

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 16 June 2016 at 10.30am.

Present:

Mr R Laird	Mr A Henderson
Mr G Phillips	Mr D Kerr
Mr A Baxter	Mr G MacKenzie
Mr B Clark	Mr A MacKinnon
Dr I Cockburn	Mrs M Paterson
Dr J Davis	Mr T Prag (Substitute)
Mr B Fernie	Mr A Rhind
Mr J Ford	Mr J Stone
Mr L Fraser	

Non-Members also present:

Mr K Gowans

Officials in Attendance:

Ms M Morris, Depute Chief Executive/Director of Corporate Development
Mr D Yule, Director of Finance
Mr S Fraser, Head of Corporate Governance
Mr M MacLeod, Head of Planning & Building Standards
Mr B Porter, Head of Resources, Care and Learning
Ms S Campbell, Head of Children's Services
Ms C Campbell, Head of Performance and Resources
Miss D Sutherland, Audit and Risk Manager
Mr F MacDonald, Head of Property
Mr R Pope, Roads and Community Works Manager
Ms M Grant, Customer Service Delivery Manager
Mr S Duncan, Property Risk Management Officer
Ms E Johnston, Corporate Performance Manager
Ms T Page, Customer Service Manager
Miss J MacLennan, Democratic Services Manager
Miss C Maragh, Committee Administrator

Also in attendance:

Mr S Boyle, Assistant Director, 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 Dr D Alston, Mr R Balfour, Mr A Christie, Mr B Murphy, Mrs M Davidson and Mr J Rosie.

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

There were no Declarations of Interest at the meeting.

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

There had been circulated Report No. AS/6/16 dated 6 June 2016 by the Audit and Risk Manager which provided details of the final reports issued since the previous meeting of the Committee, the work in progress and other information relevant to the operation of the Internal Audit Section. The report also referred to amendments which required to be made to the Audit Plan for 2016/17.

With specific reference to the update on the Ben Wyvis Primary School project, it was noted that there had been a number of management agreed actions in response to recommendations and responsibilities had been split across Officers from the Care & Learning Service and the Development & Infrastructure Service. One of the actions had been to report back to the relevant Committees on progress with the action plan from the audit and the actions from a previous lessons learned report and Appendices 1 and 2 provided information in this regard. In summary, it was confirmed that 27 of the 29 actions agreed had now been completed, with the two remaining actions in progress.

During discussion, Members raised the following issues:-

- there was a need to convey thanks to the Chair and Officers for bringing this issue back to the Committee;
- it was imperative that all Members took account of the issues which had been raised and the improvement actions which had been put in place;
- lessons had to be learned from what had happened, particularly in ensuring that this was not repeated with any future projects;
- it had to be acknowledged that the companies concerned and also the internal processes within the Council had failed on this project;
- it was important to record thanks to the respective Community Councils and residents within Conon and Maryburgh for their patience and understanding during this project;
- an update should be provided for Members on the time spent by Officers on the Ben Wyvis project;
- further clarification was needed on the timescale for completing the review of the Capital Clerk of Works role; and
- it was imperative that a strong message continued to be sent out that sanctions would be applied in cases where companies and individuals failed to deliver Council projects to a satisfactory standard.

During further discussion on the covering report, reference was made to the Staffing Issues section and it was suggested that further information was required on the role/remit and appointment of the new Corporate Audit & Performance Manager in order to ensure that there was no lessening of the focus on audit responsibilities in future.

Also, in relation to progress against the 2016/17 Plan, and with specific reference to the proposal to test a sample of 30 housing benefit cases (15 rent allowance and 15 rent rebate), it was explained by the Audit and Risk Manager that the sample was selected by Audit Scotland and included cases across the whole Council area and this work involved using the HBCOUNT system to record the results of the audit testing.

The final reports were then presented as follows:-

(i) Care & Learning – Self Directed Support (Limited Assurance)

It was noted that there was a change to the wording in the second paragraph of Section 4.1.5 within the Action Plan whereby it should have stated that 'Following advice from the Council's Legal Manager, staff have been informed they should make sure that the services/activities are registered and appropriate PVG checks undertaken. Once established, this will also apply to the Brokerage Service'.

