

AUDIT AND RISK COMMITTEE

ABERDEEN, 2nd March, 2010. - Minute of Meeting of the AUDIT AND RISK COMMITTEE. Present:- Councillor Crockett, Convener; Councillor Farquharson, Vice-Convener; Lord Provost Peter Stephen; and Councillors Cassie, Cooney, Cormie (as substitute for Councillor John West), Donnelly, Hunter, McDonald, Penny, Reynolds, Robertson, John Stewart, Kevin Stewart and Wendy Stuart.

ALLEGED LEAKING OF INTERNAL AUDIT REPORT ON PARKING FINES INCOME COLLECTION TO THE PRESS

1. At the commencement of the meeting, Councillor Kevin Stewart expressed his dissatisfaction that the content of the Internal Audit report on parking fines income collection marked "Not for Publication" on the agenda, had allegedly been leaked to the local press; queried whether the report should now be held in public session; and requested that the matter be investigated.

The Committee was advised that each Internal Audit report was assessed to determine whether or not it could be discussed in public session and that for the report in question it was deemed necessary for it to be discussed in private session due to the fact that members of staff may be identified.

The Committee resolved:-

- (i) to record its dissatisfaction that a report marked "Not for Publication" on the agenda had seemingly been leaked to the local press;
- (ii) to note that the Convener and Vice-Convener of the Committee would arrange to meet with the Chief Executive and the Director of Corporate Governance to discuss the appropriate way forward to deal with breaches of confidentiality; and
- (iii) to agree to discuss all reports marked "Not for Publication" on the agenda in private.

MINUTE OF PREVIOUS MEETING

2. The Committee had before it the minute of its previous meeting of 19th January, 2010.

The Committee resolved:-

- (i) to note that a date for the training referred to at Article 7, resolution (i), would be notified to Elected Members as soon as possible; and
- (ii) to approve the minute.

COMMITTEE BUSINESS STATEMENT

3. The Committee had before it a statement of business prepared by the Head of Legal and Democratic Services.

The Committee resolved:-

- (i) to note that it was envisaged that a report on item 6 (Internal Audit Staffing) would be submitted to the Committee on 27th April, 2010;
- (ii) to remove item 7 (N-SE/SA/0803 – Building Cleaning); and
- (iii) to otherwise note the statement.

AUDIT PROGRESS REPORT 2009/10

4. The Committee had before it a report by Henderson Loggie, External Auditor, which outlined the external audit operational plan for 2009/10.

The report provided indicative timescales for completion and submission of particular functions within the operational plan.

The Committee resolved:-

to note the report.

RISK ASSESSMENT, ANNUAL AUDIT PLAN AND FEE PROPOSAL 2009/10

5. The Committee had before it a report by Henderson Loggie, External Auditor, which provided detailed information relating to the audit framework and approach, as well as the planned audit outputs and fee proposal.

The report stated that based on the work Henderson Loggie had assessed as being required to discharge their audit responsibilities, the total proposed fee for the 2009/10 audit was £491,875, of which £177,400 was a fixed charge by Audit Scotland. The report emphasised that this was within the indicative fee range, which was £446,950 to £506,850. Placement within the range depended on the level of work required to be undertaken and was influenced by the number and level of risks faced by the Council.

The report had appended information on (1) the respective responsibilities of members, officers and auditors; (2) grant claims included in the fee proposal; (3) Statutory Performance Indicators as drawn from the publication in December, 2009 by Audit Scotland; (4) the various documents that had been reviewed; and (5) the National and Local Risk Analysis and Plan.

During the course of discussion, the Committee queried the proposed fee for Henderson Loggie to undertake the external audit function for the Council and requested a breakdown of the costs as other service providers were expected to provide similar information. Cathie Wyllie, Henderson Loggie, reminded the Committee that Audit Scotland's fee methodology is that the fee is based on the outputs for the audit, which were detailed in the report presented to the Committee. Notwithstanding this, Cathie Wyllie agreed to supply an analysis of the fee to the Committee.

The Committee resolved:-

to request Henderson Loggie to provide a breakdown of the costs associated with the annual fee for undertaking the external audit function to the next meeting of the Committee.

