

AUDIT, RISK AND SCRUTINY COMMITTEE
23 November 2017

ABERDEEN, 23 November 2017. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; Councillor Crockett, the Lord Provost; Councillor Donnelly, the Depute Provost, and Councillors Allard, Bell, Cooke, Jackie Dunbar, Lesley Dunbar (as substitute for Councillor Crockett for items, 7.1 - 7.4, part of 7.5 and 7.9 to 9.1), Duncan, Graham, Lumsden, Avril MacKenzie, McLellan, McRae (as substitute for Councillor Samarai), Nicoll (as substitute for Councillor Townson), Reynolds and Sellar.

CONVENER ANNOUNCEMENT

1. The Convener advised that had been contacted relating to issues at Marchburn Park and that he had requested that a report be presented to the Communities, Housing and Infrastructure Committee rather than this Committee.

The Committee resolved:-
to note the information.

DETERMINATION OF URGENT BUSINESS

2. The Convener had determined that the following item of business be considered as a matter of urgency in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973:-

- Item 7.5 – ALEO Assurance Hub – CG/17/138

The Committee resolved:-
to concur with the Convener.

DETERMINATION OF EXEMPT BUSINESS

3. 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 14.

DECLARATIONS OF INTEREST

4. Councillors Cooke and Graham declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of their position as Directors of Sport Aberdeen, they

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considered that the nature of their interest did not require them to leave the meeting at that item on the agenda.

Councillors Lumsden and Nicoll declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of their position as Directors of Garthdee Alpine Sports, they considered that the nature of their interest did not require them to leave the meeting at that item on the agenda.

Councillor Duncan declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of her position as Director of Aberdeen Performing Arts, she considered that the nature of her interest did not require her to leave the meeting at that item on the agenda.

The Committee resolved:-

to note the declarations of interest.

MINUTE OF MEETING OF 26 SEPTEMBER 2017

5. The Committee had before it the minute of its previous meeting of 26 September 2017.

The Committee resolved:-

- (i) to note that at article 2 (Determination of Exempt Business), first sentence, the article number should be 26 not 27;
- (ii) to note that in relation to article 25 (Wellington Brae Investigation) that the Convener, Vice Convener and Councillors Allard, Cooke, McRae, McLellan, Nicoll and Townson had intimated their dissent against the foregoing decision which had not been recorded in the minute; and
- (iii) to otherwise approve the minute as a correct record.

COMMITTEE BUSINESS STATEMENT

6. The Committee had before it the Committee Business Statement as prepared by the clerk.

The Committee resolved:-

- (i) subject to the decision taken later on the agenda, to delete item 4 (Risk System Review); and
- (ii) to otherwise note the content of the business statement.

COMMITTEE TRACKER

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7. The Committee had before it the Committee Tracker which presented a list of reports to be discussed at future meetings of the Committee.

The Committee resolved:-

to note the content of the tracker.

INTERNAL AUDIT PROGRESS - IA/17/016

8. The Committee had before it a report by the Internal Auditor which advised on Internal Audit's progress against the approved 2016/17 and 2017/18 Internal Audit plans.

The report recommended:

That the Committee –

- (a) approve the rescheduling of the planned audit of the Craft Workers Payroll to 2018/19 in view of delays in the renegotiation of the Craft Workers Terms and Conditions;
- (b) approve the merging of additional work requested by the Committee relating to controls in the programme management office with the planned audit of the Capital Plan; and
- (c) review, discuss and comment on the issues raised within the report and the attached appendices.

In response to a question from Councillor Duncan relating to Services not responding to Internal Audit, the Chief Internal Auditor advised that Services were advised of the timescales at the start of the audit process and that the Head of Legal and Democratic Services had issued instructions to senior officers for them to respond to Internal Audit requests. He further advised that the draft Internal Audit Plan would be discussed with Heads of Service to ensure they had input into the process prior to the Internal Audit plan being approved by this Committee in February 2018.

In response to a question from Councillor Lumsden relating to whether the audit on the Programme Management Office could be brought to this Committee sooner than the timescales outlined, the Chief Internal Auditor advised that April would be the earliest that Internal Audit could present the audit report and that at its meeting of 27 June 2017, the Interim Director of Communities, Housing and Infrastructure presented a report on the Review of Capital Programmes which outlined the governance arrangements to be put in place in the Programme Office. He further advised that the audit would be undertaken once the new arrangements were in place to gain assurance that the changes were effective.

