

## **The Highland Council**

Minutes of Meeting of the **Audit Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Wednesday, 12 November 2025 at 2.00pm.

### **Present:**

Mr M Baird	Mrs A MacLean
Mr C Ballance	Mr D McDonald
Mr B Boyd (Remote)	Mr P Oldham
Mr L Fraser	Mrs T Robertson
Mr A Jarvie	Ms M Ross
Mr R Jones	Mr R Stewart
Mr G MacKenzie (Remote)	

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

Ms C Gillies (Remote)	Mr H Morrison (Remote)
Mr D Macpherson	

### **Officials in Attendance:**

Mr A Gunn, Assistant Chief Executive – Corporate  
Mr S Fraser, Chief Officer – Legal and Corporate Governance  
Ms R Fry, Chief Officer – HR and Communications  
Mr F MacDonald, Chief Officer – Property and Assets  
Mr B Porter, Chief Officer – Corporate Finance  
Miss D Sutherland, Strategic Lead (Audit and Risk)  
Ms D Henderson, Strategic Lead (Care and Support)  
Mr A Denovan, Emergency Planning and Business Continuity Manager  
Mr N Osborne, Climate Change Manager  
Ms F Daschofsky, Programme Manager, Climate Change and Energy  
Mr M Watters, Corporate Information Governance Manager  
Mr J Thurlbeck, Corporate Audit Manager  
Mr J Campbell, Senior Auditor, Internal Audit  
Miss J MacLennan, Joint Democratic Services Manager, Performance and Governance  
Mrs G MacPherson, Committee Officer, Performance and Governance

### **Also in attendance:**

Ms E Scoburgh, Audit Scotland (Remote)  
Ms C Gardiner, Audit Scotland  
Ms J McBride, 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.**

**Mrs T Robertson in the Chair**

**1. Apologies for Absence  
Leisgeulan**

An apology for absence was intimated on behalf of Mr A Sinclair.

**2. Declarations of Interest/Transparency Statement  
Foillseachaidhean Com-pàirt/Aithris Fhollaiseachd**

There were no declarations of interest/transparency statements.

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

There had been circulated Report No. AC/22/25 by the Strategic Lead (Audit and Risk).

Prior to discussion, Members were provided with a general update with specific points highlighted. It was asked if an audit of Inverness and Cromarty Firth Green Freeports Funding came under the remit of this Committee which was confirmed. In terms of a suspected theft allegation referred to at section 7.1 of the report, it was clarified that the theft was a relatively low sum.

Mr P Oldham, in his role of Employment Release Sub-Committee Chair, looked forward to meeting with the Strategic Lead (Audit and Risk) regarding the review of exit packages.

**a) Place – Climate Strategy & Sustainability (Reasonable Assurance)**

During discussion, the following points were raised:-

- more could be done to maximise funding opportunities and this would go some way to mitigate the costs of retro fitting Council Houses. Members looked forward to hearing of progress of delivering this commitment;
- match funding made a significant difference to the amount that could be attracted into the Housing Revenue Account insulation budgets, Place Based projects and the Council's assets generally;
- there were no Key Performance Indicators for funding bids although these were now being developed. However, with the target for this set as 31 March 2026, it was questioned why this required such a long lead-in time; and
- clarification was sought, and provided, as to why in paragraph 2.1 of the audit review, referring to the Identification of Funding Stream, stated that "This objective was fully achieved as there was a robust process in place to identify potential funding sources". However, on the Review of Corporate Risks HCR9 (Net Zero Programme), funding had been identified as being of high risk. In response, it was explained that no assurance could be given that the Council could obtain funding to meet it's full needs, hence the corporate risk.

**b) Corporate – Wider review of internal controls following the Aberdeen City Council Tax Fraud (Substantial Assurance)**

The Chair took assurance that the policies and procedures within this Council were operating as intended.

c) People – Children’s Services transition arrangements (Reasonable Assurance)

During discussion, the following points were raised:-

- evidence was sought in terms of the evolution and general impact of the transitions process;
- Members appreciated that a report was also prepared by NHS Highland Internal Audit Team in terms of their accountability and that both reports were to be provided to the Highland Council/NHS Highland Joint Monitoring Committee; and
- clarification was sought, and would be provided outside of this meeting, in terms of contact with home educated children.

