

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 28 April 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett, Dickson, Donnelly, Flynn, Graham, Greig, Lawrence, Malik, Jean Morrison MBE, Samarai and Townson.

MINUTE OF PREVIOUS MEETING OF 9 MARCH 2016

1. The Committee had before it the minute of its previous meeting of 9 March 2016.

The Committee resolved:-

to approve the minute as a correct record.

WORKPLAN

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

The Committee resolved:-

to note the content of the workplan.

DECISION TRACKING SHEET

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

The Committee resolved:-

to note the content of the decision tracking sheet.

INTERNAL AUDIT PROGRESS REPORT

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

The report recommended:

That the Committee –

- (a) agree to the postponement of the 2015/16 audit of Out of Authority Placements as requested by Education and Children's Services for the reasons detailed in Appendix A; and
- (b) otherwise review, discuss and comment on the issues raised within this report and the attached appendices.

The Committee resolved:-

to approve the recommendations.

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REVISED INTERNAL AUDIT CHARTER

5. The Committee had before it a report by the Internal Auditor which sought approval to amend the Internal Audit Charter from 28 April 2016.

The report recommended:

That the Committee approve the Internal Audit Charter for implementation from 28 April 2016.

The Committee resolved:-

to approve the recommendation.

EXTERNAL AUDIT PROGRESS REPORT

6. The Committee had before it a report by Audit Scotland, External Auditor, which provided an update on the progress with the external audit of the 2015/16 financial year.

The Committee resolved:-

to note the content of the report.

DATA PROTECTION REPORTING SEPTEMBER TO DECEMBER 2015 - CG/16/041

7. The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview for quarter 3 (October to December 2015) of the Council's activities and statistics in subject access request statistics; data breaches; data protection training; and a general update.

The report recommended:

that the Committee note the report.

The Committee resolved:-

to approve the recommendation.

CORPORATE GOVERNANCE RISK REGISTER - CG/16/060

8. The Committee had before it a report by the Interim Director of Corporate Governance which presented the Corporate Governance Risk Register.

The report recommended:

That the Committee –

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- (a) note the content of the risk register, the current status of each risk's control compliance and the mitigating actions through which enhanced control will be delivered;
- (b) note the planned activity to improve the structure and operation of risk management across the Council; and
- (c) advise any further action as appropriate.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) in relation to a question from Councillor Jean Morrison regarding ALEOs and voluntary organisations' risk registers, to note that once the format for the risk register has been agreed then it can be rolled out to other directorates, ALEOs and ACVO.

FRAUD ANNUAL REPORT - CG/16/059

9. With reference to the previous meeting of 9 March 2016 of the Audit, Risk and Scrutiny Committee, article 23, the Committee had before it a report by the Interim Director of Corporate Governance which provided an update on activity by the Corporate Governance Investigation Team (CIT) during 2015/16 and presented a response to the National Fraud Initiative (NFI) report by Audit Scotland.

The report recommended:

That the Committee -

- (a) note the Fraud Statistics Annual Report in Appendix 1;
- (b) note the response to the NFI report from Audit Scotland in Appendix 2 in respect of the report itself in Appendices 3a and b;
- (c) endorse the approach to reviewing working practices on NFI as set out in section 3 of Appendix 2;
- (d) agree to receive a report on the Fraud Business Plan in June 2016 and 6 monthly updates on Fraud and NFI activity from September 2016; and
- (e) continue to endorse and sponsor progress towards the good practice measures contained in the National Fraud Authority Self-Assessment Checklist and paper 'Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error'.

Councillor Flynn sought clarification regarding the sharing of information with Police Scotland in instances of fraud. The Corporate Investigation Manager clarified that if there is enough evidence then it is passed to Police Scotland to decide if there is a case to answer.

Councillor Cameron sought clarification regarding 40 cases of potential fraud that were not investigated due to resourcing and the major investigations that were being undertaken at the time. The Corporate Investigation Manager responded that they have more referrals coming in than can manage and have to prioritise, however the Revenue

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and Benefits Manager clarified that all housing benefit fraud cases are passed to DWP and investigated.

