

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 25 June 2015. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett, Finlayson (as substitute for Councillor Malik), Graham, Greig, Lawrence, MacGregor (as substitute for Councillor May), Jean Morrison MBE, Nathan Morrison, Noble, Reynolds, Thomson (as substitute for Councillor Donnelly) and Townson.

ORDER OF AGENDA

1. The Convener advised that she proposed to take item 8.2 (Fleet Management Governance) directly after agenda item 6.5 (Roads Construction Consent) to enable the internal auditor to depart the meeting once the report had been considered.

The Committee resolved:-

to concur with the suggestion of the Convener in relation to the agenda order.

TRANSFER OF SITE, LANGDYKES ROAD - REFERRAL FROM FINANCE, POLICY AND RESOURCES COMMITTEE

2. The Committee had before it by way of a remit, (1) the minute extract from the Finance, Policy and Resources Committee of 9 June which requested this Committee to carry out a comprehensive review of the process followed to identify a site on the south of the city to ensure compliance with legal requirements and good practice; and (2) the report circulated to that Committee by the Director of Communities, Housing and Infrastructure.

Councillor Finlayson provided details of the concerns he had raised at the Finance, Policy and Resources Committee.

The Committee resolved:-

to request the Chief Internal Auditor, meet with the appropriate Directors to agree the scope for the review and report back to the Committee.

MINUTE OF PREVIOUS MEETING OF 11 MAY 2015

3. The Committee had before it the minute of its previous meeting of 11 May 2015.

The Committee resolved:-

- (i) in relation to article 20, resolution (iii) to note that the calculation method had been received from Audit Scotland and that percentage for Aberdeen's proportion of the 8.5% reduction in Scottish Government funding would be calculated and circulated to the Committee; and
- (ii) to otherwise approve the minute as a correct record.

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WORKPLAN

4. The Committee had before it the workplan prepared by the clerk which set out the future schedule of reports.

The Committee resolved:-

to note the workplan.

DECISION TRACKING SHEET

5. The Committee had before it the decision tracking statement as prepared by the clerk.

The Committee resolved:-

- (i) in relation to item 1 (CareFirst Budgetary Control and Forecasting), to note that the Corporate Performance and Transformation Manager would seek clarification on when the Short Term Working Group would complete their remit;
- (ii) in relation to item 4 (Audit Scotland Value for Money National Reviews), to note that a report would be submitted to this Committee in November 2015; and
- (iii) to otherwise note the decision tracking sheet.

MATTER OF URGENCY

The Convener intimated that she had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency to enable the Committee to consider the item of business without delay in view of the commitment given to Audit Scotland that the minutes of the Governance Hub would be considered at this meeting.

DECLARATIONS OF INTEREST

Councillor Lawrence declared an interest in the subject matter of the following article by virtue of his appointment on the Board of Sport Aberdeen. Councillor Reynolds declared an interest in the following subject matter by virtue of his appointment on the Board of AECC Ltd. Neither Councillor felt it necessary to withdraw from the meeting during consideration of the item.

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ALEO GOVERNANCE HUB MINUTE OF MEETINGS OF 15 JUNE AND 17 JUNE 2015

6. The Committee had before it the minutes of the ALEO Governance Hub Meetings of 15 June and 17 June.

Councillor Cameron shared his concerns relating to the lack of internal audit arrangements for Bon Accord Care and sought assurance that the recommendations within the minutes would be implemented. The Senior Democratic Services Manager advised that the responsible officers would pursue the recommendations prior to the next scheduled Governance Hubs meetings in December 2015.

Councillor Noble sought clarification as to who from the Council would be attending the Board Meetings of the Sport Aberdeen, wherein the Senior Democratic Services Manager advised that each ALEO had a lead officer from the Council assigned to it and they would attend the Board Meetings to represent their Service.

Councillor Graham sought clarification relating to the Shareholder Scrutiny Group which had been set up to monitor and scrutinise ALEO's, wherein the Chief Executive advised that the ALEO Governance Hubs were scrutinising each ALEO and that the minutes from those meetings would be presented to this Committee in the future and that the Shareholder Scrutiny Group would no longer meet.

The Committee resolved:-

- (i) in relation to Bon Accord Care, item 5, resolution (i) and in response to a question from Councillor Cameron, to note that the responsible officer would pursue the recommendations prior to the next Arm's Length External Organisations (ALEO) Governance Hub Meeting due to be held in December 2015;
- (ii) in relation to Sport Aberdeen, item 8 and in response to a question from Councillor Noble, to note that each ALEO had a nominated lead officer from the Council who would represent their Service at future ALEO Board meetings;
- (iii) to thank officers for providing the minutes within a short timeframe to this Committee;
- (iv) in response to a question from Councillor Graham, to note that Service Committees would receive a report in relation to the ALEO's they were responsible for and that in future the minutes from the ALEO Governance Hub would be presented to this Committee and that the Shareholder Scrutiny Group would no longer meet
- (v) to otherwise note the content of the minutes.

