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ABERDEEN
CITY COUNCIL

To: Councillor McCaig, Convener; Yuill, Vice-Convener, and Councillors Cameron, Cooney, Crockett, Donnelly, Jackie Dunbar, Graham, Greig, Lawrence, Malik, May, Jean Morrison MBE, Nathan Morrison, Noble, Reynolds and Townson.

Town House,
ABERDEEN 17 February 2015

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Committee Room 2 - Town House on **THURSDAY, 26 FEBRUARY 2015 at 2.00 pm**.

JANE G. MACEACHRAN
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

1. DETERMINATION OF EXEMPT BUSINESS

   There are no exempt items on the agenda. The Committee may require a response to questions during the meeting that cannot be released in the public domain therefore the exempt paragraph class will be applied where appropriate.

2. MINUTES, WORKPLAN AND DECISION TRACKING

   2.1 Minute of Previous Meeting of 20 November 2014 (Pages 1 - 12)

   2.2 Workplan (Pages 13 - 22)

   2.3 Decision Tracking Statement (Pages 23 - 26)

   2.4 Minute of Meeting the Corporate Health and Safety Committee of 29 August 2014 (Pages 27 - 36)

3. PERFORMANCE AND IMPROVEMENT

   3.1 Elected Member Development - Report by Acting Director of Corporate Governance (Pages 37 - 40)

3.2 Data Protection Reporting - October to December 2014 - Report by the Acting Director of Corporate Governance (Pages 41 - 62)

3.3 Transfer of Internal Audit Services - Report by the Acting Director of Corporate Governance (Pages 63 - 74)

3.4 Internal Audit Plan 2015/16 - Internal Audit (Pages 75 - 84)

3.5 Internal Audit Charter - Internal Audit (Pages 85 - 92)

3.6 Internal Audit Progress and Performance - PWC (Pages 93 - 100)

3.7 External Audit Plan 2014/15 - External Audit (Pages 101 - 128)

3.8 Health and Safety Assurance - Report by the Acting Director of Corporate Governance (Pages 129 - 138)

4. RISK MANAGEMENT

4.1 System of Risk Management - Report by the Acting Director of Corporate Governance (Pages 139 - 166)

4.2 Education and Children's Services Risk Register - Report by the Director of Education and Children's Services (Pages 167 - 188)

5. CONTROL ENVIRONMENT AND ASSURANCE INTERNAL

5.1 ICT Disaster Recovery - PWC (Pages 189 - 204)

5.2 ICT Asset Management - PWC (Pages 205 - 220)

5.3 Care First Budgetary Control and Forecasting - PWC (Pages 221 - 242)

5.4 ALEO Tier 2 Review - PWC (Pages 243 - 262)

5.5 Continuous Controls - Financial Controls Programme Phase 1 - PWC (Pages 263 - 306)

5.6 Service Reviews (Care Users) - PWC (Pages 307 - 322)

5.7 Aberdeen International Youth Festival - PWC (Pages 323 - 340)

6. CONTROL ENVIRONMENT AND ASSURANCE - EXTERNAL

6.1 Fleet - Update Following Transport Commissioners Report - to follow

7. CONTROL ENVIRONMENT AND ASSURANCE - AUDIT FOLLOW UP

7.1 Audit Follow Up - PWC (Pages 341 - 370)

7.2 Fraud Governance - Scottish Welfare Fund - Report by the Acting Director of Corporate Governance (Pages 371 - 374)

7.3 Targeted Follow Up: Major Capital Investment in Councils - External Audit (Pages 375 - 388)

7.4 Corporate Health and Safety Committee Reporting Arrangements - Remit from Local Gov. JCC (Pages 389 - 390)

8. FINANCE

8.1 Annual Accounts 2014/15 - Action Plan and Key Dates - Report by the Acting Director for Corporate Governance - to follow (Pages 391 - 394)

9. VALUE FOR MONEY

9.1 Audit Scotland Value for Money National Reviews - Report by the Acting Director for Corporate Governance (Pages 395 - 400)

10. EXEMPT REPORT

10.1 Matters Under Investigation

Following the meeting, the Committee will meet in private with the internal auditors, PricewaterhouseCoopers, as agreed as part of the self-evaluation exercise to undertake a discussion with them relating to External Audit. A further session for meeting with External Audit will be held at a later date.

