

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

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

**The agenda and reports associated with this minute can be accessed via the following link:**

**<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3914&Ver=4>**

### **DETERMINATION OF EXEMPT BUSINESS**

1. The Convener proposed that item 9.1 of today's agenda (article 23 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 9.1 (article 23) so as to avoid disclosure of exempt information of the class described in paragraph 14.

### **MINUTE OF PREVIOUS MEETING OF 28 APRIL 2016**

2. The Committee had before it the minute of its previous meeting of 28 April 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.

Councillor Townson sought clarification as to whether a report that was to be submitted to the Finance, Policy and Resources Committee relating to electronic bank transfer payments to Trusts could also be submitted to this Committee.

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

- (i) in response to a question from Councillor Townson regarding whether a report that is to be submitted to the Finance, Policy and Resources Committee relating to electronic bank transfer payments to Trusts could also be submitted to this Committee, to note that to follow the correct protocol, the report should be submitted to the Finance, Policy and Resources Committee and if they felt it

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- necessary to refer the report to this Committee for their consideration that would be actioned at the time; and
- (ii) to otherwise note the content of the workplan.

### DECISION TRACKING SHEET

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

**The Committee resolved:-**

to note the content of the decision tracking sheet.

### MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 19 FEBRUARY 2016

5. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 19 February 2016.

**The Committee resolved:-**

to note the minute.

### INTERNAL AUDIT PROGRESS REPORT

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

Councillor Greig sought clarification on those audits within the appendix that did not have a traffic light system advising on the current status of the audits. The Chief Internal Auditor advised that those audits were due to be started later in the audit plan therefore there was nothing to report at this stage. Councillor Samarai requested that for future reports a comment be added to advise that the audits had not been started so that the Committee were aware of the status of each one.

**The Committee resolved:-**

- (i) in response to questions from Councillors Greig and Samarai relating to those internal audits with no traffic light system, to note that a comment would be included in future reports to inform members that those audits had yet to be started;
- (ii) to otherwise note the content of the report.

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**INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2015/16**

7. The Committee had before it a report by the Internal Auditor which presented the Internal Audit Annual Report and the Internal Financial Control Statement for 2015/16.

**The report recommended:**

That the Committee -

- (a) note the Internal Financial Control Statement for 2015/16;
- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no inappropriate limitation to the scope of Internal Audit work during 2015/16; and
- (d) note the details of the self-assessment undertaken as required by the Public Sector Internal Audit Standards.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EXTERNAL AUDIT PROGRESS REPORT**

8. 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.

**DATA PROTECTION REPORTING JANUARY TO MARCH 2016 - CG/16/057**

9. The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview for quarter 4 (January to March 2016) in relation to Council data protection matters including Subject Access Requests, Third Party Requests, breaches, complaints and training.

**The report recommended:**

that the Committee note the content of the report.

Councillor Greig sought clarification regarding the increase in the number of Third Party Requests within the Communities, Housing and Infrastructure directorate wherein the Team Leader for Governance advised that there had been an increase in awareness amongst staff within that directorate on the importance to record all requests.

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Councillor Dickson sought clarification regarding how Third Party Requests had been recorded in the past to ensure that the correct information had been released, wherein the Team Leader for Governance advised that the information released would have been the correct however the recording of the initial request may not have been and that he would liaise with colleagues in the directorate and provide a response to the Committee.

Councillor Dunbar sought clarification regarding the size of the documentation to be reviewed and how many of those resulted in a late response being issued, to note that the information would be collated and included in future reports to the Committee.

Councillor Yuill requested that the reasons for late responses be included in future reports to the Committee.

**The Committee resolved:-**

- (i) in response to a question from Councillor Greig regarding the increase in the number of Third Party Requests within the Communities, Housing and Infrastructure directorate and the reasons why, to note that there was an increased staff awareness of the need to record these requests;
- (ii) in response to a question from Councillor Dickson regarding the increase in the number of Third Party Requests and how these were recorded in the past, to note the Team Leader for the Governance Team would liaise with colleagues and provide the information to members of the Committee;
- (iii) in response to a question from Councillor Dunbar regarding the size of the documentation to be reviewed and how many of those resulted in a late response being issued, to note that this information would be included in future reports;
- (iv) in response to a question from Councillor Yuill regarding the reasons for late responses to note that the reasons would be included in future reports;
- (iv) to otherwise approve the recommendation contained in the report.

**DATA PROTECTION ANNUAL REPORT - APRIL 15 TO MARCH 16 - CG/16/089**

**10.** The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of data protection matters including Subject Access Requests, Third Party Requests, breaches, complaints and training for the financial year April 2015 to March 2016.

