

## AUDIT AND RISK COMMITTEE

ABERDEEN: Tuesday, 19 January 2010. Minute of Meeting of the AUDIT AND RISK COMMITTEE. Present:- Councillor Crockett, Convener; Councillor Farquharson, Vice Convener; Lord Provost Peter Stephen; and Councillors Boulton (substituting for Councillor Donnelly), Cassie, Cooney, Hunter, Noble (substituting for Councillor McDonald), Penny, Reynolds, Robertson, John Stewart, Kevin Stewart, Wendy Stuart and John West.

### 1 MINUTE OF PREVIOUS MEETING

The Committee had before it the minute of its previous meeting of 3<sup>rd</sup> December, 2009.

**The Committee resolved:-**

to approve the minute, subject to an amendment at Article 6 (External Auditor Announcement), paragraph 1, to replace ten years with eight years.

### 2 COMMITTEE BUSINESS STATEMENT

The Committee had before it a statement of business prepared by the Acting Head of Democratic Services.

**The Committee resolved:-**

- (i) that in relation to item 5 (Tied Houses), to note that all Services were to be reminded of the importance of reporting to their Service Committees on tied houses to enable the Finance and Resources Committee to have a Corporate overview on the matter; and
- (ii) to otherwise note the statement.

### 3 AUDIT PROGRESS REPORT 2008/09

The Committee had before it a report by Henderson Loggie, External Auditor, which detailed progress in relation to the external audit operational plan for 2008/09.

**The Committee resolved:-**

- (i) to note that in relation to the outstanding follow up audit on School Lets, the Director of Corporate Governance would liaise with the Director of Education, Culture and Sport to clarify the position and would respond to Councillor Kevin Stewart; and

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- (ii) to otherwise note the report.

**4 FOLLOW UP REVIEWS 2008/09**

The Committee had before it a report by Henderson Loggie, External Auditor, which detailed the follow up reviews undertaken on various reports issued as part of the 2007/08 audit programme.

The report stated that the objective of the follow up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that where there was little or no progress had then appropriate plans were in place to progress them.

**The Committee resolved:-**

- (i) to note that in relation to the outstanding training programme for the Financial Systems Review Team, the City Chamberlain would provide details of the online training course that had been developed to elected members, and would respond to Councillor Kevin Stewart with details on who was involved with the development of the training programme; and
- (ii) to otherwise note the report.

**5 YEAR END MANAGEMENT LETTER 2008/09**

The Committee had before it a report by Henderson Loggie, External Auditor, which (1) set out a summary of the principal issues encountered during the 2008/09 audit period; and (2) appended an action plan which identified recommendations which were intended to address those issues for future years and to improve the audit process.

The report advised that a further 14 recommendations had been made which would improve the management of the accounts preparation process once implemented and were highlighted in the action plan appended to the report.

**The Committee resolved:-**

- (i) to request Henderson Loggie to explain any acronyms contained in future reports; and
- (ii) to otherwise note the report.

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## **6 BANK RECONCILIATION PROGRESS REPORT**

With reference to Article 7 of the minute of its meeting of 3<sup>rd</sup> December, 2009, the Committee had before it a report by the City Chamberlain which provided an update on the progress to date in relation to the bank reconciliation process and the implementation of the automatic bank reconciliation module.

The report advised that since the last update to the Committee on 3<sup>rd</sup> December, 2009, there continued to be positive progress in relation to the bank reconciliation with continuing timely and robust clearance of items from the reconciliation to ensure that it was up to date with timescales agreed for the process. The November reconciliations had been partially completed with annual leave and turnover delaying the process. The manual process remained fundamental for the automated bank reconciliation process as it required an up to date starting position.

The report detailed key activity since the last report in relation to the automated bank reconciliation module and highlighted the next steps required to achieve the full implementation date of 31<sup>st</sup> March, 2010.

**The report recommended:-**

that the Committee -

- (a) note the current positive progress on maintaining the bank reconciliations and on the implementation of the automated bank reconciliation system.

**The Committee resolved:-**

- (i) to note the update from the City Chamberlain that the November reconciliations had been completed and signed off, and that the December reconciliations were on schedule;
- (ii) to note that the City Chamberlain would respond to Councillor Cooney outwith the meeting regarding his query on the additional budget allocation figures for the bank reconciliation;
- (iii) to congratulate staff on their work to date in relation to the project; and
- (iv) to otherwise approve the recommendation contained in the report.

