

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 24 March 2016 at 10.30am.

Present:

Mr R Laird	Mr A Henderson
Mr G Phillips	Mr D Kerr
Dr D Alston	Mr G MacKenzie
Mr A Baxter	Mr A MacKinnon
Mr B Clark	Mr B Murphy
Dr I Cockburn	Mrs M Paterson
Mrs M Davidson	Mr A Rhind
Dr J Davis	Mr J Rosie
Mr B Fernie	Mrs G Sinclair
Mr H Fraser (Substitute)	Mr J Stone
Mr L Fraser	

Non-Members also present:

Mr N MacDonald	Mr G Farlow
Mr T MacLennan	

Officials in Attendance:

Ms M Morris, Depute Chief Executive/Director of Corporate Development
Mr D Yule, Director of Finance
Mr S Black, Director of Development and Infrastructure
Mr N Rose, Head of Audit and Risk Management
Miss D Sutherland, Audit and Risk Manager
Ms K Lackie, Business Manager
Miss J MacLennan, Democratic Services Manager
Miss C Maragh, Administrative Assistant

Also in attendance:

Mr S Boyle, Assistant Director, Audit Scotland
Ms M Bruce, Senior Audit Manager, 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.**

Mr R Laird in the Chair

1. Apologies for Absence Leisgeulan

Apologies for absence were intimated on behalf of Mr R Balfour and Mr J Ford.

2. Declarations of Interest Foillseachaidhean Com-pàirt

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

Item 3 – Mr A Baxter, Mr G Farlow, Mr A Henderson and Dr J Davis (all Non-Financial)

City of Inverness Area Committee - IOTA Project

At this point in the meeting, Mrs G Sinclair referred to the last City of Inverness Area Committee meeting and specifically to comments which she had made in relation to work undertaken by the Internal Audit team on the IOTA project.

In this regard, she stressed that, whilst the investigation into the IOTA project had been difficult and complex, she had not at any time intended for her comments to be taken as criticism of the Head of Internal Audit or his team as she had always held the work which had been undertaken by them in very high regard.

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

Declarations of Interest –

Mr A Baxter, Mr G Farlow, Mr A Henderson and Dr J Davis declared non-financial interests in this item in terms of connections to groups involved with the Community Challenge Fund, EFF Programme and LEADER respectively 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 their involvement in the discussion.

There had been circulated Report No. AS/1/16 dated 4 March 2016 by the Head of Audit and Risk Management 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, including Corporate Fraud, Staffing Issues, Progress Against the 2015/16 Plan and Provision of Annual Audit Opinion and Performance.

The report also referred to amendments which required to be made to the Audit Plan for 2015/16.

During discussion, Members raised the following issues:-

- there was concern that Services still appeared to be failing to respond to requests for information by the Internal Audit team, despite previous assurances which had been given in this regard, and there was therefore a need to introduce an escalation policy in order that issues could be remedied in an appropriate and timely manner;
- there was disappointment that the audit on School ICT capacity and storage arrangements had been deleted from the Plan as the lack of connectivity and bandwidth was a major concern for communities across the Highlands

although it was noted that attempts would be made to accommodate this review at an early stage of 2016/17; and

- consideration should be given to the role of the Committee in terms of an overview of the implementation of actions arising from audit reports. In this regard, it was noted that more frequent reports would be provided in future as opposed to annually as at present.

The final reports were then presented as follows:-

- (i) Care & Learning - Information Management in Schools (Reasonable Assurance)
- (ii) Care & Learning - Family Teams – Management of Staffing Establishment (Substantial Assurance)
- (iii) Care & Learning - Off Site Excursions (follow up) (Limited Assurance)
- (iv) Corporate Development - Data Protection (Reasonable Assurance)
- (v) Corporate Development - Community Challenge Fund – Governance Arrangements (Reasonable Assurance)

During discussion, disappointment was expressed in terms of the findings of the report and specifically in relation to the problems which had been experienced during implementation of the process which had led to a lack of communication and understanding and frustration within communities. As such, it was regretted that the Fund had not realised its potential and it was stressed that lessons should be learned for the future, including discussion with communities in order to highlight relevant issues.

- (vi) Development & Infrastructure - EFF Programme 2014/15 (Full Assurance)
- (vii) Development & Infrastructure - LEADER 2014/15 (Substantial Assurance)
- (viii) Development & Infrastructure - Corporate Property Asset Management System (Substantial Assurance)
- (ix) Development & Infrastructure - Drummuie Offices – Chimney Rebuild (n/a)

During discussion, and in light of the issues which had been raised within the report, it was agreed that the Chair and Vice Chair should meet with the Depute Chief Executive/Director of Corporate Development and the Director of Development and Infrastructure to further discuss the details of the report and future action to be taken and also to enable an overview to be provided of progress with other projects currently being undertaken by the Development and Infrastructure Service.

