The Highland Council

Minutes of Meeting of the **Audit Committee** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Wednesday, 19 August 2026 at 2.00pm.

Present:

Mr M Baird
Mr L Fraser (remote)
Mrs J Hendry (substitute)
Mr A Jarvie
Mr R Jones
Mr G MacKenzie
Mrs A MacLean
Mr D McDonald
Mr P Oldham (substitute)
Ms C Ramsay (substitute, remote)
Mrs T Robertson
Ms M Ross
Mr R Stewart

Non-Members also present:

Ms M Hutchison (remote)
Mr T MacLennan (remote)
Ms M Reid

Officials in Attendance:

Mr A Gunn, Assistant Chief Executive – Corporate
Ms K Lackie, Assistant Chief Executive – People
Mr S Fraser, Chief Officer – Legal and Corporate Governance
Mr B Porter, Chief Officer – Corporate Finance
Ms B Martin-Scott, Chief Officer – Education (Primary)
Miss D Sutherland, Strategic Lead (Audit and Risk)
Mr J Thurlbeck, Corporate Audit Manager
Mr J Campbell, Senior Auditor, Internal Audit
Ms A MacPherson, Strategic Lead (Resources)
Mr P Nevin, Strategic Lead (Corporate Support)
Mr J Libby, Transition Head of Children & Justice
Ms H Brown, Senior Manager Early Years
Ms I Ramsay, Emergency Standby Co-ordinator
Ms M MacLeod, Creditors Team Leader
Miss J MacLennan, Joint Democratic Services Manager
Mrs G MacPherson, Senior Committee Officer

Also in attendance:

Ms C Gardiner, 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 C Ballance, Mr A Christie and Mr R Jones.

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

The Committee **NOTED** the following Transparency Statement:

Item 4: Ms M Reid

3. Recess Powers
Cumhachdan Fosaidh

The Committee **NOTED** that the Recess Powers granted by the Council at its meeting on 25 June 2026 had not been exercised in relation to the business of the Audit Committee.

At this juncture, the Chair referred to correspondence received by Committee Members from a member of the public regarding objections they had made to the unaudited accounts for both the Council and the Highland and Western Isles Valuation Joint Board.

Audit Scotland had advised that they were required to consider all objections which met specific statutory criteria, namely that they were submitted by an interested person and related to a potential misstatement in the accounts. They had confirmed that the objection met those criteria and therefore required to be considered as part of their process. They had not yet gathered substantive evidence in relation to the objections and proceedings had not yet commenced. Audit Scotland would report on the objections and its outcomes in their Annual Audit Report for the Council. In the event of any significant matters arising, they would engage with officers and Committee Members as appropriate.

Discussion at this time relating to the public objections would be premature for the reasons set out by Audit Scotland and would be addressed when the Annual Audit Report was considered.

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

Transparency Statement: Ms M Reid made a Transparency Statement in respect of this item on the basis that she was a former Private, Voluntary and Independent sector provider, as a commissioned childminder. However, having applied the objective test, she did not consider that she had an interest to declare.

There had been circulated Report No. AC/16/26 by the Strategic Lead (Audit and Risk).

The Strategic Lead (Audit and Risk) provided a summary of audit work being undertaken, including that involving Highland and Island Joint Valuation Board, High Life Highland, Inverness and Cromarty Firth Green Freeport and the handover of the PPP1 schools.

In response to a question regarding the audit of the Inverness and Cromarty Firth Green Freeport, it was explained that this was a requirement within the agreement with the Scottish and UK Governments that an annual audit review took place. No specific payment was made for this audit although there was an element for the Council to be recompensed for overheads. The Chief Officer – Corporate Finance suggested that the Council would be looking to see some of its costs associated as the Accountable Body being recovered through retained Non Domestic Rates. As to the question about the risk scoring of audits, it was advised that there were various criteria considered and, while Audit staff were ultimately responsible for the final risk score, it was also confirmed that Services had an opportunity to feed into this process. In addition, it was also explained that the audit of exit packages had arisen from a recommendation to Scottish Councils from an Audit Scotland report.