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MINUTE OF MEETING OF CORPORATE HEALTH AND SAFETY COMMITTEE OF 20 FEBRUARY 2015

7. The Committee had before it the minute of meeting of the Corporate Health and Safety Committee of 20 February 2015.

The Committee resolved:-

to note the content of the minute.

INTERNAL AUDIT ANNUAL REPORT

8. The Committee had before it a report by PricewaterhouseCoopers which outlined the work undertaken by Internal Audit for the year ended 31 March 2015 and included the Head of Internal Audit's annual opinion on the adequacy and effectiveness of governance, risk management and control.

The Convener thanked the internal auditors for their commitment, advice and working relationship with officers throughout their term of appointment.

The Committee resolved:-

- (i) to concur with the thanks from the Convener provided to PriceWaterhouseCoopers staff for their commitment and working relationship with officers throughout their term of appointment; and
- (ii) to otherwise note the content of the report.

EXTERNAL AUDIT PROGRESS UPDATE

9. The Committee had before it a report by Audit Scotland, external auditor which provided an update on the progress with the external audit of 2014/15 financial year.

The external auditor provided a verbal update in relation to their planned review of the Marischal Square Development.

The Committee resolved:-

- (i) to note the verbal update provided by the External Auditor in relation to their planned review of the Marischal Square Development; and
- (ii) to otherwise note the content of the report.

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10. The Committee had before it a report by the Interim Director of Corporate Governance which presented the annual report of the Audit, Risk and Scrutiny Committee.

The report recommended:

That the Committee –

- (a) approve the annual report; and
- (b) refer the report to the next meeting of Full Council for their consideration.

The Committee resolved:-

- (i) to thank the Corporate Performance and Transformation Manager for the comprehensive report; and
- (ii) to otherwise approve the recommendations contained in the report.

DATA PROTECTION REPORTING - JANUARY TO MARCH 2015 - CG/15/82

11. With reference to article 7 of the minute of its meeting of 26 February 2015, the Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of (1) Subject Access Requests Statistics; (2) Data Breaches and Near Misses; (3) Data Protection Training and (4) a general update for the period January to March 2015.

The report recommended:

that the Committee note the report.

Councillor Nathan Morrison sought information relating to unauthorised disclosures and how this could be prevented. The Legal Manager advised that the Service were working with colleagues within Human Resources and that all staff were expected to complete the basic data protection online course at the commencement of their employment and that for some areas of work more comprehensive training was required.

Councillor Graham stated that the statistics were improving and enquired as to whether the additional training provided had made an impact. The Legal Manager advised that an annual report providing an overview throughout the year could be presented to this Committee at the meeting where no quarterly report was presented.

The Committee resolved:-

- (i) in response to a question from Councillor Nathan Morrison, to note that all staff were expected to complete the basic data protection course and that for some areas of work more comprehensive training was required and implemented;

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- (ii) in response to a comment from Councillor Graham, to note that an annual report providing an overview throughout the year would be presented to this Committee at the meeting where no quarterly report was presented; and
- (iii) to otherwise note the content of the report.

CORPORATE GOVERNANCE RISK REGISTER - CG/15/80

12. With reference to article 9 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Interim Director of Corporate Governance which presented the Service Risk Register.

The report recommended:

That the Committee -

- (a) note the content of the Corporate Governance Risk Register and the status of controls and mitigation in place to manage risks as presented in Appendix 1 to the report;
- (b) note that the content of the register would be kept under regular review by the service's Senior Management Team; and
- (c) note that the Risk Register would be reported twice each year to the Finance, Policy and Strategy Committee as part of the regular service performance reporting process.

Councillor Cameron sought clarification in relation to the risk of Council losing representation within National Collective Bargaining arrangements through the Scottish Local Government Partnership not being able to secure an agreement with COSLA and how this was progressing. The Head of Human Resources and Customer Service advised that discussions were still ongoing and that an update would be provided to this Committee in due course.

The Committee resolved:-

- (i) in response to a question from Councillor Cameron relating to the risk of Council losing representation within National Collective Bargaining arrangements through the Scottish Local Government Partnership not being able to secure an agreement with COSLA, to note the verbal update provided by the Head of Human Resources and Customer Service and that a further update would be provided to the Committee in due course; and
- (ii) to otherwise approve the recommendations contained in the report.

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CONTINUOUS CONTROLS - FINANCIAL CONTROLS PROGRAMME

13. The Committee had before it a report by PricewaterhouseCoopers which summarised the work that had been undertaken in relation to continuous financial auditing for the six month period up to 31 March 2015.

