

ABERDEEN CITY COUNCIL

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| COMMITTEE | Audit, Risk & Scrutiny |
| DATE | 25 th June 2015 |
| DIRECTOR | Angela Scott |
| TITLE OF REPORT | Audit, Risk & Scrutiny Committee – Annual Report |
| REPORT NUMBER: | CG/15/79 |

1. PURPOSE OF REPORT

The purpose of this report is to present the annual report of the Audit, Risk & Scrutiny Committee.

2. RECOMMENDATION(S)

that the Committee:–

- (a) Approve the annual report; and
- (b) Refer the report to the Council for their consideration.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

None.

5. BACKGROUND/MAIN ISSUES

During the Committee's self-evaluation exercise in 2014, Member's agreed that the Committee prepare an annual report of its activities and that this be referred to Council. This report attaches a draft of that annual report.

6. IMPACT

There is impact on the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report.

8. BACKGROUND PAPERS

“A Toolkit for Local Authority Audit Committees” - CIPFA
“Audit Committees: Practical Guidance for Local Authorities and Police”
- CIPFA (2013)

9. REPORT AUTHOR DETAILS

Martin Murchie, Office of Chief Executive
mmurchie@aberdeencity.gov.uk
(01224) 522008

Audit, Risk and Scrutiny Committee
Annual Report 2014/15

Introduction

I am pleased to present this year's Annual Report of the Audit, Risk & Scrutiny Committee. An annual report to Council is a useful way to develop understanding of the Committee's role and functions. The Committee is accountable to Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority. This report covers the work of the Audit, Risk & Scrutiny Committee during the period April 2014 – March 2015. In addition, to a summary of work undertaken, the report includes details of the Committee's membership, officer support to the Committee, and the results of a self-evaluation of the Committee's effectiveness. The report ends with a look forward to 2015/16 and the Committee would welcome any feedback from Members of the Council on the themes identified.

Jackie Dunbar

Convener

Audit, Risk & Scrutiny Committee

The role of the Audit, Risk & Scrutiny Committee

Cipfa (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

“...to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.”¹

In accordance with this, the role of the Committee is primarily concerned with assuring itself, and advising the Council as necessary, that the Council’s policies are being implemented and has in place systems which provide adequate controls over the Council’s resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Audit, Risk & Scrutiny Committee to be responsible for, or manage, the arrangements themselves.

Key to the role of the Committee is that it should be independent; have clear reporting lines and rights of access to other committees; and that its members should be properly trained to fulfil the role. The Orders of Reference for the Committee are listed below with a summary of work undertaken.

¹ CIPFA (2013) Audit Committees: Practical Guidance for Local Authorities and Police

1. Risk Management

The Committee will:-

- (a) receive an annual review of the risk management process, and an update every six months on the risk register and related action plans;
- (b) approve the risk management strategy and implementation plan;
- (c) monitor risk management and internal control arrangements; and
- (d) commission and review annual assessments of the effectiveness of the risk management and control framework.

Summary of Activity

- Reviewed and approved a revised Risk Management Strategy;
- Reviewed and approved annual Statement of Internal Control, specifically for risk management;
- Reviewed reports on each aspect of the Council's "System of Risk Management", namely, **S**trategy; **S**tructure; **S**kills; **S**ystem; **S**hared Values; and **S**taff. In doing so, identified strengths, weaknesses and required improvement actions;
- Instigated reporting of reviews of critical incidents;
- Instigated regular reporting, to the Committee, of strategic and operational risk registers.

Outcomes

- The Committee is aware of the need to continuously strengthen risk management arrangements and its activity in the last 12 months has established a clearer and stronger strategic direction for risk management;
- Improvements have been identified and actions taken in all areas of the "System of Risk Management";
- There is increased transparency and focus on the effectiveness of risk registers and the management of risks;
- Through specific training, members of the Committee, are better able to challenge officers in the implementation of the Risk Management Strategy.

2. Internal Audit

The Committee is charged with responsibility for ensuring that there is an effective Internal Audit function. This to be achieved through the following:-

- (a) the approval of the Internal Audit Annual Plan;
- (b) the consideration of all reports issued by Internal Audit with the exception of those on the Pension Fund;
- (c) responsibility for ensuring that there is an adequately resourced Internal Audit service; and
- (d) the consideration of performance reports on Internal Audit activity.