The Committee:-

- i. **NOTED** the Final Reports referred to in section 5.1 of the report;
- ii. **NOTED** the current work of the Internal Audit Section outlined at sections 6 and 7, and the status of work in progress detailed at Appendix 1;
- iii. **AGREED** the removal of the planned audit review of Fostering and Adoption (section 6.1 of the report); and
- iv. **NOTED** that a new audit, “Review of exit packages” had commenced which would enable the Council to address the expectations of the Accounts Commission.

**4. Internal Audit Action Tracking  
Tracadh Ghnìomhan In-sgrùdaidh**

There had been circulated Report No. AC/23/25 by the Strategic Lead (Audit and Risk).

With 25 revised Action Dates it was suggested that perhaps too optimistic a view was being taken when determining Action Dates at the outset.

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

**5. Failure to Prevent Fraud Offence  
Coire Fàilligeadh Bacadh a Chur air Foill**

There had been circulated Report No. AC/24/25 by the Strategic Lead (Audit and Risk).

The report provided assurance that reasonable procedures to prevent fraud were in place. Policies had been reviewed and updated to reflect new legislative requirements. Robust processes and governance were in place although an area for improvement in terms of fraud risk assessments required consideration and this would be taken forward with the relevant Chief Officers. Information and further assurance was sought, and provided, regarding an audit of measures to safeguard against bribery and corruption, particularly within the departments of planning and contracts and how this aligned with the Social Values Charter.

The Committee:-

- i. **NOTED** that the Council does already have reasonable fraud prevention procedures in place. However, as set out in sections 5.4 and 5.5 of the report, further work was being undertaken to enhance these; and
- ii. **APPROVED** the revised Counter Fraud Policy at Appendix 1 and Whistleblowing Policy at Appendix 2.

## **6. Salary Overpayments Update** **Cunntas às Ùr mu Phàighidhean Anabarrach Rola-pàighidh**

There had been circulated Report No. AC/25/25 by the Assistant Chief Executive – Corporate.

A significant number of overpayments had been recovered and the majority of the overpayments created had been due to late notice to Payroll, most notably where current members of staff had changed roles within the Council. Members commended the actions taken and understood that this would continue to be an ongoing process. However, there was concern that a higher proportion of overpayments occurred within the People Cluster. An update was requested by the Chair as to performance to the period ending 31 December 2025 for the People Cluster be provided to the Chair, in addition to the recommendation at 2.ii.

It was asked if overpayments were recharged to the relevant Services and it was confirmed that was the case. It was also suggested that updates were provided to the relevant Committees for monitoring purposes after progress reports to the Audit Committee was agreed as no longer required.

The Committee:-

- i. **NOTED** the progress made including a payment accuracy rate of 99.91% for 2025/2026 for the period to September 2025; and
- ii. **AGREED** that a report was taken to the Audit Committee on 27 May 2026 which would report on 2025/2026 performance.

## **7. Review of Corporate Risks** **Ath-Sgrùdadh air Cunnartan Corporra**

There had been circulated Report No. AC/26/25 by the Strategic Lead (Audit and Risk).

During discussion, the following points were raised:-

- information and clarification was sought, and provided, in terms of HCR9 (Net Zero Programme). Concerns were expressed at the high likelihood and impact of this financial risk, especially with the continued increase in costs and no full picture of the total cost. In terms of carbon reduction, the risk was structured around the Council's statutory obligations although there was concern that the Council was not that much further forward and it was asked if there were annual indicators;
- in terms of replacement windows and doors, there was a regular ongoing programme;

- in terms of HCR1 (Financial Sustainability), clarification was sought, and provided, regarding partnerships and community support;
- in terms of HCR5 (Civil Contingencies – National Power Outage), and Storm Amy, which had left many residents without power for several days, concern was raised that the communication from Scottish and Southern Energy Networks had left residents vulnerable. Messages were sent to customers via social media however if residents' devices had no network or charge they would not gain the much needed information. Members were informed that the vulnerability of the communications system was not the responsibility of the Council, however, consequences were. There were no immediate solutions and significant investment would be required;
- in terms of HCR2 (Risk to Provision of Safe and Effective Property), and in response to a question, it was confirmed that properties owned by the Council and operated by High Life Highland were included within this risk. Clarification was offered in terms of Mitigating Action HCR2.1; and
- it was asked if it was possible for future reports to provide a data trend in order to view progress of the risks over time.

The Committee **NOTED:-**

- i. the Corporate Risk Register provided at Appendix 1; and
- ii. the risk profile at Appendix 2.

