

The Highland Council

Minutes of Meeting of the **Audit Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Wednesday, 27 May 2026 at 2.00pm.

Present:

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

Non-Members also present:

Mr K Gowans (Remote)
Mr D Macpherson (Remote)
Mr P Oldham (Remote)
Ms M Reid (Remote)

Officials in Attendance:

Mr A Gunn, Assistant Chief Executive – Corporate
Ms S Armstrong, Chief Officer – Revenues and Commercialisation
Ms R Fry, Chief Officer – HR and Communications
Mr B Porter, Chief Officer – Corporate Finance
Mr P Reid, Chief Officer – Facilities and Fleet Management
Mr J Shepherd, Chief Officer – Business Solutions
Mr S McBride, Strategic Lead (ICT)
Ms C Pieraccini, Strategic Lead (Finance) – Place
Miss D Sutherland, Strategic Lead (Audit and Risk)
Mr J Thurlbeck, Corporate Audit Manager
Mr J Campbell, Senior Auditor, Internal Audit
Ms E Barrie, Head of HR
Mrs A MacPherson, Strategic Lead (Resources)
Ms A MacKenzie, Pay and HR Transaction Manager
Mr D MacKenzie, Trading Standards Manager
Mr T Murdison, Service Lead (Corporate Property)
Miss J MacLennan, Joint Democratic Services Manager
Mrs G MacPherson, Senior Committee Officer

Also in attendance:

Ms E Scoburgh, 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**

Apologies for absence were intimated on behalf of Mr B Boyd, Mr A Christie and Mr A Jarvie.

**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/6/26 by the Strategic Lead (Audit and Risk).

The Strategic Lead (Audit and Risk) drew the Committee's attention to the copy of the Scottish Local Authorities Chief Internal Auditors Group Annual Report provided at Appendix 2 of the report.

An explanation was sought, and provided, regarding the identification of audit opinions, which depended on individual audit findings.

a) Preventative Maintenance – Place (Reasonable Assurance)

During discussion, clarification was sought, and provided, regarding the priorities for property maintenance, particularly in terms of climate change, energy and resilience. Further, what options were available to the Council, as corporate landlord, in terms of the projected backlog of essential maintenance work totalling £217m. In response, it was a priority to keep buildings safe, compliant, and wind and water tight, however resources were limited.

b) ICT and Digital Services, Review of Service Desk Support and Performance – Corporate (Reasonable Assurance)

c) CiA General Ledger – Corporate (Reasonable Assurance)

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 of the report, and the status of work in progress detailed at Appendix 1;
- iii. **AGREED** to the removal of the planned audit of Asset Management for the reasons set out in section 6.1 of the report; and
- iv. **NOTED** the Scottish Local Authorities Chief Internal Auditors Group Annual Report 2025 provided at Appendix 2.

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

There had been circulated Report No. AC/7/26 by the Strategic Lead (Audit and Risk).

During discussion, the following points were raised:-

- in response to a question, it was explained that the audit of cessation of utility supplies report did not include domestic properties;
- the revised action dates of high priority actions were a concern, particularly for the Human Resources Learning and Development, and Roads Maintenance audits. This would be followed up by the Corporate Audit Manager and the Committee's concern would be voiced to the relevant officers.

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

5. **Salary Overpayments Update** **Cunntas à Ùr mu Phàighidhean Anabarrach Rola-pàighidh**

There had been circulated Report No. AC/8/26 by the Assistant Chief Executive – Corporate.

Prior to discussion, the Assistant Chief Executive – Corporate highlighted that total net overpayments had decreased by 13% in 2025/26, payroll accuracy had reached 99.89%, up from 99.86% the previous year, and that recovery processes had been effective.

During discussion, the following points were raised:-

- the improvements were welcomed and while some were concerned that the overpayments were still in excess of £0.5m, others recognised that in context the impact was small and that salary data changed constantly;
- Members hoped to see further improvements within the Education Service over the next 6 months and it was asked what specific action had been taken. A response and assurances were provided in terms of ongoing priorities for the Service; and
- in response to questions regarding late notification to Payroll, it was confirmed that the majority of these cases were where the manager had failed to inform Payroll timeously. These included changes to conditions, reduced hours, changed roles, etc. However, staff had equal responsibility to inform Payroll.

The Committee:-

- i. **NOTED** the positive payment accuracy, which increased to 99.89% in 2025/26;
- ii. **NOTED** the reduction in overpayments across all three Clusters compared to 2024/25; and
- iii. **AGREED** that performance information would continue to be shared with Cluster Management, and that appropriate action would be taken to support the Payroll Team being advised timeously of all changes. The sharing of

performance information would be included in future Cluster performance reports presented to strategic committees.

6. Internal Audit Annual Report 2025/26 Aithisg Bhladhnaidh In-Sgrùdaidh 2025/26

There had been circulated Report No. AC/9/26 by the Strategic Lead (Audit and Risk).

During discussion, the following points were raised with regard to the survey responses at Appendices 2 and 3:-

- Client Officer feedback had identified the Internal Audit report's accessible language and identification of salient points as a strength in its audit reports and other Clusters were encouraged to do likewise;
- the Chair expressed her disappointment at the low level of response to the Members' survey and she reminded Members of the CIPFA requirement for the need for a self-assessment to be undertaken annually. It was hoped this would be improved in 2026/27; and
- some Members had difficulty in accessing surveys but they were encouraged to contact the relevant Council Officer who might be able to assist.

The Committee **NOTED** the content of the report, the audit opinion provided and that Members could raise any relevant points with the Strategic Lead (Audit & Risk).

7. Fraud and Whistleblowing Annual Report 2025/26 Cunntas Bliadhnaidh Foille agus Innsireachd 2025/26

There had been circulated Report No. AC/10/26 by the Strategic Lead (Audit and Risk).