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Should you require any further information about this agenda, please contact Karen Rennie, tel 522723 or email karrennie@aberdeencity.gov.uk

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 20 November 2014. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor McCaig, Convener; Councillor Yuill, Vice-Convener; and Councillors Cooney, Cormie (as substitute for Councillor Cameron), Crockett, Donnelly, Jackie Dunbar, Graham, Greig, Lawrence, May, Jean Morrison MBE, Nathan Morrison, Noble, Reynolds, Townson and Young (as substitute for Councillor Malik).

The agenda and reports associated with this minute can be located at the following link:
http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3489&Ver=4

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

MINUTE OF MEETING OF AUDIT AND RISK COMMITTEE 23 SEPTEMBER 2014

1. The Committee had before it the minute of meeting of the Audit and Risk Committee of 23 September 2014.

The Committee resolved:-
to approve the minute as a correct record.

SPECIAL AUDIT AND RISK COMMITTEE MINUTE OF MEETING OF 25 SEPTEMBER 2014

2. The Committee had before it the minute of meeting of the Special Audit and Risk Committee of 25 September 2014.

The Committee resolved:-
to approve the minute as a correct record.

WORKPLAN

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

The Committee resolved:-
to note the workplan.

AUDIT, RISK AND SCRUTINY COMMITTEE
20 November 2014

PROGRESS OF COMMITTEE DECISIONS - CG/14/160

4. The Committee had before it a report by the Acting Director of Corporate Governance which provided an update on progress made with previous Committee decisions.

In relation to the action plan associated with the analysis carried out for Service and Corporate Inductions, Councillor Graham sought clarification on whether the recommendations contained within the action plan had been agreed by the Service and who would be implementing them.

The report recommended:
that the Committee note the content of the report and the analysis data provided in relation to Service and Corporate Induction.

The Committee resolved:-
(i) in relation to a question from Councillor Graham relating to whether the recommendations contained within the action plan had been agreed, to note that the Head of Legal and Democratic Services would liaise with the Service and provide a response to the Committee; and
(ii) to otherwise note the content of the report.

DECISION TRACKING SHEET

5. The Committee had before it the decision tracking sheet for the Committee as prepared by the clerk.

In relation to item 2 (Community Centre Internal Audit Report), Councillor Noble sought clarification as to whether the Service had met with the legal team to discuss the arrangements for PVG checks for Community Centre Management Committees as this had been identified as being required urgently.

The Committee resolved:-
(i) in relation to a question from Councillor Noble relating to item 2 (Community Centre Internal Audit Report) and whether the Service had met with the Legal team to discuss the arrangements for PVG checks for the management committees, to note that the Head of Legal and Democratic Services would liaise with the staff involved and provide a response to the Committee;
(ii) to remove items 1 (System of Risk Management), 3 (Sourcing and Management of Agency Staff – Internal Audit Report), 6 (Service and Corporate Induction) and 9 (Supply and Delivery of Internal Audit Services); and
(iii) to otherwise note the decision tracking sheet.

AUDIT, RISK AND SCRUTINY COMMITTEE
20 November 2014

ELECTED MEMBER DEVELOPMENT - CG/14/095

6. With reference to article 4 of the minute of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the development of members of this Committee.

Councillor Noble sought information on how many Councillors were still to be trained and when the visits to other Audit Committees would likely take place, whereupon, the Corporate Performance Manager advised that two Councillors were still to be trained in all aspects and that the visit to other Audits Committees may not be required due to the improved performance of the Committee discharging its functions.

The report recommended:
that the Committee note the content of the report.

The Committee resolved:-
(i) to note that in relation to the training there were 2 Councillors still to be fully trained and that the visit to other Audit Committees may no longer be required due to the improved performance of the Committee discharging its functions;
(ii) to otherwise note the content of the report.

INTERNAL AUDIT PROGRESS AND PERFORMANCE

7. The Committee had before it a report by PricewaterhouseCoopers which presented the progress against the 2014/15 Internal Audit Plans.

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

EXTERNAL AUDIT PROGRESS AND PERFORMANCE

8. The Committee had before it a report by the External Auditor which provided an update on progress with the external audit of the 2013/14 financial year.

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

AUDIT, RISK AND SCRUTINY COMMITTEE
20 November 2014

TRANSFER OF INTERNAL AUDIT SERVICES - CG/14/131

9. With reference to article 22 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the arrangements being put in place to manage the transition to a shared Internal Audit Service with Aberdeenshire Council.

