

The Highland Council

Minutes of Meeting of the **Audit Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 28 November 2024 at 10.30am.

Present:

Ms S Atkin (substitute)	Mr G MacKenzie
Mr M Baird	Mr D McDonald
Mr C Ballance	Ms J McEwan
Mr B Boyd (remote)	Mr P Oldham
Mr L Fraser	Mrs T Robertson
Mr R Jones (remote)	Mr R Stewart

Non-Members also present:

Mr A Baxter (remote)	Mr K Gowans
Mr A Christie	Mr P Logue
Mr J Finlayson (remote)	Mr T MacLennan (remote)
Mr D Fraser (remote)	Mr D Macpherson (remote)

Officials in Attendance:

Mr A Gunn, Assistant Chief Executive – Corporate
Mr S Fraser, Chief Officer – Legal and Corporate Governance
Ms S McKandie – Chief Officer – Revenues and Commercialisation
Mr B Porter, Chief Officer – Corporate Finance
Mr J Shepherd, Chief Officer – Business Solutions
Miss D Sutherland, Strategic Lead (Corporate Audit and Performance)
Mr M Watters, Corporate Performance and Information Governance Manager
Mr J Thurlbeck, Corporate Audit Manager, Corporate
Mr J Campbell, Senior Auditor, Internal Audit, Corporate
Ms E Barrie, Head of People
Ms A Morrison, Customer Resolution and Improvement Manager
Ms R MacDonald, Principal Accountant
Mr P Nevin, Legal Manager
Ms P Betts, Common Good Fund Officer
Ms M MacKenzie, Strategic Commercial Manager, Commercial and Procurement Shared Services
Mr S McBride, ICT Operations Manager
Mr N Osborne, Climate Change Manager
Ms F Daschofsky, Project Manager
Miss J MacLennan, Joint Democratic Services Manager, Corporate
Mrs G MacPherson, Committee Officer, Corporate

Also in attendance:

Ms E Scoburgh, Audit Scotland
Ms C Gardiner, Audit Scotland
Ms J McBride, 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.**

Mrs T Robertson in the Chair

Business

1. **Apologies for Absence** **Leisgeulan**

Apologies for absence were intimated on behalf of Mr A Jarvie, Ms M Ross and Mr A Sinclair.

2. **Declarations of Interest/Transparency Statement** **Foilseachaidhean Com-pàirt/ Aithris Fhollaiseachd**

There were no declarations of interest.

3. **Code of Corporate Governance – 2024/25 Code** **Còd Riaghlachais Chorporra – Còd 2024/25**

There had been circulated Report No. AC/27/24 by the Chief Officer – Legal and Corporate Governance.

In response to a request to change wording, it was thought that the core principles in section 5.4 of the report reflected advice from the Chartered Institute of Public Finance and Accountancy, however if possible, the authority would be referred to as Highland Council in principle E.

The Committee:-

- i. **NOTED** the progress on delivering the 2023/24 Code of Corporate Governance; and
- ii. **APPROVED** the 2024/25 Code of Corporate Governance.

4. **23/24 Report to those charged with governance (Highland Council); and** **23/24 Highland Council Annual Audit Report** **Aithisg 23/24 dhaibhsan a tha an urra ri riaghlachas (Comhairle na Gàidhealtachd); agus Aithisg Sgrùdaidh Bhliadhnail Chomhairle na Gàidhealtachd 23/24**

There had been circulated Report No. AC/28/24 by the Chief Officer – Corporate Finance.

