

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 27 September 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Carle (as substitute for Councillor Nathan Morrison), Crockett, Dickson, Donnelly, Jackie Dunbar, Graham, Greig, Lawrence, Malik, Jean Morrison MBE, Samarai, Taylor (as substitute for Councillor Reynolds from item 4.4), Townson and Young (as substitute for Councillor Cooney).

The agenda and associated documents for this meeting can be found using the following link:

<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3869&Ver=4>

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that item 10.1 of today's agenda (article 28 of this minute) be considered with the press and public excluded.

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 for item 10.1 so as to avoid disclosure of exempt information of the class described in paragraph 14.

MINUTE OF PREVIOUS MEETING OF 27 JUNE 2016

2. The Committee had before it the minute of its previous meeting of 27 June 2016.

The Committee resolved:-

to approve the minute as a correct record.

WORKPLAN

3. 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 content of the workplan.

DECISION TRACKING SHEET

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

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The Committee resolved:-

- (i) to delete items 1 (Fraud Annual Report); 3(ii) (Social Work Tendering Internal Audit Report); 4 (Strategic Infrastructure Plan Progress Update); 6 (Audit Outstanding Recommendations – Carefirst); and
- (ii) to otherwise note the content of the decision tracking sheet.

MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 20 MAY 2016

5. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 20 May 2016.

The Committee resolved:-

- (i) in relation to a question from Councillor Yuill regarding the number of violent incidents against staff and whether these were included in the total of 565 near miss incidents, to note that the Interim Director of Corporate Governance would liaise with colleagues and provide a response to the Committee;
- (ii) in relation to a question from the Convener regarding the MOT pass rate for O License vehicles and what was being done to increase the pass rate figures, to note that the Interim Director of Corporate Governance would liaise with colleagues and provide a response to the Committee; and
- (iii) to otherwise note the content of the minute.

INTERNAL AUDIT PROGRESS AND PERFORMANCE

6. The Committee had before it a report by the Internal Auditor which provided an update on progress against the 2015/16 and 2016/17 Internal Audit Plans.

The report recommended:

That the Committee -

- (a) review, discuss and comment on the issues raised within the report and the attached appendices;
- (b) agree to the sharing of Aberdeen City Council Adult Social Work Internal Audit reports with the Aberdeen City Integration Joint Board Audit and Performance Systems Committee; and
- (v) agree to receive Aberdeen City Integration Joint Board Internal Audit reports for information.

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- (i) in response to a question from Councillor Greig relating to the Self-Directed Support audit, to note that the audit report would be presented to the next meeting of this Committee;
- (ii) in relation to a question from Councillor Cameron regarding the number of red actions within individual internal audit reports, to note that the Interim Director of Corporate Governance would discuss the issue with the responsible Directors to ensure responses were provided to internal audit;
- (iii) in response to questions from Councillors Samarai and Young in relation to the Bank Reconciliations audit, to note that the meeting with Finance had taken place and that it was the methodology around bank reconciliations that required more detail not the financial position; and
- (iv) to otherwise approve the recommendations contained in the report.

EXTERNAL AUDIT PROGRESS AND PERFORMANCE

7. The Committee had before it a report by Audit Scotland, External Auditor, which provided an update on the progress with the external audit of the 2015/16 financial year.

The Committee resolved:-

to note the content of the report.

INFORMATION GOVERNANCE MANAGEMENT AND REPORTING ARRANGEMENTS - CG/16/109

8. The Committee had before it a report by the Interim Director of Corporate Governance which sought approval of the proposed Council's information governance management and reporting arrangements.

The report recommended:

That the Committee –

- (a) note the information contained in the report; and
- (b) approve the proposed changes for oversight and reporting of information governance.

The Committee resolved:-

- (i) in response to a question from Councillor Dickson relating to the integration of the various systems and the security of the data, to note that the Information Governance Group would work through the methodology for the different elements to ensure all of the systems had the appropriate security as required as part of data management and that as part of the review, a top of the range cyber security system would be installed to help eliminate any threats to the Council's systems;

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- (ii) to note the positive feedback received from Councillor Jackie Dunbar relating to the improved reporting method; and
- (iii) to otherwise approve the recommendations contained in the report.

DECLARATIONS OF INTEREST

Councillors Dickson and Lawrence declared an interest in the subject matter of the following article by virtue of their position as a Council appointed Director to the Board of Sport Aberdeen.

Councillor Jean Morrison, MBE, declared an interest by virtue of her position as an Aberdeen City Council representative at Aberdeen Heat and Power.

Councillor Crockett declared an interest by virtue of his position as a Council appointed Director to the Board of Aberdeen Exhibition and Conference Centre.

Councillor Donnelly declared an interest by virtue of his positions as a Council appointed Director to the Board of Sport Aberdeen, the Board of Aberdeen Exhibition and Conference Centre and Aberdeen Performing Arts.