Summary of Activity

- Approved a risk based Audit Plan 2014/15 and Internal Audit Charter;
- Reviewed the performance of Internal Audit, including the progress in completing the Audit Plan, at each meeting;
- Considered each internal audit report and management responses;
- Followed up on the implementation of all recommendations agreed following audit reviews;
- Considered an Annual Report by the Head of Internal Audit which included the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
- Considered and approved an option appraisal for the future delivery of internal audit service as a shared service with Aberdeenshire Council.

Outcomes

- Whilst a small number of reviews within the 2014/15 Audit Plan are carried forward into 2015/16, the Plan has been implemented, assurances given and, where required, further controls identified;
- Significant improvement has been seen during the year in the number of recommended actions implemented on time.

3. External Audit

To receive all reports prepared by the Council's External Auditor with the exception of those on the Pension Fund.

Summary of Activity

- Received and reviewed the Council's external auditor's (Audit Scotland) annual Audit Plan and assessment of significant audit risks.
- Instigated regular reports from the external auditor on progress in implementing the Audit Plan;
- Considered the Assurance & Improvement Plan for the Council from the Local Area Network;
- Considered a number of specific reports from the external auditor, as well as local impact reports from national initiatives;
- Considered the external auditor's ISA 260 report to those charged with governance; independent report on the financial statements*; and annual report to members and the Controller of Audit.

Outcomes

- Ensured the discharge of the Council's responsibilities with regard the external audit function; and
- Improved the Committee's review of external audit activity throughout the year.

**The Committee determined that due to late submission, that a special meeting was required to consider the external auditor's communication of audit matters arising from the financial statements.*

4. Accounts

To consider and approve the Council's Annual Report, Annual Accounts and Trading Services Annual Report and Accounts.

Summary of Activity

- Considered and approved the Statement of Accounts for the Council;
- Within the accounts, the Annual Governance Statement was specifically considered and approved.

Outcomes

- A full set of accounts were completed and signed off.

** The audited accounts formed part of the papers for the special meeting of the Committee referred to at 3. above.*

5. Whistleblowing and Other Investigations

Summary of Activity

- The Committee gave consideration to a petition submitted to the Scottish Parliament on the operation of Whistleblowing Schemes in Scotland's public bodies;
- The Committee heard oral reports on a small number of investigations during 2014/15;
- No whistleblowing reports were received or considered.

6. Anti-Fraud

The approval of an anti-fraud policy and monitoring its implementation; and

- (a) Commissioning investigations to secure value for money in the delivery of services.
- (b) To oversee the processes by which services are exposed to competition and costs are let, where the Council itself is a bidder for the work.

Summary of Activity

- The Committee commissioned, considered and approved a review which recommended that:-
 - the Head of Legal Services revise the Council's "Policy and strategic Response to Fraud, Bribery and Corruption";
 - that the finalised policy should be formally communicated to staff and line management; and
 - a paper summarising Fraud, Bribery, Corruption and Whistleblowing will be submitted to the Audit Scrutiny and Risk Committee on an annual basis.

The implementation of these recommendations is now being monitored.

- The Committee also reviewed the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund;
- No frauds were reported to the Committee during the year..

7. Legal Compliance

To review minuted actions from all main Committees with the exception of the Planning Development Management and Licensing Committees (or Regulatory Committee) to ensure compliance with legal requirements and good practice. The Committee will not prevent any decision being taken and will only review a decision.

Summary of Activity

- The Committee commissioned and considered, in November 2014, a review by internal audit on the Council's compliance with laws and regulations. It approved recommendations relating to the role of the Head of Legal and Democratic Services in reviewing committee reports; collaboration between legal Services and other Council services; training on compliance with laws and regulations; and reporting on fraud, bribery, corruption and whistleblowing.

Outcomes

- Compliance with the requirements to consult the Head of Legal and Democratic Services on all committee reports is now monitored by the Corporate Management Team and mitigates the risk of non-compliance with laws and regulations.

8. Health and Safety

Approve the Council's Health & Safety Policy, including its annual review and implementation.

Summary of Activity

- The Corporate Health and Safety Committee (CHSC) was designated as a Sub Committee of the Audit, Risk & Scrutiny Committee in August 2014;
- The minutes of each meeting of the CHSC are now submitted to the Committee for consideration;
- The Committee approved revisions to the constitution of the CHSC in September;
- Commissioned and considered a report establishing assurance reporting arrangements for health & safety.