The Committee resolved:-

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- (i) to note that the draft Internal Audit Plan would be circulated to Directors and Heads of Service for their input prior to it being submitted to this Committee in February 2018;
- (ii) to request the Interim Director of Communities, Housing and Infrastructure to ensure that every step is taken to ensure that the new process within the programme management office is embedded before the audit takes place;
- (iii) to otherwise approve the recommendations contained in the report.

SOCIAL WORK COMPLAINTS - ECS/17/063

9. The Committee had before it a report by the Director of Education and Children's Services which advised that the Council's process for handling Social Work complaints had been deemed fully compliant by the Scottish Public Services Ombudsman.

The report recommended:

that the Committee note that the Scottish Public Services Ombudsman had provided external assurance that Aberdeen City Council was fully compliant with the Complaints Handling Procedure.

The Committee resolved:-

to approve the recommendation contained in the report.

REVIEW OF THE SYSTEM OF RISK MANAGEMENT - CG/17/122

10. The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

- (i) to request that for future reports, the colour coded key is provided prior to the Action Plan and not the end; and
- (ii) to otherwise approve the recommendation contained in the report.

SCOTTISH PUBLIC SERVICES OMBUDSMAN AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CG/17/126

11. The Committee had before it a report by the Head of Legal and Democratic Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle, together with details of the SPSO Local Authority

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2016/17 annual statistics tables to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

The report recommended:

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

The Committee resolved:-

to approve the recommendation contained in the report.

MATTER OF URGENCY

In accordance with the decision recorded under article 1 of this minute, the following item was considered as a matter of urgency in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973 due to the recommendations contained within it potentially not being implemented prior to the next ALEO Assurance Hub meetings.

ALEO ASSURANCE HUB - CG/17/138

12. The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on (1) the Arm's Length External Organisation (ALEO) Assurance Hub meetings of 1 November and 9 November 2017 and to outline the Hub's level of assurance on the six ALEOs within its remit and future oversight arrangements; and (2) Audit Scotland's ongoing Performance Review of ALEOs including their visit to Aberdeen on 1 November 2017.

The report recommended:

That the Committee -

- (a) note the level of assurance provide by each ALEO on risk management, financial management and governance;
- (b) note the future oversight arrangements for each ALEO and to further note that this had been predicated on the level of risk to the Council and the level of assurance provided by the ALEO;
- (c) instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, the possibility of holding Board meetings in public where appropriate;
- (d) instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, internal audit arrangements or, where appropriate, the undertaking of audit needs assessments;
- (e) note that the Assurance Hub officers will discuss any outstanding issues with representatives of each ALEO with a view to improving the assessment ratings at the next Hub meeting; and

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- (f) note the update on the Audit Scotland Performance Review of ALEOs.

Councillor Duncan sought clarification on the legal definition of an ALEO following ALEOs questioning their status, wherein Mr Robertson advised that there is no legal definition and that each Local Authority determines the definition with Aberdeen City Council using the Audit Scotland definitions. He further advised that during the review of the Service Level Agreements this would be picked up.

Councillor Duncan sought guidance on whether the Council could advise ALEO's on the structure of their boards, specifically in relation to gender balance. Mr Robertson advised the Gender Bill was currently being discussed however this was for national public bodies not ALEO's however this could be looked at to offer advice on best practice.

The Vice Convener sought clarification as to whether the group accounts would be affected by ALEOs questioning if they were an ALEO. The Head of Legal and Democratic Services advised that there were a number of factors taken into consideration when determining if an ALEO was an ALEO. Mr Dixon advised that the factors taken into account when deciding if an ALEO would be in scope for the Group Accounts would be the extent to which the Council is able to exercise control and influence over the decision making of the organisation, which may be determined by ownership, the voting rights held or the extent to which the organisation is dependent upon Council funding, and the significance of the financial size of the organisation i.e. annual turnover and/or balance sheet values.