Councillor Noble sought clarification in relation to the communication between the Chief Internal Auditor and the Convener of this Committee, whereupon the Corporate Performance Manager advised that there would an open dialogue between both parties and that the Chief Internal Auditor would be present at future pre-agenda meetings.

The report recommended:
that the Committee -
(a) note the ongoing work to manage the transition from an outsourced internal audit service to a shared service between Aberdeen City and Aberdeenshire Councils; and
(b) note that a further report would be submitted to this Committee on 26 February 2015.

The Committee resolved:-
(i) in relation to a question from Councillor Noble regarding communication between the Convener of this Committee and the Chief Internal Auditor, to note that the Chief Internal Auditor would be present at pre-agenda meetings and there would be open dialogue between both parties; and
(ii) to otherwise approve the recommendations contained in the report.

DATA PROTECTION REPORTING - JULY TO SEPTEMBER - CG/14/139

10. With reference to article 8 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an overview of (1) Subject Access Requests, (2) Data Breaches and Near Misses, (3) Data Protection Training and provided a general update for the reporting period July to September 2014.

Councillor Graham requested further information relating to Data Protection training for staff, whereupon the Head of Legal and Democratic Services advised that the concerns would be discussed with the Corporate Management Team to ensure appropriate action was taken.

Councillor Nathan Morrison sought further information in relation to an incident of theft of information, whereupon the Head of Legal and Democratic Services advised that the

information could not be released in the public domain and that the details would be disclosed under the Matters Under Investigation item on the agenda (article 23 of this minute).

The Convener sought clarification over the low number of fees charged for Subject Access Requests, whereupon the Head of Legal and Democratic Services advised that she would liaise with the staff involved and provide a response to the Committee.

The report recommended:
that the Committee note the report.

The Committee resolved:-
(i) in relation to a question from Councillor Graham regarding concerns over Data Protection training for staff, to note that the issue would be discussed with the Corporate Management Team so that appropriate action can be taken;
(ii) in relation to a question from Councillor Nathan Morrison, regarding the details of the theft of information category, to note that the information could not be disclosed in the public domain and that details would be provided under Matters Under Investigation (article _ of this minute);
(iii) in relation to a question from the Convener regarding the low number if fees charged for Subject Access Requests, to note that the Head of Legal and Democratic Services would liaise with the staff involved and provide a response to the Committee; and
(iv) to otherwise note the content of the report.

SOCIAL CARE AND WELLBEING RISK REGISTER - SCW/14/032

11. With reference to article 9 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Director of Social Care and Wellbeing which presented the Risk Register for the Social Care and Wellbeing Service.

The Convener sought an assurance that the content of the Risk Register would be monitored and managed appropriately once the Service split into the new Directorates.

The report recommended:
that the Committee -
(a) approve the Service Risk Register for Social Care and Wellbeing;
(b) note the risks contained within the risk register and the mitigating actions that the Service were taking to address the risks; and
(c) note that the Service Risk Register formed an integral part of the Service Business Plan and Strategy Map for the Service.

The Committee resolved:-
(i) to note that all risk registers would be discussed at the Corporate Management Team to ensure that they continued to be monitored and assigned to the new Services when they were fully established; and
(ii) to otherwise approve the recommendations contained in the report.

COMPLIANCE WITH PUBLIC RECORDS

12. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design of the Council's Record's Management Business Plan which was required to be sent to the Keeper of Records of Scotland in November 2014. The Internal Auditor advised that there would be further audit undertaken in 2015 to assess the plans for monitoring the policies and procedures in place and to seek assurance that the plan had been embedded throughout the Council.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvement.

COMPLIANCE WITH LAWS AND REGULATIONS

13. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the controls in place to mitigate against risks to the Council.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvement.

FRAUD GOVERNANCE - HOUSING TENANCY AND SCOTTISH WELFARE FUND

14. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund.

Councillor Jackie Dunbar sought an indication as to whether the advisory recommendations in relation to the Scottish Welfare Fund would be implemented and if so requested that dates be advised for their completion.

