

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 27 June 2017. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard, Bell, Cooke, Donnelly, the Depute Provost; Jackie Dunbar, Duncan, Graham, Laing (as substitute for Councillor Crockett, the Lord Provost), Lumsden, Avril MacKenzie, McLellan, Samarai, Sellar and Townson.

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

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DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that item 11.1 of today's agenda (article 23 of this minute refers) 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 11.1 so as to avoid disclosure of exempt information of the class described in paragraphs 6 and 9.

COMMITTEE BUSINESS STATEMENT

2. The Committee had before it the Committee Business Statement as prepared by the Clerk.

The Committee resolved:-

- (i) subject to the decisions taken later on the agenda, to delete items 1 (Communities, Housing and Infrastructure Risk Register); 2 (Solar Photovoltaic Agreement); 3 (Review of Risk Management Systems); and 4 (Bond Financial Strategy – Implications for the Council); and
- (ii) to note that item 5 (3rd Don Crossing – Audit relating to the Programme Management Office) would be presented to this Committee in quarter four after work had been completed in reviewing the Capital Programme Governance Arrangements.

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

COMMITTEE TRACKER

3. The Committee had before it the Committee Tracker which presented a list of reports to be discussed at future meetings of the Committee.

The Committee resolved:-

to note content of the Committee Tracker.

MINUTE OF PREVIOUS MEETING OF 23 FEBRUARY 2017

4. The Committee had before it the minute of its previous meeting of 23 February 2017.

The Committee resolved:-

- (i) in relation to article 9 (Council Owned Land and Property – Asset Registers), to note that the registers were available online and that the link would be issued to the Committee; and
- (ii) to otherwise approve the minute as a correct record.

INTERIM AUDIT REPORT - REPORT BY THE EXTERNAL AUDITOR

5. The Committee had before it a report by KPMG, External Auditors which presented their Interim Audit in relation to the financial statements for the period 1 April 2016 to 31 March 2017.

The Committee resolved:-

to note the content of the report.

UNAUDITED ANNUAL ACCOUNTS - CG/17/066

6. The Committee had before it a report by the Head of Finance, which (1) provided an overview of the Council's 2016/17 unaudited Annual Accounts; (2) presented the Annual Governance Statement for approval; and (3) presented the unaudited Annual Accounts for the registered charities where the Council was the sole trustee.

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 2016/17;
- (b) note the Council's unaudited Annual Accounts 2016/17;
- (c) note the unaudited Annual Accounts 2016/17 of the Council's registered charities;

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

- (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 2017;
- (e) note that as now required by statute, the Audit, Risk & Scrutiny Committee on 26 September 2017 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 26 September 2017 will also receive the external auditor's "Annual Report Members and the Controller of Audit" for debate and consideration and that this report will 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 26 September 2017 will also 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.

Members asked questions in relation to the Marischal Square Development specifically around the current position with tenants for the space.

The Head of Finance thanked officers and auditors for the work undertaken in the production of the annual accounts and for those involved throughout the year.

The Committee resolved:-

- (i) to note the additional information provided in relation to the Marischal Square Development;
- (ii) to note the thanks given to all officers and Auditors involved with the annual accounts process; and
- (iii) to otherwise approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS REPORT - REPORT BY THE INTERNAL AUDITOR - IA/17/010

7. The Committee had before it a report by the Internal Auditor which provided an update on progress made against the approved 2016/17 and 2017/18 Internal Audit Plans.

The report recommended:

That the Committee –

- (a) approves a delay in the audit requested, relating to whether there are adequate controls in the Programme Management Office, to quarter four of 2017/18; and

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

- (b) review, discuss and comment on the issues raised within the report and attached appendices.

Councillor Townson sought clarification as to why only Councillors who were members of the Education and Children's Services Committee received a Protecting Vulnerable Groups (PVG) check. Councillor Dunbar sought clarification in relation to Councillors who had not been PVG checked and what the implications would be for them whilst at events or Councillor surgeries that would put them into contact with children or vulnerable adults.

