

The Highland Council

Minutes of Meeting of the **Audit and Scrutiny Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday, 2 March 2017 at 10.30am.

Present:

Mr R Laird	Mr D Kerr
Mr G Phillips	Mr B Lobban
Mr R Balfour	Mr G MacKenzie
Mr A Christie	Mr A MacKinnon
Mr B Clark	Mr B Murphy
Dr I Cockburn	Mrs M Paterson
Dr J Davis	Mr T Prag (substitute)
Mr B Fernie	Mr R Saxon
Mr L Fraser	Mr J Stone
Mr A Henderson	

Non-Members also present:

Mrs J Barclay
Mr T MacLennan

Officials in Attendance:

Mr D Yule, Director of Finance
Mr S Fraser, Head of Corporate Governance
Mr A Maguire, Head of Development and Regeneration
Mr D Haas, Inverness City Area Manager
Miss D Sutherland, Corporate Audit Manager
Mr M Bailey, Project Manager
Ms E Johnston, Corporate Audit & Performance Manager
Miss J MacLennan, Democratic Services Manager
Miss C Maragh, Committee Administrator

Also in attendance:

Mr C McDougall, Audit & Risk Manager, West Dumbartonshire Council
Ms J Brown, Director, Public Sector Assurance, 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 Dr D Alston, Mrs M Davidson, Mr A Rhind and Mr J Rosie.

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

There were no Declarations of Interest.

**3. External Assessment of Compliance with the Public Sector Internal Audit Standards (PSIAS)
Measadh on Taobh A-muigh air Gèilleadh le Inbhean In-Sgrùdaidh na h-Earrainn Poblach**

There had been circulated Report No. AS/1/17 dated 17 February 2017 by the Corporate Audit Manager which contained the External Quality Assessment of the Highland Council's compliance with the PSIAS requirements.

Mr Colin McDougall, West Dumbartonshire Council's Audit and Risk Manager, had undertaken the Assessment and provided a short summary of the report at the meeting.

In this regard, it was noted that the detailed findings and recommendations appeared under the following headings used from the checklist: Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

During discussion, it was suggested that it was of vital importance that the correct level of resource was available within the Internal Audit Section in order to carry out the recommendations which had been listed in the report.

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

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

There had been circulated Report No. AS/2/17 dated 21 February 2017 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 work which had been undertaken in relation to other Boards, Committees and Organisations. In addition, other work undertaken included Certification of Grant Claims, Corporate Fraud activity, the External Assessment against the Public Sector Internal Audit Standards, Integrating Care arrangements and Continuous Auditing. Reference was also made to the Performance Information, including client feedback and timeliness of final reports, and the work undertaken in regard to Corporate Fraud.

During discussion, and in response to a query on Work in Progress, it was confirmed that the fieldwork was complete in relation to the review of arrangements for the Procurement and Payment of Homeless Services and also Review of Burials and Cremations with both reports to be presented to the next meeting in June.

It was also confirmed that it was expected that reports on Roads Maintenance – Condition Surveys and the Housing Information System would be reported to the September meeting.

Finally, it was noted that work on Replacement Heating Systems was still at an early stage and a further progress report would be submitted in due course.

The final reports were then presented as follows:-

- (i) Corporate Development – Transformation Savings Programme (Reasonable Assurance)

During discussion, Members raised the following issues:-

- there were issues in relation to how quickly the Council responded in circumstances where it had become apparent that planned savings were not going to be achieved and it was important that this was improved on in future, including the identification of areas of concern at a much earlier date in order that alternative savings could be considered;
- there was concern that not all stage 1 and 2 assessment templates could be examined as some had been lost during the transfer of files and could not be sourced;
- the conclusion that there was a significant risk of being unable to deliver all 28 of the high value projects by the end of the budgetary period in 2019 if all low value projects were retained was also of concern;
- the overall risk of non-delivery of savings targets for the full 4 year lifespan of the project could have been more clearly stated at an earlier date;
- the end of year reporting did not give Members full and detailed information and this had to be remedied in the future in order that balanced decisions could be taken;
- four out of the six projects had been identified as not being able to deliver savings and this was not satisfactory; and
- it was essential that improvement actions were monitored more closely in future, as well as reporting mechanism, through Committees and the full Council where necessary.

In response, the Director of Finance, whilst accepting the terms of the report as circulated, assured the Committee that any budget proposals put forward by Officers were considered to be competent and capable of being delivered. This programme had been reported on to the Resources Committee and it had to be borne in mind that it was a 4 year programme and that this was just the first year. However, it was accepted that there had been a disconnect with monitoring through the Quarterly Reports and this would be addressed in order to ensure that governance and scrutiny was improved for the future.

