

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held REMOTELY on Thursday, 23 September 2021 at 10.30am.

Present:

Mr G Adam	Mr G MacKenzie
Mr R Balfour	Mrs A MacLean
Mr R Bremner	Mr D Macpherson
Dr I Cockburn	Mr P Saggars
Mrs M Davidson	Mr B Thompson

Non-Member also present:

Mr A Henderson	Mr D MacKay
Mr D Louden	Mr C Munro

Officials in Attendance:

Ms D Manson, Chief Executive
Ms L Denovan, Executive Chief Officer, Resources & Finance
Ms K Lackie, Executive Chief Officer, Performance & Governance
Ms C Campbell, Head of Service (Community Operations and Logistics), Communities and Place
Mr E Foster, Head of Finance and Commercialism, Resources and Finance
Mr S Fraser, Head of Corporate Governance, Performance & Governance Service
Ms S McKandie, Head of Revenues and Customer Services
Ms E Johnston, Corporate Audit & Performance Manager, Performance & Governance Service
Miss D Sutherland, Corporate Audit Manager, Performance & Governance Service
Ms W Allman, Children's Services Manager, Care and Learning Service
Mr S Carr, Corporate Performance Manager, Performance & Governance Service
Mr M Watters, Freedom of Information and Data Protection Manager, Performance & Governance Service
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury & Taxation), Resources & Finance
Mr D MacKenzie, Trading Standards Manager, Performance & Governance
Mr J Campbell, Senior Auditor, Performance & Governance Service
Mr P Hankinson, Senior Auditor, Performance & Governance Service
Miss J MacLennan, Principal Administrator, Performance & Governance
Mr A MacInnes, Administrative Assistant, Performance & Governance

Also in attendance:

Ms J Brown, Audit Partner, Grant Thornton
Mr J Boyd, Audit Director, 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

Apologies for absence were intimated on behalf of Mrs J Barclay, Mr B Boyd, Mr S Mackie and Mrs M Paterson.

2. Declarations of Interest Foillseachaidhean Com-pàirt

There were no declarations of interest.

3. Recess Powers Cumhachdan Fosaidh

The Committee **NOTED** that the recess powers granted by the Council at its meeting on 24 June 2021 had not been exercised in relation to the business of the Committee.

4. External Audit Report Aithisgean Sgrùdaidh bhon Taobh A-muigh

There had been circulated Report No. AS/16/21 by the Council's External Auditors (Grant Thornton) on the Annual Report 2020/21 to Elected Members and the Controller of Audit – Wider Scope.

Representatives from Grant Thornton presented the reports and key messages for the Committee.

During discussion, Members considered the following issues:-

- the Chair welcomed the Council's positive report;
- an explanation was sought, and provided, as to what was meant by "Contribution to reserves - Affordable housing contribution 2nd incomes exceeding budget";
- the challenges Highland Council had faced over the last 18 months of the Covid pandemic could not be underestimated and the contribution made by both officers and Members to keep the Council operating and protecting Highland communities was to be commended. It had been an unprecedented time. Looking forward there were huge opportunities to bring agencies closer together; and
- information as to Highland Council's benchmarking performance compared to other Local Authorities during the Covid pandemic would be welcomed.

The Committee **NOTED**:-

- i. the terms of the report; and
- ii. Audit Scotland publications on the impact of Covid-19 on the public sector and local government financial and performance reports were due for publication in the new year and would be submitted to a future Committee.

5. Internal Audit Reviews and Progress Report Ath-sgrùdaidhean In-sgrùdaidh agus Aithisg Adhartais

There had been circulated Report No. AS/17/21 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 link in the report to the Gantt Chart which, as agreed at a previous meeting of the Committee, would measure progress against the 2021/22 Audit Plan. This was the first time information had been presented in this format and any feedback from Members as to further developments for the presentation of information would be welcomed. She was also pleased to report that the Trainee Auditor's post had now been advertised.

