

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Wednesday 16 February 2022 at 10.30am.

Present:

Mr G Adam
Mr R Balfour
Mr B Boyd
Dr I Cockburn
Mrs M Davidson

Mr G MacKenzie
Mr D Macpherson
Mrs M Paterson
Mr P Saggars

Non Members in attendance:

Mr A Jarvie
Mr B Lobban

Mr D Mackay

Officials in Attendance:

Ms D Manson, Chief Executive
Ms K Lackie, Acting Depute Chief Executive and Executive Chief Officer, Performance & Governance
Ms E Johnston, Corporate Audit & Performance Manager, Performance & Governance Service
Miss D Sutherland, Corporate Audit Manager, Performance & Governance Service
Mr S Fraser, Head of Corporate Governance, Performance and Governance
Mr S Carr, Corporate Performance Manager, Performance & Governance Service
Mr J Campbell, Senior Auditor, Performance & Governance Service
Mr P Hankinson, Senior Auditor, Performance & Governance Service
Mr J Shepherd, Head of ICT and Digital Transformation
Mr B Porter, Head of Support Services, Education and Learning
Mrs L Dunn, Principal Committee Administrator, Performance & Governance
Mr A MacInnes, Administrative Assistant, Performance & Governance

Also in attendance:

Mr J Boyd, Audit Director, Grant Thornton
Ms C Connor, 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

Apologies for absence were intimated on behalf of Mrs J Barclay, Mr R Bremner, Mr S Mackie and Mrs A MacLean.

2. Declarations of Interest Foillseachaidhean Com-pàirt

There were no declarations of interest.

3. External Audit Plan Strategy 2021/22 Aithisgean Sgrùdaidh bhon Taobh A-muigh

There had been circulated Report No. AS/1/22 by the Council's External Auditors (Grant Thornton).

During a summary of the report, the purpose and scope of the audit was explained and it was the intention that it would be finalised over the course of the next month with the report submitted to Audit Scotland by 31 March 2022. A risk based approach had been adopted and the concept of materiality adopted.

During discussion, Members considered the following issues:-

- an evaluation was needed of Common Good assets was suggested. Some Community Councils were concerned that land, in particular, was undervalued, especially near tourist hot spots where it might be being used for camping. In response the External Auditors explained that, when using a valuation expert, a range of assumptions were taken into account including its current use;
- there was concern expressed at the quality of investment of Trusts, with some Trusts generating low yields despite having high levels of capital. This particularly applied to Education Trusts and officers had been charged with how revenue returns could be improved. This was more an operational matter and it was explained that often there were purpose and restrictions included in Trust Deeds;
- it was questioned if , particularly in relation to the Inverness Common Good fund, that art works, and their value, were not all truly accounted for. The External Auditors explained that such art works were valued on their insurance valuation which had last been carried out about 5 years previously but he assured Members that, as part of their procedures, valuation of art works were taken into account;
- an opinion was expressed that the legal controls of the Inverness Common Good fund were now rather tenuous. The Member's view was would appear that controls had disappeared and monies were being dispersed by just a few individuals. The fund had originally been set up to assist old people and those in need and, in the current economic climate, there were local people who required such assistance and where such monies could be used to great effect in making a significant difference to the lives of these people. However, it was explained that the custodians and application of the Common Good Fund was a question for Council management and Members; and
- the Chairman, on behalf of the Committee, expressed his appreciation to Grant Thornton for their commitment and partnership working as they entered the last year of their contract with the Council.

Thereafter, the Committee **NOTED** the terms of the report.

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

There had been circulated Report No. AS/2/22 dated 1 February 2022 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.

