

## **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 November 2016 at 10.30am.

### **Present:**

Mr R Laird	Mr B Fernie
Mr G Phillips	Mr L Fraser
Dr D Alston	Mr D Kerr
Mr R Balfour	Mr G MacKenzie
Mr A Baxter	Mr A MacKinnon
Mr B Clark	Mr T Prag (substitute)
Dr I Cockburn	Mr R Saxon
Dr J Davis	Mr J Stone
Mrs M Davidson	

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

Mr K Gowans  
Mr J Gray  
Mrs L MacDonald

### **Officials in Attendance:**

Mr S Barron, Chief Executive  
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  
Ms T Urry, Head of Roads & Transport  
Mr B Porter, Head of Resources, Care & Learning  
Ms E Johnston, Corporate Audit & Performance Manager  
Miss D Sutherland, Corporate Audit Manager  
Miss J MacLennan, Democratic Services Manager  
Miss C Maragh, Committee Administrator

### **Also in attendance:**

Ms J Brown, Director, 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 R Laird in the Chair**

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

Apologies for absence were intimated on behalf of Mr A Christie, Mr A Henderson, Mr B Murphy, Mrs M Paterson, Mr A Rhind and Mr J Rosie.

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

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

Mr R Saxon – Item 4 - Non-Financial  
Dr I Cockburn – Item 4 - Non-Financial

**3. Introduction of the Council's External Auditors  
Toirt A-steach Luchd-sgrùdaidh na Comhairle on Taobh A-muigh**

The Chair, on behalf of the Committee, welcomed Ms Joanne Brown, Director of Grant Thornton, to the meeting as the Council's recently appointed External Auditors.

In response, Ms Brown undertook a short introduction on behalf of Grant Thornton and confirmed that she looked forward to working with the Committee over the coming months.

The position was **NOTED**.

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

**Declarations of Interest – Mr R Saxon and Dr I Cockburn declared non-financial interests in this item in terms of being members of the Caithness Local Access Forum and Wester Ross Local Access Forum 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/20/16 dated 14 November 2016 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.

In relation to the Internal Audit Section, specific reference was made to Other Work, including work for other Boards, Committees or Organisations, certification of grant claims, corporate fraud activity, Regulation of Investigatory Powers (Scotland) Act (RIPSA) and external assessment against the Public Sector Internal Audit Standards (PSIAS). In this latter regard, it was noted that a report would be provided to the March meeting.

In regard to Performance Information, and specifically the two indicators where performance had been less than the target, it was confirmed that these had focused on the responses from management which had been mixed and which had resulted in satisfaction levels ranging from 56-100%. Also, only three of the six audits issued had received a timely response (with a further two received slightly beyond the deadline) and it had been necessary to escalate this to Senior Officers in order to obtain the required responses.

At this point, the Chair confirmed that issues regarding the lack of timely responses from Services to Internal Audit reports had been raised on a number of occasions and sought clarification as to how this would now be addressed in light of the ongoing situation. In response, the Chief Executive advised that he had already raised this issue with the Executive Leadership Team and would do so again in order to ensure that improvements were put in place where necessary. However, it was important to note that there could be considerable levels of work involved in responding to Internal Audit reports, including the development of detailed action plans within Services, and this could often be an important contributory factor in terms of delays in responses.

The final reports were then presented as follows:-

(i) All Services – Rental Income (Limited Assurance)