Thereafter, and during discussion, Members raised the following issues:-

- a further update was required in relation to the current position with Option 2 within the report which it was noted was 'designed to provide greater transparency and control for the supported person without the requirement to take this support as a direct payment'. In this regard, there was a degree of discretion for the Local Authority in how it could develop and deliver this option but it should take steps to ensure that this differed in nature from Option 1 (a direct payment as defined under Section 12B of the Social Work (Scotland) Act 1968) and Option 3 (where the Authority arranged any services on the person's behalf);
- there was concern that very few reviews appeared to have been undertaken to date in order to ensure that the best type of support was being provided;
- it was imperative that the process was as robust as possible and closely monitored in the future;
- in light of the finding that there was no system in place to record and monitor how successful improvements had been, there was a requirement for further information on when monitoring procedures had been implemented in order to assess whether the expected outcomes had been achieved;
- there was a need to ensure that parents seeking respite care were provided with as much help as possible;
- an update on the current position in regard to PVG checks was required as a priority; and
- a further update report to both the Education, Children & Adult Services Committee and the Audit & Scrutiny Committee was necessary in order to update Members accordingly.

(ii) Care & Learning – Inspection of Equipment in Schools (follow-up) (Limited Assurance)

During discussion, and with specific reference to the 'Electrical Risk Review' report which had highlighted a number of issues with the level and cost of remedial works identified across the Council, it was suggested that in future both maintenance and monitoring had to be implemented at a much earlier stage.

Also, and in welcoming assurances that the Council was now working closely with Schools in order to ensure that the appropriate level of support was in place for Head Teachers and staff, it was reiterated that Asset Registers had to be reviewed regularly in order to provide confidence that all items being purchased were included timeously.

(iii) Care & Learning – Managing School Rolls (Limited Assurance)

During discussion, Members raised the following issues:-

- thanks should be conveyed to the Chair and Officers for listening to the concerns which had been raised and for bringing this report to the Committee;
- there had been productive meetings held with Officers and as such it was imperative that there was much closer liaison between the Care & Learning Service and the Development & Infrastructure Service in future in order to keep pace with infrastructure and planning developments;
- there was a need to record thanks to Head Teachers and parents for their understanding over this matter;
- all recommendations and measures taken had to be highlighted in order that this situation was not repeated in future;
- one of the key issues for the future was the need to focus on population demographics in more detail and to take account of not just the number of houses being built in specific areas but also the size of those houses;
- there should also be a review of the funding levels from developers; and
- there was a need to regularly review the statistics for local Schools when considering the renewal of planning permissions.

(iv) Community Services – Administration of Fuel (Limited Assurance)

During discussion, Members raised the following issues:-

- it was disappointing that issues raised in the past did not appear to have been resolved and this was a matter of concern;
- there was a need for a business case to be compiled with a focus on vehicle tracking as well as mileage and this should be considered on a 'spend to save' basis;
- there was a need for clarification on the target dates which had been listed in the report and specifically confirmation of whether actions had now been completed;
- it should be treated as a disciplinary matter if staff were not complying with the requirement for the use of fuel cards;

- consideration should be given to how other Councils were dealing with this issue in order to identify areas of best practice; and
- assurances given at the meeting that a report would be compiled within a 2/3 month period and reported to both the Community Services Committee and the Audit & Scrutiny Committee were welcomed.

(v) Community Services – Grass Cutting Contract - Monitoring and Contract Payment Arrangements (follow-up) (Reasonable Assurance)

During discussion, Members raised the following issues:-

- the self-monitoring of performance by contractors, which often incurred penalties, was not an ideal situation and the low level of inspections was also a cause for concern;
- the complexity of the Highland area and the associated costs of monitoring presented particular problems and as such consideration should be given to taking this service back 'in-house', not least in light of the number of complaints currently being received;
- there should be a focus on whether Housing Officers and Community Wardens could have a role in the inspection process;
- there were issues currently with grass not being maintained on riverbanks and also within Burial Grounds and these issues had to be resolved quickly;
- some grass cutting was undertaken through the Development & Infrastructure Service and there could be significant variances in quality of performance;
- consideration should be given as to whether all grass cutting in amenity areas should be the responsibility of Community Services; and
- there should be a report on the costs of the inspection regime as it was not acceptable for any necessary action only to be taken when complaints were received.

