

# AUDIT RISK AND SCRUTINY COMMITTEE

ABERDEEN, 24 November 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett (up to item 3.1), Dickson, Donnelly, Jackie Dunbar, Graham, Grant (as substitute for Councillor Malik up to item 3.1 and as substitute for Councillor Crockett from item 3.1), Greig, Lawrence, Malik (from item 3.1), Jean Morrison MBE, Nicoll (as substitute for Councillor Samarai), Taylor (as substitute for Councillor Reynolds), Townson and Young (as substitute for Councillor Nathan Morrison).

The agenda and associated documents for this meeting can be found using the following link:

<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3889&Ver=4>

## DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that item 9.1 of today's agenda (article 20 of this minute refers) be considered with the press and public excluded.

### The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for item 9.1 so as to avoid disclosure of exempt information of the class described in paragraph 8.

## MINUTE OF PREVIOUS MEETING OF 27 SEPTEMBER 2016

2. The Committee had before it the minute of its previous meeting of 27 September 2016.

### The Committee resolved:-

to approve the minute as a correct record.

## WORKPLAN

3. 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

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

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

**The Committee resolved:-**

- (i) to delete items 2 (Social Work Tendering – Internal Audit Report) and 3 (Compliance with Procurement Related Legislation and Financial Regulations – Internal Audit Report); and
- (ii) to otherwise note the content of the decision tracking sheet.

**MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 26 AUGUST 2016**

5. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 26 August 2016.

**The Committee resolved:-**

to note the content of the minute.

**INTERNAL AUDIT PROGRESS REPORT - REPORT BY THE INTERNAL AUDITOR**

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

**The Committee resolved:-**

to note the content of the report.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - REPORT BY THE INTERIM DIRECTOR OF CORPORATE GOVERNANCE**

7. The Committee had before it a report by the Interim Director of Corporate Governance which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made during 2016/17 to date which related to Aberdeen City Council complaints.

**The report recommended:**

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

**The Committee resolved:-**

to approve the recommendation contained in the report.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

**SOLAR PHOTOVOLTAIC AGREEMENT - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

8. With reference to article 15 of the minute of its meeting of 27 June 2016, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the circumstances relating to the solar panel incident specifically around the financial implications and total loss to the Council.

**The report recommended:**

That the Committee -

- (a) note the circumstances leading to the payment of £275,000 to Our Generation Solar in 2015; and
- (b) to request that a future report be submitted to the Finance, Policy and Resources Committee with an action plan to mitigate any further contractual payments towards loss of income to Our Generation Solar.

Councillors sought clarification on various matters in relation to the contract and financial loss to the Council. Specific questions related to why reports to the Finance, Policy and Resources Committee in April 2011 and October 2012 did not highlight the risks to the Council in terms of payment of loss of income generated from the solar panels if they were switched off and around the procurement process and the information that was available at the time of the decision being made to award the contract. Additional questions were asked relating to the health and safety concerns relating to the panel installations and whether the documentation relating to the process and procurement was comprehensive.

Mr Booth advised that the payment for the loss of income was in relation to the decision to switch off all of the solar panels and not just those that were faulty to give assurance to the Council that the installations were fitted correctly. He further advised that the contractor was selected following a tender process wherein the bidders had to submit method statements which included a risk register.

Ms Buchanan advised the Committee that the nature of some of the discussion was straying into matters that should be heard in confidence, specifically around the contract, an outstanding contractual payment and that further discussions on the detail of the contract might have an impact on any future negotiations.

The Convener requested that Internal Audit undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Solar Photovoltaic Agreement and whether there was the appropriate level of reporting the risks to members before and during the contract period and that in order to have as much detail discussed around the contract and financial risks that detailed questions be presented and discussed in private session.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

At this juncture, Councillor Young moved as a procedural motion:-  
that the Committee continue all further discussions on the item in public.

On a division, there voted:- for the procedural motion (9) – Councillors Cooney, Donnelly, Graham, Grant, Lawrence, Malik, Jean Morrison, Taylor and Young; against the procedural motion (8) - Convener; the Vice Convener; and Councillors Cameron, Dickson, Jackie Dunbar, Grieg, Nicoll and Townson.

**The Committee resolved:-**  
to adopt the procedural motion.

Further questions were raised relating to the current contract and whether further payments would be made if a similar situation arose in the future, wherein Mr Booth advised that the current situation was that 40% of the panels were switched off due to a variety of reasons including refurbishment works to buildings and health and safety concerns in some areas and that any payments would be made under the same terms of the contract.