During discussion, Members raised the following issues:-

- there was concern that a considerable level of knowledge in relation to rents had rested with individual Officers who had either moved to other Services or left the Council through voluntary redundancy and that the situation now appeared to be unclear in terms of who had taken over responsibility in a number of cases;
- there was therefore a need for all Services to ensure that there were sufficient systems in place to ensure that rent collection was able to continue if and when Officers left the Council;
- it was also a concern that the Council did not appear to be collecting all of the rental income due, including from rent reviews, and clarification was required in regard to lost income for which a figure of less than £10k had been contained in the report;
- whilst acknowledging the difficulties of identifying the history of certain issues which had been dealt with by Officers who had now left the Council, there was a need to now ensure that a more corporate approach was adopted and for measures to be put in place to ensure a better understanding and exploitation of assets on a commercial level;
- in terms of the future identification and recording of assets and properties, the proposals for a centralised system of Asset Registers was welcomed as it was not considered that the collation of information on spreadsheets was appropriate in this regard;
- there was a need for a full and detailed report on issues affecting harbours to be submitted to the next meeting of the Harbours Management Board in December;
- as a result of the issues which had come to light since the voluntary redundancy process, it had to be ensured in future that core competencies within the Council were being maintained;
- also in relation to the voluntary redundancy process, weaknesses had been highlighted in terms of the lack of 'exit interviews' and it was hoped that this could be addressed in any future processes in order to gain valuable information from Officers before they left the Council;
- in terms of the future work required in the compilation of Asset Registers, it had to be clarified that sufficient Officers were in place to undertake this work;

- there was concern about the interaction between Inverness Common Good Fund and other Common Good Funds and it was hoped that this, along with other issues, would be brought to the attention of and addressed by the new Common Good Fund Officer when in post;
- further clarification was required in terms of the current Asset Registers for Council housing;
- there were a number of outstanding issues which required to be addressed in relation to the Longman Industrial Estate and it was noted that these would be contained in the Internal Audit report on Common Good Rental Income which would be provided to the next meeting; and
- a review of progress on the issues raised in the report should be undertaken after a period of one year and it would be helpful if a report in this regard could be submitted to this Committee.

In response to the issues raised, the Chief Executive confirmed that he shared the disappointment which had been expressed by Members in relation to the limited assurance opinion which had been given to this report but confirmed that many of the issues related to the historical position which had been inherited by the Council. As such, it had to be acknowledged that this was a very complex situation which would take time to resolve but that the focus of Officers would be on centralising and modernising processes in order to rationalise the position. However, there was a need to highlight that the vast majority of rental income was currently being achieved.

In terms of the way forward, the Redesign Board was currently considering the application of commercial approaches where appropriate, along with all other options for the maximisation of income from Council assets and this would continue over the next few months.

Also, and in relation to the issues which had been raised in respect of the voluntary redundancy process, it was confirmed that improvements would be put in place where necessary in any future processes and not least in ensuring that the right staff were in the right places in terms of service delivery.

(ii) Community Services – Housing Rents (Full Assurance)

During discussion, it was queried as whether information was available in terms of how much of the uncollected rent figure was due to homelessness provision and also the related service charges.

In response, it was confirmed that this information was available and could be provided for Members, together with background papers, if necessary.

(iii) Finance Service - Matters Arising from the Statement of Internal Control 2015/16 (Substantial Assurance) – no issues raised.

(iv) Development & Infrastructure – LEADER Programme 2015/16 (Substantial Assurance) – no issues raised.

(v) Development & Infrastructure/ Community Services – Control of Road Bonds & Enforcement of Planning Conditions (Reasonable Assurance)

During discussion, Members raised the following issues:-

- thanks should be conveyed to the Chair and the Corporate Audit Manager for the report which had been produced and which summarised issues with a very complex history;
- it appeared that actions had been taken by the Council as and when possible but this had been limited in terms of the circumstances whereby often responsibility rested with individual developers;
- it was felt that generally there were many residents/owners who were not made aware of their rights and responsibilities from the outset and as such it was queried as to whether this could perhaps be raised with the Scottish Government;
- in highlighting the various issues associated with the Wester Inshes Development, it was stressed that this situation had been ongoing since 2008 and as such there was a need for a further report to a future meeting on any progress being achieved and/or actions being taken;
- similarly, and during a summary of the issues surrounding the Lochloy Development, it was suggested that the section of the report which dealt with that development should be submitted to the Nairnshire Committee to allow the Local Members to be updated accordingly;
- it would perhaps be helpful if more detailed scrutiny could be undertaken in relation to the terms and conditions for the sale of land to developers and also consideration given as to whether there was any scope for a review of the future percentage allocation of maintenance costs/charges;
- there was a need to ensure from the outset that any conditions set by the Council could be enforced if necessary in the future;
- clarification was also required in terms of which Service would be responsible for the funding of any subsequent Court action if conditions were not met;
- there was concern about the level of Council involvement in relation to issues connected to private (as opposed to Council) housing developments; and
- it should be highlighted that the purpose of the Internal Audit report had been to clarify the Council's legal responsibilities and this had been achieved. In terms of the issues which had been raised in relation to specific local areas, it was hoped that the local residents could work together, perhaps with legal assistance, to continue discussion with the developers concerned in order to reach a resolution.