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## **7 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Committee had before it a report by the City Chamberlain which provided information on various matters relating to the implementation of the International Financial Reporting Standards (IFRS) by the Council.

The report explained that as part of the 2007 Budget, the Chancellor set out the requirement for government bodies to adopt International Financial Reporting Standards (IFRS), with the intention of bringing benefits in consistency and comparability between financial reports and to follow private sector best practice with the intention that Local Authorities would prepare IFRS reports for the financial year 2010/11.

The report stated that the new reporting procedures would bring significant challenges to the Council which may result in changes to the accounting policies, the format and content of financial statements and the systems necessary for preparing the reports.

The report provided information on the areas that would cause significant change to finance practices and indicated that a Project Team had been established who were currently finalising a detailed project plan which identified workstreams that would be assigned to individuals.

**The report recommended:-**

that the Committee:

- (a) consider the context of the report and note the project team approach that has been adopted to deliver successful implementation;
- (b) instruct that Directors actively engage in the process of implementation and ensure that their senior managers are made aware of the need to participate in the process; and
- (c) to note that further updates would be provided during the course of the implementation.

**The Committee resolved:-**

- (i) to note that the City Chamberlain would arrange training sessions for elected members in relation to the changes in the accounting policies and procedures as a result of the implementation of the International Financial Reporting Standards;
- (ii) to otherwise approve the recommendations contained within the report.

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## **8 PROJECT MANAGEMENT GUIDELINES**

With reference to Article 8, resolution (ii) (a) of the minute of its meeting of 8<sup>th</sup> September 2009, the Committee had before it a report by the Director of Corporate Governance which provided information on the use of Project Management Guidelines across the Council and outlined the future approach that would be adopted.

The report advised that existing corporate Project Management Guidelines were available to all staff via the Zone and were designed to provide a corporate approach to project management. Whilst investigating the use of the guidelines it was not possible to identify, across the Council, the frequency of use or the compliance with all aspects where they had been used.

The report provided information on the different aspects of Project Management and Contract Management and appended the current Project Management Guidelines which were to be reviewed and relevant training and support offered for those involved with future programmes, projects and contract management.

**The report recommended:-**

that the Committee –

- (a) notes the outcome of the overview of the use of project management guidelines; and
- (b) note the proposed way forward for the future approach to programme management and the associated elements of project management and contract management.

**The Committee resolved:-**

to approve the recommendations contained in the report.

## **MATTER OF URGENCY**

**The Convener intimated that he had directed in terms of Section 50 (B) (4) (b) of the Local Government (Scotland) Act 1973 that the following item of business be considered as a matter of urgency as the matter had been concluded some time ago and the action plan was now operational.**

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**9      AUDIT SCOTLAND - AUDIT OF HOUSING AND COUNCIL TAX BENEFIT -  
RISK ASSESSMENT REPORT**

The Committee had before it a report by the Director of Corporate Governance which presented the outcome of the Housing and Council Tax Benefit Audit carried out by Audit Scotland in October 2009.

The report advised that the key objective of the assessment was to determine the extent to which the Benefits Service was meeting its obligations to achieve continuous improvement in its activities with specific consideration of the effectiveness of the Benefits Service meeting the needs of the Community and its customers.

The report stated that the Benefits Service had improved its performance year on year with new claims and speed of processing information despite operating with financial constraints and reduced staffing levels. The positive nature of the Audit had been reported to the Chief Executive by the Director of Audit. Audit Scotland had identified a small number of improvements that were addressed in an action plan that was sent to Audit Scotland.

**The report recommended:-**

that the Committee note the positive Audit Scotland report and acknowledge that the action plan noted in (Appendix I) had been submitted to Audit Scotland as required by the due date.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EXEMPT INFORMATION**

**The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public from the meeting during consideration of the following items of business so as to avoid disclosure of exempt information of the class described in paragraphs 1 and 8 of Schedule 7(A) of the Act.**

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**10 INTERNAL AUDIT REPORTS ISSUED**

The Committee had before it (1) a report by the Internal Audit Manager which appended recently completed audit reports on the Services as detailed below; and (2) management statements from the appropriate Directors in response to each of the completed reports.

