

AUDIT AND RISK COMMITTEE

ABERDEEN, 23 September 2014. Minute of Meeting of the AUDIT AND RISK COMMITTEE. Present:- Councillor McCaig, Convener; Councillor Yuill, Vice-Convener; Councillor George Adam, the Lord Provost and Councillors Allan (as substitute for Councillor Cooney), Cameron, Cormie (as substitute for Councillor Jackie Dunbar), Dickson (as substitute for Councillor May), Donnelly, Graham, Greig, Lawrence, Malik, Nathan Morrison and Noble.

The agenda and reports associated with this minute can be located at the following link:

<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=347&MId=2850&Ver=4>

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 ITEMS OF BUSINESS

1. The Convener proposed that the Committee consider item 7.1 (Supply and Delivery of Internal Audit Services) 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 for item 7.1 on the agenda (article 22 of this minute) so as to avoid disclosure of information of the class described in the paragraphs 8 and 10.

MINUTE OF PREVIOUS MEETING OF 26 JUNE 2014

2. The Committee had before it the minute of its previous meeting of 26 June 2014.

The Committee resolved:-

to approve the minute as a correct record.

WORKPLAN

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

The Committee resolved:-

to note the workplan.

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ELECTED MEMBER DEVELOPMENT - CG/14/095

4. With reference to article 5 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the development of members of this committee.

The Committee resolved:-

- (i) to note that training for members of the Audit, Risk and Scrutiny Committee would require to be undertaken if they had not been previously trained; and
- (ii) to otherwise note the report.

INTERNAL AUDIT PROGRESS AND PERFORMANCE

5. The Committee had before it a report by PricewaterhouseCoopers which presented the progress against the 2014/15 Internal Audit Plans.

The internal auditor advised that management had requested that 30 of the contingent days be used, 20 days for extending the scope of the assurance mapping review and 10 days to undertake a Follow the Public Pound Review for the Aberdeen International Youth Festival. The committee heard that for future reports the background report would be included as an appendix to give members the opportunity to see the complete audit report.

The Committee resolved:-

- (i) to approve the use of 20 days from the contingent days to extend the scope of the assurance mapping review;
- (ii) to approve the use of 10 days from the contingent days to perform a "Follow the Public Pound" review of the Aberdeen International Youth Festival;
- (iii) in relation to feedback requesting more concise audit reports, to note that the background report would be included as an appendix for future reports;
- (iv) to otherwise note the report.

EXTERNAL AUDIT PROGRESS AND PERFORMANCE

6. The Committee had before it a report by the External Auditor which provided an update on progress with the external audit of the 2011/14 financial year.

The Committee heard that the External Auditor would present their annual report to the Audit, Risk and Scrutiny Committee in November 2014.

The Committee resolved:-

to note the content of the report.

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SELF EVALUATION - CG/14/112

7. With reference to article 9 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the progress with implementing the agreed development actions from the self-evaluation exercise undertaken by the Committee in April 2014.

The report recommended:

That the Committee note the progress and instruct officers to continue to implement the agreed improvement actions and provide regular update reports to the Audit, Risk and Scrutiny Committee.

The Committee resolved:-

to approve the recommendation contained in the report.

DATA PROTECTION MONITORING - CG/14/122

8. The Committee had before it a report by the Acting Director of Corporate Governance which provided an overview of (1) Aberdeen City Council Subject Access Request statistics; (2) Data Breaches and Near Misses; and (3) Data Protection Training.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to approve the recommendation contained in the report.

SYSTEM OF RISK MANAGEMENT - CG/14/105

9. With reference to article 10 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided information on the development of the System of Risk Management.

The report recommended:

that the Committee -

- (a) note the further developments in the System of Risk Management;
- (b) approve the format of the revised Strategic Risk Register;
- (c) note the progress update in delivery of improvement actions relating to the BACS risk incident;

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- (d) note the Risk Incident Review Report detailing a recent systems failure in the Registrars Service; and
- (e) advise any further actions as appropriate.

The Committee resolved:-

to approve the recommendations contained within the report.

COMMUNICATION OF AUDIT MATTERS TO THOSE CHARGED WITH GOVERNANCE IN TERMS OF ISA 260

10. The Committee had before it a report by the External Auditor which advised that the International Standard on Auditing (ISA) 260 required auditors to report certain matters arising from the audit of the financial statements to those charged with governance of body in sufficient time to enable appropriate action to be taken. The report before members set out consideration of the matters arising from the audit of the financial statements for 2013/14 that required reporting in terms of ISA 260. Appendices to the report contained various draft statement of accounts or accounts for the period 2013/14 associated with the audit.

The Convener intimated that he was extremely unhappy that the report and associated appendices were issued the day before the meeting resulting in members not being able to read them in order for them to make an informed decision. He sought clarification from the external auditors and officers as to why the papers were issued late wherein a response was provided.

The Committee went into recess for ten minutes to allow officers, external auditors, the Convener and Vice Convener to discuss the matter in private.

The external auditor provided an explanation to the Committee as to why the papers were late and explained that the deadline for certification of the accounts was 30 September 2014 therefore there was a requirement for the report to be considered before that date. They further provided the Committee with two options for proceeding, neither of which the Convener accepted.

The Convener sought agreement from the Committee to schedule an additional meeting by the end of the week to discuss the content of the report and associated appendices and that a letter be issued to Audit Scotland expressing the Committee's dissatisfaction that the report was issued so late which presented concerns for the Committee's ability to discharge their scrutiny function.

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The Committee resolved:-

- (i) to defer the item to a Special meeting of the Committee (Thursday 25 September at 4pm) in order that members could read the report to allow them to make an informed decision on the matter;
- (ii) to request officers to write to Audit Scotland expressing the Committee's dissatisfaction that the report was issued so late which presented concerns for the Committee's ability to discharge their scrutiny function.