Councillor Taylor declared an interest by virtue of her position as a Council appointed Director to Garthdee Alpine Sports.

The Councillors chose to remain in the meeting as the bodies were companies established wholly or mainly for the purpose of providing services to the local authority, and which had entered into a contractual arrangement with the local authority for the supply of goods and/or services to the local authority, as set out in paragraph 5.18(2)(d)(i) and (ii) of the Councillors' Code of Conduct.

Councillor Cameron declared an interest in the subject matter of the following article by virtue of his position as a Board member of Aberdeen Sports Village and chose to leave the meeting during discussions relating to Aberdeen Sports Village.

ALEO GOVERNANCE HUBS - CG/16/125

9. The Committee had before it a report by the Interim Director of Corporate Governance which provided a summary of the significant matters raised at the August 2016 meetings of the Arm's Length External Organisations (ALEO) Governance Hub.

The report recommended:

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That the Committee –

- (a) consider the issues raised in both the report and the appended minutes for each ALEO and identify any areas of concern;
- (b) note the content of the report and the appended minutes;
- (c) note that specific covering reports would be prepared by the responsible Heads of Service and submitted to the appropriate service committees to consider ALEO service delivery and performance against agreed performance indicators and contract.

Members sought additional information relating to the finances of Bon Accord Care, Aberdeen Exhibition and Conference Centre, and Aberdeen Performing Arts, wherein Officers advised that the annual accounts for those ALEO's would be presented to the next meeting of the ALEO Governance Hub.

In relation to Bon Accord Care Ltd, Councillor Cameron enquired as to whether the Health, Safety and Wellbeing Manager had received the additional information relating to the health and safety audit, wherein Mr Robertson advised that the scores had been issued however the detail behind the scores had not been presented at that meeting.

In relation to Aberdeen Exhibition and Conference Centre, Councillor Cameron enquired in relation to the Tender for the new venue's operator, and why the detailed tender had been issued to the Council without the AECC Board making comment, wherein Mr MacBeath advised that a sub group of the Board had been set up and had delegated authority to manage the tender process to avoid conflicts of interests with Aberdeen City Councillors who were members of the Board.

In relation to Aberdeen Exhibition and Conference Centre, Councillor Greig enquired in relation to an item in the risk register relating to low staff morale and how this was affecting staff productivity, wherein Mr MacBeath advised that there was a small group of staff with an additional pool of staff employed for assisting at events and that there was currently no measurements in place relating to productivity.

In relation to Aberdeen Performing Arts, Councillor Cameron enquired as to whether there was anything in particular to be concerned about regarding financial implications reported to the Board, wherein Mr MacBeath advised that the information was reported to the Board however the report template did not have a specific section to outline any financial implications to make these clear within the report and that they had been asked to consider using asset template to include this section.

In relation to Garthdee Alpine Sports, Councillor Cameron enquired (1) as to whether the Business Continuity Plan had been compiled, wherein Mr MacBeath advised that further work was required on the plan to provide assurance to officers; and (2) as to the current position with the formal expenses policies and procedures, wherein Mr MacBeath advised that Finance colleagues and requested amendments to be made to

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the procedures and that these would be reported to the next ALEO Governance Hub meeting.

In relation to Aberdeen Heat and Power Ltd, Councillor Greig sought assurance that the Service Level Agreement would be reviewed as soon as possible, wherein the Head of Legal and Democratic Services advised that the Commercial and Procurement Service timeline for reviewing the Service Level Agreement was May 2017.

Councillor Graham enquired as to the level of support that Aberdeen City Council provided to ALEO's, wherein Mr MacBeath advised that the larger ALEO's had their own staff to provide the necessary support with the smaller ones receiving more input from Aberdeen City Council staff.

The Committee resolved:-

- (i) in response to questions from members relating to the finances of some of the ALEO's to note that the annual Accounts for those ALEO's would be presented to the next round of ALEO Governance Hub Meetings to allow further scrutiny;
- (ii) to note the questions and responses provided for the individual ALEO's; and
- (iii) to otherwise approve the recommendations as contained in the report.

THIRD DON CROSSING - CG/16/108

10. With reference to article 19 of the minute of meeting of the Finance, Policy and Resources Committee of 19 April 2016, the Committee had before it a report by the Interim Director of Corporate Governance which (1) provided an external view of the contractual arrangements that were put in place to construct the Third Don Crossing, known as the Diamond Bridge; and (2) explained that the remit of the review was to establish why the overall project was delivered late and over budget and to identify key lessons learned that the council should consider in relation to similar contracts in the future.

The report recommended:

That the Committee –

- (a) refer the report to the Strategic Asset Capital Board to develop an Action Plan based on the conclusions contained in the report; and
- (b) request that officers submit a report on the Action Plan to this Committee in six months time.