During discussion, the following points were raised:-

- clarification was sought regarding documentation provided for audit and it was confirmed that Audit Scotland received sufficient audit evidence to support their opinion;
- the £3.8 million unadjusted error in Exhibit 3 of the Annual Audit Report was confirmed as having no ongoing impact and no impact on general funds, as it related to assets and was approximately 0.1% of the value of assets on the balance sheet;
- it was asked what effect the cost of the Council's plan to finance a capital programme would have on ongoing budgets and, in response, Members were reminded of the Highland Investment Plan and the ongoing monitoring of all treasury management activities;

- information was sought, and provided, regarding the budget gap and the effect this might have on Council investments and plans for the future. It was asked if, for comparison purposes, a chart could be provided relative to the size of the budget of the Council;
- reserves were at a minimum but they were clearly identified and at the level agreed by Members;
- it was asked if the new management structure would achieve the £310,000 savings target and it was said that savings were being tracked;
- concern was expressed as a slight number of key performance indicators were missing targets and data. A response was provided and it was confirmed that the Strategic Lead (Corporate Audit and Performance) would circulate further information to Members outside of the meeting;
- in terms of Exhibit 8 in the Annual Audit Report, Members asked for reassurance that the impact of hybrid working would be monitored;
- the Common Good Fund was referred to singularly in Exhibit 2 of the Annual Audit Report and it was suggested that it should be plural to reflect the multiple Common Good Funds held;
- information was sought regarding the loan to Inverness Airport and it was confirmed that a response would be provided by the Chief Officer – Corporate Finance outside of the meeting;
- information was sought, and provided, regarding charges to the pensions account and it was confirmed that details would be provided after the meeting;
- progress reports for digital technology and workforce planning would be shared at the upcoming Corporate Resources Committee and it was asked when a progress report for developing future skills and capacity would be shared; and
- the Audit Scotland Best Thematic Review would come to Committee in August 2025.

The Committee:-

- APPROVED** the audited accounts for signature;
- NOTED** the report to those charged with governance on the 2023/24 accounts;
- AGREED** that the letter of representation be signed by the Chief Officer – Corporate Finance (Section 95 Officer); and
- Scrutinised, considered and **NOTED** the annual audit report findings, in particular the key messages on pages 16-17 and the follow up of prior year recommendations at Appendix 1 of the report.

5. Charities Accounts Cunntasan Charthannasan

There had been circulated Report No. AC/29/24 by the Chief Officer – Corporate Finance.

The Committee:-

- APPROVED** the audited accounts for signature, noting that the accounts to be approved would include the name of the trustee appointed as a result of the Fort William and Ardnamurchan by-election held on 22 November 2024;
- NOTED** the report to those charged with governance on the 2023/24 accounts; and

- iii. **AGREED** that the letter of representation be signed by the Treasurer on behalf of the Trustees.

6. **Annual Complaints Performance Report – 2023/24** **Aithisg Choileanaidh Bhliadhnail Ghearanan – 2023/24**

There had been circulated Report No. AC/30/24 by the Assistant Chief Executive – Corporate.

Members were concerned with the increase in complaints. During discussion, Members felt:-

- there were certain areas of the Council where it was becoming prohibitively difficult to get in contact with the right person;
- not all complaints forwarded by Members were being resolved and officers did not always reply to Members even when correctly signposted;
- it was disappointing that schools received the highest number of complaints, having risen 150% over the past 2 years. A breakdown of complaints was requested and it was asked that it be analysed in more detail next year; and
- complaints were made due to frustration.

A comparison of closed cases was made and pressure on resources was acknowledged. Members asked if there was a more efficient way of streamlining the Service and filtering complaints.

The following further points were raised:-

- the Child Friendly Complaints process was welcomed;
- it was asked how enquiries, requests for service and complaints were measured, as if other local authorities in Scotland defined them differently, it would be difficult for the Council to benchmark it's effectiveness; and
- for ease of reading, it was asked if pages 4 and 5 of the Annual Complaints Performance Report might be re-ordered so that the definition of Frontline would be provided before the report headlines.

The Customer Resolution and Improvement Manager provided reassurance that a lot of work was occurring in the background, which included updates to the Council website. It was confirmed that a record of school complaints was held and the Service had been pro-actively engaging with head teachers, providing training in terms of complaint handling and the Child Friendly Complaints process.

The Committee:-

- i. scrutinised and **NOTED** the performance outlined in the Annual Complaints Report for 2023/24 at Appendix 1, including:
- that most complaints (57%) closed in the period were considered Frontline and did not require investigation, with 68.5% of those closed considered to be resolved to the satisfaction of the customer.
 - the time to respond to a Frontline complaint continued to be within the target of 5 working days with an average of 3.7 days in 23/24 showing a maintained positive position.
 - that work was still required to improve the performance of

Investigation complaints and that this was an ongoing improvement process.

