

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

ABERDEEN, 23 February 2017. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Allan (as substitute for Councillor Graham), Cooney, Copland (as substitute for Councillor Samarai), Corall (as substitute for Councillor Cameron), Crockett, Dickson, Donnelly, Jackie Dunbar, Greig, Lawrence, Malik, Jean Morrison MBE, Reynolds, Townson and Young (as substitute for Councillor Nathan Morrison).

### **AGENDA ORDER**

1. The Convener requested approval to amend the agenda order as follows: to take items 1 to 3 as they were presented on the agenda, then items 5.1, 5.2, 5.3, 7.1, 7.3, 7.4, 8.3 and 9.1 and then continue with the remaining items of business to allow the Head of Finance to attend another appointment.

The Convener intimated that agenda item 11.2 from today's agenda had been withdrawn and would not be discussed at today's meeting.

#### **The Committee resolved:-**

to agree to the change of agenda order.

### **DETERMINATION OF EXEMPT BUSINESS**

2. The Convener proposed that item 11.1 of today's agenda (article 26 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 11.1 so as to avoid disclosure of exempt information of the class described in paragraph 8.

### **MINUTE OF PREVIOUS MEETING OF 24 NOVEMBER 2016**

3. The Committee had before it the minute of its previous meeting of 24 November 2016.

#### **The Committee resolved:-**

to approve the minute as a correct record.

### **WORKPLAN**

4. 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.

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## DECISION TRACKING SHEET

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

### **The Committee resolved:-**

- (i) subject to the decisions taken later on the agenda, to delete items 1 (Third Don Crossing – Internal Audit Report); 3 (Managing Capital Projects); 4 (2016/17 General Fund Revenue and Capital Budget Monitoring – Aberdeen Treasure Hub); 7 (Self Directed Support – Internal Audit Report); and 8 (Update on Current Gas Central Heating Maintenance Framework Contract); and
- (ii) to otherwise note the content of the decision tracking sheet.

## INTERNAL AUDIT PROGRESS AND PERFORMANCE - IA/17/001

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

### **The report recommended:**

That the Committee –

- (a) to approve the transfer of the Internal Transport Tendering Procedures audit to the 2017/18 Internal Audit Plan; and
- (b) to approve the transfer of the Commissioning of Children's Social Work Services and Fostering and Adoption Allowances audits into the 2018/19 Internal Audit Plan.

Councillor Jackie Dunbar raised concerns that Services were not responding to requests for information from the Internal Auditor to enable the work on particular audits to be completed.

Councillor Young sought information on when services had been asked for the information as at certain times of the year they could be busy on other work streams, wherein the Internal Auditor advised that they were initially contacted in November with follow up phone calls and that when it was known of particular busy periods that Internal Audit would work round these.

### **The Committee resolved:-**

- (i) to request the Chief Executive and the Interim Depute Chief Executive (Director of Corporate Governance) to discuss the importance of responding to the Internal Auditor with Senior Management to ensure information was presented in a timeous manner and to request that details of who was not responding be provided to the Committee; and
- (ii) to otherwise approve the recommendations contained in the report.

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**INTERNAL AUDIT PLAN 2017/18 - IA/17/002**

7. The Committee had before it a report by the Internal Auditor which set out the Internal Audit Plan for 2017/18.

**The report recommended:**

that the Committee approve the Internal Audit Plan for 2017/18.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EXTERNAL AUDIT STRATEGY 2016/17**

8. The Committee had before it a report by the External Auditor which presented the External Audit Strategy for 2016/17.

The External Auditor highlighted the main objectives of their planned audit work with particular reference to the Financial Statement audit including the significant risks and the Best Value audit.

**The Committee resolved:-**

to approve the External Audit Strategy for 2016/17.

**COUNCIL OWNED LAND AND PROPERTY - AC1714**

9. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Council Owned Land and Property and considered whether adequate systems and processes were in place across the Council estate to ensure that the Council had surety over the Land and Buildings that it owns including title.

Councillor Jackie Dunbar sought clarification as to whether the Council had registers in place for the land owned and leased by the Council and for property which was held by the Council as part of the Common Good asset register. The Head of Land and Property Assets advised that the Council were working towards having those registers in place and that he would advise members when they had been completed.

**The Committee resolved:-**

- (i) in relation to a question from Councillor Jackie Dunbar, to note that the Head of Land and Property Assets would circulate details to the Committee of when the registers for Council owned or leased land and for property would be available for the public to inspect; and

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- (ii) to otherwise note the content of the report and endorse the recommendations for improvement that were agreed by the Service.