9. Arm's Length External Organisations (ALEOs)

The Committee will ensure, through consideration of a quarterly report from the governance hub, that each tier 1 Arm's Length External Organisation has an effective system of risk management in place, covering strategy, structure, skills, system, staff and shared values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.

Summary of Activity

- The Committee has received officers' updates at each meeting on outstanding actions to establish effective ALEO governance arrangements;
- The Committee commissioned and considered a review from internal audit into the design and operation of governance arrangements in place for the Tier 2 ALEOs: Aberdeen Performing Arts and Aberdeen Heat and Power;
- The Committee considered a report by the external auditor which set out the follow up work being undertaken with all Councils in respect of the Accounts Commission's 2011 report 'Arm's Length External Organisations: Are you getting it right?'

Outcomes

- The committee's remit was revised in order that there would be improved consideration of governance issues with respect to ALEOs. The Committee has not yet received full assurance that governance of ALEOs is effectively controlled. The Committee is aware of recent work undertaken to design and implemented an ALEO Governance Hub and is due to consider a further report on this in June 2015.

Membership of the Committee

The Audit, Risk & Scrutiny Committee is composed of 17 Members from across all parties. Members bring with them business experience of audit, risk management, health & safety, project management and relevant service and local governance knowledge. During the self-evaluation of the committee's effectiveness, Members and officers acknowledged the skills and knowledge of the Committee.

During 2014/15 significant improvements were made to the training offered to members of the committee. A new training package was designed and delivered to each member of the Committee. This included:-

- An overview of the role of the Committee and the member's role in this;
- The annual accounts process;
- Internal Audit;
- Risk Management.

This was very well received by Members and is being rolled out to all members of the Council. Further, and ongoing, training specifically for members of the Committee is currently being developed.

Attendance:

| Member | Total Expected Attendances | Total Attendances | Nominated Substitute Attended |
|---|----------------------------|-------------------|---------------------------------|
| Cllr McCaig Former Convener | 6 | 6 | N/A |
| Cllr Yuill Vice Convener | 6 | 5 | None |
| Cllr Adam, Lord Provost (A&R May to Oct 2014) | 4 | 3 | Cllr Taylor |
| Cllr Cameron | 6 | 5 | Cllr Cormie |
| Cllr Cooney | 6 | 4 | Cllr Allan (both) |
| Cllr Crockett (AR&S Oct 14 onwards) | 2 | 2 | N/A |
| Cllr Donnelly | 6 | 6 | N/A |
| Cllr Jackie Dunbar | 6 | 4 | Cllr Cormie (both) |
| Cllr Graham | 6 | 5 | Cllr Jean Morrison |
| Cllr Greig | 6 | 6 | N/A |
| Cllr Lawrence | 6 | 4 | Cllr Milne (1) |
| Cllr Malik | 6 | 5 | Cllr Young |
| Cllr May | 6 | 3 | Cllr Dickson (2) Cllr Kiddie |
| Cllr Jean Morrison (AR&S Oct 14 onwards) | 2 | 2 | N/A |
| Cllr Nathan Morrison | 6 | 5 | Cllr Young |
| Cllr Noble | 6 | 6 | N/A |
| Cllr Reynolds | 6 | 4 | None |

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| Cllr Townson (AR&S Oct 14 onwards) | 2 | 2 | N/A |
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Officer support to the Committee

The Chief Executive

The Chief Executive has taken a very active role in the development and support of the Committee over the last 12 months. She regularly attends the Committee and ensures that the Committee is effectively supported.

The Section 95 Officer

Steve Whyte, provides key support to the Committee. Statute requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 95 Officer, with the support of his colleagues and external audit, has provided reports and training in relation to the Statement of Accounts, external audit activity and financial management. They have attended every Audit, Risk & Scrutiny Committee meeting and ensured that the Committee has received the information and advice that it needs to do its job effectively.

Chief Internal Auditor

During 2014/15, the Chief Internal Auditor role has been undertaken by David Brown of PricewaterhouseCoopers. David and his colleagues have attended each meeting of the Committee to present their reviews, answer members questions and provide advice in relation to scrutiny and the regulatory framework.

Lead Executive Support

The lead executive support role for the Committee has been performed during 2014/15 by Martin Murchie. As well as the general executive support, Martin was “client” officer for the contracted internal audit services; took responsibility for risk management; and facilitated the development of the Committee through the self-evaluation.

