

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 26 June 2019. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Donnelly (as substitute for Councillor Graham from article 9 of this minute), Jackie Dunbar, Duncan, Graham (up to article 9 of this minute), Lumsden, Avril MacKenzie, Reynolds and Townson.

The agenda and associated reports associated with this minute can be found at:-

<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MIId=6767>

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that the Committee consider item 9.1 (Equal Pay Review – Exempt Appendix) on the agenda 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 during consideration of item 9.1 of the agenda (article 18 of this minute) so as to avoid disclosure of information of the classes described in paragraphs 1 and 6 of Schedule 7(A) to the Act.

DECLARATIONS OF INTEREST

2. Members were requested to intimate any declarations of interest in respect of the items on the agenda, thereafter, the following declarations of interest were intimated:-
 - (1) Councillor Duncan and Councillor Avril McKenzie declared an interest in item 8.1 (ALEO Assurance Hub) by virtue of their position as Board Members of Aberdeen Performing Arts; and
 - (2) Councillor Graham declared an interest in item 8.1 (ALEO Assurance Hub) by virtue of his position as a Board Member of Sport Aberdeen and considered that the nature of their interests did not require them to leave the meeting at that item on the agenda.

The Committee resolved:-

to note the declarations.

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MINUTE OF PREVIOUS MEETING OF 30 APRIL 2019

3. The Committee had before it the minute of its previous meeting of 30 April 2019.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

4. The Committee had before it the business planner as prepared by the Chief Officer Governance.

The Committee resolved:-

to note the content of the business planner.

ALEO ASSURANCE HUB - GOV/19/294

5. The Committee had before it a report by the Chief Officer Governance which provided assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.

The report recommended:-

That the Committee -

- (a) note the level of assurance provided by each ALEO on risk management, financial management and governance; and
- (b) note that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting.

Councillor Townson asked a question in relation to the reputational damage to the Council for employees on zero-hour contracts. The Interim Democracy Manager advised that the reputational risk was diminished following changes in legislation whereby zero-hour contracts are preferred in most cases compared to casual contracts as they offer protection and no longer prohibits employees working for other employers.

Councillor Jackie Dunbar sought clarification in relation to the assurance ratings within the tables as it seemed that the ratings were not correct. The Assurance Manager advised that she could see where the confusion has come from and would amend the ratings for future reports.

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In relation to Bon Accord Care, Councillor Jackie Dunbar requested information on the number of EU Nationals working for Bon Accord Care. The Assurance Manager advised that she would circulate the information to Members.

In relation to Bon Accord Care, Councillor Jackie Dunbar sought guidance on how often policies were reviewed. The Finance Partner advised that Bon Accord Care reviewed their own documents which were then submitted to the Council to ensure they were satisfied with the content and that the full range of policies would be reviewed over a period of time and reported to the Council.

In relation to Sport Aberdeen, Councillor Townson enquired as to whether the grant for Garthdee Alpine Sports had ceased since the merger with Sport Aberdeen. The Chief Officer Finance advised that Sport Aberdeen received a single payment for them to manage their operations.

Councillor Duncan sought clarification in relation to the differing situations with ALEOs paying either the National Living Wage or the Scottish Living Wage. The Interim Democracy Manager advised that all ALEOs were at least paying the National Living Wage and that some were paying the Scottish Living Wage. He further advised that there were additional terms nationally and that these were being monitored and would be reflected in future reports.

The Committee resolved:-

- (i) in relation to a comment regarding the way in which the ratings were presented in the assurance rating tables, to note that they would be amended for future reports;
- (ii) in relation to a question relating to the number of EU Nationals working for Bon Accord Care, to note that the Assurance Manager would provide the information via email to the Committee;
- (iii) in relation to a question regarding ALEO's paying the Scottish Living Wage or the National Living Wage and whether the information could be provided to the Committee, to note that there were additional terms nationally and that these were being monitored and would be reflected in future reports; and
- (iv) to otherwise approve the recommendations contained in the report.

ANTI-MONEY LAUNDERING - GOV/19/298

6. The Committee had before it a report by the Chief Officer Governance which presented the Anti-money Laundering Policy.

The report recommended:-

That the Committee -

- (a) approve the attached Anti-Money Laundering Policy; and

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- (b) approve the policy being incorporated into the Fraud, Bribery and Corruption Policy during the forthcoming review.

Councillor Jackie Dunbar asked about the training for employees and how often it was undertaken. The Chief Officer Governance advised that if the Policy was approved that Chief Officers would be asked to identify which employees needed to undertake the online training.

Councillor Duncan sought information in relation to online transactions and whether there was a higher risk to the Council. Ms Nicolson advised that the online transactions were very small and would be out of scope. The Chief Officer Finance advised that the National Fraud Initiative was looking at patterns of suspicious transactions and follow up on any matching events.

Councillor Townson sought information relating to procedures in place for staff and their safety when dealing with large cash transactions. Ms Nicolson advised that the training for staff would cover cash transactions and how to deal with anything suspicious.