The Committee resolved:-

- (i) in response to various concerns raised by members relating to the contract and decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the 3rd Don Crossing and whether the appropriate level of scrutiny and records were in place throughout the project; and

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- (ii) to otherwise approve the recommendations contained in the report.

COMMUNITIES, HOUSING AND INFRASTRUCTURE RISK REGISTER - CHI/16/088

11. The Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the Risk Register for the directorate.

The report recommended:

That the Committee –

- (a) note the content of the risk register, the current status of each risk's control compliance and the mitigating actions through which enhanced control will be delivered; and
- (b) advise on any further action as appropriate.

The Committee resolved:-

- (i) to note that there were some errors in the report that would be rectified for future reports;
- (ii) to request that an update on the risk register be provided to this Committee within six months; and
- (iii) to otherwise approve the recommendation contained in the report.

EDUCATION AND CHILDREN'S SERVICES RISK REGISTER - ECS/16/059

12. The Committee had before it a report by the Director of Education and Children's Services which presented the Risk Register for the directorate.

The report recommended:

That the Committee –

- (a) note the content of the Education and Children's Services Risk Register;
- (b) note the mitigating actions that are present to manage and reduce the service risks;
- (c) note that the content of the Education and Children's Services Risk Register is reviewed by the Directorate Leadership team on a monthly basis and amended where appropriate; and
- (d) to otherwise note the content of the report.

The Committee resolved:-

to approve the recommendations contained in the report.

DATA PROTECTION

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13. The Committee had before it a report by the Internal Auditor, which presented an audit in relation to data protection which involved reviewing the arrangements in place across the Council to consider whether Data Protection legislation was being complied with.

The Committee resolved:-

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

INFOSMART SYSTEM

14. The Committee had before it a report by the Internal Auditor which presented an audit in relation the Infosmart System which involved considering whether appropriate control was being exercised in relation to the Infosmart System, including contingency planning and disaster recovery, the data input and the interfaces to and from other systems were accurate and properly controlled.

The Committee resolved:-

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

SCOTTISH WELFARE FUND

15. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the Scottish Welfare Fund and considered whether administration arrangements were robust and being complied with and involved reviewing written procedures, interviewing staff and analysing a sample of grant awards made over the last twelve months.

The Committee resolved:-

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

BUILDING SERVICES RE-CHARGES

16. The Committee had before it a report by the Internal Auditor which presented an audit in relation to charges within Building Services. The report advised that Internal Audit had been approached by the management requesting assistance to determine whether or not it was possible for incorrect charges to be levied through the use of the current systems and procedures. The review undertaken looked at the job and time recording, stock control and any discrepancies between actual billing and expected billing.

The Committee resolved:-

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

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BUILDING SERVICE PROCUREMENT

17. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the procurement of materials within Building Services and considered whether adequate controls were in place regarding the procurement of materials and involved a review of the procedures and analysis of procurement spend by Building Services during the financial year 2015/16.

The Committee resolved:-

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

CLEANING PAYROLL

18. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the payroll systems in place within the Cleaning Service and considered whether adequate controls and procedures were operating in relation to new starts or leavers and levels of additional/overtime hours within the cleaning service and included the co-ordination of additional hours to minimise overtime costs.

The Committee resolved:-

- (i) in response to a question from Councillor Jackie Dunbar relating to the number of errors identified with NSW allowances and whether Internal Audit were assured by the service response provided, to note that the Service were making progress and that Internal Audit were satisfied that the issues would be fully rectified;
- (ii) in response to a question from Councillor Cameron relating to the overtime payment rates and whether Internal Audit were satisfied with the responses provided, to note that once all of the processes had been implemented Internal Audit would be satisfied that the overtime rates applied would be at the correct level;
- (iii) in relation to all of the internal audit reports, to note that the majority of recommendations made had been agreed by management which was a positive step forward for improvement; and
- (iv) to otherwise note the content of the report and endorse the recommendations for improvement.

ROADS PAYROLL

19. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the payroll systems in place within the Roads Service which

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considered whether adequate controls and procedures were operating in relation to new starts and leavers and levels of additional overtime hours within the Roads Service.

The Committee resolved:-

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

FAMILY AND COMMUNITY SUPPORT - FAMILY CENTRES

20. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Family Centres which considered whether income and expenditure, payroll records, inventories and computer security was being adequately controlled and completed within Family Centres and included visits to three centres.

The Committee resolved:-

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

PUBLIC RECORDS (SCOTLAND) ACT

21. The Committee had before it a report by the Internal Auditor which presented an audit in relation to whether the arrangements in place to ensure compliance with the Public Records (Scotland) Act were adequate. The report advised that the Council were in the process of changing their information governance and reporting arrangements through the Information Governance Group who would report to the Corporate Management Team and to this Committee which would provide assurance on areas covered in the Act.

