

## **The Highland Council**

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Tuesday, 17 November 2015 at 10.30am.

### **Present:**

Mr R Laird	Mr D Kerr
Mr G Phillips	Mr D Mackay
Mr B Fernie	Mr G MacKenzie
Mr A Baxter	Mr A MacKinnon
Mr B Clark	Mr A Rhind
Dr I Cockburn	Mr J Rosie
Mr L Fraser	Mr J Stone

### **Non-Members also present:**

Mr N MacDonald	Ms J Douglas
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### **Officials in Attendance:**

Ms M Morris, Depute Chief Executive/Director of Corporate Development  
Mr D Yule, Director of Finance  
Mr N Rose, Head of Audit and Risk Management  
Mr B Porter, Head of Resources, Care & Learning  
Miss D Sutherland, Audit and Risk Manager  
Ms T Page, Customer Services Manager  
Mr B Mackinnon, Employability Team Leader  
Miss J MacLennan, Democratic Services Manager  
Mr S Taylor, Administrative Assistant, Corporate Governance

**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 Mrs M Davidson, Mr R Balfour, Mr A Duffy, Mr J Ford, Mr A Henderson, Ms A MacLean, Mr B Murphy and Mr G Rimell.

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

There were no Declarations of Interest.

### **3. Internal Audit Reviews and Progress Report Ath-bhreithneachaidhean In-sgrùdaidh agus Aithisg Adhartais**

There had been circulated Report No. AS/25/15 dated 5 November 2015 by the Head of Audit and Risk Management which summarised the final reports issued since the date of the last meeting, details of work in progress and other information relevant to the operation of the Internal Audit Section and amendments which required to be made to the Audit Plan for 2015/16, predominantly in view of resourcing issues.

During a summary of the current work of the Internal Audit Section, information was provided on Unplanned Work, Corporate Fraud, Staffing Resources and Vacancies, progress against the 2015/16 Plan and Provision of Annual Audit Opinion and Performance.

During discussion, reference was made to the current year's Audit Plan and concern was expressed in relation to the proposed deletions in regard to Community Services, namely Homelessness, Transport Management System and Private Use of Vehicles.

In response, and with reference to resourcing limitations, it was confirmed that the decision had been taken to delete those reviews with medium priority in the first instance from the current year's Plan (and before any consideration of high priority reviews) on the basis that they would now be taken forward for inclusion in the following year's Plan.

At this point, and with specific reference to the following year's Audit Plan, the Chair advised that he was shortly to meet with the Head of Internal Audit and Risk Management to discuss this in detail and would welcome any comments from Members as to what they might wish to see included in this regard.

In regard to the final reports, issues were highlighted as follows:-

Corporate Development/Finance – Charging for Services (Reasonable Assurance) – it had previously been agreed that a Member/Officer Group should be set up to consider and make recommendations on the full impact of phasing out existing free school lets over a three year period from April 2015 but it was noted that to date this Group had not been established. Also, the policy had not been reviewed since its implementation in October 2011 and it was suggested that reviews had to be undertaken more regularly in future.

In response, it was confirmed that work was now in progress in regard to the charging policy and it was envisaged that this Member/Officer Group would meet within the next few weeks with a report back to Members thereafter.

Development & Infrastructure – Pulteneytown Peoples Project (Substantial Assurance) – no issues raised.

Finance – Payroll Procedures (Reasonable Assurance) – no issues raised.

Finance – Income Systems (Substantial Assurance) – no issues raised.

Thereafter, the Committee:-

- i. **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;
- ii. **NOTED** the resource limitations in respect of the Audit Plan for 2015/16; and
- iii. **APPROVED** the amendments to the Audit Plan for 2015/16 as detailed.

#### 4. **Resourcing of Internal Audit Goireasachadh In-Sgrùdaidh**

There had been circulated Report No. AS/26/15 dated 5 November 2015 by the Head of Audit and Risk Management which highlighted the resourcing of the Internal Audit and Risk Management Section, particularly in respect of the vacancy of an Auditor post which was shortly to arise.

In this regard, the opportunity to hold this post open (and the impact that this would have) had been considered in terms of the ability to provide an annual audit opinion as required by the Public Sector Internal Audit Standards, the focus and scope of future audit work and the frequencies with which audit reviews were undertaken.

During discussion, Members raised the following issues:-

- if it was subsequently agreed not to fill this post, this would represent an additional saving over and above the required 6% budget saving which had already been achieved by the Audit Team. Also, the Scottish Directors of Finance performance indicator (which considered the cost of internal audit per £m of next expenditure) had already shown Highland Council to have the fifth lowest cost for 2014/15;
- it was questionable as to whether it was reasonable to expect the Internal Audit Team to exceed its savings target in comparison with other Services within the Council;
- there was concern that any further reduction in the staffing levels within the Internal Audit Section could have a detrimental impact on current workload, specifically in terms of the effect of delays in undertaking audit work;
- it had to be recognised that deletion of this post could represent 'false economy' for the Council in that the work undertaken by Internal Audit in terms of the early identification of potential risks and issues across Services actually saved money in regard to both the Capital and Revenue budgets;
- whilst all Members would wish to see the Audit Team fully resourced (and whilst it was acknowledged that this Team was now fully stretched), it had to be accepted that the financial situation for the Council remained unclear and it was therefore important that no final decisions were taken until the budget position had been clarified for all Services and the only reasonable option was to hold this post vacant until that time; and
- in terms of future reviews to be undertaken by the Scrutiny Working Group, there was a need for more information on how Members could contribute to such reviews and in this regard it was hoped that there could be a focus in future on cross Council reviews as opposed to departmental reviews; and
- it was clarified that the Chair and Vice Chair were to meet with the Head of Internal Audit & Risk Management in regard to the Audit Plan in the next few

weeks and that the Plan would be submitted to the next meeting to allow consideration by Members at that time.