| <b>Service</b>                          | <b>Title</b>                 | <b>Date Issued</b> |
|---|------------------------------|--------------------|
| Corporate Governance – City Chamberlain | Creditors (All Services)     | November, 2009     |
| Corporate Governance – City Chamberlain | Inter Services Trading       | November, 2009     |
| Corporate Governance – City Solicitor   | Legal Services Debt Recovery | November, 2009     |
| Enterprise, Planning and Infrastructure | Marischal College            | December, 2009     |
| Housing and Environment                 | CAMS Project                 | November, 2009     |
| Housing and Environment                 | Consilium Project            | November, 2009     |
| Housing and Environment                 | Homeless                     | November, 2009     |

**The Committee resolved:-**

- (i) that in relation Audit RM-CC/CA/0811 (Creditors – All Services), that in relation to the high incidence of errors in Social Care and Well Being for receipts of goods and services over the past three audits, to instruct the Director of Social Care and Well Being to report the relevant statutory performance indicator (SPI) to every Social Care and Well Being Committee;
- (ii) that in relation to Audit RM-CS/SA/0802 (Legal Services – Debt Recovery), to note that the City Solicitor would provide members with a detailed account of the debt recovery process;
- (iii) that in relation to Audit CG/SA/0911 (Marischal College), to note that –
  - (a) Mr. Sproull would respond to Councillor Cooney outwith the meeting regarding his query on archaeology costs; and
  - (b) in relation to opening and recording of tenders, to instruct the City Solicitor to look at the Standing Orders relating to contracts to ensure that for future contracts the Standing Orders contained a formal process to deal with addendums to original tender documentation;
- (iv) that in relation to Audit SL-PI/SA/0802 (CAMS Project) –

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- (a) to instruct the Director of Housing and Environment to report to each cycle of the relevant Committee to enable comprehensive scrutiny of the project; and
- (b) to note that the Director of Corporate Governance would raise the concerns of the Committee in relation to the project with the Corporate Management Team;
- (v) to otherwise approve the issue of the Internal Audit reports and endorse the recommendations for improvement contained therein.

### 11 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS AND RESULTS OF PHYSICAL VERIFICATION

The Committee had before it a report by the Internal Audit Manager which (1) detailed a number of recommendations previously approved in audit reports issued, the implementation of which was overdue; and (2) for selected audits, advised on implementation status checks on recommendations advised by auditees to Internal Audit as completed.

The Committee received updates from various officers in relation to the Audit recommendations affecting their Services and considered revised implementation dates where appropriate.

#### **The Committee resolved:-**

- (i) that in relation to Audit CI-SDD/CR/0801 (ICT Disaster Recovery) –
  - (a) item 4.3.1(ii), to approve the revised implementation date of the middle of January, 2010; and
  - (b) item 4.3.1(iii), to note that the work would progress through February, 2010;
- (ii) that in relation to Audit N-SE/SA/0803 (Building Cleaning), items 4.3.1(i), 4.3.1(ii), 4.3.3(i) and 4.3.3(ii), to note that the Head of Service would meet with Internal Audit to discuss the possible re-wording of the recommendations to enable staff to progress the outstanding issues;
- (iii) that in relation to Audit S-CL/SA/0807 (Educational Clothing Grants and Maintenance Allowances), item 4.2.1, to note that the recommendation would be implemented; and



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- (iv) that in relation to Audit RM-RDD/SA/0703 (Commercial Property Activities) items 4.1.2(i), 4.2.2(ii) and 4.4.1, to note that the outstanding recommendations would be implemented with immediate effect.

## **12 INTERNAL AUDIT PROCUREMENT**

With reference to Article 9 of the minute of its meeting of 3<sup>rd</sup> November 2009, the Committee had before it a report by the Director of Corporate Governance which provided an update on the progress made with the Internal Audit Procurement.

The report advised that a full European Procurement tendering exercise would need to be undertaken for the procurement of an Audit Service and that a Project Plan was in place to pursue the procurement which built in statutory notification and response times.

The report had appended the detailed options appraisal and SWOT analysis that had been undertaken whilst investigating the possible outsourcing of the Internal Audit Function.

**The report recommended:-**

that the Committee –

- (a) note the detail of the report; and
- (b) instruct officers to continue to progress arrangements to outsource the functions of Internal Audit.

**The Committee resolved:-**

to approve the recommendations contained in the report.

- **BARNEY CROCKETT, Convener.**