ASSURANCE AND IMPROVEMENT PLAN

11. With reference to article 22 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the External Auditor which provided an update on progress with the local plans and activities set out in the scrutiny plan for 2014/15 and the national priorities, in particular following consultation with LAN members, to confirm where possible if there were any clearer scrutiny plans and timescales in place and if they were likely to involve Aberdeen.

The Committee resolved:-

to note the content of the report.

OFFICE OF THE SURVEILLANCE COMMISSIONER (OSC) - CG/14/121

12. The Committee had before it a report by the Acting Director of Corporate Governance which presented the recommendations arising from an inspection undertaken by the Office of the Surveillance Commissioners (OSC) of the Councils management of covert activities.

The report recommended:

that the Committee –

- (a) consider the outcome of the OSC Inspection and approve the Action Plan detailed at Appendix B; and
- (b) otherwise note the report.

The Committee resolved:-

to note the outcome of the Office of Surveillance Commissioners Inspection and to approve the Action Plan as detailed at Appendix B.

SELF DIRECTED SUPPORT

13. The Committee had before it a report by PricewaterhouseCoopers which presented an audit in relation to the progress made by the Self Directed Support Team

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to implement the requirements of The Social Care (Self Directed Support) (Scotland) Act 2013.

The audit had been requested at an early stage to inform the progress of the Self Directed Support Programme by identifying areas of good practice and also risks to the successful implementation of Self Directed Support for all people who use the support in the City.

Members asked a number of questions of the internal auditors.

The Committee resolved:-

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

COMPLAINTS HANDLING PROCEDURE

14. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to Aberdeen City Council's corporate complaints handling procedure.

The Chief Executive asked questions of officers relating to the recording of lessons learnt and requested that a sampling exercise be undertaken to determine the level of completeness.

The Committee resolved:-

- (i) to request officers to undertake a sampling exercise of complaints upheld or partially upheld to determine the level of completeness specifically providing evidence for lessons learnt;
- (ii) to note that feedback provided to the Customer Service Centre was being used to improve customer service provided; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

IT SECURITY REPORT

15. The Committee had before it a report by PricewaterhouseCoopers which presented an audit reviewing the threat and vulnerability management processes and security management controls in place over the council's network perimeter.

The Committee resolved:-

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

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STRUCTURES, FLOODING AND COASTAL RISK MANAGEMENT

16. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to flood and coastal risk management, specifically the implementation of the Flood Risk Management (Scotland) Act 2009, flood events, planning applications and water course inspections.

Members asked questions of officers and the Head of Asset Management and Operations confirmed that the service were in agreement with the recommendations for improvement although drew attention to the difficulty of allocating regular resources to this area.

The Committee resolved:-

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

SCHOOL COUNCILS

17. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into Parent Council accounts specifically the documentation and handling of income, expense receipts and audit of the final statement of accounts in line with the Scottish Schools (Parental Involvement) Act 2006.

The Committee resolved:-

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

CAR PARKING AND BUS LANE ENFORCEMENT

18. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to car parking and bus lane enforcements.

Members asked questions of officers and the Head of Finance and Head of Asset Management and Operations confirmed that they were in agreement with the recommendations and that they would be implemented by the due dates.

The Committee resolved:-

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

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AUDIT FOLLOW UP

19. The Committee had before it a report by PricewaterhouseCoopers which provided an update on progress on implementing Internal Audit recommendations included within reports previously approved by the Audit and Risk Committee.

The report recommended:-

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

The Committee resolved:-

- (i) to note the content of the report and the revised target dates provided by officers; and
- (ii) to express disappointment that the number of overdue recommendations had increased from the previous report and to note that this would be highlighted with the Corporate Management Team as an area of concern.

ICO FOLLOW UP ON RECOMMENDATIONS

20. With reference to article 28 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the Acting Director for Corporate Governance which provided an update on the progress with implementing the actions agreed following the UK Information Commissioner's Office Audit of the Council's Data Protection arrangements which was published in June 2013.

The report recommended:

that the Committee -

- (a) note the progress with implementing the actions agreed following the Data Protection Audit; and
- (b) instruct officers to report progress with implementation of the actions to the Audit, Risk and Scrutiny Committee as appropriate until complete.

The Committee resolved:-

to approve the recommendations contained in the report.

AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - CG/14/112

21. With reference to article 31 of the minute of its previous meeting of 26 June 2014, the Committee had before it a report by the Acting Director of Corporate Governance which presented a summary of Audit Scotland national 'value for money' studies published in the last tranche of reports and set out any actions taken or agreed by the Council in response to these.

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The report recommended:

that the Committee -

- (a) note the detail of the Audit Scotland's national "value for money" studies published in 2013 and the assessment of the implications for Aberdeen City Council summarised within the report;
- (b) note the detail of the report "An overview of local government in Scotland" and gave consideration to officers comments made in respect of each of the priorities identified within the report.

The Committee resolved:-

to approve the recommendations contained in the report.

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.

SUPPLY AND DELIVERY OF INTERNAL AUDIT SERVICES - CG/14/114

22. The Committee had before it a report by the Acting Director of Corporate Governance which set out an options appraisal and sought support for the future provision and delivery of Internal Audit Services when the current contract ended on 31 March 2015.

The report recommended:

that the Committee -

- (a) approve, subject to satisfactory clarifications, to support the proposal for a shared Internal Audit Service with Aberdeenshire Council as the preferred option for the delivery of Internal Audit function beyond the end of the current contract; and
- (b) note that the Finance, Policy and Resources Committee are requested to approve the preferred option.

The Committee resolved:-

to approve the recommendations contained in the report.

- **CALLUM McCAIG, Convener.**