The Committee resolved:-
(i) in relation to a question from Councillor Jackie Dunbar regarding which if any of the recommendations relating to the Scottish Welfare Fund would be implemented, to request officers to submit a report to this Committee in February

2015 advising which recommendations had been accepted and the timescales for completion; and

(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

TRANSPORT CONTRACTS WITHIN EDUCATION AND SOCIAL WORK

15. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to the Council's transport contracts for Education and Social Care. The Internal Auditor advised that the target date for the documentation of spot checks control design was 31 December 2014.

The Committee resolved:-

(i) to note that the target date for documentation of spot checks – control design was 31 December 2014; and

(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

PROCUREMENT CONTROLS OUTWITH PECOS

16. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key procurement controls in place over the Consilium (Building Services) and Capita (Library Services) systems. The Internal Auditor advised that meetings had taken place with management and that the report would be re-issued to the Service to reflect the outcome of those discussions.

The Committee resolved:-

(i) to note the update provided in relation to meetings with management and management comments and that the report would be re-issued to the Service to reflect the outcome of the discussions; and

(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

DEVOLVED SCHOOL MANAGEMENT PHASE 1

17. The Committee had before it a report by PricewaterhouseCoopers which presented details of the gap analysis carried out in relation to the Council's Devolved School Management documentation which was compared to the Scottish Government's guidance on Devolved School Management. The Internal Auditor advised that the

documentation in place required to be updated. The Head of Policy, Performance and Resources advised that the documentation was being reviewed and would be submitted to the Education, Culture and Sport Committee at the earliest opportunity in the New Year.

The Committee resolved:-
(i) to note that the Devolved School Management Scheme would be updated and submitted to the Education, Culture and Sport Committee at the earliest opportunity in the new year; and
(ii) to otherwise note the content of the report.

REPORT ON THE 2013/14 AUDIT

18. The Committee had before it a report by the External Auditor which provided a summary of their findings arising from the 2013/14 audit of Aberdeen City Council and provided the auditor opinion and conclusions for the audit.

Councillor Townson sought information in relation to Holiday Pay Arrears and when this would be concluded, whereupon the Head of Finance advised that a report would be submitted to the Finance, Policy and Resources Committee on 4 December 2014 which would outline the current position and the costs associated with the payment of the arrears.

The Committee resolved:-
(i) in relation to a question from Councillor Townson regarding Holiday Pay Arrears, to note that a report would be submitted to the Finance, Policy and Resources Committee on 4 December 2014 which would outline the position and costs;
(ii) to note that the 2013/14 financial statements for the Council received an unqualified audit opinion; and
(iii) to otherwise note the content of the report.

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

19. The Committee had before it a report by PricewaterhouseCoopers which provided an update on the progress of implementing Internal Audit, External Audit and other investigations recommendations included within reports previously approved by the Audit and Risk Committee.

The report recommended:
that the Committee consider the report and request actions or explanations as appropriate.

AUDIT, RISK AND SCRUTINY COMMITTEE
20 November 2014

The Committee resolved:-
to note the content of the report and the revised target dates provided by officers.

UK INFORMATION COMMISSIONER (ICO) DATA PROTECTION AUDIT - PROGRESS WITH AGREED ACTIONS - CG/14/132

20. With reference to article 20 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the progress with implementing the actions agreed following the UK Information Commissioner's Office (ICO) Audit of the Council's Data Protection arrangements which was published in June 2013.

The report recommended:
that the Committee -
(a) note the progress with implementing the actions agreed following the Data Protection Audit; and
(b) instruct officers to report progress with the implementation of the actions to the Committee as appropriate until complete.

The Committee resolved:-
to approve the recommendations contained in the report.

WHISTLEBLOWING POLICY - SCOTTISH GOVERNMENT PETITION - CG/14/145

21. The Committee had before it a report by the Acting Director of Corporate Governance which presented the outcome of the Scottish Parliament Public Petitions Committee's consideration of a petition on whistleblowing in local government.

The report recommended:
that the Committee -
(a) note the decision of the Public Petitions Committee not to proceed with the whistleblowing petition as it was largely about policies which were matters for councillors, and that the Audit Scotland and Accounts Commission, who were responsible for auditing such policies, had not found any weakness which would require to be raised in an annual report; and
(b) note the content of the report.