**The report recommended:**

that the Committee note the content of the report.

Councillor Townson sought clarification relating to how the Service was going to monitor the uptake and completion of the e-induction training.

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**The Committee resolved:-**

- (i) in response to a question from Councillor Townson regarding the e-induction module and how the Service were going to monitor the completion of the training, to note that information would be provided in the next quarterly report to Committee;
- (ii) to otherwise approve the recommendation contained in the report.

**WHISTLEBLOWING ANNUAL REPORT- CG/16/093**

11. The Committee had before it a report by the Interim Director of Corporate Governance which provided a summary of the Whistleblowing activity during the period 1 April 2015 to 31 March 2016.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**DECLARATIONS OF INTEREST**

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 but chose to remain in the meeting during consideration of the item.

Councillors Dickson, Donnelly 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 Reynolds, Depute Provost, declared an interest by virtue of his position as a Council appointed Director to the Board of Aberdeen Exhibition and Conference Centre and Aberdeen Performing Arts. 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.

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**ALEO GOVERNANCE HUBS - CG/16/091**

**12.** 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 May 2016 meetings of the Arm's Length External Organisations (ALEO) Governance Hub.

**The report recommended:**

That the Committee –

- (a) considers the issues raised in both the report and minutes and identifies any areas of concern;
- (b) note the content of the report and the appended minutes;
- (c) arising from some of the discussion raised in the minutes, to instruct the Head of Human Resources and Customer Service to investigate the possibility of sourcing joint training for ALEO board members; and
- (d) to refer the individual minutes, with a specific covering report to be prepared by the responsible Head of Service, to the appropriate service committee to consider ALEO performance against agreed performance indicators and contract.

Councillor Greig sought clarification regarding branding of ALEO's and how this related to monitoring of performance, wherein the Senior Democratic Services Manager advised that each ALEO were asked the same set of questions around risk, governance and performance which the Governance Hub scrutinised with the addition of Service Committee's scrutinising the performance of the ALEO's under their remits.

Councillor Samarai sought clarification regarding Bon Accord Care and whether they had in place an impartial internal audit function, wherein the Senior Democratic Services Manager advised that discussions were ongoing in this area with Bon Accord Care and the Risk Manager and that this item was included in the action plan for the ALEO to address.

Councillor Greig sought clarification regarding the figures used when determining that two Swimming Pools would be closed, wherein the Senior Democratic Services Manager advised that he would liaise with Sport Aberdeen and provide a response to members of the Committee.

**The Committee resolved:-**

- (i) in response to a question from Councillor Greig regarding branding of ALEO's and how this related to monitoring of performance, to note that each ALEO were asked the same set of questions around risk, governance and performance which the Governance Hub scrutinised with the addition of Service Committee's scrutinising the performance of the ALEO's under their remits;
- (ii) in response to a question from Councillor Samarai regarding Bon Accord Care and whether they had in place an impartial internal audit function, to note that discussions were ongoing in this area with Bon Accord Care and the Risk

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- Manager and that this item was included in the action plan for the ALEO to address;
- (iii) in response to a question from Councillor Greig regarding the figures used when determining that two Swimming Pools would be closed, to note that the Senior Democratic Services Manager would liaise with Sport Aberdeen and provide a response to members of the Committee; and
  - (iv) to otherwise approve the recommendations contained in the report.

### **ANNUAL AUDIT, RISK AND SCRUTINY COMMITTEE REPORT**

**13.** The Committee had before it a report by the Chief Executive 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 Full Council for their consideration.

**The Committee resolved:-**

to approve the recommendations contained in the report.

### **COUNCIL TAX REDUCTION**

**14.** The Committee had before it a report by the Internal Auditor, which presented an audit in relation to Council Tax Reduction (CTR) and whether monies paid to claimants was supported by appropriate evidence and calculated appropriately. The audit involved reviewing claim documentation input and entitlement calculation for a sample of new and reviewed claims and those where a change of circumstance had been reported. The outcome of the audit showed that the systems in place for processing CTR were found to be robust, well managed and mostly well adhered to with the exception of two errors which had been identified and rectified.

**The Committee resolved:-**

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

### **COMPLIANCE WITH PROCUREMENT RELATED LEGISLATION AND FINANCIAL REGULATIONS**

**15.** The Committee had before it a report by the Internal Auditor, which presented an audit in relation to compliance with procurement related legislation and financial regulations which involved reviewing a sample of payments in excess of £5000 made via the Council's creditors system to ensure that they had been made in full compliance with legislation and financial regulations and were appropriate Value for Money had

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been achieved. The audit also included a review of files of paid invoices for lower valued payments to ensure they had been paid in compliance with the financial regulations.