**The Committee resolved:-**

- (i) in response to various concerns raised by members relating to the contract and decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Solar Photovoltaic Agreement and whether there was the appropriate level of reporting the risks to members before and during the contract period; and
- (ii) to otherwise approve the recommendations contained within the report.

**REVIEW OF RISK MANAGEMENT SYSTEM - REPORT BY THE INTERIM DIRECTOR OF CORPORATE GOVERNANCE**

9. The Committee had before it a report by the Interim Director of Corporate Governance which presented the output of the Good Governance Institute's (GGI) evaluation of the Council's risk management system and the next steps with regard to implementing the agreed actions arising from their report.

**The report recommended:**

that the Committee consider the attached report and implementation plan and agree to receive updates on the implementation of the actions to address the agreed recommendations arising from the review of the risk management system.

The Committee were advised that the review undertaken was a comprehensive one and that the recommendations provided within the GGI report would provide additional assurance to the Council once they had been fully implemented.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

Councillor Greig made reference to the training for staff and asked if it would be burdensome for officers to deliver the training to staff and members, wherein the Performance and Risk Manager advised that a team of staff would be brought together to enable the delivery of the actions contained in the implementation plan and that additional training for everyone would be beneficial to the organisation.

Councillor Greig further asked if the scrutiny of Arm's Length External Organisations (ALEO's) was burdensome to the Council, wherein the Performance and Risk Manager advised that it was a demanding process however the Council required the assurance that they were operating efficiently and that ALEO Governance was an item within the Governance Review so a revised process might be implemented at the end of the review.

Councillor Young requested an update on recommendation 11 (to establish a rigorous and objective evaluation process for all committees, to be considered by Council) and when it was likely that a report would be presented, wherein the Performance and Risk Manager advised that some of the recommendations were not currently contained in the implementation plan as further discussions were ongoing.

**The Committee resolved:-**

in response to a question from Councillor Dunbar relating to when the Committee were to receive an update on the implementation of actions to address the recommendations arising from the review of the risk management system, to note that Appendix 2 to the report contained timeframes for the recommendations to be completed and that a report would be submitted to this Committee in June 2017.

**BUDGET MONITORING - REPORT BY THE INTERNAL AUDITOR**

**10.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to the procedures in place to monitor the Council's budget.

Members raised questions in relation to those recommendations that were not agreed by the Service, wherein the Head of Finance advised that (1) some of the recommendations would form part of management discussions therefore had not been agreed; (2) the Chief Executive and Corporate Budgets were reported as a single line entry in the report to Finance, Policy and Performance Committee and that they were of a small percentage of the overall budget and did not pose a financial risk to the Council therefore separate reporting processes were not deemed to be necessary; and (3) management needs were being met effectively as budget holders were able to view data at any point and met regularly with Finance through budget holder meetings and Finance Partners attended management meetings on a regular basis.

In response to a question from Councillor Dickson relating to the virement limits before they need to be reported, to note that the Head of Finance advised that the Financial

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

Regulations stated that different levels of virement required different approvals including being reported to Committee and that he would provide this information outwith the meeting.

The Convener stated that he was assured by the response from the Head of Finance that the adequate controls were in place in relation to budget monitoring.

**The Committee resolved:-**

- (i) to note that the Committee were reassured by the explanations given by the Head of Finance where the Service had not agreed the audit recommendations;
- (ii) in response to a question from Councillor Dickson relating to the limit of virement before it would be reported to Committee, to note that the Head of Finance would provide this information outwith the meeting;
- (iii) to note that the Head of Finance would develop financial reporting to include the Council's Balance Sheet in future reports to the Finance, Policy and Resources Committee; and
- (iv) to otherwise note the content of the report and endorse those recommendations for improvement that had been agreed by the Service.

**BANK RECONCILIATIONS - REPORT BY THE INTERNAL AUDITOR**

**11.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to bank reconciliations and considered whether all bank accounts were reconciled on a regular and timely basis and whether the methodology in place was robust.

**The Committee resolved:-**

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

**FOLLOWING THE PUBLIC POUND - REPORT BY THE INTERNAL AUDITOR**

**12.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Following the Public Pound which considered whether the arrangements in place to ensure public funds were awarded against set criteria and complied with the principles of following the public pound requirements. The report stated that the audit focused on grant funding arrangements as ALEO Governance arrangements had already been reviewed.