In further discussion, Members recognised the need for the Audit team to be fully resourced, given the programme of work ahead. In addition, arising from audits to be allocated in the Place Cluster, a frustration was raised in relation to the completion of housing developments as there did not appear to be a "health check" of a handover for their maintenance after the first year, resulting in a disjointed approach as to how this was programmed going ahead.

a) Emergency Social Work Services – People (Substantial Assurance)

During discussion, the following points were made:-

- clarification was sought, and provided, as to who an absconding client should be reported to and as to the definition of what was meant by the term "absconding";
- although it was suggested that young people should inform staff if they were going to be late, staff should also make efforts to stay in contact with them, via either social media or text;
- in response to a question, it was confirmed that the whole team had now completed the mandatory training on Information Management and cybersecurity; and
- the above and succession planning were matters important to the Council as a whole, not just this Service.

b) Early Years Service – People (Limited Assurance)

During discussion, the following points were made:-

- there was merit in that the Service had requested the review. Nevertheless, it was concerning that payments, both towards salaries and suppliers, could not correctly be made, not only by the Service but by the Council as a whole;
- nearly £139k in payments might be owed to some parents. However, there were other parents who had underpaid and assurances were sought that management were in a position to address this;
- the external database was being used with no formal contract with the system provider and there was use of spreadsheets. This raised data protection concerns. It was important the Service addressed this, as set out in the Action Plan and by the deadline, and would be tracked by Internal Audit;

- a view was expressed that the language used minimised issues and ownership needed to be taken. Others contended that there was in fact some strong language and emphasised the need for the Service to take action;
- careful monitoring was required to ensure the historic debt was cleared and reports back to Committee was suggested;
- the action points, in terms of training, protocols and checklists, were fundamental to avoid this from happening again and yet it was ranked as Medium. In response, it was explained that it would have been ranked as High if there had been no checks at all taking place;
- in relation to section 1.5 of the Internal Audit Report, it was hoped that a new national management information system would be introduced soon, which would support the administration of the 1,140 hours of funded Early Learning Childcare;
- in response to a question, the Committee was informed that the Service would continue to implement standardised procedures for the management of payments; and
- in response to comments suggesting mismanagement, assurance was given by the Strategic Lead (Audit and Risk) that this was not the case, and that the Service had responded appropriately to the points raised by the Audit Team.

Thereafter, the Chair requested that an update from the Service be provided to the Committee in six months time, which would include an update on the financial position.

c) Supplier Bank Mandate Fraud – Corporate (Limited Assurance)

During discussion, the sophisticated nature of the fraud was recognised and confirmation was sought, and provided, that support was offered to the staff member who had processed the false invoices. A Fraud Awareness flyer had been produced together with bespoke Fraud Awareness training which would be accessible to all those involved in paying invoices on the Council's Traineasy site.

The Committee **NOTED**:-

i. the Final Reports referred to in Section 5.1 of the report; and
ii. 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 of the report.

5. Internal Audit Action Tracking
Tracadh Ghnìomhan In-sgrùdaidh

There had been circulated Report No. AC/17/26 by the Strategic Lead (Audit and Risk).

Some actions had been delayed but for good reason. It was important to set realistic targets at the outset.

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

6. Accounts Commission Report – Delivering for the Future
Aithisg Coimisean nan Cunntasan – A' Lìbhrigeadh airson an Ama ri Teachd

There had been circulated Report No. AC/18/26 by the Strategic Lead (Audit and Risk).

The Committee **NOTED**:-

i. the information set out in the Accounts Commission report at Appendix 1 and the supplement of case studies at Appendix 2 of the report;
ii. that Highland Council was regularly referenced throughout the report, and positively so; and
iii. the Commission's expectations of all Councils with regard to their transformation plans as set out in pages 5 and 6 of the report. Importantly, these were in place within Highland, and it was important to ensure that this continued when new projects/programmes were added to transformation plans.

7. Audit Scotland Report – BV4 Thematic: Asset Management and Climate
Aithisg Sgrùdadh Alba – BV4 Cuspaireil: Stiùireadh Ghoireasan agus Gnàth-shìde

The Committee **NOTED** that this item had been deferred to the next meeting of the Audit Committee on 11 November 2026.

The meeting ended at 3.15 pm.