Councillor Dunbar sought clarification regarding recommendation 2.2.18(2) and the fact that the Service did not agree (that the Finance, Policy and Resources Committee are provided with details in respect of the circumstances surrounding compensation payments to the solar energy contractor), wherein the Monitoring Officer advised that he was satisfied that the payment made was contractual and within the budget.

Councillor Dunbar requested information relating to how Managers were being informed on the aggregate spend for similar contracts wherein the Chief Internal Auditor advised that the Service were in discussions with the Commercial and Procurement Service to ensure this was being managed appropriately.

Councillor Dunbar sought clarification in relation to ensuring that all exemption forms were completed in full, wherein the Chief Internal Auditor advised that the Commercial and Procurement Service would be monitoring all forms in the future and that information on the process to be followed would be circulated to the Committee.

Councillor Dunbar sought clarification regarding which Committee would receive a report relating to the Commercial and Procurement Service's review of the status of the implied contracts, determine appropriate actions with the Service and seek Committee approval, wherein the Chief Internal Auditor advised that he would clarify the position and advise the Committee.

In relation to paragraph 2.2.16 (claim for compensation due to solar panels being disconnected following health and safety concerns and the company losing income) the Convener requested that a report be submitted to this Committee outlining the incident specifically the financial implications to the Council.

**The Committee resolved:-**

- (i) in response to a question from Councillor Dunbar regarding recommendation 2.2.18(2) and the fact that the Service did not agree (that the Finance, Policy and Resources Committee are provided with details in respect of the circumstances surrounding compensation payments to the solar energy contractor), to note that the Monitoring Officer was satisfied that the payment made to the contractor was a contractual payment and not a compensation payment and that there was sufficient funds to make the payment therefore any report would be for noting;
- (ii) in response to a question from Councillor Dunbar regarding Managers being made aware of aggregate spend on similar contracts and how this was being implemented, to note that the Service were working with the Commercial and Procurement Service to ensure this was being done;
- (iii) in response to a question from Councillor Dunbar regarding ensuring that all exemption forms were completed in full, to note that all forms would be monitored by the Commercial and Procurement Service in the future and that the



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- Chief Internal Auditor would provide the Committee with information on the process that was to be followed;
- (iv) in response to a question from Councillor Dunbar regarding which Committee would receive a report relating to the Commercial and Procurement Service's review of the status of the implied contracts and determine appropriate actions with the Service and seek Committee approval, to note that the Chief Internal Auditor would confirm which Committee and advise the Committee;
  - (v) to request the Head of Land and Property Assets to submit a report to this Committee presenting the circumstances relating to the solar panel incident specifically around the financial implications and the total loss to the Council; and
  - (vi) to otherwise note the content of the report and endorse the recommendations for improvement.

### **CREMATORIA INVESTIGATION**

**16.** The Chief Executive provided a verbal update in relation to the recent completion of the Crematoria Investigation. She advised that the full investigation report would be submitted to the Communities, Housing and Infrastructure Committee at its meeting on 25 August 2016 and would be shared with members of this Committee.

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

To note the verbal update provided in relation to the publication of the Crematoria Investigation Report.

### **AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015/16 (PWC)**

**17.** 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 PWC.

Councillor Greig sought assurance that progress was being made regarding item 2 – Carefirst which had a medium risk rating and the fact that a further revised date had been provided by the Service.

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

- (i) in relation to a question from Councillor Greig regarding item 2 – Carefirst which had a medium risk rating and the fact that a further revised date had been provided by the Service, to request the Lead Service Manager (Older People) to provide the committee with information relating to why additional resources had not been allocated to resolve the issues and to advise what the current status was; and
- (ii) to otherwise note the content of the report.

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**INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS AGAINST THE 2015/16  
INTERNAL AUDIT PLAN**

**18.** 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.

Councillor Dunbar sought clarification regarding AC1619 - Social Work Tendering and why no response had been provided from the Commercial and Procurement Service. The Corporate Procurement Manager advised that she would liaise with colleagues and provide a response to the Committee.

Councillor Yuill requested that the Interim Director of Corporate Governance issue a reminder to officers of the importance to attend the Committee and answer questions that may arise.

**The Committee resolved:-**

- (i) in response to a question from Councillor Dunbar regarding AC1619 - Social Work Tendering and why no response had been provided from the Commercial and Procurement Service, to request the Head of Procurement to provide a response to members of the Committee and to Internal Audit on the current position.
- (ii) to instruct the Director of Corporate Governance to remind officers of the importance to attend the Committee to answer questions that may arise during the course of the meeting; and
- (iii) to otherwise note the content of the report.