The Committee resolved:-

- (i) in relation to a question from Councillor Townson relating to Garthdee Alpine Sports and whether the audit had been completed, to note that the audit was complete and would be presented to this Committee in September 2017;
- (ii) in relation to a question from Councillor Townson relating to whether the grant funding for Garthdee Alpine Sports had been withheld, to note that the Head of Finance would check and advise Councillor Townson outwith the meeting;
- (iii) in relation to questions from Councillors Jackie Dunbar and Townson relating to PVG checks, to note that the Chief Executive would liaise with officers and provide a response to the Committee; and
- (v) to otherwise approve the recommendations contained in the report.

INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2016/17 - IA/17/008

8. The Committee had before it a report by the internal Auditor which presented the Internal Audit Annual Report and Internal Financial Control Statement for financial year 2016/17.

The report recommended:

That the Committee -

- (a) note the Internal Financial Control Statement for 2016/17;
- (b) note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- (c) note that there has been limitation to the scope of Internal Audit work during 2016/17; and
- (d) note that no self-assessment has been undertaken as required by the Public Sector Internal Audit Standards as an external assessment is being completed by KPMG.

The Chief Internal Auditor advised that the Internal Audit team now had a basic level access to the CareFirst system to enable them to carry out the checks required as part of the audit process.

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

The Committee resolved:-

- (i) to note the information provided in relation to Internal Audit's access to the CareFirst System; and
- (ii) to otherwise approve the recommendations contained within the report.

INTERNAL AUDIT CHARTER - REPORT BY THE INTERNAL AUDITOR - IA/17/009

9. The Committee had before it a report by the Internal Auditor which sought agreement to amend the Internal Audit Charter as previously adopted on 28 April 2016.

The report recommended:

that the Committee approve the Internal Audit Charter for implementation from 23 June 2017.

The Committee resolved:-

to approve the recommendation contained in the report

AUDIT, RISK AND SCRUTINY COMMITTEE - ANNUAL REPORT - OCE/17/007

10. 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 the Council for their consideration.

Councillor Allard sought clarification in relation to the Whistleblowing Policy and how it was operated throughout the Council, wherein the Policy Performance & Parliamentary Liaison Manager advised that during the period no complaints had been raised via the policy and that the policy had been approved by Committee although the operation of it may not be clearly notified to employees.

The Committee resolved:-

- (i) to note the information provided in relation to the Whistleblowing Policy;
- (ii) to request that a report be submitted to this Committee providing an update on the Whistleblowing Policy, how it is implemented, communicated and monitored throughout the organisation; and
- (iii) to otherwise approve the recommendations contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
27 June 2017

REVIEW OF CAPITAL PROGRAMMES - CHI/17/153

11. The Committee had before it a report by the Interim Director of Communities, Housing and Infrastructure which provided an update on the progress of the Capital Programme Governance Review and the draft revised proposed governance arrangements.

The report recommended:

That the Committee -

- (a) note the revised terms of reference for the Strategic Asset and Capital Board, attached at Appendix 1;
- (b) note the amended governance arrangements for Strategic Infrastructure Plan and Capital Plan delivery as outlined in this report and attached at Appendix 2, incorporating the delivery of City Centre Masterplan projects within these governance arrangements;
- (c) note that the Interim Director of Communities, Housing and Infrastructure be responsible for the Capital Programme until the restructure is undertaken;
- (d) note the Capital Governance Review Action Plan which is attached at Appendix 3;
- (e) approve that a monthly Members Reference Group, for the Capital Programme be established with membership of five Councillors, three nominated from the Administration and two nominated from the Opposition; and
- (f) note an Internal Audit in Quarter four has been scheduled to review the arrangements and their operation.

Councillor Cooke sought additional information in relation to what support mechanisms were being implemented to encourage officers to report when the project may be going wrong, wherein the Interim Director advised that there were various mechanisms including, Peer Group review sessions, support via the directorates and additional training.

Councillor Donnelly requested information relating to unforeseen overspends and how this would be managed wherein the Interim Director advised that proper management of the project would allow for issues to be detected and reported appropriately.

Councillor Jackie Dunbar sought clarification as to what powers the Members Reference Group would have to resolve any issues, wherein the Interim Director advised that that the Group would not have decision making powers and any issues would be reported to the appropriate Committee. She further advised that the purpose of the group would be to help members understand the project, how it was being managed and the financial controls in place.