**8. Audit Scotland Reports - Highland Council: ISA 260 (report to those charged with governance) and the 24/25 Annual Audit Report, and, Highland Council Charitable Trust Funds: ISA 260 (report to those charged with governance) Aithisgean Buidheann-Sgrùdaidh na Alba - Comhairle na Gàidhealtachd ISA 260 (aithisg dhaibhsan a tha an urra ri riaghlachas) agus Aithisg Sgrùdaidh Bhliadhnail 24/25, agus Maoinean Urras Carthannach Chomhairle na Gàidhealtachd ISA 260 (aithisg dhaibhsan a tha an urra ri riaghlachas)**

**a) 24/25 Report to those charged with governance (Highland Council); and 24/25 Highland Council Annual Audit Report**

There had been circulated Report No. AC/27a/25 by the Chief Officer – Corporate Finance and the Council's External Auditors (Audit Scotland).

This report had been a significant undertaking for Council Officers and Audit Scotland. It was highlighted to Members that two adjustments had been necessary, however these did not impact the bottom line on the Council's budgeted position. The External Auditors had since identified one further adjustment which was not included in the report and an update would be provided to this Committee in due course.

During discussion, the following points were raised:-

- referring to the Council's annual accounts, it was suggested that a more detailed breakdown of the figures provided at Note 2 would have enhanced transparency of Table 3a. However, it was advised that the information requested related to staffing and in accordance with Data Protection requirements, could not be disclosed;

- the Chair of Corporate Resources welcomed the audit's conclusions and the benefits of the new financial system to budget holders;
- a detailed explanation was sought in terms of calculating pension liabilities and this would be circulated by the Chief Officer – Corporate Finance outside of the meeting; and
- in response to a question, Audit Scotland would provide further details on their fee setting process after this meeting.

The Committee:-

- APPROVED** the audited accounts for signature;
- AGREED** that the letter of representation be signed by the Chief Officer Corporate Finance (Section 95 Officer);
- NOTED** the report to those charged with governance on the 2024/25 accounts; and
- NOTED** the annual audit report findings, in particular the significant finding and key audit matters on pages 9-10 and the follow up of prior year recommendations at Appendix 1 of the report.

**b) 24/25 Report to those charged with governance (Highland Council Charitable Trust Funds); and 24/25 Highland Council Charitable Trust Funds Annual Audit Report**

There had been circulated Report No. AC/27b/25 by the Chief Officer – Corporate Finance and the Council's External Auditors (Audit Scotland).

Members were informed of a significant finding, namely a misclassification between restricted and unrestricted funds, but this did not result in any financial loss and the total funds remained the same. Clarification was sought, and provided, regarding the recovery of Value Added Tax (VAT).

The Committee:-

- APPROVED** the audited accounts for signature;
- AGREED** that the letter of representation be signed by the Treasurer on behalf of the Trustees;
- NOTED** the report to those charged with governance on the 2024/25 accounts; and
- NOTED** the annual audit report findings.

**9. Commissioner for Ethical Standards in Public Life / Standards Commission: Councillors' Code of Conduct - Investigation into Complaints 2024/25  
Coimiseanair airson Inbhean Beusail sa Bheatha Phoblaich/Coimisean nan Inbhean: Còd Giùlain Chomhairlichean - Rannsachadh mu Ghearanan 2024/25**

There had been circulated Report No. AC/28/25 by the Chief Officer – Legal and Corporate Governance.

The Committee **NOTED**:-

- i. the Ethical Standards Commissioner had investigated five complaints and, following investigation, the Standards Commission decided to take no further action; and
- ii. following investigation by the Ethical Standards Commissioner the Standards Commission decided to hold hearings in respect of :-
  - a) Councillor Kate Willis. On conclusion of the hearing the Commission found that Councillor Willis had breached the Code and imposed a sanction of censure.
  - b) Councillor Michael Baird. On conclusion of the hearing the Commission found that Councillor Baird had breached the Code and imposed a sanction of suspension for two months.

**10. Regulation of Investigatory Powers (Scotland) Act  
Achd Riaghladh Chumhachdan Sgrùdaidh (Alba)**

There had been circulated Report No. AC/29/25 by the Chief Officer – Legal and Corporate Governance.

In response to a question, it was confirmed that RIPSAs (Regulation of Investigatory Powers (Scotland) Act) had been used by the Trading Standards Service on a number of occasions in the last 12 months, and, as result, a number of prosecutions had successfully been made.

The Committee **NOTED** the Council continued to make appropriate use of the powers and that a further report would be forthcoming to the May 2026 meeting.

The meeting ended at 3.50 pm.