External Audit

Audit Scotland are the Council’s appointed external auditors. The appointed auditor for the Council is Stephen Boyle and the local contact responsible for day to day management of the audit is Anne MacDonald. Their primary responsibility is to give their opinion on whether the Council’s accounts give a true and fair view of the Council’s financial transactions. Audit Scotland also deliver a targeted programme of risk based reviews and take the lead role in the Local Area Network, which determines the level and nature of external scrutiny which will be applied to the Council’s services.

Attendance:

| Officer | Total Expected Attendances | Total Attendances | Nominated Substitute Attended |
|-------------------|-----------------------------------|--------------------------|--------------------------------------|
| Chief Executive | 6 | 5 | 1 |
| Steve Whyte | 6 | 6 | N/A |
| David Brown (PWC) | 5 | 4 | 1 |
| Anne Macdonald | 6 | 6 | N/A |
| Martin Murchie | 6 | 6 | N/A |

Effectiveness review through self-evaluation

In April / May 2014, the Committee undertook a facilitated self-evaluation of the Committee's effectiveness in line with Cipfa's "*Audit Committees: Practical Guidance for Local Authorities and Police*". This guidance includes a self-evaluation tool, which was used to assess the Committee's compliance with commonly agreed standards and to identify areas for improvement.

The Committee was found to have areas of strength, but a number of improvement actions were identified where the Committee considered best practice was not yet in place.

These improvement actions have been reported to each meeting of the Committee throughout the year and progress in their implementation monitored. The self-evaluation exercise has now been repeated for 2015. Members and officers are agreed that significant progress was made during the year and that the Committee is well placed to further improve its effectiveness.

The output from the most recent self-evaluation is included as Appendix A.

Next year's focus

The Audit, Risk & Scrutiny Committee will continue to review and challenge the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management throughout 2015/16.

Amongst the issues which are likely to receive particular focus are:-

- The operation of the new shared internal audit function with Aberdeenshire Council;
- The revised governance arrangements for the Council's Arm's Length External Organisations;
- Confirmation of scrutiny arrangements to be implemented with respect to integrated health and social care;
- A revised strategic risk register and operation of the system of risk management;
- The exercise of the Committee's new responsibilities for Health and Safety;
- A revised strategy for anti-fraud, bribery, corruption and whistleblowing;
- The outcomes of the recently completed follow-up Best Value Audit, led by Audit Scotland.

APPENDIX A

| Question | Self-Evaluation Method & Evidence | Response | |
|---|---|--|---------------|
| Establishment, Operation & Duties Role & Remit | | Comments 2015 | Status |
| 1. Does the committee have written terms of reference? | Officers | | ✓ |
| 2. Do the terms of reference cover the core functions of a committee as identified in the CIPFA guidance? | Officers | Yes. The core functions are described as:- <ul style="list-style-type: none"> • Annual Governance Statement; • Internal Audit; • Risk Management • Assurance Frameworks and Assurance Planning • Value for Money and Best Value; • Countering Fraud and Corruption • External Audit; • Financial Reporting; • Partnership Governance. | ✓ |
| 3. Are the terms of reference approved by the council and reviewed periodically? | Officers | These are approved by Council and reviewed periodically, but not in line with an agreed timetable. | ✓ |
| 4. Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently? | Officer Input & Interviews with Committee Members | Members agreed that the Committee did have the membership, authority and resources to perform and role, but raised questions on how the Committee would be supported to undertake its remit with respect to the Council's relationship with ALEOs; with significant shared services and nationally based partners, such as | ✓ |

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| | | Police Scotland. | |
| 5. Can the committee access other committees and full council as necessary? | Officer Input & Interviews with Committee Members | During discussions members agreed there was a need for items identified by the Audit, Risk & Scrutiny Committee to be routinely and systematically reported to appropriate committees. | ✓ |
| 6. Does the authority's annual governance statement include a description of the committee's establishment and activities? | Officers | Yes. This was added in 2014. | ✓ |
| 7. Does the committee periodically review its own effectiveness? | Officers | Yes, through this self-evaluation. | ✓ |
| 8. Does the committee make a formal annual report on its work and performance during the year to full council? | Officers | No. It is recommended that an Annual Report is prepared for the year 2014/15. | X |
| Membership, Induction & Training | | | |
| 9. Has the membership of the committee been formally agreed and a quorum set? | Officers | | ✓ |
| 10. Is the chair independent of the executive function? | Officers | | ✓ |
| 11. Has the committee chair either previous knowledge of, or received appropriate training, on financial and risk management, accounting concepts and standards, and the regulatory regime? | Interview with Convenor and Vice Convenor | Training has been given and knowledge acquired. It is acknowledged that this is, and requires to be, a continual process. | ✓ |
| 12. Are new committee members provided with an appropriate induction? | Officer Input & Interviews with Committee Members | Training for members of the Committee has been significantly increased and improved in the last year. | ✓ |
| 13. Have all members' skills and experiences been assessed and training given for identified gaps? | Officer Input & Interviews with Committee Members | Organisational Development advise that 1-2-1 sessions have been made available for members. Members' feedback during this self-evaluation process was that take up has been slow. | X |
| 14. Has each member declared his or her business interests? | Officer Input & Interviews with Committee | The Council's process for declaring interests and the advice of officers is consistent. | ✓ |