Councillor Cooney sought clarification on the spike in referrals during July and August 2015. The Corporate Investigation Manager responded that the department now has a wider remit and this was the first time the information had been put together so a year from now will be able to see if a one off occurrence or if a pattern exists.

Councillor Flynn sought clarification on whether the 3 major internal investigations undertaken by CIT had been referred to Police Scotland. The Corporate Investigation Manager responded that one was not referred due to any evidence.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINT RECOMMENDATIONS
- CG/16/055**

10. The Committee had before it a report by the Interim Director of Corporate Governance which provided details of all Scottish Public Services Ombudsman (SPSO) decisions made during 2015/16 Q4 relating to Aberdeen City Council decisions.

Councillor Townson enquired as to whether a procedure was in place to record compliments / positive feedback that was received.

The report recommended:

that the Committee notes the details of the report and identifies any systemic issues and recommends any additional actions as appropriate.

The Committee resolved:-

- (i) to note the content of the report; and
- (ii) in relation to a question from Councillor Townson regarding recording of compliments/positive feedback received, to note that currently there is no corporate way to record this information and to look in the possibility of recording this in the future.

BEST VALUE AUDIT - OCE/16/018

11. With reference to the minute of the previous meeting of 9 March 2016 of the Audit, Risk and Scrutiny Committee, the Committee had before it a report by the Interim Director of Corporate Governance which provided an update on the progress made in addressing findings from the 2015 Audit of Best Value and Community Planning.

The report recommended:

That the Committee -

- (a) receive regular updates on the implementation of actions to address the findings of the 2015 Audit of Best Value and Community Planning; and

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- (b) note that Audit Scotland will introduce a new approach to auditing Best Value from October 2016.

Councillor Dickson enquired whether it was easier to recruit in the current climate. The Head of Human Resources and Customer Services advised that they had been able to fill posts due to the oil downturn recently and that currently they are looking at workforce planning and hard to fill posts and a report is due at the Finance, Policy and Resources Committee in August.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) in relation to a question from Councillor Dickson regarding succession planning, to note that HR is currently looking at workforce planning and a report is expected to go to Finance, Policy and Resources Committee in August.

INTERNAL AUDIT REPORT - CROSS SERVICE - CORPORATE POLICIES AND PROCEDURES

12. The Committee had before it a report by the Internal Auditor, which presented an audit into the Corporate Policies and Procedures within Aberdeen City Council and Aberdeenshire Council to ascertain the scope for standardisation and rationalism and in the context of exploring shared services.

The Corporate Governance Business Manager advised that the Directorate was content with the two recommendations that were made and it is linked closely to the Service Plan that there will be a digital platform available to employees to see the policies relevant to their role. Councillor Dickson sought clarification regarding employees with limited or no access to IT in their role. The Business Manager responded that all forms of communication would be looked at to get the information disseminated.

The Interim Director of Corporate Governance clarified that the conclusion of the joint audit was that it would be more appropriate to look at inconsistencies between the two Councils if reviewing and considering shared services.

Councillor Dickson enquired regarding the Council's PVG and disclosure policy which states that the employee is required to pay the fee for joining the scheme but the practice of ACC has been to pay the memberships fees itself, and whether there are any other policies where the practice differs. The Interim Director of Corporate Governance advised that checks would be undertaken as part of the Governance Review.

The Committee resolved:-

- (i) to note the content of the report and endorse the recommendations for improvement; and

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- (ii) in relation to a question from Councillor Dickson regarding the Council's PVG and disclosure policy which states that the employee is required to pay the fee for joining the scheme but the practice of ACC has been to pay the memberships fees itself, and whether there are any other policies where the practice differs, to note that checks will be undertaken as part of the Governance Review.

INTERNAL AUDIT REPORT - EDUCATION - SECONDARY SCHOOLS

13. The Committee had before it a report by the Internal Auditor, which presented an audit into procedures in secondary schools to control per capita / school fund income and expenditure.