BANK RECONCILIATION PROGRESS REPORT

6. With reference to Article 6 of the minute of its meeting of 19th January, 2010, the Committee had before it a report by the City Chamberlain which provided an update on the progress to date in relation to the bank reconciliation process and the implementation of the automatic bank reconciliation module.

The report advised that since the last update to the Committee on 19th January, 2010, there continued to be positive progress in relation to the bank reconciliation with continuing timely and robust clearance of items from the reconciliation to ensure that it was up-to-date with the timescales agreed for the process. The December reconciliations had been completed and the January reconciliations were on target for completion by week 3 in February, 2010 which was required in order to load the opening balances into the automated bank reconciliation module.

The report detailed key activities since the last report in relation to the implementation of the automated bank reconciliation module and highlighted the next steps required to achieve the full implementation date of 31st March, 2010.

The report stated that the Project Manager's contract had expired on 26th February, 2010 and that the Project Board would continue to maintain overall responsibility for the direction and management of the various strands of the project during the implementation period.

The report recommended:-

that the Committee note the current positive progress on maintaining the bank reconciliations and on the implementation of the automated bank reconciliation system.

The Committee resolved:-

- (i) to note the update from the City Chamberlain that the January reconciliations had been completed and signed off;
- (ii) to congratulate staff on their work to date in relation to the project; and
- (iii) to otherwise approve the recommendation contained in the report.

EXEMPT INFORMATION

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public from the meeting during consideration of the following items of business so as to avoid disclosure of exempt information of the class described in paragraph 1 of Schedule 7(A) of the Act.

INTERNAL AUDIT REPORTS ISSUED

7. The Committee had before it (1) a report by the Internal Audit Manager which appended recently completed audit reports on the Services as detailed below; and (2) management statements from the appropriate Director in response to each of the completed reports.

Service	Title	Date Issued
Corporate Governance – City Chamberlain	General Ledger Feeder Systems	December, 2009
Corporate Governance – City Chamberlain	Parking Fines Income Collection	January, 2010
Corporate Governance – City Chamberlain	Following the Public Pound	January, 2010
Corporate Governance – Performance Management and Quality Assurance	External Management Information SPIs	January, 2010

The Committee resolved:-

- (i) that in relation to Audit CG/CR/0910 (General Ledger Feeder Systems), to note that all of the recommendations had been implemented;
- (ii) that in relation to Audit CG/SA/0913 (Parking Fines Income Collection) –
 - (a) to instruct officers to thoroughly review the contract when it was due for renewal reflecting the importance of collecting all levels of debt and ensuring that the Council had more control in relation to timescales for collecting the outstanding debt;
 - (b) to note that the outstanding appeals would be completed by 31st March, 2010;
- (iii) to note that the Internal Audit Manager would respond to Councillor McDonald in relation to how Internal Audit conclusions and opinions were reached, copying his response to all members of the Committee; and
- (iv) to otherwise approve the issue of the Internal Audit reports and endorse the recommendations for improvement contained therein.

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS AND RESULTS OF PHYSICAL VERIFICATION

8. The Committee had before it a report by the Internal Audit Manager which (1) detailed a number of recommendations previously approved in audit reports issued, the implementation of which was overdue; and (2) for selected audits, advised on implementation status checks on recommendations advised by auditees to Internal Audit as completed.

The Committee received updates from various officers in relation to the Audit recommendations affecting their Services and considered revised implementation dates where appropriate.

The Committee resolved:-

- (i) that in relation to Audit CG/SA/0913 (Parking Fines Income Collection), to note that items 4.1.1(i) and (ii) would be dealt with once the remaining outstanding appeals had been completed by 31st March, 2010;
- (ii) that in relation to Audit HE/SA/0931 (Homelessness), to approve the revised implementation date of June, 2010 in respect of item 4.1.1(i); and
- (iii) in relation to Audit CI/SDD/CR/0801 (ICT Disaster Recovery), to note that item 4.3.1(ii) had been completed and that item 4.3.1(iii) was partially completed.

- **BARNEY CROCKETT, Convener.**