**TREASURY MANAGEMENT - AC1715**

10. The Committee had before it a report by the Internal Auditor which presented an audit which considered whether the Council's Treasury Management Policy complied with the CIPFA Code of Practice and whether the Council Policy was being complied with.

**The Committee resolved:-**

to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**CASH RECEIPTING SYSTEM - AC1711**

11. The Committee had before it a report by the Internal Auditor which presented an audit which considered whether appropriate control was being exercised over the cash receipting system including contingency planning and disaster recovery and whether the interfaces to and from other systems were accurate and proper controls were in place.

**The Committee resolved:-**

to note the content of the report and endorse the recommendation for improvement as agreed by the Service.

**3RD DON CROSSING - IA/17/005**

12. With reference to article 10 of the minute of its meeting of 27 September 2016, the Committee had before it a report by the Internal Auditor which presented the outcome of the audit requested in relation to the Third Don Crossing.

The Internal Auditor was requested to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Third Don Crossing and whether the appropriate level of scrutiny and records were in place throughout the project.

Members raised concerns relating to the overall management of the project and the lack of documentation available.

The Interim Depute Chief Executive (Director of Corporate Governance) advised that the item later on the agenda (article 19 refers) contained an action plan which identified areas for improvement.

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The Convener sought agreement for the Internal Auditor to undertake an audit to ascertain if adequate controls were in place within the Programme Management Office.

**The Committee resolved:-**

- (i) in response to concerns raised from members over the management of the project and other projects across the city, to request the Internal Auditor to undertake an audit to ascertain if adequate controls were in place within the Programme Management Office; and
- (ii) to otherwise note the content of the report.

**ANNUAL ACCOUNTS 2016/17 - ACTION PLAN - CG/17/008**

13. The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided members with high level information and key dates in relation to the 2016/17 Annual Accounts including linkages to the Council's External Auditor timescales.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**PUBLIC MORTUARY STATUS REPORT - CHI/16/298**

14. With reference to article 35 of the minute of meeting of the Communities, Housing and Infrastructure Committee of 24 January 2017, the Committee had before it the minute extract and the report by the Director of Communities, Housing and Infrastructure relating to the Public Mortuary which requested that the report be submitted to this Committee for information.

**The Committee resolved:-**

to note the minute and the content of the report.

**WEBSITE BREACH - CG/17/033**

15. The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided information relating to the website homepage breach on 28 January 2017.

**The report recommended:**

that the Committee note the contents of the report and attached appendices.

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Members asked various questions in relation to the breach and whether it was known that there was vulnerability with the system. The IT Manager advised that penetration tests were undertaken on a regular basis and that nothing had been detected during those tests. She further advised that the file type which had been uploaded had now been blocked and additional tests had been carried out to ensure the system was secure.

**The Committee resolved:-**

- (i) to note the responses provided in relation to previous testing of the website infrastructure relating to potential vulnerability; and
- (ii) to otherwise approve the recommendation contained in the report.

**REVIEW OF THE RISK MANAGEMENT SYSTEM - CG/17/005**

**16.** The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided an update on progress with implementing the System of Risk Management project plan.

**The report recommended:-**

that the Committee note the updates against the project plan and agree to receive further updates as the project continued.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**TIMESHEETS/ALLOWANCES - AC1716**

**17.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Timesheets and Allowances which reviewed a sample of timesheets to ensure that they had been completed, authorised and paid correctly.

Councillor Jackie Dunbar sought clarification as to why information had not been passed to Internal Audit as requested. The Convener stated that it was important that if Internal Audit requested information from services that they complied.

**The Committee resolved:-**

to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**AGENCY STAFF - AC1712**

**18.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Agency Staff which considered whether agency staff were being

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appointed through the appropriate channels and that arrangements for their induction were robust.

**The Committee resolved:-**

to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**PRIMARY SCHOOL VISITS - AC1718**

**19.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Primary School Visits which considered whether income and expenditure, payroll records, inventories and computer security were adequately controlled and completed.

The Convener sought information relating to why the Council had not claimed reimbursement for the cost of providing milk to nurseries. The Head of Policy, Performance and Resources advised that contact had been made with the unit and that claims would be submitted on an annual basis and that discussions were ongoing as to how many years could be claimed back.