Councillor Yuill sought assurance that if the Reference Group was established that full training would be provided to members to assist them in their role, wherein the Interim Director advised that full training would be provided.

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

The Committee resolved:-

- (i) to instruct the Chief Executive to bring forward as part of the Council Operating Structure – Senior Management report to Council on 23rd August all options on securing a Programme Director to oversee and be responsible for all Council Capital spend;
- (ii) to note the revised terms of reference for the Strategic Asset and Capital Board, attached at Appendix 1;
- (iii) to note the amended governance arrangements for Strategic Infrastructure Plan and Capital Plan delivery as outlined in this report and attached at Appendix 2, incorporating the delivery of City Centre Masterplan projects within these governance arrangements;
- (iv) to note that the Interim Director of Communities, Housing and Infrastructure be responsible for the Capital Programme until the restructure is undertaken;
- (v) to note the Capital Governance Review Action Plan which is attached at Appendix 3;
- (vi) to instruct the appropriate senior officer under the new structure to report in Audit Quarter 4 on project management governance as set out in paragraph 3.2 of the report; and
- (vii) to approve that a monthly Members Reference Group, for the Capital Programme be established with a membership of 5 Councillors, 3 nominated from the Administration and 2 nominated from the Opposition, and delegate authority to the Interim Director of Communities, Housing and Infrastructure, following consultation with Group Leaders, to set the Terms of Reference for this group.

RISK MANAGEMENT REPORT - CG/17/061

12. The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project.

The report recommended:

that the Committee note the progress made in delivering the project.

Councillor Samarai sought assurance that item 6 on the attached appendix would be completed by the end of June, wherein the Performance and Risk Manager advised that the majority of the work had been completed however it was unlikely to be completed by the end of June and that he expected it to be fully completed within a month.

Councillor Graham sought clarification in relation to the format of the Risk Registers and also whether Councillors could be issued with a copy of the new template, wherein the Performance and Risk Manager advised that there was a standardised template which had been amended and would be issued to all Services once final approval had

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

been given by the Corporate Management Team. He further advised that the current training for members on risk could be amended and that the template would be issued to members.

The Committee resolved:-

- (i) in relation to a questions from Councillors regarding the Risk Register, to note that the format for the register had been amended and following final approval from the Corporate Management Team would be issued to all directorates to ensure a standardised format was being used across the Council; that risk management training for Councillors would be amended; and that a copy of the Risk Register template would be issued to the Committee; and
- (ii) to otherwise approve the recommendation contained in the report.

CHI RISK REGISTER UPDATE - CHI/17/078

13. The Committee had before it a report by the Interim Director for Communities, Housing and Infrastructure which presented the Risk Register for the Service.

The report recommended:

that the Committee note the content of the risk register and advise any further action as appropriate.

Councillors Graham and Lumsden both requested that timescales be allocated to each of the actions to ensure that they were being progressed.

Councillor Lumsden sought clarification in relation to the Health and Safety Improvement Plan and who was responsible for it, wherein the Business Manager advised that the Senior Management Team discussed the Risk Register and the Health and Safety Improvement Plans to gain tighter control over the actions.

The Chief Executive advised that the process involved capturing all of the potential risks, identifying those that were like to happen and ensuring actions were in place to mitigate against the risks.

Councillor Graham advised that the Corporate and Directorate Health and Safety Improvement Plans would be scrutinised at the Corporate Health and Safety Committee to ensure controls were in place.

The Committee resolved:-

- (i) to note the information provided in relation to individual risks; and
- (ii) to note that the corporate and directorate health and safety improvement plans would be discussed at the Corporate Health and Safety Committee to ensure that controls were in place; and
- (iii) to otherwise approve the recommendation in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
27 June 2017

WEBSITE BREACH - ACTION PLAN UPDATE - CG/17/033

14. The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on the action plan that was produced in response to the website homepage breach which occurred on 28 January 2017.

The report recommended:

that the Committee note the content of the report and the attached action plan.

The Committee resolved:-

to approve the recommendation contained in the report.

SCOTTISH PUBLIC SERVICES OMBUDSMAN AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CG/17/060

15. The Committee had before it a report by the Head of Legal and Democratic Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council complaints since the last reporting cycle.

The report recommended:

that the Committee note the details of the report and recommends any additional actions as appropriate.