- ii. **AGREED** to publish the appended report on the Council's website and submit this to the SPSO.
- iii. **NOTED** the additional Child Friendly Complaints process which became law on 16 July 2024.

7. Review of Corporate Risks Ath-Sgrùdadh air Cunnartan Corporra

There had been circulated Report No. AC/31/24 by the Assistant Chief Executive – Corporate.

Various concerns were raised in terms of Risk CR3, Sustainability of the Workforce. Members felt this risk was understated given that the risks included a failure to deliver statutory services. It was felt that the details should include a recognition of harm to health and life, and the need for housing and family jobs.

It was thought that relief workers were a great cost to the Council and that contracting some of them would provide savings as well as stability to the workers, and it was felt that the number of those employed under modern apprenticeships was low.

It was asked if the Committee might review the risk as an individual item in the future and the Chair requested confirmation that the actions would be tackled quicker than implied in the wording of the report. It was confirmed that this risk and the actions were currently being reviewed as part of the review of the Workforce for the Future workstream.

Members were informed that regular reports would be presented to relevant Strategic Committees for scrutiny and an update would be provided to a future Committee.

Concerns were also expressed in terms of Risk CR9, Net Zero Programme, and it was felt that the responsible officer for the risk and the action owners should be reassessed. It was confirmed that this would be the case and an update would be provided at the next meeting.

It was remarked that there was no mention of financial risk in terms of the Net Zero Programme, however it was indicated that this had been recognised, as per Mitigating Action HCR9.3. Clarification of costs involved was requested, and it was said that the progression of work was slow. Members were urged to take part in moving it forward.

The Committee **NOTED** and:-

- i. scrutinised the Corporate Risk Register provided at Appendix 1; and
- ii. considered the risk profile and Appendix 1.

8. Audit Committee Annual Report 2023/24 Aithisg Bhladhnaidh Comataidh an Sgrùdaidh 2023/24

There had been circulated Report No. AC/32/24 by the Audit Committee Chair.

The Committee:-

- i. **AGREED** the Audit Committee Chair's annual report including the identified areas for improvement. The report was provided at Appendix 1;
- ii. **NOTED** that the self-assessment toolkits provided in the CIPFA guidance would be revisited by the Committee in order to measure progress made since the guidance was first considered; and
- iii. **AGREED** that this report should be recommended to Council to acknowledge that the necessary assurances had been provided by the Audit Committee to demonstrate that it had fulfilled its purpose and could demonstrate its impact for 2023/24.

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

There had been circulated Report No. AC/33/24 by the Strategic Lead (Corporate Audit and Performance).

The update included copies of the following final reports issued:-

- a) Corporate - Procurement of ICT Cloud Hosted Systems (Reasonable Assurance)

Whilst welcoming the proposals there were wider implications to take into account, an example being how apprenticeships could be supervised if staff could work from home.

- b) People - Workforce Planning Arrangements (Reasonable Assurance)

It was suggested that Members needed to consider what assurance they could take if, despite all the appropriate procedures and policies being in place, there was an inability to recruit frontline staff, the number of Childrens Services Social Worker vacancies in the Mid Area being cited as an example. It would be useful in future if those pockets where there were staff shortages could be highlighted. A long term approach was required and it was hoped there were resources in place to accomplish this.

- c) Corporate - ICT Asset Registers (Limited Assurance)

In response to queries Members were provided with assurances as to the controls in place to make ICT equipment, which was either lost or stolen, secure.

- d) Corporate - Common Good Fund Asset Registers (Substantial Assurance)

Officers were commended for their prompt response to Members' queries regarding Common Good Funds. It was recognised however that there was always the possibility of assets being misclassified, especially bearing in mind the huge number of physical assets, and the Terra Tracker was proving to be a very useful tool. In particular, a number of areas of land in Lochaber had been identified as belonging to the Common Good Fund so the work now taking place was reaping rewards.