During discussion, the following points were raised:-

- the possibility of using external contractors to investigate Whistleblowing had been investigated but the general consensus was that it best sat with the Internal Audit team. The Trade Unions had also been consulted and their preferred option was to keep it in-house;
- some other local authorities had the Leader of the Council and members of the Audit Committee as Whistleblowing contacts to protect their anonymity. Whilst individuals could report concerns anonymously if they so wished, this meant that the Internal Audit team were unable to seek clarification and/or provide feedback. If an individual felt uncomfortable raising a concern internally, they could report to Audit Scotland;
- given the size of the organisation it was suggested that there might be a degree of under-reporting of sexual harassment. In response it was acknowledged at the time the incidents had been reported, responsibility for dealing with these was within the remit of Human Resources so the number of sexual harassment complaints was likely higher;
- assurance was sought, and provided, that the Whistleblowing policy was clearly available and accessible to all staff; and
- the time to investigate concerns would depend on the allegations made.

The Committee **NOTED**:-

- i. details of the fraud investigations and activities undertaken as detailed in section 5.1 of the report;
- ii. the information at section 5.2 including the low number of whistleblowing concerns requiring investigation;
- iii. that where a fraud or whistleblowing investigation identified any control weakness, fraudulent activity or areas for improvement, this would be addressed through an Internal Audit report which would be provided to Committee for scrutiny purposes; and
- iv. the updated self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption set out at Appendix 1.

8. Audit Committee Annual Report 2025/26
Aithisg Bhladhnaidh Comataidh an Sgrùdaidh 2025/26

There had been circulated Report No. AC/11/26 by the Audit Committee Chair.

With several new Members on the Committee, it was requested that any requirement for further information be brought to the attention of the Audit Committee Chair or Strategic Lead (Audit and Risk) so that training might be arranged where necessary.

The Committee **AGREED**:-

- i. the Audit Committee Chair's annual report, provided at Appendix 1 of the report, which included the identified areas for improvement; and
- ii. **TO RECOMMEND** to Council the report to acknowledge that the necessary assurances had been provided by the Audit Committee to demonstrate that it had fulfilled its purpose and could demonstrate its impact for 2025/26.

9. Internal Audit Annual Plan 2026/27
Plana Sgrùdaidh Bliadhnaidh In-sgrùdaidh

There had been circulated Report No. AC/12/26 by the Strategic Lead (Audit and Risk).

During discussion, the following points were raised:-

- a question was raised regarding an insurance matter but it was clarified that individual circumstances could not be discussed in Committee and it did not form part of the Audit Annual Plan. Nonetheless, it was explained a control weakness audit would not be planned and were only identified as part of the output from an audit review;
- it was queried if, with the establishment consisting of 8 full time posts, this was sufficient given the size of Highland Council;
- additional capacity would enable an element of random audits to take place;
- in response to a question, it was explained that the Audit Section was assessed by external auditors;
- given that there were audits outstanding from the Internal Audit Plan 2025/26, the likelihood of reaching the reserve audits in 2026/27 was

doubtful. This would be disappointing as one related to the Governance of Arms-Length External Organisations, the number of which was increasing, and it was suggested this should be of a higher priority. If it was not reached it was hoped it would be taken into consideration for the Audit Plan for 2027/28;

- referring to the carry forward of the Insurance Audit, it was hoped the installation of solar PV panels on Council properties would be within the audit's scope;
- an explanation was sought, and provided, as to how the number of Audit days required was determined; and
- in response to a question, how the scope of any audit was determined was outlined.

The Committee **APPROVED** the 2026/27 Internal Audit Plan which was provided at Appendix 1 of the report.

10. Draft 2025/26 Annual Governance Statement Dreachd Aithris Riaghlachais Bhliadhna 2025/26

There had been circulated Report No. AC/13/26 by the Chief Officer – Corporate Finance.

The Committee **NOTED** the draft 2025/26 Annual Governance Statement provided at Appendix 1, and the CIPFA requirements set out at section 5.2.

11. Review of Corporate Risks Ath-Sgrùdadh air Cunnartan Corporra

There had been circulated Report No. AC/14/26 by the Assistant Chief Executive – Corporate.

During discussion, the following points were raised:-

- information was sought, and provided, as to how the likelihood of a Pandemic Disease outbreak was rated as “4”, as detailed under Risk No. HCR8;
- in relation to Risk No. HCR2.4 (Single Public Estate – New Area Community Pods) clarification was also sought, and provided, as to the arrangements for other services to become involved and the responsibility for the buildings and their maintenance; and
- the work being undertaken to reduce the risk rating of Risk No. HCR9 was commended.

The Committee **NOTED** the:-

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

12. Regulatory of Investigatory Powers (Scotland) Act Achd Riaghladh Chumhachdan Sgrùdaidh (Alba)

Seven applications for authorisation in terms of the Regulation of Investigatory Powers (Scotland) Act 2000 had been approved between 1 October 2025 and 30 April 2026. The seven applications were for directed surveillance.

The Committee **NOTED** the number of approvals and that the Council continued to be a modest user of the powers. A report would be forthcoming to the November meeting.

13. Exclusion of the Public
Às-dùnadh a'Phobail

The Committee **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting for the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 7A of the Act.

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

There had been circulated to Members only Report No. AC/15/26 by the Strategic Lead (Audit and Risk) the following final confidential audit report.

Place Cluster - Harbours.

The Committee **AGREED** the recommendations detailed in the report and **NOTED** that the Harbours Strategy would need to be considered by the Harbours Management Board, before submitting for approval to the Economy and Infrastructure Committee.

The meeting ended at 3.50pm.