Councillor Dickson sought clarification regarding the financial gain by staff in relation to using their personal shop loyalty cards when incurring expenditure on behalf of the schools. The Internal Auditor clarified that it was not a significant amount that had been gained.

Councillor Dickson also sought clarification regarding the amount of printing that had undertaken by a particular school for a local group without charging the correct VAT. The internal auditor clarified that it was not a significant amount but that the school should not be in breach of HMRC rules.

Councillor Townson sought clarification regarding large payments made by staff on their credit card on a school trip during an emergency and questioned whether electronic transfer could be possible in these circumstances. The Service manager responded that there are other options available other than personal credit card use but that the expectation is that the teacher will keep the pupils safe and anything incurred will be reimbursed later.

Councillor Cameron sought clarification regarding recoverable VAT and if it could make school trips cheaper and therefore more accessible. The internal auditor advised that it was legitimate to claim back VAT on school trips but that it hadn't happened in all occasions which had then caused the trips to be more expensive.

Councillor Greig enquired whether regarding a financial administrative procedure manual for schools would be simple to refer to and if any training would be ongoing. The Service Manager responded that they would be organising an ongoing training programme and putting together a simple electronic manual for reference.

Councillor Yuill enquired about the risk of different approaches used in schools, leaving schools open to challenge from parents. The Service Manager advised that guidance would be issued to schools.

The Committee resolved:

- (i) to note the content of the report endorse the recommendations for improvement;

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- (ii) in relation to a question from Councillor Greig regarding a financial administrative procedure manual and training for staff, to note that the Service will be organising an ongoing training programme and putting together a simple electronic manual for reference; and
- (iii) in relation to a question from Councillor Yuill regarding Section 11 of the Education (Scotland) Act 1980 that decisions as to whether recoveries are made for 'extras' for pupils rests with individual schools and the potential inconsistency between schools which could lead to challenges, to note that the Service will be issuing guidance to schools.

INTERNAL AUDIT REPORT - EDUCATION - TEACHERS' PAYROLL

14. The Committee had before it a report by the Internal Auditor, which presented an audit into teacher's payroll.

The Convener sought clarification regarding an error made to the first month salary payments for three out of ten new teachers. The Internal Auditor advised that payroll had since checked all the salaries, rectified the errors and identified the cause of the issue.

The Committee resolved:

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

INTERNAL AUDIT REPORT - RENT COLLECTION AND ARREARS MANAGEMENT

15. The Committee had before it a report by the Internal Auditor, which presented an audit into rent collection and arrears.

Councillor Dickson sought reassurance regarding the electronic service being able to meet needs of all. The Housing Manager advised it was still possible to get paper copies of statements.

Councillor Greig sought clarification regarding 23 payment arrangements in place below £5 and whether it was costing the Service more to administer these. The Housing Manager advised that it wasn't costing the Service anything and that if circumstances changed the instalments would increase.

Councillor Dickson sought clarification on the forecasts for evictions this year against last year. The Housing Manager advised that it would be 40% less than last year.

The Committee resolved:

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

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INTERNAL AUDIT REPORT - COMMUNITIES, HOUSING AND INFRASTRUCTURE - VEHICLES

16. The Committee had before it a report by the Internal Auditor, which presented an audit into whether actions that had been put in place to remedy the concerns raised by the Traffic Commissioner in November 2014 were working as intended.

Councillor Dickson sought clarification regarding accident reports from services that missed the 21 day deadline. The Head of Environment and Public Infrastructure responded that if Services missed deadline this was reported to the Corporate Health and Safety Committee and the Communities, Housing and Infrastructure Committee and also as another measure Services can be stopped from using vehicles until accident report is submitted.

Councillor Dickson also sought clarification regarding tachograph's and clocks not being synchronised correctly. The Head of Environment and Public Infrastructure advised that the information on the tachographs is downloaded monthly by an external company and results then analysed by the Service. Currently the vehicle fleet is running at a 1.9% infringement which is below the 3% benchmark.

