

AUDIT AND RISK COMMITTEE

ABERDEEN: 21 September 2010. Minute of Meeting of the AUDIT AND RISK COMMITTEE. Present:- Councillor Crockett, Convener; Councillor Donnelly, Vice-Convener; Lord Provost Peter Stephen; and Councillors Cooney, Hunter, McDonald, Penny, Reynolds, Jennifer Stewart, Kevin Stewart, Wendy Stuart and John West.

1 DETERMINATION OF EXEMPT BUSINESS

In terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, the Committee resolved 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 the following paragraphs of Schedule 7(A) to the Act:- Article 11 (paragraph 1); Article 12 (paragraphs 2, 6 and 9) and Articles 13, 14 and 15 (paragraph 1).

2 MINUTE OF PREVIOUS MEETING

The Committee had before it the minute of its previous meeting of 8th June, 2010.

The Committee resolved:-
to approve the minute.

3 COMMITTEE BUSINESS STATEMENT

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

The Committee resolved:-

- (i) to note that an update report relating to item 2 (RM-CC/SA/0708 – Allocation of Central Charges), would be submitted to this Committee on 23rd November, 2010; and
- (ii) to otherwise note the statement.

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4 SHARED RISK ASSESSMENT - ASSURANCE AND IMPROVEMENT PLAN - REFERRED FROM CORPORATE POLICY AND PERFORMANCE COMMITTEE - CG/10/116

With reference to Article 7 of the minute of the meeting of the Corporate Policy and Performance Committee of 10 June 2010, the Committee had before it a report that had been presented to that Committee by the Director of Corporate Governance which advised that the Local Area Network (LAN), (scrutiny bodies with responsibility for undertaking a Shared Risk Assessment for Aberdeen City Council) had prepared an Assurance and Improvement Plan (AIP), which set out the planned external scrutiny of Aberdeen City Council over the next three years.

The AIP, which was attached as an appendix to the report, detailed the level of risk which the scrutiny bodies believed existed across the range of Council services, and in the light of the level of risk, set down the strategic and service level scrutiny activity which would be undertaken by the scrutiny bodies over the next three years.

Specifically in relation to the AIP, it was advised that the Plan acknowledged the positive direction of travel which the Council was taking, and stated that "evidence now showed an improving leadership and performance picture and although the Council still faced some important challenges, it was well aware what these were and was managing the risks appropriately". Thereafter, it was advised that the Assessment evaluated risk in three categories:- (1) outcomes assessment; (2) services assessment; and (3) corporate assessment. An overview of the findings for each of the three assessment areas was outlined, as follows:- Firstly, with regards Outcomes Assessment it was advised that ten distinct outcomes were reviewed with eight judged as "No Significant Risks" and the remaining two outcomes (Lifelong Learning and Children and Young People) scrutiny work was planned for the first year of the AIP to review progress on educational attainment and to assess whether acknowledged improvements made in the leadership and management of services for children was resulting in improved outcomes for children. Secondly, in terms of Services Assessment, eight areas were reviewed with five judged as "No Significant Risks". Scrutiny work in this area was planned for education, some aspects of housing and some aspects of social work. Finally, in terms of Corporate Assessment, it was advised that twenty-one service areas were reviewed. None of these areas being assessed as being of significant risk.

Finally, the report highlighted that whilst the AIP covered the next three years, its content would be reviewed annually by the LAN, during which perceived risks could change, which might then alter the level and timings of scrutiny activity.

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The Committee resolved:-
to note the report.

5 BUSINESS CONTINUITY PLANNING - ICT SECURITY AND PLAN TESTING - H&E/10/137

With reference to Article 11 (resolution ii) of the minute of its meeting of 8th June 2010, the Committee had before it a report by the Director of Housing and Environment which provided an update on (1) ICT security risks including storage of personal data as identified in the business continuity arrangements; and (2) the need for Services to test elements of their business continuity plans on an annual basis.

The report advised that an Information Security Audit had been undertaken in response to concerns regarding access to Council data, in particular to the security of sensitive personal data and how access to the data was managed. The Council Business Continuity Policy and Procedures document required all business continuity arrangements to be developed within the existing ICT security policy.