Councillor Cooke sought clarification in relation to the legal risk identified in paragraph 6.6 of the report. The Head of Legal and Democratic Services advised that this would be a contractual dispute with the ALEO not providing sufficient information for assurance to this Committee and that if the information was not provided and a dispute was in place, a report would be submitted to this Committee.

Councillor Lumsden sought guidance on other organisations that received funding from the Council but had not been deemed to be an ALEO. Mr Robertson advised that there were several factors to be taken into account as well as looking at the definitions provided by Audit Scotland.

Councillors asked specific questions in relation to each of the ALEOs.

The Committee resolved:-

- (i) to request the Service Lead for the Aberdeen Sports Village to liaise with the ALEO to relay the concerns of the Committee relating to their Boards contention regarding their ALEO status and the requirement to report to the Committee;
- (ii) to request the Service Lead for Aberdeen Performing Arts to liaise with the ALEO to ensure that the documentation provided was robust and that Business Continuity Planning had been undertaken and documentation provided;

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- (iii) to request the Service Lead for Garthdee Alpine Sports to liaise with the ALEO to relay the Committees concerns about their approach towards Business Continuity Planning and lack of capacity to support the Hubs efforts to provide assurance to the Committee; and
- (iv) to otherwise approve the recommendations contained in the report.

INTERNAL AUDIT PUBLIC SECTOR INTERNAL AUDIT STANDARDS - OCE/17/26

13. The Committee had before it a report by the Head of Legal and Democratic Services which presented proposed actions to be taken in response to recommendations made by KPMG following the review of the Council's arrangements for internal audit.

The report recommended:

That the Committee -

- (a) note the recommendations made by KPMG with respect to the Council's Internal Audit function together with the management response to those recommendations; and
- (b) agree the actions identified in Appendix A to the report.

The Committee resolved:-

to approve the recommendations contained in the report.

TRAVEL COSTS - IA/AC/1814

14. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Travel Costs which reviewed a sample of travel and subsistence claim forms to ensure they had been completed, authorised and paid correctly along with a sample of travel applications made for travel outwith the Council's boundaries.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

In response to a question from Councillor Jackie Dunbar relating to why the implementation date for ensuring passenger names were recorded prior to payment was in December 2017, to note that due to other work priorities it would not be possible to implement before then.

The Committee resolved:-

- (i) to note that in relation to the recommendation for passenger names to be recorded to claim for passenger miles, that the implementation date of December was due to other work pressures; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Services.

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SOCIAL WORK TRANSPORT - IA/AC/1801

15. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Social Work Transport which considered whether appropriate arrangements were in place to secure transportation in a cost effective and well managed way.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

Councillor Duncan requested further information relating to the number of contracts that had been awarded where the initial bids were unsatisfactory. The Head of Land and Property Assets advised that a response would be sought and circulated to the Committee.

The Committee resolved:-

- (i) in relation to a question from Councillor Duncan on the number of contracts awarded where the initial bids were unsatisfactory, to note that a response would be sought from the Public Transport Unit and circulated to members;
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Service.

VEHICLE MAINTENANCE WORKSHOPS - IA/AC/1808

16. The Committee had before it a report by the Internal Auditor which presented an audit on Vehicle Maintenance which considered whether adequate controls were in place in relation to Written Procedures, Security Arrangements, Fees and Charges, Income and Expenditure, Stocks, Payroll and Budget Monitoring.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report and attached appendix.

Councillor Duncan raised concerns relating to the contravention of the Council's Procurement Regulations and Financial Regulations within the Fleet Service and requested that a report be submitted to this Committee providing more details on the issue and the actions taken to address the recommendations.

The Committee resolved:-

- (i) in response to a question from Councillor Duncan regarding the contravention of the Council's Procurement Regulations and Financial Regulations, to instruct the Fleet Services Manager to present a report to the Committee at its meeting in February 2018, providing an update on the position; and

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

PLACING REQUESTS - IA/AC/1811

17. The Committee had before it a report by the Internal Auditor which presented an audit on School Placing Requests which reviewed the decision making processes and considered whether they were being adhered to.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

The Vice Convener asked whether the Council could use an electronic system that was being used by other Local Authorities rather than source an independent system. The Service Manager for Education and Children's Services advised that he would discuss this with colleagues and circulate a response to the Committee.