Thereafter, the Committee **NOTED**:-

- i. the resourcing of the Internal Audit and Risk Management Section and in particular the implications of not filling an Auditor post which would shortly become vacant; and
- ii. that the Head of Audit and Risk Management would still be able to form an annual audit opinion as required by the Public Sector Internal Audit Standards (although this would be “at risk” in the event of further resourcing issues) and the impact on the wider work of the Internal Audit and Risk Management Section.

## **5. Action Tracking Tracadh Ghníomhan**

It was noted that the Audit and Scrutiny Committee received annual updates to provide assurance that the agreed actions arising from audit reports had been satisfactorily implemented.

In this regard, there had been circulated Report No. AS/27/15 dated 6 November 2015 by the Head of Audit and Risk Management which provided information on the most recent action tracking undertaken since the last update and which covered the period from 1 June 2014 to 31 October 2015.

The Committee **NOTED** the action tracking information which had been provided, including the revised target dates for the completion of outstanding actions.

## **6. Corporate Complaints Process Report Aithisg Ghearanan Corporra**

There had been circulated Report No. AS/28/15 dated 4 November 2015 by the Depute Chief Executive/Director of Corporate Development which provided an update on the Council’s Corporate Complaints Process for the period from 1 April to 30 September 2015, along with comparative data and a high level analysis of complaint handling per Service.

In this regard, findings identified as part of the recent Public Sector Improvement Framework (PSIF) review of the Corporate Complaints Process had also been included along with the resulting improvement initiatives and actions in hand to step up performance.

During discussion, Members raised the following issues:-

- it would be helpful if in future the housing aspect of the Community Services section could be identified separately;
- there was a need for future reports to list the measures being taken to prevent issues (which had been the subject of complaint) being repeated, perhaps through information on training for staff where necessary; and
- reference was made to a specific and ongoing situation whereby numerous complaints had been made about dumping of vehicles in the Tain area. In

this regard, other agencies had also now become involved and it was stressed that a solution needed to be found, either through the complaints process or some other mechanism, to both avoid further complaints and protect the reputation of the Council.

Thereafter, the Committee **NOTED**:-

- i. the six month and annual performance for Stage 1 and Stage 2 complaints;
- ii. the benchmarking activity of the Ombudsman;
- iii. the risk around increasing complaints against decreasing budgets; and
- iv. the Public Sector Improvement Framework (PSIF) work which had been undertaken and the ongoing work in the actions to ensure improvement.

**7. Annual Report of the Commissioner for Ethical Standards in Public Life in Scotland**

**Aithisg Bhliadhnail a' Choimiseanair airson Bhun-tomhasan Beusail ann am Beatha Phoblach**

There had been circulated Report No. AS/29/15 dated 2 November 2015 by the Depute Chief Executive/Director of Corporate Development which presented a summary of the Commissioner's Annual Report for 2014/15 for information.

During discussion, and in response to a query in regard to complaints which had been made by Members in respect of other Members of the Council (and which had been subsequently dismissed by the Commissioner), it was confirmed that information would be provided in due course in relation to attendance by Members at the training which had been provided on the Code of Conduct.

Thereafter, the Committee otherwise **NOTED** the content of the Public Commissioner's Annual Report as circulated.

**8. Annual Report - Scottish Public Service Ombudsman Cases Received by the Council**

**Cùisean Ombudsman Sheirbheisean Poblach na h-Alba a Fhuair a' Chomhairle – Aithisg Bhliadhnail**

There had been circulated Report No. AS/30/15 dated 6 November 2015 by the Chief Executive which set out the number and types of complaint against the Council which had been referred to the Office of the Scottish Public Sector Ombudsman (SPSO) in the preceding year and the subsequent judgement in the cases where the SPSO had concluded his inquiry.

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

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

9. **Audit Scotland – Code of Audit Practice (Consultation Draft)**  
**Sgrùdadh Alba – Còd Dhòighean-obrach Sgrùdaidh (Dreachd Chomhairleachaidh)**

There had been circulated Report No. AS/31/15 dated 5 November 2015 by the Director of Finance which referred to a Council response to the Code of Audit Practice Consultation Draft.

In this regard, it was confirmed that this was an important opportunity to consider the scope and responsibilities of Audit Scotland and the report had therefore set out the framework for Public Audit, the responsibilities and framework for the conduct of the Annual Audit of the Council's Accounts, as well as wider work audit work.

The Committee **NOTED** the response to the Code of Audit Practice as detailed in Appendix 2 to the report.

The meeting ended at 11.15pm.