The final reports were then presented as follows:-

- (i) Communities & Place – Fleet Management Arrangements (Substantial Assurance) – no issues raised at the meeting.
- (ii) Resources & Finance – Purchase to Pay (Reasonable Assurance)

During discussion, Members raised the following issues:-

- there was a high proportion of payments made without purchase orders and the nature of these was queried. Furthermore, it was questioned if this level was comparable to other Local Authorities, information which officers undertook to determine and report back to Councillor Thompson;
 - concern was expressed at the 24,500 transactions with no invoice narrative and the number which were not paid on time. In relation to the latter, the Highland Council recognised the need to pay invoices in good time, especially during the last 18 months which had been a worrying time for many businesses;
 - the lack of clear responsibility for cost centres and failure to monitor expected payments as part of Service Level Agreements had also led to a delay in paying invoices and a review of budget holders against cost centres was to be undertaken by the end of November. However, it was questioned how this would be monitored, especially when staff were working from home, and if this was an issue in some Services as opposed to others. In some instances, the failure might be as a result of a change of personnel and accordingly it was important staff training took place to ensure robust processes were followed;
 - the Financial Regulations needed to be clearer as to when Purchase Orders were and were not required; and
 - the progress made with revision of budgets was welcomed and, in so doing, when comparing actual expenditure with budgets, it was important budgets were up to date and reflected what the Council was trying to achieve. The training provided to staff to look for variances and how these might be addressed was also commended.
- (iii) Resources & Finance – Financial Management and Reporting (Substantial Assurance) – Members welcomed the considerable progress that had been made and the improved standard of reporting to Service Committees. However, the importance of continuous training was highlighted.
 - (iv) Resources & Finance – Council Tax & Non Domestic Rates discounts and exemptions (Full Assurance) – congratulations were expressed to the teams

involved with Council Tax and Non Domestic Rates discounts and exemptions. These types of issues directly affected people's lives and the work involved by staff in the previous 18 months could not be underestimated.

- (v) Resources & Finance/ Health and Social Care/Education and Learning Investigation into missing petty cash at a Facility (Limited Assurance)

During discussion, Members raised the following issues:-

- training would be provided to both the Service and Business Support staff involved;
- ideally to avoid reoccurrences of such instances all cash payments would be eliminated, especially as the Council moved forward to a hybrid way of working. Alternative means would be considered as part of the wider audit of petty cash systems; and
- following on from the above, in response to a question, it was confirmed that the guidance accompanying grants provided to the Council from the Scottish Government for dispersal during the Covid 19 pandemic had encouraged money to be transferred by BACS or card payments.

The Committee **NOTED** the current work of the Internal Audit Section outlined at section 5 of the report and progress against the 2021/22 audit plan.

(At this juncture the Chair referred to the survey of Audit & Scrutiny Members and which had, to date, attracted a low response rate. These surveys had proved valuable in improving the effectiveness of the Committee and he urged Members to complete it, with the results to be reported at the November 2021 meeting).

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

There had been circulated Report No. AS/18/21 by the Corporate Audit and Performance Manager.

During discussion, Members raised the following points:-

- the Chair drew Members' attention to the "red" action in relation to the Internal Audit of Procurements. Whilst this audit was now underway, assurance was sought, and provided, that the Internal Audit team would have the input needed to ensure the report came to the Audit and Scrutiny Committee scheduled for 25 November 2021;
- the Scottish Government's Feeley Review of Adult Social Care had been identified as a risk. However, it was pointed out that services would continue to be provided but in fact the risk was to the Council's mainstream budgets. It was hoped funding of a National Care Service would not be centralised but the Council needed to be prepared for that happening and it was important this was kept under review;
- workforce planning was important in terms of Brexit and the possible implications of the Feeley Report. The demographics of the Highland would also have to be taken into account as the Council looked ahead to the next 5-10 years;

- it was queried what audit was done of the method of staff appointments in terms of whether due procedure and process was being followed to ensure a fair and equal process was being afforded to all candidates;
- the risk owner for Climate Change was the Executive Chief Officer Performance and Governance (and not Economy and Infrastructure as detailed in the report) but this was an issue which needed to filter through every Service. It was a Council wide responsibility; and
- there had been problems with food distribution to schools in England and assurance was sought, and provided, that there were contingency arrangements in place should this become an issue in Scotland.