The audit report recommended that there was a need to have controls in place to prevent the use of unencrypted USB storage devices across the Council and that all new laptop hard drives would be fully encrypted following which a rolling programme to encrypt all existing laptop hard drives and USB devices would commence in October 2010 and would cover the encryption of other removable data.

Following the instruction from the previous meeting that services test elements of their business continuity plans, the Emergency Planning Unit had developed a testing schedule which required Services to carry out four tests within 12 months of the production of all critical function plans and then annually thereafter.

The Committee resolved:-
to note the report.

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DECLARATION OF INTEREST

Councillors Reynolds and Jennifer Stewart declared an interest in the subject matter of the following item of business due to their membership of the Board of Aberdeen Exhibition and Conference Centre. Neither Councillor felt it necessary to leave the meeting during consideration of the item.

6 INTERNAL AUDIT PROGRESS VERSUS 2009/10 INTERNAL AUDIT ANNUAL PLAN - CG/10/163

The Committee had before it a report by the Director of Corporate Governance which apprised members of the progress of work to complete the approved 2009/10 Internal Audit Annual Plan.

The report advised that the internal audit section had been under resourced for some time and that an external service provider and an investigation manager had assisted the internal audit team with the completion of the 2009/10 Audit Plan.

The report highlighted that 23 of the 36 assignments had been completed, two were in progress, four had been delayed due to changed circumstances, four had been carried forward into the 2010/11 Audit Plan and three were withdrawn in agreement with the relevant Heads of Service. The report appended the current status of the 2009/10 Plan.

The report recommended:-

that the Committee consider the report and note the progress made.

The Committee resolved:-

- (i) to note that an audit report relating to Arm's Length Organisations (Trusts) including the AECC, would be submitted to this Committee on 23rd November, 2010; and
- (ii) to otherwise approve the recommendation.

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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 in order to meet the accounts finalisation timetable.

7 ANNUAL GOVERNANCE STATEMENT - CG/10/108

The Committee had before it a report by the Head of Finance which sought approval for the content of the Annual Governance Statement which would be included in the final Annual Accounts.

The report advised as background information, that in the past the Council had prepared a Governance Statement and a statement on the system of internal financial controls as part of the annual accounts process. The statement on the system of internal financial controls was a requirement of the accounting code – the Statement of Recommended Practice (SORP) which had to be followed in the preparation of the accounts and was subject to the external audit process. In 2008, the SORP amended the requirements in England and Wales, for the 2008/09 financial year, to make it mandatory for the inclusion of an Annual Governance Statement and although this requirement did not apply to Scotland, the external auditor had recommended that the Council adopt the Annual Governance Statement on a voluntary basis as it was seen to be best practice in carrying out a review of the different aspects of governance.

The report advised that a comprehensive review document had been issued to all Heads of Service as part of the annual review process and to prepare the Annual Governance Statement. The annual review had drawn information from Heads of Service, specific information and audit opinion from the Internal Audit Manager and from a review by Finance of the statement on the system of internal financial control from the previous year. The draft Annual Accounts were prepared with the inclusion of a Statement that had been approved by the Corporate Management Team.

The report appended the proposed Annual Governance Statement.

The report recommended:-

that the Committee approve the Annual Governance Statement for inclusion in the Council Accounts for the financial year 2009/10.

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The Committee resolved:-

- (i) to request officers to circulate information on the current Citizen Relationship Management workstreams to members of the Committee;
- (ii) to request officers to submit a report on the ICT Asset Register to include information on IT software to a future meeting of this Committee; and
- (iii) to otherwise approve the recommendation contained in the report.

8 BANK RECONCILIATIONS - CG/10/170

With reference to Article 8 of the minute of its meeting of 8th June, 2010, the Committee had before it a report by the Head of Finance which provided an update on progress to date in relation to the bank reconciliation process and the implementation of the automated bank reconciliation process.

The report advised that since the last update to the Committee, there continued to be good progress in relation to the bank reconciliation with continuing timely and robust clearance of items from the reconciliation.

The report stated that during the first quarter of 2010/11 internal audit undertook a review of the bank reconciliation process and provided positive feedback in relation to some of the smaller accounts the Council held. As part of the year end audit, external audit would form a judgement on the position with bank reconciliations.