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| | Members | | |
| 15. Are members sufficiently independent of the other key committees of the council? | Interviews with Committee Members | Members believe that recent training has reinforced the distinct role of members of the Committee and that behaviours reflect this. | ✓ |
| Meetings | | | |
| 16. Does the committee meet regularly? | Officers | | ✓ |
| 17. Do the terms of reference set out the frequency of meetings? | Officers | No, but an 18 month schedule is reported to Council. | X |
| 18. Does the committee calendar meet the authority's business needs, governance needs and the financial calendar? | Officer Input & Interviews with Committee Members | Yes. Greater planning was introduced during 2014 to ensure this is systematic. | ✓ |
| 19. Are members attending meetings on a regular basis and if not, is appropriate action taken? | Officers | There have been 5 meetings and 1 special meeting. 1 councillor has had 3 absences. 4 with 2 absences and 6 with one. Number of members absent from meetings over past year - 07/05/2014 – 3 (2 subs provided) 26/06/2014 – 1 (1 sub provided) 23/09/2014 – 4 (3 subs provided) 25/09/2014 – 6 (4 subs provided) 20/11/2014 – 2 (2 subs provided) 26/02/2015 – 1 (1 sub provided) | - |
| 20. Are meetings free and open without political influences being displayed? | Interviews with Committee Members | Members reflected that there has been a reduction in adversarial behaviours and that the Committee acts more as a team. | ✓ |
| 21. Does the Chief Financial Officer or deputy attend all meetings? | Officers | | ✓ |

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| 22. Does the committee have the benefit of attendance of appropriate officers at its meetings? | Officer Input & Interviews with Committee Members | Mostly. Improvement has been evident during 2014/15, but members identified occasions when the appropriate officers had not been present. | - |
| Internal Control | | | |
| 23. Does the committee consider the findings of the annual review of the effectiveness of the system of internal control including the review of the effectiveness of the system of internal audit? | Officers | | ✓ |
| 24. Does the committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts? | Officers | Review, but approval is reserved to Council. In 2014/15 it was reported with the accounts. This is under review. | X |
| 25. Does the committee consider how meaningful the Annual Governance Statement is? | Officer Input & Interviews with Committee Members | Members reflected that meaningful consideration had been given to the AGS, as part of the Annual Accounts, but there is some lack of clarity about these as separate documents. | - |
| 26. Does the committee satisfy itself that the system of internal control has operated effectively throughout the reporting period? | Officers | The Committee receives assurance through the statement of internal control and the individual audit reviews. However, a broad overview of the system of internal control and systematic review of each aspect of the system is pending the completion of an Assurance Map by PWC. | - |
| 27. Has the committee considered how it integrates with other committees that may have responsibility for risk management? | Officer Input & Interviews with Committee Members | Yes. The system of risk management explores this and members have been trained on their role re risk management. | ✓ |
| 28. Has the committee or the full council adopted managing the risk of fraud – actions to counter fraud and corruption? | Officers | | ✓ |