The Committee **NOTED**:-

- i. the Corporate Risk Register provided at Appendix 1 and the risk profile at Appendix 2 of the report;
- ii. that the risk to the Council from the potential formation of a National Care Service for Scotland would be kept under review and updated in the next report; and
- iii. information on how staff appointments were measured in terms of following proper procedure and process to make sure a fair process to all candidates would be provided to Councillor R Bremner.

7. Annual Report of Scottish Public Service Ombudsman (SPSO) Cases determined in 2020/21

Aithisg Bhliadhna de Chùisean Ombudsman Seirbheis Phoblach na h-Alba air an dearbhadh ann an 2020/21

There had been circulated Report No. AS/19/21 by the Executive Chief Officer Performance & Governance.

During discussion, Members raised the following points:-

- given the significant percentage increase, more information was sought as to the nature of complaints relating to the Council's planning function and whether they related to the process or the decisions. While further information would be shared with Councillor B Thompson on this point, it was highlighted that Highland Council attracted more planning applications than other Local Authorities.
- the low number of complaints around Welfare Fund - Crisis Grants highlighted the excellent work of the Council's Welfare team, especially in the last 18 months;
- in response to a question it was confirmed that, the number of complaints upheld by the SPSO, Highland Council's ranking was similar to other local authorities; and
- where complaints to the SPSO were not upheld, this still provided an opportunity for self-reflection as to what the Council might be able to do better.

The Committee **NOTED**:-

- i. the low numbers of complaints regarding the Council considered by the SPSO;
- ii. the outcomes of the upheld and partially upheld cases; and
- iii. that the SPSO's recommendations have now been carried out.

8. Regulation of Investigatory Powers (Scotland) Act (RIPSA) Achd Riaghladh Chumhachdan Sgrùdaidh (Alba) (RIPSA)

There had been circulated Report No. AS/20/21 by the Head of Corporate Governance.

The Committee **NOTED** the Council continued to be a modest user of the powers and that a further report would be forthcoming to the February 2022 meeting.

9. Review of Financial Regulations Ath-sgrùdadh air Riaghailtean Ionmhasail

There had been circulated Report No. AS/21/21 by the Corporate Audit and Performance Manager.

During discussion, Members raised the following points:-

- It was highlighted that there was continuous review of the Financial Regulations and the instruction notes. In response to a comment on purchase orders raised by Councillor Saggars earlier in the meeting, an undertaking was given to review section 18.2 of the Financial Regulations in respect of the requirement and procedures for the use of purchase orders.
- in relation to the authorisation of financial transactions, information was sought, and provided, on the training provided to officers and how that training was audited to monitor its effectiveness;
- referring to historical gifts and bequests left to schools and Common Good Funds confirmation was requested that these were still being managed. It was also suggested that a mechanism be put in place to allow the public to leave such gifts and donations and for the general public to be more aware of their existence;
- when Capital Monitoring Reports came before Members often the budgeted figure had been reprofiled. So that Members could exercise greater scrutiny additional information detailing the original budget also needed to be provided;
- in response to a query it was confirmed that the Council maintained a Register of all its plant and materials and where they were stored; and
- often Council owned land and property lay unused and, to avoid any damage and/or deterioration, it was suggested they were demolished. It was important that a detailed Property Register was in place. However, given the large extent of such assets, this was a sizeable undertaking but officers confirmed where concerns were raised checks were made to determine ownership.

The Committee **NOTED**:-

- * i. the revised Financial Regulations and **AGREED TO RECOMMEND** their adoption to Council;
- ii that there would be a review of section 18.2 – Authorisation and Access Control in respect of the requirement and procedures for the use of purchase orders;
- iii. that best practice, relevant legislation and improvement actions from internal audits would continue to be monitored with any significant amendments to the Regulations requiring Members attention submitted to Committee for approval;
- iv there would be a review of education funds received by way of donations, to ensure there was full awareness of them and that they were being appropriately distributed; and

- v an undertaking was given to provide financial monitoring information on capital projects so that the original budget of the project as well as the reprofiled budget position was provided.

The meeting ended at 12 noon.