The Committee resolved:-

to note the content of the report and endorse the recommendations for improvement.

PENSION FUND FINANCIAL CONTROLS

14. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to the pension payroll and the pension fund at the North East Pension and Transport Fund.

The Committee resolved:-

to note the content of the report and endorse the recommendations for improvements.

COMPLIANCE WITH PUBLIC RECORDS (SCOTLAND) ACT - PHASE 2

15. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into Phase Two of their review of the Council's compliance with the Act and assessed the progress made on implementing the Records Management Plan.

The Head of IT and Transformation requested that for two of the recommendations, the responsible officers be amended to become joint responsible officers to include: (1) for 3.02 (Identifying and Maintaining Business Critical and Key Information Assets) the IT Technology Services Manager; and (2) for 3.03 (Business Continuity Planning – Control Design) the Head of Policy, Performance and Resources.

The Committee resolved:-

- (i) in relation to recommendation 3.02 (Identifying and Maintaining Business Critical and Key Information Assets) to include the IT Technology Services Manager as a responsible person;
- (ii) in relation to recommendation 3.03 (Business Continuity Planning – Control Design) to include the Head of Policy, Performance and Resources as a responsible person; and
- (iii) to otherwise note the content of the report and endorse the recommendations for improvement.

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MANAGEMENT INFORMATION ICT

16. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the existing ICT management information requirements, the system's capabilities to collect and analyse data and to review the design and operating effectiveness of controls in place to ensure the integrity of that data.

The Committee resolved:-

to note the content of the report and endorse the recommendations for improvement.

ROADS CONSTRUCTION CONSENT

17. The Committee had before it a report by PricewaterhouseCoopers which advised that the Road Construction Consent (RCC) team revised the requirements for dealing with RCC applications to help improve internal processes and to drive efficiency in how they were managed. Management had requested that Internal Audit evaluate the new process and assess whether the controls in place were sufficient for the RCC to achieve their objectives.

The Committee resolved:-

to note the content of the report and endorse the recommendations for improvement.

FLEET MANAGEMENT GOVERNANCE

18. The Committee had before it a report by PricewaterhouseCoopers which advised that following the Traffic Commissioners public enquiry in September 2014, management had acted to implement significant change within Fleet services to address the governance and control failures identified in the Commissioner's report. Management had requested that a review be undertaken on the proposed changes to evaluate the design and adequacy of the governance and control arrangements being implemented.

Councillor Graham sought information relating to where reports relating to Fleet Services would be reported to ensure that Councillors had an oversight over fleet compliance. The Head of Public Infrastructure and Environment advised that any health and safety aspects would be reported to the Corporate Health and Safety Committee, which in turn would be reported to this Committee via the minutes and that all other performance issues would be reported to the Communities, Housing and Infrastructure Committee via the Performance Indicators.

The Head of Public Infrastructure and Infrastructure further advised that a staff survey had been carried out to ascertain the knowledge of staff on what they were required to

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do for safety and driver/vehicle compliance. This had identified training needs which were being implemented. The survey would continue to be issued to ensure that the training implemented had been successful.

The Committee resolved:-

- (i) in response to a question from Councillor Graham, to note that the health and safety aspects would be reported to Corporate Health and Safety Committee and all other performance issues would be reported to Communities, Housing and Infrastructure via the Performance Indicators; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

REVIEW OF ICT SERVICES - REPORT BY THE EXTERNAL AUDITOR

19. The Committee had before it a report by Audit Scotland, external auditor which presented an audit into the management of ICT Services.

Councillor Nathan Morrison enquired as to whether the Council still had pcs operating on Windows XP which was no longer going to be supported, wherein the advised that there was a programme in place to replace those pcs operating on Windows XP and that the programme should be complete by the end of July 2015.

The Committee resolved:-

- (i) in response to a question from Councillor Nathan Morrison, to note that a programme of work had been implemented to replace old pcs operating on Windows XP and that this was envisaged to be complete by the end of July 2015; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

OUTSTANDING AUDIT RECOMMENDATIONS

20. The Committee had before it a report by the Interim Director of Corporate Governance which provided an update on progress with implementing Internal Audit recommendations included within reports previously approved by the Committee.

The report recommended:

that the Committee consider the report and request actions or explanations as appropriate.

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The Committee resolved:-

- (i) in relation to Community Centres, Protecting Vulnerable Groups (PVG) Checks, to request that a checklist be designed and issued to all Community Centres which allows them to check off the list of items that they are to implement and that this and a report be submitted to the next meeting to provide further information on the PVG checks for volunteers of the community centres;
- (ii) in relation to CareFirst, Monitoring and Forecasting Operating Effectiveness, to note that this item was complete;
- (iii) in relation to CareFirst, Authorisation Rights, to note the revised date of 31 August 2015;
- (iv) in relation to Compliance with Laws and Regulations, Training for staff, Control Design Deficiency, to note that a report would be submitted to this Committee in September 2015 providing details of the risk assessment and a list of priorities;
- (v) to request that all outstanding audit recommendations are reported to include external audit and internal audit; and
- (vi) to otherwise note the content of the report.