**EXTERNAL AUDIT OUTSTANDING RECOMMENDATIONS**

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

Councillors sought assurance that item 2 (Risk Assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate) was being addressed and that the action would be complete by the new revised date. The Head of Finance advised that there had been various factors that had affected the original implementation date and that provided assurance that the action would be complete by the new date.

**The Committee resolved:-**

- (i) to note the assurance provided in relation to item 2 (Risk Assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate); and
- (ii) to otherwise note the content of the report.

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## UNAUDITED ANNUAL ACCOUNTS 2015/16

**20.** The Committee had before it a report by the Interim Director of Corporate Governance which (1) provided an overview of the Council's 2015/16 unaudited Annual Accounts; (2) sought approval of the Annual Governance Statement; (3) provided the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and are 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 Accounts for the financial year 2015/16;
- (b) consider the Council's unaudited Annual Accounts 2015/16, paying particular attention to the sections highlighted in paragraph 5.4;
- (c) consider the unaudited Annual Accounts 2015/16 of the Council's registered charities;
- (d) note that following this meeting the Council's and registered charities unaudited Annual Accounts would be finalised, signed and submitted to Audit Scotland by 30 June 2016;
- (e) note that as now required by Regulation 8 (9) of the Local Authority Accounts (Scotland) Regulations 2014 (the "2014 Regulations"), this Committee at its meeting on 27 September 2016 will receive the audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance , Chief Executive and Leader of the Council;
- (f) note that this Committee at its meeting on 27 September 2016 will receive the external auditor's Annual Report to Members and the Controller of Audit for debate and consideration and that the report would set out the auditor's findings and conclusion 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 this Committee at its meeting on 27 September 2016 would receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

Councillor Young requested that a benchmarking exercise against other local authorities in relation to Debt and Liquidity be undertaken, wherein the Head of Finance advised that this had already been completed and the information would be circulated to members of the Committee.

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

- (i) to express their thanks to all staff members involved in the preparation of the accounts;

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- (ii) to note the thanks expressed from the Head of Finance to all staff and in particular members of the Finance Team;
- (iii) in response to a question from Councillor Young regarding benchmarking against other local authorities in relation to Debt and Liquidity, to note that a benchmarking exercise had been undertaken and the information would be circulated to members of the Committee; and
- (iv) to otherwise approve the recommendations contained in the report.

**EXTERNAL AUDIT INTERIM REPORT ON THE 2015/16 AUDIT - REPORT BY THE EXTERNAL AUDITOR**

**21.** The Committee had before it a report by the External Auditor which provided a summary of their findings arising from routine audit work around governance and internal controls as part of the 2015/16 audit of the Council.

The report appended an action plan which out the recommendations from the audit, which officers had considered and were taking steps to address these.

**The Committee resolved:-**

to note the content of the report.

**AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - OCE/16/020**

**22.** The Committee had before it a report by the Chief Executive which presented a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed by the Council in response to those.

**The report recommended:**

That the Committee note the detail of the individual reports -

- (a) Procurement in Councils
- (b) Major Capital Investment in Councils - Follow Up
- (c) Community Planning – An Update
- (d) Overview of Local Government in Scotland and
- (e) Changing Models of Health and Social Care.

**The Committee resolved:-**

to approve the recommendation 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.**

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**CORPORATE INVESTIGATION TEAM BUSINESS PLAN - CG/16/090**

**23.** The Committee had before it a report by the Interim Director of Corporate Governance which presented the proposals for the Corporate Investigation Team for 2016/17.

**The report recommended:**

that the Committee approve the Business Plan as contained in Appendix 1 to the report.

Councillor Greig sought guidance as to whether the costs on fraud would be provided and analysed in the future, wherein the Corporate Investigation Manager advised that this would continue to be collated and reported in future reports to the Committee.

Councillor Cameron sought assurance that the resources for the Corporate Investigation Team would be monitored and additional resource provided where necessary to ensure that the work was undertaken in an appropriate and efficient manner. The Interim Director of Corporate Governance advised that the resources for the Team would be monitored and appropriate action taken if required.

**The Committee resolved:-**

- (i) in response to a question from Councillor Greig regarding whether the costs on fraud would continue to be provided and analysed, to note that this information would be provided in all reports presented to the Committee;
- (ii) in response to a question from Councillor Cameron regarding the need to ensure that adequate resources were in place within the Team, to note that the Director for Corporate Governance advised that he was conscious of the importance of this area of work and would review the resources where appropriate; and
- (ii) to otherwise approve the recommendation contained in the report.

- **COUNCILLOR STEPHEN FLYNN, Convener.**