- (x) Finance - Purchase Cards (Reasonable Assurance)

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. **Internal Audit Plan 2016/17** **Plana In-Sgrùdaidh 2016/17**

There had been circulated Joint Report No. AS/2/16 dated 10 March 2016 by the Director of Finance and Head of Audit and Risk Management which provided details of the Internal Audit Section's Plan for the financial year 2016/17 and sought approval in this regard.

During discussion, Members raised the following issues:-

- in relation to the Development and Infrastructure Service, and specifically Repairs and Maintenance in Schools, there was a need to ensure that this covered the whole Care & Learning estate and not just Schools;
- thanks should be conveyed to the Chair for ensuring that requests coming forward from Members in relation to areas for audit had now been included in the Audit Plan;
- in regard to the Care & Learning Service, and specifically the Provision and Maintenance of Sports Pitches, it was essential that consultation was undertaken with users wherever possible;
- more information was required on the allowance of 20 days which had been made for the programme of scrutiny reviews. In this regard, it was agreed that the Chair would meet with the Head of Audit to discuss this further;
- in relation to Audit resources, the proposals currently being developed to enhance the team from other sources were welcomed;
- in terms of the transfer of the Performance Team in order to create an Audit and Performance Section, it was crucial that there should be no compromise to the independence of the Internal Audit Team as a whole and that there should therefore be clear lines of management responsibility;
- there was a need to put in place arrangements for a review of the new Audit and Performance Section after a period of one year; and
- any proposed change to the role of the Committee should be fully examined as part of discussion of the Scheme of Delegation at the next full Council meeting in May.

Thereafter, the Committee **APPROVED** the Audit Plan for 2016/17 as circulated.

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

There had been circulated Report No. AS/3/16 dated 15 March 2016 by the Head of Audit and Risk Management which provided details of the latest review of the corporate risks by the Executive Leadership Team.

During discussion, reference was made to the status of 'completed' which had been attached to the delivery of the new Council office and Wick and it was confirmed that, although there were some issues still being addressed as part of this project, it was now considered that it could be removed from the Risk Register.

In regard to the ragging of projects, it was clarified that 'green' ragging related to those projects which were considered as being actively managed and addressed.

Finally, in response to issues raised at meeting which related to the forthcoming EU Referendum, it was confirmed that, whilst such issues might at some point in the future have implications for the budget of the Council, they were at the moment outside the remit of what could be competently considered and addressed.

Thereafter, the Committee **NOTED**:-

- i. the Corporate Risk Register provided at Appendix 1 and the risk profile provided at Appendix 2 to the report; and
- ii. that a further review of the corporate risks would be undertaken by the Executive Leadership Team with the results being reported to the September meeting.

6. Scottish Public Service Ombudsman Cases Received by the Council – Update Report
Cùisean Ombudsman Sheirbheisean Poblach na h-Alba a Fhuairleadh leis a' Chomhairle – Aithisg as Ùr

There had been circulated Report No. AS/4/16 dated 15 March 2016 by the Chief Executive which set out the number and types of complaint about the Council which had been determined by the Office of the Scottish Public Services Ombudsman in the period since the last report to the Committee.

In this regard, it was confirmed that the SPSO reports could be accessed and read in full at: www.spsso.org.uk

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

7. Audit Scotland Financial Reporting & Scrutiny: Why the Accounts Matter
Aithris & Sgrùdadh Ionmhasail: Carson a tha na Cunntasan Cudromach

There had been circulated Report No. AS/5/16 dated 16 March 2016 by the Director of Finance which provided details of the Audit Scotland National Report – 'Why the Accounts Matter' - and requested consideration of how best to address the findings.

The Committee:-

- i. **NOTED** the Audit Scotland National report; and
- ii. **AGREED** that a Workshop should be organised to consider in detail the questions which had been attached as Appendix 1 to the report.

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

There had been circulated the following External Audit Report which had been prepared by the Council's External Auditors (Audit Scotland) and issued since the last meeting:-

- The Highland Council's Annual Audit Plan 2015/16

During a summary of the report, reference was made to the audit issues and risks which had been highlighted within the report, including the financial statement and wider dimension risks.

In this regard, Members made reference to the loan which had been given by the Council to Inverness Airport Business Park Limited and queried the current position in relation to repayment. In response, it was confirmed that the Council had requested that the Company prepare a revised Development Plan, including cash flow projections and revised estimates as to when it was expected that the loan would be repaid. This Plan had been received but had been sent back to the Company for the inclusion of more detail and this would be submitted to the Planning, Development and Infrastructure Committee in due course for further consideration by Members at that time.

Thereafter, the Committee otherwise **NOTED** the terms of the report as circulated.

The meeting ended at 12.10pm.