The Committee resolved:-

to approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/19/009

7. The Committee had before it a report by the Chief Internal Auditor which advised on progress against the approved 2018/19 and 2019/20 Internal Audit Plans.

In relation to the Management of High-risk Contracts audit, Councillor Graham enquired as to whether officers had responded to questions from Internal Audit. The Chief Internal Auditor advised that there had been challenges identifying the correct officers and that responses were still awaited.

The Committee resolved:-

- (i) in relation to a question regarding the internal audit for Management of High-risk Contracts and whether responses were still to be received from officers, to note that the Director of Resources would determine who the appropriate officers were and instruct them to respond to Internal Audit in order to progress the audit; and
- (ii) to otherwise note the content of the report.

INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS - IA/19/010

8. The Committee had before it a report by the Chief Internal Auditor which advised on progress made by the relevant Functions with implementing recommendations that had been agreed in Internal Audit reports.

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In relation to the Craft Workers Terms and Conditions audit, Councillor Duncan sought assurance that a report would be discussed at the Staff Governance Committee in October so that the outstanding audit recommendation could be removed from this report. The Chief Internal Auditor confirmed that the outstanding audit recommendation would remain in this report until Internal Audit were satisfied that the recommendation had been completed.

The Chief Officer Operations and Protective Services advised that discussions were ongoing with the Trade Unions and that a report would be presented to the Staff Governance Committee in October addressing the outstanding audit recommendation.

In relation to the Vehicle Usage audit, Councillor Dunbar enquired as to why it was agreed that the recommendation would be complete by April 2019 and whether the Function were confident the recommendations would be complete by October 2019. The Chief Officer Operations and Protective Services advised that when the original audit was undertaken, he thought that the procurement of the vehicles would be completed by April 2019 and that he was confident that the recommendations would be complete by October 2019.

In relation to the Devolved School Management audit, Councillor Jackie Dunbar sought an update on the progress of implementing the audit recommendations. The Chief Officer Corporate Landlord advised that a Review from the Scottish Government had just been published which he would be reviewing to determine any changes required and that he would keep Internal Audit informed and provide a new date for completion.

In relation to the Corporate Landlord Responsibilities audit, recommendation 2.2.3, Councillor Jackie Dunbar requested when the information would be issued to Internal Audit in order for the recommendation to be closed. The Chief Officer Corporate Landlord advised that would ensure the information was sent to Internal Audit.

The Committee resolved:-

- (i) in relation to questions raised relating to the Craft Workers Terms and Conditions outstanding audit recommendation, to note that until Internal Audit were satisfied that the audit recommendation had been completed, the item would remain in future reports;
- (ii) to note the responses provided to various questions raised from Members; and
- (iii) to otherwise note the content of the report.

MUSIC CENTRE - IA/AC1925

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to the Music Service which was undertaken to provide assurance over Music Centre procedures for collecting income, entitlement to

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concessionary tuition, procurement, payroll and the inventory of musical instruments and sheet music.

Members raised various concerns in relation to the content of the audit report and asked specific questions regarding the electronic systems to be put in place and whether this would capture historic data as well new data for the new academic session 2019/20, the system for returning instruments and sheet music, the procurement process for instruments and why these issues had not been identified prior to the audit.

The Chief Officer Integrated Children's and Family Services advised that the audit report has assisted management to identify the issues that required to be addressed. He further advised that the online system was almost complete and would be available for the start of the academic session and that other systems were being looked at to capture historic data and processes for returning instruments. He stated that a report outlining the milestones to be completed for all of the recommendations would be prepared.

The Director of Customer Services advised that the Digital and Technology team would be working with colleagues to progress electronic systems and that discussions were already taking place.

The Director of Resources advised that as part of the Internal Audit annual planning, this audit was agreed to be undertaken within this Internal Audit Plan and that Internal Audit have identified areas for improvement.

The Committee resolved:-

- (i) in relation to various questions regarding the audit recommendations and specifically recommendation 2.10.5, to instruct the Chief Officer Integrated Children's and Family Services to provide a report to the next meeting of this Committee outlining the action plan in place to address the audit recommendations; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the relevant function.

DATA SECURITY IN A CLOUD BASED ENVIRONMENT - IA/AC1912

10. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Data Security in a Cloud Based Environment which was undertaken to provide assurance over the Council's arrangements to ensure sat security where business is transacted through the Cloud.

The Chief Internal Auditor provided the following update to the Committee:

(1) on agenda page 121, the "Service Response / Action" and "Internal Audit Position" the recommendation text should be replaced with: "D&T will arrange Council initiated

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external IT health check reports/security audits for third party suppliers managing Council personal data in the cloud as deemed appropriate, with an associated implementation date of August 2019”; and

(2) on agenda page 110, in the summary, paragraph 5, the final two sentences should be replaced with: “D&T has agreed to arrange Council initiated external IT health check reports/security audits for third party suppliers managing Council personal data in the cloud as deemed appropriate.”

The Committee resolved:-

- (i) to note the updated information provided by the Chief Internal Auditor; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the relevant function.

HEALTH AND SOCIAL CARE PARTNERSHIP CHARGING POLICY - IA/AC1908

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Non Residential Charging Policy which was undertaken to provide assurance that there was a clear charging policy and that it was being complied with.