Thereafter, the Committee otherwise **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.

## 5. **Action Tracking Report** **Aithisg a' Leantainn Gnìomhachd**

There had been circulated Report No. AS/21/16 dated 15 November 2016 by the Corporate Audit Manager which provided information regarding the most recent action tracking undertaken and which covered the period from 1 May to 31 October 2016.

In this regard, it was confirmed that a total of 92 audit recommendations had been made and the current position was that 82 (89%) of actions had been satisfactorily implemented, including a number of actions which previously had revised target dates. Six actions had not yet been implemented and had revised target dates and these related to Ben Wyvis Primary School, Governance of Inverness Old Town Arts and Inverness City Arts Group, School Off-Site Excursions and Administration of Fuel (Follow-Up).

During discussion, and with specific reference to the Governance of Inverness Old Town Arts and Inverness City Arts Group, clarification was requested on the two actions for which revised target dates had been set. In response, it was confirmed that these actions related to the continued use of the IOTA name and a potential overpayment to an individual and that both matters were currently being followed up although there had been no further progress to report to date.

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

## 6. **Code of Corporate Governance** **Còd Riaghladh Corporra**

There had been circulated Report No. AS/22/16 dated 7 November 2016 by the Depute Chief Executive/Director of Corporate Development which provided an update on progress with delivering the actions agreed in the Local Code of Corporate Governance for 2015/16 and also presented for further scrutiny the Code for 2016/17 which had been agreed by the Council on 27 October 2016.

In this regard, it was confirmed that Internal Audit had not been due to do an audit of the Code in the current year but had undertaken a review of it in order to inform the Statement on Internal Control and for the Annual Governance Statement which had been reported to the Committee in June 2016.

Also, the Code for 2016/17 had been amended following the full Council meeting in October in respect of Action 3.5 which had been changed from 'complete' to 'March 2017'.

The Committee **NOTED**:-

- i. the progress on delivering the agreed actions in the 2015/16 Code of Corporate Governance;
- ii. that Internal Audit had reviewed the Code to inform the Statement on Internal Control and for the Annual Governance Statement; and

iii. the 2016/17 Code of Corporate Governance as presented.

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

There had been circulated Report No. AS/23/16 dated 14 November 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 April to 30 September 2016, along with comparative data which included a high level analysis of complaint handling per Service.

In this regard, it was confirmed that there had been a number of factors which had influenced performance during the previous six month period, such as the impact of voluntary redundancies and the introduction of a new CRM system, which had led to a backlog of complaints having to be dealt with in some Services.

During discussion, concern was expressed at the statistics which had been presented in the report and it was suggested that there was a need to review the current position to assess as to whether the target dates which had been set for the handling of complaints were still realistic and/or reasonable.

In response, it was confirmed that, in addition to the Scottish Public Services Ombudsman indicators, the Council had set a target for 80% of complaints to be closed in full at both Stage 1 and Stage 2 as a key performance indicator but that this could be reviewed.

The Committee **NOTED**:-

- i. the six month and annual performance for Stage 1 and Stage 2 complaints;
- ii. the benchmarking activity of the Ombudsman; and
- iii. the work in relation to the Ombudsman Complaints Improvement Framework which had been undertaken as detailed in the report.

The Committee also **AGREED** that the target which had been set by the Council for 80% of complaints to be closed in full at both Stage 1 and Stage 2 should be reviewed to assess as to whether it was still realistic under the current circumstances.

The meeting ended at 12.16pm.