The Committee resolved:-

- (i) to note that in relation to item one contained in Appendix A of the report, a response was still awaited from the SPSO; and
- (ii) to otherwise approve the recommendation contained in the report.

ALEO OPERATING MODEL - CG/17/073

16. The Committee had before it a report by the Head of Legal and Democratic Services which sought approval for a new Arms-Length External Organisation (ALEO) operating model to provide assurance to the Council on the effectiveness of ALEO systems of governance, with a view to ensuring that the outcomes of those organisations were being monitored and the risks to those organisations and the Council were mitigated and managed.

The report recommended:

That the Committee –

- (a) note the options appraisal undertaken to identify a preferred option for a refreshed ALEO operating model as attached under Appendix A;

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

- (b) note the Good Governance Institute's recommendation from their report to Council dated September 2016, that the level of ALEO scrutiny should be proportionate to the level of risk to the Council and that the previous iteration of the Governance Hub was administratively burdensome and unsupportable in the future; and
- (c) note CIPFA's view as detailed in their report to Council dated 9 January 2017, that Council should strike a balance between oversight of ALEOs and allowing their freedom to operate as independent legal entities; and
- (d) approve the adoption of Option 3: Assurance Hub Model as the Council's new ALEO operating model.

Councillor Jackie Dunbar sought clarification in relation to whether ALEO Board meetings could be held in public and what the position would be in relation to an ALEO refusing to appoint a Director, wherein the Service Manager for Legal Services advised that in respect of holding meetings in public, the Service Level Agreement would require to be amended, however, as the ALEO's were private companies it may not be possible to insist that meetings were held in public and that in relation to what the position would be where an ALEO refused to appoint a Director, that the Service Manager for Legal Services would clarify the position on this and advise members fully on both points out with the meeting.

Councillor Duncan enquired as to whether Terms of Reference for the Assurance Hub had been drawn up wherein the Senior Democratic Services Manager advised that these would be presented to this Committee at its next meeting.

The Convener moved, seconded by Councillor Jackie Dunbar:-

That the Committee approve recommendations (a) to (c) and amends recommendation (d) as follows:

(d) Approve the adoption of Option 3: Assurance Hub Model as the Council's new ALEO operating model; noting that each ALEO will present their business plan or annual plan to the relevant service committee once a year; and recommends to the meeting of Full Council on the 23rd of August 2017 that the Council nominates at least one Councillor as a board member to each ALEO, subject to any necessary compliance with any relevant legal rules, process and agreement with the ALEO.

Councillor Laing moved as an amendment, seconded by Councillor Donnelly:-

That the Committee approve recommendations (a) to (c) and amends recommendation (d) as follows:

(d) Approve the adoption of Option 3: Assurance Hub Model as the Council's new ALEO operating model; noting that each ALEO will present their business plan or annual plan to the relevant service committee once a year.

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

On a division, there voted:-

For the motion (8) – The Convener, Vice Convener and Councillors Allard, Cooke, Jackie Dunbar, McLellan, Samarai and Townson.

For the amendment (9) – Councillors Bell, Donnelly, Duncan, Graham, Laing, Lumsden, Avril MacKenzie, Lesley Dunbar and Sellar.

The Committee resolved:-

- (i) in relation to questions asked relating to whether ALEO Board meetings could be held in public, to note that the Service Level Agreement would require to be amended, however, as the ALEO's were private companies it may not be possible to insist that meetings were held in public and that in relation to what the position would be where an ALEO refused to appoint a Director, that the Service Manager for Legal Services would clarify the position on this and advise members fully on both points out with the meeting;
- (ii) in relation to a question from Councillor Duncan relating to the Terms of Reference for the Assurance Hub, to note that these would be presented to this Committee at its next meeting;
- (iii) to otherwise adopt the terms of the amendment.

GENERAL FUND REVENUE BUDGET SETTING - REPORT BY THE INTERNAL AUDITOR - IA/AC/17/019

17. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the General Fund Revenue Budget Setting which reviewed the procedures used in setting the Council's revenue budget for 2016/17.

The Committee resolved:-

to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

VEHICLES AND DRIVER RECORDS - REPORT BY THE INTERNAL AUDITOR - IA/AC/17/020

18. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Vehicles and considered whether or not actions put in place to remedy the concerns which were raised by the Traffic Commissioner were working as intended.