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| 29. Does the committee ensure that actions to counter fraud and corruption are being implemented? | Officer Input & Interviews with Committee Members | There have been relatively recent audits on the arrangements for the detection and prevention of fraud and agreed recommendations are followed up. An action outstanding for officers to report annually on arrangements for the prevention and detection of fraud. | ✓ |
| 30. Is the committee made aware of the role of risk management in the preparation of the annual internal audit plan? | Officers | | ✓ |
| 31. Does the committee review the authority's strategic risk register at least annually? | Officers | | ✓ |
| 32. Does the committee monitor how the authority assesses its risk? | Officer Input & Interviews with Committee Members | This is now more systematically reported through analysis of the system of risk management. | ✓ |
| 33. Do the committee's terms of reference include oversight of the risk management process? | Officers | | ✓ |
| Financial Reporting & Regulatory Matters | | | |
| 34. Is the committee's role in the consideration and / or approval of the annual accounts clearly defined? | Officers | The Committee's role is to "consider" the accounts. Approval is reserved for Council. <i>(This has now changed in 2015)</i> | X |
| 35. Does the committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write offs • changes in accounting treatment • the reasonableness of accounting estimates • the narrative aspects of reporting | Officers | These are included within the annual accounts. | ✓ |
| 36. Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from | Officers | The Committee meetings are scheduled for this purpose. The report to "those charged with governance" is included in | ✓ |

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| the audit? | | the reporting schedule. | |
| 37. Does the committee review management's letter of representation? | Officers | This was done in 2014/15. | ✓ |
| 38. Does the committee annually review the accounting policies of the authority? | Officers | Not explicitly, although these are referred to within reporting on the annual accounts and members have the opportunity to ask questions. | - |
| 39. Does the committee gain an understanding of management's procedures for preparing the authority's annual accounts? | Interviews with Committee Members | The Corporate Accounting Manager reports to the Committee advising of the arrangements for preparation of the accounts. In addition, training has been held for all Committee members during 2014/15. | ✓ |
| 40. Does the committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training? | Officer Input & Interviews with Committee Members | Nationally reports are now reported when published. The Information Bulletin exists for other issues. Whilst this is not actively used, members did not feel that significant issues were not being reported. | - |
| Internal Audit | | | |
| 41. Does the committee approve annually and in detail the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks? | Officers | | ✓ |
| 42. Does internal audit have an appropriate reporting line to the audit committee? | Officers | | ✓ |
| 43. Does the committee receive periodic reports from the internal audit service including an annual report from the head of internal audit? | Officers | | ✓ |
| 44. Are follow up audits by internal audit monitored by the committee and does the audit committee consider the adequacy of implementation of recommendations? | Officers | Follow up on agreed recommendations are undertaken and reported by Internal Audit. | ✓ |

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| 45. Does the committee hold periodic private discussions with the head of internal audit? | Officers | Yes, this was done for the first time during 2014/15. | ✓ |
| 46. Is there appropriate co-operation between internal and external auditors? | Officers | Both the Head of Internal Audit and the lead auditor from External Audit reported that there was appropriate co-operation. As there are new arrangements for Internal Audit during 2014/15 this will be kept under review. | ✓ |
| 47. Does the committee review the adequacy of internal audit staffing and other resources? | Officers | During 2014/15 the Committee receives performance metrics which cover aspects of the internal audit process. This will require to be reviewed for the new Internal Audit arrangements. | ✓ |
| 48. Has the committee evaluated whether its internal audit service complies with the CIPFA code of practice for internal audit in local government in the UK? | Officers | The Committee has not formally considered this, but External audit give assurances on internal audit each year as part of their annual audit plan and annual audit report. | X |
| 49. Are internal audit performance measures monitored by the audit committee? | Officers | Yes, from February 2014 | ✓ |
| 50. Has the audit committee considered the information it wishes to receive from internal audit? | Interviews with Committee Members | Members expressed a desire to meet in early course with the Head of Internal Audit to discuss the reporting needs of the Committee. | ✓ |
| External Audit | | | |
| 51. Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)? | Officers | | ✓ |
| 52. Does the committee hold private periodic discussions with the external auditor? | Officers | Planned for June 2015. | ✓ |

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| 53. Does the committee review the external auditor's annual report to those charged with governance? | Officers | | ✓ |
| 54. Does the committee ensure that officers are monitoring action taken to implement external audit recommendations? | Officers | During 2014/15 all recommendations were included within the follow up monitoring undertaken through Internal Audit. | ✓ |
| 55. Are reports on the work of external audit and other inspection agencies presented to audit committee? | Officers | This was put in place during 2014/15. | ✓ |
| 56. Does the committee assess the performance of external audit? | Officers | Performance reporting was requested in February 2014, and External Audit now report regularly on the status of their agreed annual plan. In addition, Audit Scotland request councils to complete a questionnaire on the performance of the auditor every 2-3 years. This is brought together for all LG auditors and the outcome shared with each council. | - |
| 57. Does the committee consider and approve the external audit fee? | Officers | | ✓ |
| Administration Agenda Management | | | |
| 58. Does the committee have a designated secretary from committee / member services? | Officers | | ✓ |
| 59. Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members? | Officers | | ✓ |
| 60. Are outline agendas planned one year ahead to cover issues on a cyclical basis? | Officers | Agendas are now planned 3 cycles in advance. Outstanding issues remain in the business statement until discharged. | - |
| 61. Are inputs for any other business formally requested in advance from committee members, relevant officers, internal and external audit? | Officers | There is no "Other Business" mechanism other than raising a motion. However, an informal session is now held at the conclusion of each Committee meeting | - |

