given the impact breaches had had on some of the Council's partners;
- there was a degree of urgency around the Shared Prosperity Fund, the successor fund for EU structural and social funds, and how it impacted on Highland. Representations needed to be made to the UK Government but to also examine how neighbouring Local Authorities had met the Fund's criteria

when Highland Council had missed out. Communities and Third Sector organisations were seeking more information;

- on Page 72 of the papers the responsibility should read “Ensure there are clear connections made in reports to Council or Strategic Committees where policy changes or actions will mitigate a Corporate or Service *risk*”;
- it was incumbent on Elected Members to complete training and it was suggested that, after next year’s Council Elections, a training session should also be provided on the importance of the Risk Register;
- the Executive Leadership Team were tasked with ensuring Elected Members were aware of the risks when taking decisions, through providing quality information but, while report writing had improved, a more concise format would assist to enable Members to ask the appropriate questions of officers;
- the format of the Plan was commended but it was suggested that introducing a heat map to corporate risk reports would provide an 'at a glance' view for Members;
- information on the controls over Council social media was sought, and assurance provided; and
- following recent successful Equal Pay Awards Appeals, this might be something to consider for inclusion on the register.

The Committee:-

- i. **APPROVED** the revised Corporate Risk Management Strategy at Appendix 1 of the report;
- ii. **NOTED** the Corporate Risk Register provided at Appendix 2 and the risk profile at Appendix 3 of the report;
- iii. **AGREED** that Members’ concerns regarding the possibility of Scotland leaving the UK would be reported back to the Executive Leadership Team; and
- iv. **NOTED** that, following the review of the Corporate Risk Strategy, reviews of the Corporate Risk Register will be reported to every Audit and Scrutiny Committee.

The meeting ended at 12.20 pm.