(vi) Corporate Development/ Finance – Review of Performance Indicators 2014/15 (Reasonable Assurance)

(vii) Development & Infrastructure – Compliance with the Carbon Reduction Commitment Energy Scheme 2014/15 (Limited Assurance)

During discussion, concern was expressed regarding the very complex and time consuming factors associated with the need for an annual review of compliance with the Carbon Reduction Commitment Energy Scheme and it was suggested that it would be helpful if the need for this could be reduced at some point in the future.

(viii) Finance – Procurement - Review of the Taxi and Private Hire Vehicle Inspections Contract (Substantial Assurance)

During discussion, it was suggested that there should be regularly monitoring of the inspections regime and that documentation should be clear and concise in order to avoid over complexity which often caused problems in the completion of forms, especially for small businesses.

It was also agreed that a report on the collation of data on spend with both local contractors and small/medium enterprises (which was currently a work in progress) should be submitted to a future meeting and should include reference to social enterprises.

Thereafter, the Committee:-

- i. **NOTED** the update report provided on the Ben Wyvis Primary School Project;
- ii. **NOTED** the current work of the Internal Audit Section;
- iii. **APPROVED** the amendments to the Audit Plan for 2016/17; and
- iv. **AGREED** that further follow-up reports should be presented to future meetings of the relevant Committees in light of the discussions/proposals in regard to (i) Community Services – Administration of Fuel - Vehicle Tracking, (ii) Community Services - Grass Cutting Contract and (iii) Procurement (Review of Taxi and Private Hire Vehicle Inspections Contract).

4. Action Tracking Report Aithisg a' Leantainn Gnìomhachd

There had been circulated Report No. AS/7/16 dated 6 June 2016 by the Audit and Risk Manager which provided information regarding the most recent action tracking undertaken since the last update provided on 17 November 2015.

In this regard, and in respect of action tracking/follow up findings, it was confirmed that 138 actions (as opposed to the stated 136 actions) had now been satisfactorily implemented. In addition, 6 actions (as opposed to the stated 7 actions) had not been implemented and had been made redundant for the reasons outlined in the report.

The Committee **NOTED**:-

- i. the action tracking information which had been provided, including the revised target dates for the completion of outstanding actions; and
- ii. that the action tracking information would now be provided on a six-monthly basis in future.

5. Statement on Internal Control and Annual Report 2015/16 Aithris mu In-Smachd agus Aithisg Bhliadhnail 2015/16

There had been circulated Report No. AS/8/16 dated 6 June 2016 by the Audit and Risk Manager which included an assessment of the adequacy, reliability and effectiveness of the Council's system of internal financial control and provided information for the Council's Annual Governance Statement. In addition, the Annual Report provided an overview of the Internal Audit Section's activities and performance data for 2015/16.

During a summary of the report, it was confirmed that one of the main areas of non-compliance related to the requirement for an external assessment to be undertaken every five years or less. In this regard, discussions were currently being progressed with West Dunbartonshire's Internal Audit Team who were to undertake the assessment and it was expected that a final report on this would be submitted to the Committee in March 2017.

Also, in terms of areas of concern, it was highlighted that the number of high grades had increased significantly from previous years but that seventeen of these grades had come from three audit reports, namely those focused on the project to implement a new debt recovery system, the capital project for the building of the new Ben Wyvis Primary School and governance of Inverness Old Town Arts and the Inverness City Arts Group.

At this point, the Director of Finance confirmed that he had also just received the Audit Scotland report on the Review of the Key Financial Systems within the Council and further information in this regard would be presented to Members in due course.

During discussion on the Statement on Internal Control, and specifically the reference to the IOTA brand name within the governance of Inverness Old Town Arts and the Inverness City Arts Group, it was confirmed that this matter was still being pursued with the former Project Manager. It was also noted that Creative Scotland had agreed to consider a fresh application from the Council for this project and if this was pursued, a formal agreement would require to be reached with the hotel owner before any costs were incurred.