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| | | for members and officers to raise any issues which are pertinent to the business of the committee. | |
| Papers | | | |
| 62. Do reports to the committee communicate relevant information at the right frequency, time and in a format that is effective? | Interviews with Committee Members | Members were, on the whole, content but there was some discussion on the length of some reports. | ✓ |
| 63. Does the committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented? | Officers | Both internal and external audit have their own formats. | ✓ |
| Actions Arising | | | |
| 64. Are minutes prepared and circulated promptly to the appropriate people? | Officers | | ✓ |
| 65. Is a report on matters arising made and minuted at the committee's next meeting? | Officers | | ✓ |
| 66. Do action points indicate who is to perform what and by when? | Officers | Whilst the minute does not always include dates, the Business Statement does. | ✓ |

APPENDIX B

| Title of Report | Lead Officer | 7th May 2014 | 26th Jun 2014 | 23rd Sept 2014 | 25th Sept 2014 (Special) | 20th Nov 2015 | 26th Feb 2015 |
|---|------------------------|------------------------------------|-------------------------------------|--------------------------------------|--|-------------------------------------|-------------------------------------|
| Risk Management | | | | | | | |
| Risk Management Strategy 2015 | N Buck | | | | | | ✓ |
| System of Risk Management (Skills) | N Buck | ✓ | | | | | |
| System of Risk Management (System) | N Buck | | ✓ | | | | |
| System of Risk Management (Structure) | N Buck | | | ✓ | | | |
| System of Risk Management (Strategy) | N Buck | | | | | | ✓ |
| Forward Electronic Registration – Incident Report | N Buck | | | ✓ | | | |
| Risk Register – Social Care & Wellbeing | L Taylor | | | | | ✓ | |
| Risk Register – Education & Children’s Services | G Gorman | | | | | | ✓ |
| Internal Audit | | | | | | | |
| Supply & Delivery of Internal Audit Services | M Murchie | | | ✓ | | ✓ | ✓ |
| Internal Audit Progress Report & Performance | D Brown | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Internal Audit Follow Up | D Brown | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Internal Audit Annual Report | D Brown | | ✓ | | | | |
| Internal Audit Plan 2015/16 | D Hughes | | | | | | ✓ |
| Internal Audit Charter | D Hughes | | | | | | ✓ |
| ICT Third Party Management | D Brown | ✓ | | | | | |
| ICT – Project Nevis | D Brown / P Fleming | ✓ | ✓ | | | | |
| ICT Governance | D Brown | | ✓ | | | | |
| ICT Security | D Brown | | ✓ | ✓ | | | |
| ICT Disaster Recovery | D Brown | | | | | | ✓ |
| ICT Asset Management | D Brown | | | | | | ✓ |
| Regeneration | D Brown / P Leonard | ✓ | ✓ | | | | |
| Continuous Financial Controls | D Brown | | ✓ | | | | ✓ |
| Road Reinstatement by Utility Contracts | D Brown | | ✓ | | | | |
| Aberdeen Western Peripheral Route | D Brown | | ✓ | | | | |
| Private Sector Housing | D Brown | | ✓ | | | | |
| Building Services – Phase 2 Follow Up | D Brown | | ✓ | | | | |
| Community Centres | D Brown | | ✓ | | | | |
| Stakeholder Engagement & Consultation | D Brown | | ✓ | | | | |
| Sourcing & Management of Agency Staff | D Brown | | ✓ | | | | |