The Committee **NOTED**:-

- i. the Final Reports referred to in Section 5.1 of the report; and

- ii. the current work of the Internal Audit Section outlined at sections 6 and 7, and the status of work in progress detailed at Appendix 1.

10. Internal Audit Action Tracking Tracadh Ghnìomhan In-sgrùdaidh

There had been circulated Report No. AC/34/24 by the Strategic Lead (Corporate Audit and Performance).

Concern was raised regarding revised action dates and it was asked if target dates could be more realistic when first set. It was also asked if the Committee could assist in moving forward the Corporate Landlord Model. The Strategic Lead (Corporate Audit and Performance) confirmed that she would raise the Committee's concerns with the Corporate Management Team.

The Committee, having scrutinised and commented upon the action tracking information provided, including the revised target dates for the completion of outstanding actions.

11. Update on the Global Internal Audit Standards Cunntas às Ùr mu Inbhean In-Sgrùdaidh Cruinneil

There had been circulated Report No. AC/35/24 by the Strategic Lead (Corporate Audit and Performance).

The Committee **NOTED**:-

- i. the changes arising from the new GIAS which would affect the Audit Committee; and
- ii. that further updates would be provided to Committee as work progressed with implementing the new GIAS.

12. Internal Audit Plan 2024/25 Plana In-Sgrùdaidh 2024/25

There had been circulated Report No. AC/36/24 by the Strategic Lead (Corporate Audit and Performance).

During discussion, the following items were raised:-

- the Council was focusing on improving educational standards and attainment, when benchmarked against other Local Authorities. The Audit Plan referred to Primary and Secondary Schools and it was hoped that the scope might incorporate that and ensure that the statistics and data collated was robust;
- it was hoped the internal audit on Climate Strategy and Sustainability would involve the risk identified in Item 7 of the agenda relating to the Council's Net Zero targets. In response to Member's comments it was stated that the scope for the audits could not be agreed at this time due to the new planning assessment required by the GIAS. However, this would require due consideration of risks and discussion with senior management to understand the current issues within the audit area;
- in relation to Roads Operations and Maintenance, reference was made to an audit report to the Committee earlier in the year around a depot and it was questioned if this Audit Plan would revisit that. Reviews had been

- undertaken on that specific depot already but Action Tracking would be monitored; and
- in identifying areas for audit, Members had a role to play given their insight in communities and, from an overall Council point of view, where they considered a focus was necessary.

The Committee **APPROVED** the 2024-2025/26 Internal Audit Plan provided at Appendix 1 of the report.

13. Payroll Overpayments Update Cunntas às Ùr mu Phàighidhean Anabarrach Rola-pàighidh

There had been circulated Report No. AC/37/24 by the Assistant Chief Executive – Corporate.

During discussion, the following items were raised:-

- the net value of overpayments had seen a 25% reduction and it was hoped that this would continue;
- it was the responsibility of each individual to indicate if they had received an overpayment;
- a note at the bottom of payslips, reminding employees to check the amount they had been paid, was suggested;
- in addressing the issue, it was important to take a person-centred approach;
- an indication of how much it was hoped to recoup was sought;
- the reason for the sudden increase in overpayments was also sought;
- the overpayment figure for 2023/24 was queried, as was the current total being pursued, recognising that former employees would be the more difficult group to recover overpayments from;
- there were incidents where employees had reported overpayments and when the overpayments had continued;
- the vast majority of payments were accurate and it was only 0.11% where overpayments had arisen. However, the Council had a duty to the public to recover as much as possible. Nevertheless, there would always be some instances where debts might have to be written off;
- the process review identified that late notification to the Payroll Team of changes was the most common cause of overpayments; and
- the gross figure being quoted was because of employer costs, such as National Insurance and Super Annuation contributions, which also had to be recovered.

The Committee:-

- i. **NOTED** the progress in relation to the Audit Recommendations agreed in June 2024 Audit Committee including all actions that had either been completed on-time or remained on target; and
- ii. **NOTED** that a further update report would be taken to May 2025 Audit Committee.

The meeting ended at 12.55 pm.