The report recommended:-

that the Committee note the current progress on maintaining the bank reconciliations.

The Committee resolved:-

- (i) to request officers to submit future reports on a six-monthly basis;
- (ii) to congratulate staff on their work to date in relation to the project; and
- (iii) to otherwise approve the recommendation contained within the report.

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DECLARATION OF INTEREST

Councillor John West declared an interest in the subject matter of the following item of business by virtue of his position as a member of the Board of Directors of Sport Aberdeen. Councillor John West did not feel it necessary to leave the meeting during consideration thereof.

9 FOLLOW UP SCHOOL LETS 2006/07 REVIEW

With reference to Article 4 of the minute of its meeting of 8th June, 2010, the Committee had before it a report by Henderson Loggie, external auditors, which outlined the progress made in relation to School Lets since the original report in 2008.

The report advised that since the initial review in 2008, the Council had developed and implemented a new process for dealing with bookings and lettings of educational facilities and sports facilities.

The report stated that only one recommendation had not been addressed, which was to have an on-line facility available for completing the booking forms. The recommendation was currently being addressed with the ongoing consideration of the procurement of an electronic leisure management system and the Education, Culture and Sport Committee would receive reports on the issue at future meetings.

The report appended the follow-up action plan.

The Committee resolved:-
to note the report.

10 AUDIT PROGRESS REPORT 2009/10

The Committee had before it a report by Henderson Loggie, external auditors, which detailed progress in relation to the external audit operational plan for 2009/10.

The Committee resolved:-

- (i) to request Henderson Loggie to amend the Committee dates contained in the progress report to reflect the change to an eight week cycle of meetings; and
- (ii) to otherwise note the report.

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EXEMPT INFORMATION

In accordance with the decision recorded under article 1 of this minute, the following items were considered with the press and public excluded.

DECLARATION OF INTEREST

Councillor Kevin Stewart declared an interest in the subject matter of the following item of business by virtue of his position as a member of the NEM Sita Board. Councillor Kevin Stewart did not feel it necessary to leave the meeting during consideration thereof.

11 INTERNAL AUDIT OUTSOURCED ACTIVITY PROGRESS REPORT

The Committee had before it (1) a report by PricewaterhouseCoopers which provided a summary of the internal audit reviews undertaken; and (2) detailed reports on each of the audits undertaken.

The key findings and recommendations for the audits detailed below were contained within the reports:-

<u>Service</u>	<u>Title</u>
Housing and Environment – Environmental Services	Waste Management
Council Wide	Information Security
Council Wide	Project Management

The Committee resolved:-

to approve the issue of the full audit reports and endorse the recommendations for improvement contained therein.

12 STAFF HOUSES - REFERRAL FROM FINANCE AND RESOURCES COMMITTEE ON 17 JUNE 2010

With reference to Article 51 of the minute of meeting of the Finance and Resources Committee of 17th June, 2010, the Committee had before it by way of remit a report by

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the Director of Enterprise, Planning and Infrastructure which explained that the Head of Asset Management and Operations had responsibility for the ownership of 51 staff houses, of which three had been identified by the Service Committees as being required to remain as tied properties, and presented a number of options in respect of the future management of the tied houses.