The Committee resolved:-

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

LOCAL AREA NETWORK SCRUTINY SUMMARY

12. The Committee had before it a report by KPMG, External Auditor which set out the planned scrutiny and monitoring for 2019-20. The document advised that Local Scrutiny Plans were no longer required and that the new approach was to embed discussions around risks and responses between scrutiny bodies across the year.

The Committee resolved:-

to note the Local Area Network summary as presented.

EXTERNAL AUDIT ANNUAL AUDIT REPORT

13. The Committee had before it a report by KPMG, External Auditor which presented their annual external audit report and summarised their audit opinions and conclusions on significant issues arising from the audit of the Council’s 2018/19 annual accounts and for registered charities.

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Councillor Lumsden enquired as to whether other Local Authorities produced Committee Annual Effectiveness reports. Mr Shaw advised that there was more detail contained in the Aberdeen City Council reports than other Local Authorities.

In relation to the annual effectiveness reports, the Vice Convener advised that each Committee were asked to note the content of the reports and not to approve them.

Councillor Duncan sought clarification in relation to collecting care income statements made on page 172 of the agenda and whether this was an area of concern or because it formed part of the requirements from Audit Scotland. Mr Shaw advised that all Local Authorities would have the information in their audit reports as it was a requirement from Audit Scotland.

The Committee resolved:-

- (i) to note that the External Auditor expected to issue an unqualified independent audit opinion for the annual accounts and the registered charities for the financial period 1 April 2018 to 31 March 2019;
- (ii) to note that the External Auditor would amend the report to reflect that Committee noted the Annual Effectiveness Reports rather than approve them; and
- (iii) to otherwise note the content of the report.

AUDITED ANNUAL ACCOUNTS

14. The Committee had before it a report by the Director of Resources which provided an overview of the Council's 2018/19 audited accounts and for those registered charities where the Council was the sole trustee and where subject to statutory requirements for separate accounts and audit opinions.

The report recommended:-

That the Committee

- (a) approve the Council's audited Annual Accounts for the financial year 2018/19 for signature by the Chief Officer Finance, Chief Executive and the Council Co-leader; and
- (b) approve the audited Annual Accounts 2018/19 for those registered charities where the Council is the sole trustee and nominate a trustee to sign the accounts.

The Committee resolved:-

- (i) to concur with the thanks given from the Convener to the Chief Officer Finance and his team for the significant amount of work undertaken to complete the accounts early and have them before the Committee;
- (ii) to note the thanks from the Chief Officer Finance to his team, external partners and External Audit for the commitment and constructive communication throughout preparation of the accounts and the audit process; and
- (iii) to otherwise approve the recommendations contained in the report.

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RIPSA QUARTERLY REPORT - GOV/19/291

15. The Committee had before it a report by the Chief Officer Governance which advised that it was requirement under paragraph 3.29 of the Scottish Government's Code of Practice for Covert Surveillance and Property interference, that Elected Members review the authority's use of covert surveillance on a quarterly basis to ensure that it is being used consistently with the local authority's policy and that that policy remains fit for purpose.

The report recommended:-

That the Committee note the update within the report.

Councillor Townson sought clarification as to whether the young person test purchase was undertaken by someone underage and what training and safeguards were in place for court appearances for the young person. Mr Thomson advised that the young person would be a volunteer underage and that they were fully trained and briefed before each operation and would be accompanied by an Enforcement Officer. He further advised that in order to protect the identity of the young person, the second purchase as part of an operation was filmed and used in court.

The Committee resolved:-

to approve the recommendation contained in the report.

SPSO DECISIONS, INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CUS/19/292

16. The Committee had before it a report by the Director of Customer Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle to provide assurance to Committee that complaints and Scottish Welfare Fund application were being handled appropriately.

The report recommended:-

That the Committee notes the details of the report.

The Committee resolved:-

to approve the recommendation contained in the report.

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EQUAL PAY REVIEW - RES/19/297

17. The Committee had before it a report by the Director of Resources which provided information on the audit of Equal Pay in Aberdeen City Council.

The report recommended:-

That the Committee -

- (a) note the content of the report; and
- (b) note that the report would be circulated to the Staff Governance Committee for their information.

Councillor Duncan commended officers for the work done in this area over the years which had resulted in their being no Equal Pay gap across the organisation.

The Convener sought information in relation to low percentage of female apprentices.

The Committee resolved:-

- (i) in relation to a question regarding the low percentage of female apprentices and whether there was a low application rate, to note that traditionally the apprenticeships offered were for Trades, that there were now other apprenticeships available and that the Chief Officer Organisational Development would circulate information by email to the Committee;
- (ii) to otherwise approve the recommendations contained in the report.

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

EQUAL PAY REVIEW - EXEMPT APPENDIX

18. The Committee had before it an exempt appendix in relation to item 8.13 (Equal Pay Review) on the agenda.

The Committee resolved:-

to note the content of the exempt appendix.

- **COUNCILLOR STEPHEN FLYNN, Convener**

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