The Committee resolved:-

- (i) in response to a question from the Vice Convener relating to why the Council were developing their own electronic system and not utilising those used in other Local Authorities, to note that a response would be sought and circulated to members; and
- (ii) to note the content of the report and endorse the recommendations for approval as agreed by the Service.

INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS SINCE APRIL 2015 - IA/17/017

18. The Committee had before it a report by the Internal Auditor which advised on the progress made by Services with implementing recommendations that were agreed in Internal Audit reports issued since April 2015.

The report recommended:

That the Committee review, discuss and comment on the issues raised within the report and attached appendices.

Councillors raised concerns over responses from Services that new technology was required and sought assurance that the recommendations within the audit reports were still being actioned. The Chief Internal Auditor advised that some of the recommendations made in previous audit reports may be superseded due to the implementation of the Digital Platform and new technology. The Chief Executive

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recommended that all of the outstanding recommendations related to IT systems be consolidated and submitted to the Technology Transformation Board.

Councillor Lumsden asked what the current situation was with the YourHR system wherein the Chief Internal Auditor advised that the system was not being developed further and would be replaced by the new system that combines payroll and HR functions. Councillor Lumsden further asked what the cost of the YourHR system had been to date, wherein he was advised that it was an inhouse system and that the exact cost of the system would be sourced and provided to the Committee.

The Committee resolved:-

- (i) in response to questions from members relating to outstanding recommendations where Services have provided a response stating that new technology systems were in development or required to fit with the new Digital Platform, to request the Internal Auditor to consolidate those recommendations and submit them to the Technology Transformation Board for their assurance and to request that an update on those recommendations be provided to the next meeting in February 2018;
- (ii) in response to a question from Councillor Lumsden relating to the cost to date for the YourHR system, to note that the system was an in-house system and that a specific answer would be sought from the relevant Head of Service and provided to members; and
- (iii) to otherwise note the content of the report and request all Services to undertake the work required to complete the outstanding audit recommendations.

AUDIT SCOTLAND NATIONAL REPORTS - OCE/17/025

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 studies.

The report recommended:

That the Committee note the detail of the Audit Scotland Reports:

- (1) Self Directed Support – 2017 Progress Report
- (2) Equal Pay in Scottish Councils.

Councillor Cooke sought clarification in relation to the advice for elected members for equal pay, wherein the Head of Legal and Democratic Services advised that he would liaise with officers and provide a response to Committee.

The Committee resolved:-

- (i) in response to a question from Councillor Cooke relating to section 3.4.10 of the report which gave advice for elected members in relation to equal pay and the fact that he could not answer the majority of the questions, to note that the Head

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- of Legal and Democratic Services would liaise with colleagues and provide a response to the Committee; and
- (ii) to otherwise approve the recommendation contained in the report.

EXEMPT INFORMATION

In accordance with the decision taking at article 3 of this minute, the following item of business was considered with the press and public excluded.

CORPORATE INVESTIGATION TEAM - ANNUAL REPORT 2016/17

20. The Committee had before it a report by the Head of Finance which presented the annual Corporate Investigation Team report for 2016/17.

The report recommended:

that the Committee note the contents of the Annual Report 2016/17.

The Vice Convener asked whether there was a particular reason why there was an increase in the number of fraud referrals. The Committee were advised that there had been an increase in the awareness of reporting fraud which may have contributed to the increase in the number of referrals and that if there were any other statistics available that a response would be provided to the Committee.

The Committee were advised that the Corporate Investigation Team had submitted responses to the National Fraud Initiative with some of those being incorporated into the Scottish Government recommendations.

The Committee resolved:-

- (i) in response to a question from the Vice Convener relating to the increase in the number of fraud referrals to note that there had been an increase in the awareness of reporting fraud and that if there was any other reasons that a detailed response would be sought from the Corporate Investigation Manager and circulated to members;
- (ii) to note that the team had submitted responses to the National Fraud Initiative with some of those being incorporated into the Scottish Government recommendations;
- (iii) to congratulate staff on the work carried out throughout the year; and
- (iv) to otherwise approve the recommendation contained in the report.

- **COUNCILLOR STEPHEN FLYNN, Convener**