Performance & Governance - Governance of Arms-Length External Organisations and Partnerships (Substantial Assurance)

During discussion, Members considered the following issues:-

- it was questioned how much Covid funding had been provided to High life Highland (HLH) and Eden Court. A great deal of close working had taken place over the last 2 years and this would inform how these organisations recovered, particularly Eden Court with the appointment of a new Chief Executive;
- the Council could not continue to fund these organisations at the level it had over the last two years and they need to become more financially independent and refocus. It was confirmed that close cooperation had taken place over the last two years and a review of written financial agreements would take place. Eden Court was considering a redevelopment opportunity which would enable it to refocus on revenue generation; and
- referring specifically to Eden Court, one of its Board Members as pointed out that its last Chief Executive had led the company out of the Covid pandemic in a better financial position than it had entered the pandemic. It had an ambitious capital programme which would make it less dependent on funding in the long term. It was also in the stages of creating a production company musical which would tour rural areas and rehearsals to date had been impressive. Six months from her commencement date the new Chief Executive had committed to develop a new Business Plan and review the Service Agreement.

Transformation - Cyber Security (Reasonable Assurance)

During discussion, Members raised the following issues:-

- following the outcome of recent cases involving the Royal Mail and the post office system provided by Fujitsu, assurances were sought that the Council, who previously had Fujitsu as their IT provider, would not encounter any legacy issues from this connection. Members were assured that since that contract expired 5 years ago a lot of the technology had been replaced and there was no indication such a problem would arise;
- cyber security was now more of an issue and training was needed for both current Elected Members and the ones elected to the new Council. It was important to alert Members to the risks that existed;
- appreciation was expressed for the improved communication. However, with the number of actions proposed it would be ideal if a timeline was prepared showing what was going to be done and when;
- it was disappointing that the uptake of a training session for staff had been low. It was important all users were aware of risks and what to look out for and it was hoped a more proactive engagement could be achieved so staff were able to identify potential breaches;
- it was vital training was benchmarked;
- it would be useful to look at industry practise elsewhere and for the Council to be able to benchmark its performance against similar organisations; and
- appreciation was expressed for the performance of the IT Service over the last 2 years.

Thereafter, 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 in section 6.

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

There had been circulated Report No. AS/3/22 dated 28 January 2022 by the Corporate Audit and Performance Manager.

During discussion, Members raised the following issues:-

- it was queried how targets were set, and success measured, in particular to the CR5 (Effective Governance in Local Decision Making) and CR8 (Demographic Change). It was argued there had been little meaningful shift towards local decision making despite political support for empowering Local Committees. Furthermore, it was disappointing there was no reference as to how demographic change impacted on local communities. In many rural areas this was an issue and was one which was only being accelerating and it was suggested CR8 needed to be broken down further;
- in reference to the suggestion that there had been little shift to Local Committees, it was contended that they were now considering very important issues, including those involving much expenditure, much more so than 5 years ago;
- urgent action was needed on CR11 (Residual Waste Project) as there was only 3 years left for the Council to comply with the Waste (Scotland) Regulations 2012 landfill ban. This project would be one of the Council's largest capital investments for some time;
- in regard to CR17 (Open Water Safety) it was queried if the Council had a policy on this yet. This would followed up by the by Executive Chief Officer Infrastructure, Environment & Economy and Policy Manager;
- the manner in which Coastal Funding was allocated was questioned with certain areas favoured over others. This posed a risk to local democracy and effective localism;
- it was good to see that the Council was moving towards 3 year budgeting;
- the Executive Leadership Team (ELT) met quarterly to consider the Corporate Risk Register but it was suggested that this was not frequent enough. In response, Members were assured that this referred to the formal review of the Register but officers reviewed it considerably more often. Risks were also escalated to the ELT at any point when deemed necessary.

The Committee **NOTED** the Corporate Risk Register provided at Appendix 1 and consider the risk profile at Appendix 2 of the report.

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

There had been circulated Report No. AS/4/22 by the Head of Corporate Governance.

The Committee **NOTED** the Council continues to be a modest user of the powers within the Regulation of Investigatory Powers (Scotland) Act and that a further report will be forthcoming to the September 2022 meeting.

Valedictory

As this was the last Audit and Scrutiny Committee before the Council election, thanks were expressed to the Chair and Vice Chair for their tone, rigour and fairness to the Committee. The Chair also expressed his appreciation to the Members of the Committee for their scrutiny and curiosity in examining issues, some of which had been particularly difficult. Tribute was also paid to the staff for their preparation of reports but, in particular, the support given to Members.

The meeting ended at 11.40 a.m.