The Finance and Resources Committee had resolved:-

- (i) to instruct that any houses currently vacant, and any other houses that become vacant in the future and which are identified as not being required for future use as staff houses, are withdrawn from the staff houses stock and declared surplus to requirements, and to authorise the Head of Asset Management and Operations, in relation to such houses, to follow the adopted procedure for dealing with surplus vacant properties, by circulating their availability to all Council Services and Partners; if no interest is expressed, he would then submit reports to future meetings of this Committee to consider their disposal on the open market; if any houses which adjoin or are adjacent to other Council properties earmarked for closure become vacant, then, pragmatically, consideration should be given to departing from the above procedure so that such a vacant house could be combined with the earmarked vacant property for a joint disposal;
- (ii) to instruct the Head of Asset Management and Operations to consult the tenants of the staff houses on various appropriate issues that may affect their future occupancy, including the proposal to remove the rental discounts currently applying and to increase the rents payable by them to the levels of the prevailing Housing Revenue Account rents, as detailed within the report, and to report back to this Committee on 28 September, 2010 with the outcome of that consultation;
- (iii) to instruct, in terms of any houses affected by the 3Rs Project or the closure of adjoining Council properties, where it is agreed that there is no future requirement for a house to be included with the adjoining property for joint disposal, that the Head of Asset Management and Operations consults the tenants of each house adjoining such a property without commitment, on whether (a) they would wish to purchase the house at a market value, or at the appropriate reduced value (should the Right to Buy apply in that case), or (b) would wish the house, and, therefore, their tenancy, to possibly transfer to the Housing Revenue Account, subject to the matter being referred to the Housing and Environment Committee at the appropriate time for its consideration; and to report back to this Committee with the outcome of that consultation;
- (iv) to authorise the Head of Asset Management and Operations, in terms of those houses currently occupied by retired non janitor staff, and where the tenant has transferred to the 3Rs operating company, together with any other such

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- situations arising in the future, to take or instruct all necessary legal action in order to secure vacant possession of the houses in question, with the adopted procedure for dealing with surplus vacant properties thereafter being followed in relation to such houses;
- (v) to instruct the Head of Asset Management and Operations to submit a report to a future meeting of the Housing and Environment Committee regarding the feasibility of appropriate staff houses being transferred to the Housing Revenue Account in the future;
 - (vi) to instruct that the Head of Asset Management and Operations, in consultation with the Head of Legal and Democratic Services, review the staff house leases with a view to ensuring they comply with relevant statutory provisions; and
 - (vii) to refer this report to the meeting of the Audit and Risk Committee of 21 September, 2010 for its information.

The Committee resolved:-

to note the report and the decision of the Finance and Resources Committee.

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 in order to apprise members of the findings of the investigation and to bring the matter to a resolution.

13 REFURBISHMENT OF KEPPLEHILLS GARAGES

With reference to Article 10 of the minute of its meeting of 8th June, 2010, the Committee had before it a report by the Director of Housing and Environment which apprised members of the outcome of a recent internal investigation into the delivery of a refurbishment programme of garages in the Kepplehills area of the city.

The report advised that the programme was midway through the intended delivery period, however, it had been suspended on a temporary basis until the investigation had been completed. The report went on to provide answers to a number of specific questions members had asked at Committee in June 2010.

The Committee resolved:-

to note the report.

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14 INTERNAL AUDIT REPORTS ISSUED - CG/10/164

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

<u>Service</u>	<u>Title</u>	<u>Date Issued</u>
Corporate Governance - Finance	Bank Reconciliations	June 2010
Enterprise, Planning and Infrastructure	Contract Management	June 2010
Social Care and Wellbeing	Child Protection Register Data	July 2010
Corporate Governance – Finance	Fraud Prevention	August 2010
Corporate Governance	Payroll	August 2010

The Committee resolved:-

- (i) that in relation to Audit EPI/R/0919 – (Contract Management Process):-
- to request officers to submit a monitoring report on the performance of significant contractors to a future meeting of this Committee;
 - to request officers to submit a report to a future meeting on weightings assigned to tenders and the legal issues involved, particularly in regard to community benefit; and
 - to request officers to submit a report on the Logical Transport System used for school transport to a future meeting of this Committee; and
- (ii) to otherwise approve the issue of all internal audit reports and endorse the recommendations for improvement contained therein.

15 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS - CG/10/165

The Committee had before it a report by the Director of Corporate Governance which detailed a number of recommendations previously approved in audit reports issued, the implementation of which was overdue.

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The report advised that there had been a significant improvement since the last report in the number of audit recommendations that were overdue.

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 RM-CS/SA/0802 (Legal Services, Debt Recovery) item 4.3.2, to note that the e-financials system could provide the financial information requested in the audit and agree that the e-financials system be used in that regard; and
- (ii) that in relation to Audit CG/SA/0908 (Applications Ownership and Support) items 4.6.1(i) and 4.6.1(ii), to note the revised implementation date of 31st October, 2010.

- BARNEY CROCKETT, Convener.