The Committee resolved:-
(i) to request Officers to report back to this Committee advising on any amendments to the Council's Whistleblowing Policy; and
(ii) to otherwise approve the recommendations contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
20 November 2014

CORPORATE HEALTH AND SAFETY COMMITTEE REPORTING ARRANGEMENTS - CG/14/136

22. The Committee had before it a report by the Acting Director of Corporate Governance which advised on the reporting process between the Corporate Health and Safety Committee and this Committee and sought approval of the revised Constitution for the Corporate Health and Safety Committee.

The Convener sought agreement to amend the membership of the Corporate Health and Safety Committee to be five members, with at least one member from the Audit, Risk and Scrutiny Committee.

Councillor Young sought clarification as to whether there was provision for Regional Trade Union representatives to attend the Corporate Health and Safety Committee. The Committee heard from the Chief Executive who advised that the Regional Officers had other means in which to discuss health and safety issues with the Council. The Committee agreed that the issue be referred to the Local Government Employees Joint Consultative Committee for their consideration.

The report recommended:
that the Committee -
(a) approve the amended constitution for the Corporate Health and Safety Committee; and
(b) note the content of the report.

The Committee resolved:-
(i) to amend the Constitution at section 3.1 to read 'Five Councillors, with at least one member from the Audit, Risk and Scrutiny Committee' and at section 3.2 to state that 'Lay Trade Union Officials can attend and participate, without voting powers, at any meeting;
(ii) in relation to a question from Councillor Young regarding whether Regional Trade Union representatives could attend the Corporate Health and Safety Committee, to refer the request to the Local Government Employees Joint Consultative Committee for their consideration with a report then submitted to this Committee advising of the decision; and
(iii) to otherwise note the content of 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 remaining item of business (article

23) so as to avoid disclosure of exempt information of the class described in paragraph 12 of Schedule 7(A) of the Act.

MATTERS UNDER INVESTIGATION

23. With reference to article 10 of this minute, the Head of Legal and Democratic Services provided the Committee with the details of the theft of information and the outcome of the investigation and remedial actions.

The Committee resolved:-
to note the information provided by the Monitoring Officer in relation to a Data Protection breach.

- CALLUM MCCAIG, Convener.

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AUDIT, RISK and SCRUTINY COMMITTEE

WORKPLAN

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
FEBRUARY 2015				
Performance and Improvement				
1.	27/02/14 article 3	Elected Member Development	To endorse the proposals contained within the report for members' development, and instructs that "Elected Member Development" be a standing item on the Audit and Risk Committee agenda.	Committee Officer
2.	Annual	Internal Audit Plan 2015/16	To present the Internal Audit Plan for 2015/16	Internal Audit
3.		Internal Audit Charter	To present the revised Internal Audit Charter	Internal Audit
4.	N/A – instruction of CMT	Health and Safety Assurance		Health, Safety and Wellbeing Manager
5.	Annual	External Audit Plan 2014/15	To present the External Audit Plan for 2014/15	External Audit
6.	27/02/14 article 4	Internal Audit Progress and Performance	To instruct that a report be submitted to each meeting of the Committee providing details of the performance of the internal audit function against each of the metrics shown in appendix 3 to the report.	Internal Audit / Corporate Performance Manager
7.		Transfer of Internal Audit Services	Update on transition arrangements	Corporate Performance Manager
8.		Data Protection Reporting – October to December		Governance Support Officer
Risk Management				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
9.	27/02/14 article 6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
10.		Risk Register	Education and Children's Services	Performance and Risk Manager
11.				
Control Environment and Assurance Internal				
12.	27/02/14 article 8	ICT Disaster Recovery	Internal Audit Plan agreed	Internal Audit
13.	27/02/14 article 8	ICT Asset Management	Internal Audit Plan agreed	Internal Audit
14.	27/02/14 article 8	Care First budgetary control and forecasting	Internal Audit Plan agreed	Internal Audit
15.	07/05/14 article 8	ALEO Review	Internal Audit Plan agreed	Internal Audit
16.	26/06/14 article 6	Continuous Controls – Financial Controls Programme first 6 mths	Internal Audit Plan agreed	Internal Audit
17.	27/02/14 article 8	Service Reviews (care users)	Internal Audit Plan agreed	Internal Audit
18.	23/09/14 article 5	Aberdeen International Youth Festival		Internal Audit
Control Environment and Assurance External				
19.		Fleet – Following Transport Commissioners Report		Head of Public Infrastructure and Environment
Control Environment and Assurance – audit follow up				
20.		Audit Follow Up	Standing Item	Internal Audit
21.	27/02/14 article 17	Targeted Follow up: Major Capital Investment in Councils	External Audit Plan agreed.	External Audit
22.	20/11/14	Corporate Health and Safety	Report to this Committee following the Local	Senior Democratic