| | | | | | | | |
|---|---------------------|----|----|----|---|---|----|
| Social Care & Wellbeing Contracts | L Taylor | | ✓ | | | | |
| Self Directed Support | D Brown | | | ✓ | | | |
| Complaints Handling Procedure | D Brown | | | ✓ | | | |
| Structures, Flooding & Coastal Risk Management | D Brown | | | ✓ | | | |
| School Councils | D Brown | | | ✓ | | | |
| Car Parking | D Brown | | | ✓ | | | |
| Compliance with Public Records Act | D Brown | | | | | ✓ | |
| Compliance with Laws & Regulations | D Brown | | | | | ✓ | |
| Fraud Governance - Housing Tenancy & Scottish Welfare Fund | D Brown / W Connell | | | | | ✓ | ✓ |
| Transport Contracts Within Education & Social Work | D Brown | | | | | ✓ | |
| Procurement Controls Outwith Pecos | D Brown | | | | | ✓ | |
| Devolved School Management - Phase 1 | D Brown | | | | | ✓ | |
| Care First Budgetary Control Process | D Brown | | | | | | ✓ |
| Care Users - Service Reviews | D Brown | | | | | | ✓ |
| ALEO Tier 2 Review | D Brown | | | | | | ✓ |
| Aberdeen International Youth Festival | D Brown | | | | | | ✓ |
| External Audit (Non-Accounts) | | | | | | | |
| Assurance & Improvement Plan Update | S Boyle | ✓ | ✓ | ✓ | | | |
| External Audit Performance Indicators | A MacDonald | | ✓ | | | | |
| External Audit Progress & Performance | A MacDonald | | | ✓ | | ✓ | ✓ |
| Arm's Length External Organisations - Targeted Follow Up | A MacDonald | | ✓ | | | | |
| Major Capital Investment in Councils | A MacDonald | | | | | | ✓ |
| Other External Inspection & Regulation | | | | | | | |
| Information Commissioner - Follow Up | P Fleming | ✓* | ✓ | ✓ | | ✓ | |
| Office of the Surveillance Commissioner - Findings and Action Plan | F Smith | | | ✓ | | | |
| Transport Commissioner - Fleet Follow Up | M Riley | | | | | | ✓* |
| Annual Accounts | | | | | | | |
| Internal Controls Management Letter & Interim Report on the 2013/14 Audit | A MacDonald | | ✓ | | | | |
| Draft Statement of Accounts & Annual Governance Statement | J Belford | | ✓* | | | | |
| Communication of Audit Matters to Those Charged with Governance in Terms of ISA 260 | A MacDonald | | | ✓* | ✓ | | |
| Report on the 2013/14 Audit | S Boyle | | | | | ✓ | |
| Annual Accounts 2014/15 - Action Plan and Key Dates | J Belford | | | | | | ✓ |

| Audit Scotland – National Reports | | | | | | | |
|--|------------------------|---|---|---|--|---|---|
| Managing Early Departures from the Scottish Public Sector | M Murchie | ✓ | | | | | |
| Welfare Reform Update | M Murchie | ✓ | | | | | |
| Maintaining Scotland's Roads | M Murchie | ✓ | | | | | |
| Housing in Scotland | M Murchie | ✓ | | | | | |
| Charging for Services: Are You Getting it Right? | M Murchie | ✓ | | | | | |
| Local Government Overview | M Murchie | | ✓ | | | | |
| Modern Apprenticeships | M Murchie | | ✓ | | | | |
| Procurement in Councils | M Murchie | | ✓ | | | | |
| Reshaping Care | M Murchie | | ✓ | | | | |
| Self Directed Support | M Murchie | | | ✓ | | | |
| School Education | M Murchie | | | ✓ | | | |
| National Fraud Initiative | M Murchie | | | ✓ | | | |
| Community Planning – Turning Ambition into Action | M Murchie | | | | | | ✓ |
| Health & Safety | | | | | | | |
| Corporate Health & Safety Committee Reporting Arrangements | K Rennie | | | | | ✓ | ✓ |
| Minute of Meeting of the Corporate Health & Safety Committee of 29 th August 2014 | K Rennie | | | | | | ✓ |
| Health & Safety Assurance | M Agnew | | | | | | ✓ |
| Fraud, Corruption, Bribery and Whistleblowing | | | | | | | |
| Matters Under Investigation | M Murchie | ✓ | | | | | |
| Whistleblowing Policy – Scottish Parliament Petition | R MacBeath | | | | | ✓ | |
| Committee Development | | | | | | | |
| Elected Member Development | A McQuarrie / K Rennie | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Self-Evaluation of the Committee | M Murchie | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Other Reports | | | | | | | |
| Service & Corporate Induction | A McQuarrie | | ✓ | | | | |
| Data Protection Monitoring | F Smith | | | ✓ | | ✓ | ✓ |

* Late paper.