**The Committee resolved:-**

- (i) in relation to the Council not submitting claims for reimbursement for the cost of providing nursery milk from the Nursery Milk Reimbursement Unit, to note that contact had been made with the unit and that actions were being taken to ensure all monies in the future were claimed; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**MATTER OF URGENCY**

**The Convener intimated that he had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency to enable members to consider the updates in relation to the Third Don Crossing and the action plan at the earliest opportunity and not delaying until the June meeting of the Committee.**

**3RD DON CROSSING ACTION PLAN - CG/17/006**

**20.** With reference to article 10 of the minute of its meeting of 26 September 2016, the Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided an update on the action plan developed by

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Officers following the previous report on the contractual arrangements that were in place to construct the Third Don Crossing, known as the Diamond Bridge.

**The report recommended:**

That the Committee note the updates provided in the appendix to the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**ABERDEEN TREASURE HUB - ECS/17/020**

**21.** With reference to article 6 of the minute of meeting of the Education and Children's Services Committee of 17 November 2016, the Committee had before it a report by the Director of Education and Children's Services which provided the results of the officer review into the scoping, design and construction of the Aberdeen Treasure Hub.

**The report recommended:**

That the Committee –

- (a) note the findings of the review into the scoping, design and construction of the Aberdeen Treasure Hub which were set out in section 5 in the report;
- (b) agree that all Heads of Service ensure that officers conducting a Project Management role had undertaken the appropriate training to enable them to discharge the function;
- (c) agree the lessons learnt from the Aberdeen Treasure Hub are incorporated into all future capital planning and management; and
- (d) otherwise note the content of the report.

Members raised concerns relating to the increase in the costs for the project and the delays for completing the construction of the building. Members were advised that the scope for the project was changed which led to the increase of the costs of the project.

**The Committee resolved:-**

- (i) to note the concerns raised from members relating to the management of the project and that this would be included in the Internal Audit report as set out at item 8.3;
- (ii) to note that the building is of a higher specification than originally planned which contributed to the higher costs;
- (iii) in response to a question from Councillor Copland relating to the ongoing running costs of the building, to note that the Head of Policy, Performance and Resources would provide members with the information following discussions with colleagues; and
- (iv) to otherwise approve the recommendations contained in the report.



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**COMPLIANCE WITH PROCUREMENT RELATED LEGISLATION - AC1717**

**22.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Compliance with Procurement Related Legislation which involved a high level review of the Council's spend with a sample of suppliers to obtain assurance that the Council were complying with Legislation and the Council's internal rules and could demonstrate Value for Money had been achieved.

**The Committee resolved:-**

to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING PRE 15/16 - IA/17/004**

**23.** 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 FOLLOW UP ON RECOMMENDATIONS FROM 15/16 - IA/17/003**

**24.** The Committee had before it a report by the internal Auditor which provided an update on progress made by Services with implementing recommendations that were agreed in internal audit reports issued since April 2015.

Councillor Jackie Dunbar raised concerns on the increasing number of recommendations that had not been completed within the original timescales, wherein the Interim Depute Chief Executive (Director of Corporate Governance) advised that he would discuss internal audit recommendations target dates with Senior Management to ensure that dates provided were achievable.

**The Committee resolved:-**

- (i) in relation to the high number of recommendations not being completed within the original date, to note that the Interim Depute Chief Executive (Director of Corporate Governance) would discuss this with Senior Management to ensure that the target dates expected were realistic for the services and that they were completed on time; and
- (ii) to otherwise note the content of the report and the updates provided.

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**AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - OCE/17/001**

**25.** 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 studies.

**The report recommended:**

That the Committee -

- (a) note the detail of the reports, Local Government in Scotland: Financial overview 2015/16 and How Councils Work, Roles and Working Relationships in Councils: are you still getting it right; and
- (b) consider officer comments

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EXEMPT INFORMATION**

**In accordance with the decision taken at article1 of this minute, the following item of business was considered with the press and public excluded.**

**GAS CENTRAL HEATING MAINTENANCE FRAMEWORK CONTRACT - IA/17/006**

**26.** With reference to article 20 of the minute of its meeting of 24 November 2016, the Committee had before it a report by the Internal Auditor which presented the outcome from the work undertaken in relation to the Gas Central Heating Maintenance Framework Contract.

Members asked why the issues identified had not been reported to a Committee for them to make decisions in relation to the contract, wherein the Head of Land and Property Assets advised that they would determine if there was a committee decision requesting that all issues be reported back and advise members accordingly.

**The Committee resolved:-**

- (i) in relation to questions from members as to why the issue was not reported to Committee, to note that the Head of Land and Property Assets would determine if there was a Committee decision stating that further reports would be submitted and advise members accordingly;
- (ii) to otherwise note the content of the report.

**- COUNCILLOR STEPHEN FLYNN, Convener**

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