Councillor Townson sought clarification regarding serious defects on a vehicle and whether staff were aware they could be criminally prosecuted. The Head of Environment and Public Infrastructure advised that the expectation was on supervisors to ensure no serious faults are ignored as they too were responsible along with the driver.

Councillor Townson also sought clarification regarding whether an employee has a duty to notify Aberdeen City Council of any pending criminal charges or deterioration of health. The Head of Environment and Public Infrastructure advised that pending criminal charges did have to be declared and that heavy goods drivers have their license details checked monthly. In regards to deterioration of health, the Head of Environment and Public Infrastructure advised that when drivers have had health problems the Service has been able to support them through the situation. Currently drivers aged 45 and over are required to have a medical every 5 years and over 60 years it is every two years. If a driver has a medical condition under the age of 45 their license would be approved for set times and then reviewed.

The Committee resolved:-

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

INTERNAL AUDIT REPORT - CORPORATE GOVERNANCE - SOCIAL WORK TENDERING

17. The Committee had before it a report by the Internal Auditor, which presented an audit into the Social Work tendering.

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The Convener sought clarification regarding budget holders not responding to a C&PS request for information. The Performance and Delivery Manager advised she would provide the information directly to the Committee members.

Councillor Greig enquired if it would be possible to receive updates of the progress of implementing the recommendations. The Performance and Delivery Manager advised that a report would be coming back to the September Committee and the Commissioning Framework for Children's Services would be reported to the June meeting of Education and Children's Services Committee.

The Committee resolved:-

- (i) to note the content of the report and endorse the recommendations for improvement;
- (ii) in relation to a question from the Convener regarding budget holders responding to a C&PS request to advise whether spend is on or off contract and provide a copy of the contract where one exists, to note that officers will circulate to the committee how many responses from Budget Holders are still outstanding; and
- (iii) in relation to a question from Councillor Greig regarding receiving updates on the progress of implementing the recommendations, to note that a report will be coming back to the September Committee and the Commissioning Framework for Children's Services will be reported to the June meeting of Education and Children's Services Committee.

AUDIT SCOTLAND - BORROWING AND TREASURY MANAGEMENT IN COUNCILS

- CG/16/061

18. The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of the Audit Scotland report on Borrowing and Treasury Management in Councils.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to approve the recommendation.

DUE DILIGENCE PROCESS FOR THE ESTABLISHMENT OF THE ABERDEEN CITY HEALTH AND SOCIAL CARE PARTNERSHIP BUDGET - CG/16/064

19. The Committee had before it a report by the Interim Director of Corporate Governance which provided details of the due diligence processes that have been applied to the creation of the consolidated Aberdeen City Health and Social Care Partnership Budget for the 2016/17 financial year.

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The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to approve the recommendation.

PUBLIC PERFORMANCE REPORTING - OCE/16/015

20. The Committee had before it a report by the Interim Director of Corporate Governance which presented an action plan to address the issues identified by Audit Scotland's assessment of the Council's Public Performance reporting requirement.

The report recommended:

That the Committee -

- (a) note the content of the report; and
- (b) approve the recommendations, associated timescales and progress reporting commitments contained within the action plan.

The Committee resolved:-

to approve the recommendations.

OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS PRE 2015/16 (PWC)

21. The Committee had before it a report by the Internal Auditor which provided an update on the progress Services have made with implementing recommendations agreed in Internal Audit reported issued by PWC.

The Committee resolved:-

to note the content of the report.

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

22. The Committee had before it a report by the Internal Auditor which provided an update on progress with implementing agreed recommendations contained in reports issued in relation to the 2015/16 Internal Audit Plan and any additional work undertaken.

The Committee resolved:-

to note the content of the report.

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EXTERNAL AUDIT OUTSTANDING RECOMMENDATIONS

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

The External Auditor advised that 4 actions had been closed off since the previous Committee meeting and work was progressing.

The Committee resolved:-
to note the content of the report.

CLOSING REMARKS

24. Councillor Yuill, Vice Convener closed the meeting thanking the outgoing Convener for her Services to the Committee and her inclusive approach at meetings.

- COUNCILLOR JACKIE DUNBAR, Convener