In response to questions from Councillor Jackie Dunbar relating to the audit process and the content of the report, the Fleet Manager advised that the Service welcomed the audit and agreed the audit recommendations for further improvements to the Service.

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

He further advised that in relation to Cross Service Compliance that regular meetings were taking place with staff to build the relationships and that additional training and support was required in some areas. In relation to the high level of mistakes identified within workshop records, the latest figures had shown an improvement and further support would be put in place to ensure all records were correct.

The Committee resolved:-

- (i) to note the information provided from the Service in relation to the details within the audit report; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Service.

2017/18 ACC LOCAL SCRUTINY PLAN

19. The Committee had before it a report by KPMG, External Auditor which presented the Local Scrutiny Plan, April 2017 to March 2018. The Local Scrutiny Plan sets out the planned scrutiny activity for the Council and is based on a shared risk assessment undertaken by a Local Area Network.

The Committee resolved:-

- (i) to note that the reference to Community Health Partnerships had been removed from the final version; and
- (ii) to otherwise note the content of the report and the appended scrutiny plan.

INTERNAL AUDIT - FOLLOW UP OF RECOMMENDATIONS - IA/17/011

20. The Committee had before it a report by the Internal Auditor which advised on the progress made by Services with implementing recommendations that were agreed 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.

Councillor Jackie Dunbar sought assurance that timesheets were being signed off by a Team Leader, wherein the Head of Land and Property Assets advised that the timesheets mainly related to school cleaners and were being signed off in the traditional way and that the new online system would be available for the start of the new school term in August 2017.

Councillor Jackie Dunbar requested an explanation as to why the Strategic Risk Register had not been reported to this Committee wherein the Chief Executive advised that there had been a delay due to the extensive work undertaken to revise the risk

AUDIT, RISK AND SCRUTINY COMMITTEE

27 June 2017

management system to ensure it was correct. She also advised that discussions in relation to having an operational risk register, corporate risk register and a strategic risk register had occurred and that all corporate risks would be included on the strategic risk register as it was important that all corporate risks were identified and managed. The strategic risk register was scrutinised at the Corporate Management team meetings on a monthly basis.

The Committee resolved:-

- (i) to note the additional information provided in relation to the Cleaning Payroll audit, specifically the authorisation process for timesheets;
- (ii) to note the additional information provided in relation to the Risk Management audit, specifically the reasons for the delay in the production of the Strategic Risk Register; and
- (iii) to otherwise note the content of the report and request all Services to undertake the work required to complete the outstanding audit recommendations.

APPOINTMENT OF MEMBERS TO CHSC - CG/17/076

- 21.** The Committee had before it a report by the Head of Legal and Democratic Services which sought the appointment of members to the Corporate Health and Safety Committee.

The report recommended:

That the Committee –

- (a) note the composition of the Corporate Health and Safety Committee as detailed at section 3.1 of the report as approved by Council on 17 May 2017; and
- (b) agree to appoint members to the Corporate Health and Safety Committee

The Committee resolved:-

- (i) to request that the names of members be provided to Committee Services; and
- (ii) to otherwise approve the recommendations contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
27 June 2017

AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - OCE/17/010

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

The report recommended:

That the Committee –

- (a) note the detail of the Audit Scotland national reports:
Principles for a Digital Future and
Local Government in Scotland: Performance and Challenges 2017; and
- (b) considers officers' comments.

The Committee resolved:-

to 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.

SOLAR PHOTOVOLTAIC AGREEMENT - REPORT BY THE INTERNAL AUDITOR - IA/17/007

23. The Committee had before it a report by the Internal Auditor which presented the outcome from the work that the Committee requested that Internal Audit undertake relating to the Solar Photovoltaic Agreement contract and decision making process.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report.

Members asked various questions in relation to the audit undertaken and the current position of the operation of the solar panels.

The Committee resolved:-

- (i) to note the information provided in relation to the current operation of the solar panels;
 - (ii) to note the thanks given to the Internal Auditor for the work undertaken on the audit; and
 - (iii) to otherwise note the content of the report.
- **COUNCILLOR STEPHEN FLYNN, Convener**