The Committee resolved:-

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

MANAGING CAPITAL PROJECTS

22. The Committee had before it a report by Audit Scotland, External Auditor which provided a summary of findings from their review of the Council's progress against the recommendations contained in Audit Scotland's national performance audit report 'Major Capital Investment in Councils' which was initially published in March 2013. The report advised that the work was based on the review of the project management arrangements in place for a sample of four projects which were all linked to the Strategic Infrastructure Plan (SIP), the operation and the management of the SIP were also examined.

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The Committee resolved:-

- (i) in relation to a question from the Convener relating to the appendix contained in the report which stated that the target date was pending the governance review and when the Committee would be provided with an update, to note that a report would be submitted to the Committee within six months as the work would be included in the 3rd Don Crossing action plan; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvements.

AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015/16 (PWC)

23. The Committee had before it a report by the Internal Auditor which provided an update on the progress Services had made with implementing recommendations agreed in the Internal Audit reports issued by the previous internal auditors, PWC.

The report recommended:

That the Committee –

- (a) review, discuss and comment on the issues raised within the report and the attached appendix; and
- (b) consider whether the remaining action relating to ALEOs Tier 2 Review be amended to 'The Council will ensure that Councillors appointed to ALEO Boards following the Local Government Elections in May 2017 attend training appropriate to the role', and that this be addressed by June 2017, and that progress be monitored by Internal Audit through its routine report on recommendations made since 1 April 2015.

The Committee resolved:-

to approve the recommendations contained in the report.

INTERNAL AUDIT OUTSTANDING RECOMMENDATIONS AGAINST THE 2015/16 AUDIT PLAN

24. The Committee had before it a report by the Internal Auditor which provided an update on progress with implementing agreed recommendations contained in Internal Audit reports since April 2015.

The report recommended:

that the Committee review, discuss and comment on the issues raised within the report and the attached appendices.

The Committee resolved:-

to note the content of the report.

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EXTERNAL AUDIT OUTSTANDING RECOMMENDATIONS

25. The Committee had before it a report by Audit Scotland, External Auditor which presented the list of issues and risks that had been agreed by Management as part of the 2014/15 audit.

The Committee resolved:-

to note that the majority of the outstanding actions had been completed with the remaining action having a revised date of March 2017.

ANNUAL REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2015/16 AUDIT

26. The Committee had before it a report by Audit Scotland, External Auditor which (1) presented a summary of their findings arising from the 2015/16 audit of Aberdeen City Council and the associated Charitable Trusts; and (2) advised that the responsibility as external auditor for the Council was to undertake an audit in accordance with the Internal Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 (and revised in 2016) and the ethical standards issued by the Auditing practices Board.

The Committee resolved:-

- (i) to note that an unqualified independent auditor report had been issued for the annual accounts and the registered charities for the financial period 1 April 2015 to 31 March 2016;
- (ii) to note that this was the last meeting for Audit Scotland as the Council's external auditors and to note the thanks given to the Chief Executive and members of the Finance team for the supportive working relationship over their term as external auditors;
- (iii) to note the thanks offered to Audit Scotland for the work undertaken over their term as external auditors; and
- (iv) to otherwise note the content of the report.

AUDITED ACCOUNTS 2015/16

27. The Committee had before it a report by the Interim Director of Corporate Governance which presented (1) the Council's audited Annual Accounts for the financial year 2015/16; and (2) the audited 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 for the financial year 2015/16.

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The report recommended:

That the Committee –

- (a) approve the Council's audited Annual Accounts for signature by the Head of Finance, Chief Executive and the Council Leader; and
- (b) approve the audited Annual Accounts for those registered charities where the Council is the sole trustee, for signature by a trustee.

The Committee resolved:-

- (i) to note the thanks from the Head of Finance to all staff involved with the preparation of the annual accounts;
- (ii) to otherwise approve the recommendations contained in the report.

EXEMPT INFORMATION

In accordance with the decision taken at article 1 of this minute, the following item of business was considered with the press and public excluded.

CORPORATE INVESTIGATION TEAM UPDATE

28. The Committee had before it a report by the Interim Director of Corporate Governance which provided (1) an update on activity by the Corporate Investigation Team (CIT) and (2) an update in relation to the National Fraud Initiative (NFI).

The report recommended:

That the Committee -

- (a) note the progress report in Appendix A;
- (b) continue to endorse and sponsor progress towards meeting the objectives contained within the National Fraud Authority checklist as contained in Appendix B;
- (c) continue to endorse and sponsor progress towards meeting the objectives contained within the National Fraud Initiative self-appraisal checklist as contained in Appendix D; and
- (d) note the progress against the CIT business plan as contained in Appendix E

The Committee resolved:-

to approve the recommendations contained in the report.

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