Also, in respect of the review of the Pultneytown People's Project (PPP), and specifically the previous recommendation that consideration should be given to the Council producing a single Service Level Agreement with PPP for all services, it was noted that this had been investigated but it had proved to be impossible as the Employability Services tender was underway, the Housing Services tender process was being prepared and there was uncertainty over Deprived Area Funds in 2017/18.

Thereafter, the Committee otherwise **NOTED** the content of the report and the audit opinion which had been provided.

At this point, the Chair confirmed that for the record there was no suggestion of any criminal activity by anyone associated with the IOTA project.

6. Financial Regulations – Proposed Amendments Ath-sgrùdadh de Riaghailtean Ionmhasail

There had been circulated Report No. AS/9/16 dated 25 May 2016 by the Audit and Risk Manager which referred to proposed amendments to the Council's Financial Regulations arising from the Local Authority Accounts (Scotland) Regulations 2014, operational changes to fraud investigations following the formation of the Corporate Fraud Team and an amendment in the job title of the Head of Audit and Risk Management.

In this regard, proposed changes had been highlighted as follows – (i) the Regulations to be amended to confirm that the Local Authority Accounts (Scotland) Regulations were now in force, (ii) the following wording to be deleted "Where investigations indicate that a criminal offence may have been committed, the Head of Audit & Risk Management will notify the Chief Executive and will seek permission to refer the matter to the Police" and (iii) references to the 'Head of Internal Audit & Risk Management' to be replaced by 'Corporate Audit & Performance Manager'.

* The Committee **AGREED TO RECOMMEND** acceptance of the revisions to the Council's Financial Regulations as detailed.

7. Standards Commission: Councillors' Code of Conduct Investigation into Complaints
Coimisean nan Inbhean: Sgrùdadh Ghearanan Còd Giùlain nan Comhairlichean

There had been circulated Report No. AS/10/16 dated 3 June 2016 by the Depute Chief Executive/Director of Corporate Development which provided information in relation to complaints dealt with by the Standards Commission during the period 2015/16 in relation to alleged breaches of the Councillors' Code of Conduct by Members of Highland Council and the outcome of the Standards Commission's investigations into these complaints.

The Committee **NOTED** that, in respect of the complaints against Highland Council Members which had been concluded during 2015/16, the Standards Commission had found that one Member had been found to have breached the Code of Conduct as detailed in the report.

8. Corporate Complaints Process Report
Aithisg Ghearanan Corporra

There had been circulated Report No. AS/11/16 dated 1 June 2016 by the Depute Chief Executive/Director of Corporate Development which provided an update on the Council's Corporate Complaints Process for the period 1 October 2015 to 31 March 2016, along with comparative data and a high level analysis of complaint handling per Service.

Progress on actions from the Public Sector Improvement Framework (PSIF) review of the Corporate Complaints Process had also been included.

The Committee **NOTED**:-

- i. the six month and annual performance for Stage 1 and Stage 2 complaints;
- ii. the benchmarking and activity of the Ombudsman and Improvement Service; and
- iii. the PSIF actions which had been undertaken and the ongoing work to ensure improvement.

9. Audit Scotland and Accounts Commission National Reports
Aithisgean Nàiseanta Sgrùdadh Alba agus Coimisean nan Cunntasan

There had been circulated Report No. AS/12/16 dated 2 June 2016 by the Director of Finance which presented two national reports applying to Local Government in Scotland, highlighted the key messages and considered how the Council was responding to these reports.

In this regard, the reports had been circulated as follows:-

- a) Audit Scotland National Report - Overview of Local Government in Scotland 2016

b) Accounts Commission Annual Report 2015/16

The Committee **NOTED**:-

- i. the national reports from the Accounts Commission and Audit Scotland as circulated;
- ii. the main issues highlighted in Section 2 of the report; and
- iii. the implications and actions currently being taken by the Council as detailed in Section 3 of the report.

The meeting ended at 12.50pm.