It was also confirmed that in future a consistent approach would be taken when approving the re-profiling of savings targets between financial years, including the reporting to Members of the year-end position and the level of savings which had not been delivered and therefore required to be transferred to future years.

(ii) Corporate Development – Common Good Funds – Rental Income (Reasonable Assurance)

During discussion, Members raised the following issues:-

- improvements had been made in terms of the regular reports now coming forward in relation to the Dornoch Common Good Fund and thanks were conveyed to the Ward Manager in this respect;
- however, also in relation to the Dornoch Common Good Fund, there was concern about the situation with some leases and it was noted that the Ward Manager was currently working with Officers in Legal and Property Services on this issue;
- in relation to Inverness Common Good Fund, a number of discrepancies had been noted with billing for leases, including reductions, and this was concerning. As such, the appointment of a Common Good Fund Officer was welcomed and it was hoped that this would lead to improvements being made in this regard;
- it had also been noted that collection of rents had been missed, over a number of years in some cases, and again it was stressed that this should now be addressed as a matter of priority;
- clarification was required in relation to the ownership of land around the Waterloo Bowling Club Car Park and Riverside Street, specifically in order to be able to determine whether rental income was being or should be collected and who was responsible for monitoring this situation;
- specifically in relation to the Eddie MacGillivray Hall, there was a need for confirmation of the current position in regard to the rent situation;
- consideration should be given as to whether income could be collected for the Common Good Fund from the car parking bays in Riverside Street;
- there had been research undertaken on the possibility of a return for the Common Good Fund from the Longman landfill facility and it would be helpful if a progress report on this issue could be submitted at an early date;
- a more standardised approach to the collection of rent from Common Good properties across the Highland area was needed in future;
- in acknowledging the work undertaken by the Ward Manager in the Dingwall, Fortrose and Rosemarkie areas, it was suggested that further information was required in relation to the Cromartie Car Park and also the 'back court' in Dingwall;
- it was clear that in future there would be a need to better record the systems in place for collection of rental income on chargeable assets for the Common Good Funds across the area which would also help to ensure that information was not lost when post holders across Services left the Council;
- it was essential that Asset Registers were kept up to date at all times;
- there was a need to urgently investigate the position in regard to the Travelling People's Site in Inverness, specifically to ascertain whether rental income should come to the Common Good Fund;
- it was important to highlight that the Common Good Fund policy had no provision or power for the waiving or reduction of rent; and
- confirmation that a further report would be submitted in due course to address the issues raised was welcomed.

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. Audit & Performance Remit & Priorities and Internal Audit Annual Plan 2017/18
Raon-ùghdarrais & Prìomhachasan Sgrùdaidh & Coileanaidh agus Plana Bliadhna In-Sgrùdaidh 2017/18

There had been circulated Joint Report No. AS/3/17 dated 20 February 2017 by the Director of Finance and the Corporate Audit Manager which provided an overview of the remit and priorities of the Audit & Performance Team and the Internal Audit Section's Plan for the financial year 2017/18 and sought approval of the Plan.

During discussion, and in response to a query as to the timescales and resource available for planned audits, it was confirmed that all audits were risk assessed and included within a five year plan. If there was a need to undertake an urgent item of business, then this could be undertaken through available contingency time or alternatively a lower risk audit would be delayed to accommodate the new item of business.

Also, in regard to the role of the Committee which was currently the subject of review by the Redesign Board, it was suggested that there had to be flexibility to allow for any decisions which might be taken by the new Council in this regard.

Thereafter, the Committee:-

- i. **NOTED** the remit and priorities of the Audit & Performance Team; and
- ii. **APPROVED** the Audit Plan for 2017/18 as circulated.

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

There had been circulated Report No. AS/4/17 dated 17 February 2017 by the Corporate Audit Manager which provided details of the latest review of the Corporate Risks by the Executive Leadership Team.

During discussion, and with specific reference to THC 35 (if a short and medium term budget strategy, which took account of the Council's priorities, was not reviewed and updated then the Council might not be able to set a balanced budget by February 2017 for 2017/18 and would not be in a position to address further financial challenges in the years following to 2020/21), it was suggested that this particular risk also need to be considered alongside THC 48 (the impact of Brexit which could result in the loss of EU funding to the Council, including CAP, ERDF ESF and the Leader Programme – if this funding was not provided by the Government, then there was a risk that this would be to the detriment of the economic and social programmes of the Council and its partners) in terms of consideration of the Council's long term financial stability generally.

Thereafter, the Committee **NOTED** the Corporate Risk Register which had been provided at Appendix 1 and the Risk Profile at Appendix 2 to the report.