ARM'S LENGTH EXTERNAL ORGANISATIONS TIER 2 REVIEW - CG/15/85

21. With reference to article 19 of the minute of its meeting of 26 February 2015, the Committee had before it a report by the Interim Director of Corporate Governance which addressed outstanding audit recommendations in relation to Arms' Length External Organisations (ALEOs) and an outstanding remit to review Service Level Agreements (SLAs) with tier 2 ALEOs.

The report recommended:

That the Committee –

- (a) agree that arrangements had been put in place to meet the two outstanding audit recommendations in relation to scrutiny of Arm's Length External Organisations (ALEOs) performance and risk management; and
- (b) note the ongoing work in relation to the review of Service Level Agreements (SLAs) with tier 2 ALEOs and that a further report would be submitted to the next meeting of the Committee.

The Committee resolved:-

- (i) to note that the timetable for reviewing the Service Level Agreement for each ALEO would be included in the report to be submitted to the next meeting of this Committee; and
- (ii) to otherwise approve the recommendations contained in the report.

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INTERIM REPORT ON THE 2014/15 AUDIT

22. The Committee had before it a report by Audit Scotland, external auditors, which provided a summary of their findings arising from routine audit work around governance and internal controls carried out in the period to May 2015 as part of the 2014/15 audit of Aberdeen City Council.

The Committee resolved:-

to note the content of the report.

UNAUDITED ANNUAL ACCOUNTS 2014/15 - CG/15/83

23. The Committee had before it a report by the Interim Director of Corporate Governance which (1) provided an overview of the Council's 2014/15 unaudited Annual Accounts; (2) enabled scrutiny and approval on the content of the Annual Governance Statement; and (3) provided the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

The report recommended:-

That the Committee-

- (a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2014/15;
- (b) note the Council's unaudited Annual Accounts 2014/15, paying particular attention to the sections highlighted in paragraph 5.4;
- (c) note the unaudited Annual Accounts 2014/15 of the Council's registered charities;
- (d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to Audit Scotland by 30 June 2015;
- (e) note that as now required by statute, the Audit, Risk & Scrutiny Committee on 29 September 2015 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance, Chief Executive and Council Leader;
- (f) note that the Audit, Risk & Scrutiny Committee of 29 September 2015 would receive the external auditor's "Combined Annual Report and Report to Those Charged with Governance on the 2014/15 audit" for debate and consideration and that the report would set out the auditor's finding and conclusions from all audit activity undertaken during the year, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- (g) note that the Audit, Risk & Scrutiny Committee on 29 September 2015 would also receive the audited Annual Accounts for the registered charities for

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consideration and approval prior to their signature along with the associated external auditor's report.

In relation to the unaudited accounts presented to the Committee, Councillor Graham sought information on the Best Value Audit that had concluded in June 2015. The Interim Director advised that once the final report had been released, an action plan would be developed to address any recommendations and would be presented to Full Council at its meeting in August.

The Committee resolved:-

- (i) in response to a question from Councillor Graham relating to the Best Value Audit, to note that following the release of the findings of the audit, an action plan would be submitted to Full Council in August; and
- (ii) to otherwise approve the recommendations contained in the report.

ABERDEEN LOCAL SCRUTINY PLAN AND THE NATIONAL SCRUTINY PLAN 2015/16 - REPORTS BY EXTERNAL AUDIT

24. The Committee had before it a report by Audit Scotland, external auditor which presented the Local Scrutiny and National Scrutiny Plans for 2015/16. The local scrutiny plan sets out the planned scrutiny activity of Aberdeen City Council during 2015/16. There was a range of national scrutiny activity planned across councils over the next year and beyond and where activity had been identified for 2015/16 that impacted on individual councils they were included in the National Scrutiny Plan.

The Chief External Auditor advised that he had written to the Chief Executive of the Care Inspectorate requesting that they postpone their audit on adult services due to be undertaken in December 2015 to January 2016 as a further audit on multi-agency public protection arrangements (MAPPA) would be undertaken in June 2015.

The Committee resolved:-

- (i) to note that the External Auditor had written to the Chief Executive of the Care Inspectorate requesting that they postpone their audit on adult services due to be undertaken in December 2015 to January 2016 as a further audit on multi-agency public protection arrangements (MAPPA) would be undertaken in June 2015;
- (ii) to otherwise note the content of the report.

- JACKIE DUNBAR, Convener.