**The Committee resolved:-**

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

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

**BUSINESS RATES - REPORT BY THE INTERNAL AUDITOR**

**13.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Business Rates which considered whether the billing and collection arrangements were robust and adequately applied and that the reliefs awarded were adequately supported.

**The Committee resolved:-**

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

**PURCHASING AND CREDITORS - SOCIAL WORK - REPORT BY THE INTERNAL AUDITOR**

**14.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Purchasing and Creditors for the Adult Social Work which considered whether robust documented procedures were in place and were satisfactorily complied with throughout the Service and also whether value for money was being achieved. The report stated that Commissioned Care had not been reviewed as part of this audit due to a separate audit report being undertaken previously.

**The Committee resolved:-**

- (i) in response to a question from Councillor Cameron relating to the audit comments in respect of services in excess of EU thresholds are tendered appropriately, to note that at the time the Integrated Joint Board was not fully established and it was not known at the time which Procurement system would be used, the Council's or NHS Grampian;
- (ii) in response to a question from Councillor Cameron relating to a breach in financial regulations, to note that the payment was made via internal transfer which was not a breach and to note that Internal Audit were satisfied with this response;
- (iii) to otherwise note the content of the report and endorse the recommendations for improvement that were agreed by the Service.

**DECLARATION OF INTEREST**

**The Vice Convener and Councillor Jean Morrison declared a personal interest in the following item of business due to family members being in receipt of the service and withdrew from the meeting during consideration of the item.**

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

**SELF DIRECTED SUPPORT - REPORT BY THE INTERNAL AUDITOR**

15. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Self-Directed Support which considered where adequate control was exercised over self-directed support payments made in advance to service users.

**The Committee resolved:-**

- (i) in response to a question from Councillor Graham relating to section 2.1.2 and why there was not an update provided to Full Council in 2014, to note that the Chief Officer for Aberdeen City Health and Social Care Partnership would ascertain who was responsible at that time and provide a response to the Committee; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

**CAREFIRST - REPORT BY THE INTERNAL AUDITOR**

16. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the CareFirst System and considered whether appropriate control was being exercised over the CareFirst System including contingency planning and disaster recovery and its data input. It also considered whether the interfaces to and from other systems were accurate and properly controlled.

**The Committee resolved:-**

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

**AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015 (PWC) - REPORT BY THE INTERNAL AUDITOR**

17. The Committee had before it a report by the Internal Auditor which provided an update on the progress Services had made with implementing recommendations agreed in the Internal Audit reports issued by the previous internal auditors, PWC.

**The Committee resolved:-**

to note the content of the report.

**INTERNAL AUDIT OUTSTANDING RECOMMENDATIONS AGAINST THE 2015/16 AUDIT PLAN - REPORT BY THE INTERNAL AUDITOR**

18. The Committee had before it a report by the Internal Auditor which provided an update on progress with implementing agreed recommendations contained in Internal Audit reports since April 2015.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

**The Committee resolved:-**

- (i) to note that the audit AC1606 – Creditors System was now complete;
- (ii) to note that recommendation 2.10.10(a) within audit AC1605 – Secondary Schools was now complete; and
- (iii) to otherwise note the content of the report.

**AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - REPORT BY THE CHIEF EXECUTIVE**

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

**The report recommended:**

That the Committee -

- (a) note the detail of the reports, Maintaining Scotland's Roads and Social Work In Scotland; and
- (b) consider officer comments provided.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EXEMPT INFORMATION**

In accordance with the decision taken at article 1 of this minute, the following item of business was considered with the press and public excluded.

**UPDATE ON CURRENT GAS CENTRAL HEATING MAINTENANCE FRAMEWORK CONTRACT - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

20. The Committee had before it by way of referral, the minute extract from the Communities, Housing and Infrastructure Committee of 1 November 2016 which requested this Committee to examine the current contract and the report by the Director of Communities, Housing and Infrastructure which presented the current and forecast level of spend on the domestic gas central heating (annual servicing, maintenance and repairs) framework.

Members asked various questions in relation to (1) the contract value and the escalated costs each year following the awarding of the contract; (2) the budget implications for the

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

Service; and (3) the background information leading to the awarding of the contract specifically which Committee received the information and made the decision.

**The Committee resolved:-**

- (i) in response to various concerns from members relating to the original contract value, the escalation of costs throughout the term of the contract and the decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat at the time of awarding the contract; and
- (ii) to otherwise note the content of the report.

- **COUNCILLOR**                      **STEPHEN**                      **FLYNN,**                      **Convener**

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**AUDIT, RISK AND SCRUTINY COMMITTEE**  
24 November 2016

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