It was also **NOTED** that the next review of the Corporate Risks would be reported to the September 2017 Committee meeting.

7. Inspection Report – Covert Surveillance Aithisg Sgrùdaidh – Faire Os Ìseal

There had been circulated Report No. AS/5/17 dated 15 February 2017 by the Depute Chief Executive/Director of Corporate Development which provided the outcomes from a recent inspection of covert surveillance by the Office of the Surveillance Commissioner.

In this regard, the Commissioner had concluded that the Council had responded positively to the previous inspection report and that all recommendations had been discharged fully.

In addition, the report identified areas of best practice undertaken by the Council and made recommendations for further improvement.

During discussion, it was suggested that a report should be submitted to the new Council in order to provide further detail and clarification in regard to CCTV and specifically the arrangements for and with the Police in terms of usage of the Council CCTV system to conduct directed surveillance under the terms of an authorisation when Council operators were not on duty.

It was also clarified that the Common Good Fund actually owned the public space CCTV infrastructure in Inverness (and not the Council as had been detailed in the report) and paid for associated maintenance and staffing. In this respect, it was suggested that consideration could perhaps be given as to other potential uses in future.

Thereafter, the Committee:-

- i. **NOTED** the findings and recommendations of the Office of the Surveillance Commissioner Inspection Report as detailed in Section 3 of the report; and
- ii. **AGREED** that the recommendations be accepted and fully implemented.

8. Local Government in Scotland Overview 2015/16 Sealladh Coitcheann Ionmhasail air Riaghaltas Ionadail ann an Alba 2015/16

There had been circulated Report No. AS/6/17 dated 16 February 2017 by the Director of Finance which presented the findings from the latest Overview Report from Audit Scotland.

During a summary of the report, the Director of Finance confirmed that the key message within the report focused on financial health, significant future challenges and the need for Councils to change the way in which they faced these challenges. Also, Audit Scotland had identified questions which Councillors might wish to consider in order to better understand the Council's financial position and to scrutinise financial performance.

Specifically in regard to Highland Council, issues raised by Audit Scotland had covered financial forecasts, capital investment and affordability, the balance of

funding and reserves. As such, the report had stressed the need for good financial planning and highlighted that Highland Council was one of three Councils which did not have a financial strategy covering the medium or long term.

During discussion, and with regard to the content of the Audit Scotland report, it was stressed that, whilst acknowledging the current and very challenging circumstances facing the Council, there was a real need for a longer term financial strategy to be developed and that this should be highlighted as a matter of highest priority for the new Council.

Thereafter, the Committee:-

- i. **NOTED** the Audit Scotland Report as circulated; and
- ii. **AGREED** to support the development of a longer term financial strategy and to receive a progress report later in 2017.

9. Audit Scotland Report - A Review of Housing Benefit Fraud Investigation Liaison Arrangements in Scotland
Ath-sgrùdadh air Ullachaidhean Ceangail airson Sgrùdadh air Foill Shochairan Taigheadais ann an Alba

There had been circulated Report No. AS/7/17 dated 16 February 2017 by the Corporate Audit Manager which advised that Audit Scotland had reported upon their review of the efficacy of the arrangements between Local Authorities and the Department of Work and Pensions (DWP) since the responsibility for housing benefit counter-fraud had transferred to the DWP's Fraud and Error Service.

In this connection, a link had been provided to the Audit Scotland report which had been published in December 2016 and the key messages and areas for improvement had been highlighted.

In addition, commentary had been provided on the position within the Highland Council.

It was also confirmed that the Audit Scotland report could be accessed and read in full at: [www.audit-scotland hb investigation liaison arrangements 2016](http://www.audit-scotland/hb_investigation_liaison_arrangements_2016)

The Committee **NOTED** the terms of the Audit Scotland Report as circulated.

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

It was noted that the following External Audit Report had been prepared by the Council's External Auditors (Grant Thornton) and issued since the last meeting:-

The Highland Council – Draft External Audit Plan for the financial year ended 31 March 2017

It was confirmed that the Plan set out how the External Auditors would fully discharge their responsibilities as set out in the Audit Scotland Code of Audit Practice 2016, as well as requirements set out in the International Standards of Auditing (ISAs)(UK and Ireland).

In this regard, Ms Joanne Brown, Director, Grant Thornton, was in attendance at the meeting and provided a short summary of the report during which she highlighted the key aspects, including detailed information on the financial statements audit, materiality, significant audit risks, other relevant audit risks identified as part of the planning work and the wider scope and delivery of best value.

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

The meeting ended at 12.15pm.