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	Article 22	Committee Reporting Arrangements	Government JCC to advise on their decision relating to Regional Trade Union Officers attending the Corporate Health and Safety Committee.	Services Manager
23.		Fraud Governance – Scottish Welfare Fund		Head of Finance
Finance				
24.		Annual Accounts 2014/15 – Action Plan and Key Dates		Head of Finance
Value for Money				
25.	27/02/14 article 20	Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
Exempt Report				
26.	N/A	Matters Under Investigation	Standing Item.	Director of Corporate Governance
27.	Annual Scheduled Private Sessions with Internal and External Audit	As identified as part of the self-evaluation exercise, the Committee agreed that separate private sessions with both Internal Audit and External Audit be arranged.	Internal Audit/External Audit/Corporate Performance Manager	
APRIL 2015				
Performance and Improvement				
1.	27/02/14 article 3	Elected Member Development	To endorse the proposals contained within the report for members' development, and instructs that "Elected Member Development" be a standing item on the Audit and Risk Committee agenda.	Committee Officer
2.	27/02/14 article 4	Internal Audit Progress and Performance	To instruct that a report be submitted to each meeting of the Committee providing details of the performance of the internal audit function against each of the	Internal Audit / Community Planning & Corporate Performance

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
			metrics shown in appendix 3 to the report.	Manager
3.	27/02/14 article 4	External Audit Performance Indicators	To request that a similar set of key performance indicators be developed for external audit.	External Audit / Community Planning & Corporate Performance Manager
4.	27/02/14 article 4	Audit and Risk Committee Self Evaluation	Annual report	Community Planning & Corporate Performance Manager
5.		Data Protection Reporting – January to March		Governance Support Officer
Risk Management				
6.	27/02/14 article 6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
7.		Risk Register	Communities, Housing and Infrastructure	Performance and Risk Manager
8.	N/A – instruction of Director of CG	Health and SC Integration (possible formation of a separate audit committee, appointment of a chief internal auditor, production of an internal audit plan, development of a system of risk management, production of a set of financial accounts for 15/16 confirmation around account requirements for 14/15)		Director of Corporate Governance
Control Environment and Assurance Internal				
9.	27/02/14 Article 8	Roads	Internal Audit Plan agreed	Internal Audit
10.	27/02/14 article 8	Corporate Landlord Responsibilities (asset management)	Internal Audit Plan agreed	Internal Audit

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
11.	27/02/14 article 8	Music Services	Internal Audit Plan agreed	Internal Audit
12.	07/05/14 article 8	Policy and Procedure Development	Internal Audit Plan agreed	Internal Audit
13.	27/02/14 article 8	Procurement in Construction	Internal Audit Plan agreed	Internal Audit
14.	27/02/14 article 8	Control Assurance Mapping	Internal Audit Plan agreed	Internal Audit
15.	27/02/14 article 8	Pension Fund Financial Controls	Internal Audit Plan Agreed	Internal Audit
16.	27/02/14 article 8	Management Information	Internal Audit Plan Agreed	Internal Audit
17.	27/02/14 article 8	Section 75 Planning	Internal Audit Plan Agreed	Internal Audit
Control Environment and Assurance – audit follow up				
18.		Audit Follow Up	Standing Item	Internal Audit
19.	20/11/14 article 21	Whistleblowing	Report back on any changes to the current Whistleblowing Policy	Senior Democratic Services Manager
20.		Measures to Prevent and Detect Fraud		Head of Finance
Value for Money				
21.	27/02/14 article 20	Audit Scotland Value for Money National Reviews	Standing Item	Performance and Risk Manager
Exempt Report				
22.	N/A	Matters Under Investigation	Standing Item.	Director of Corporate Governance
JUNE 2015				
Performance and Improvement				
1.	27/02/14	Elected Member Development	To endorse the proposals contained within the report	Committee Officer

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	article 3		for members' development, and instructs that "Elected Member Development" be a standing item on the Audit and Risk Committee agenda.	
2.	27/02/14 article 4	Internal Audit Progress and Performance	To instruct that a report be submitted to each meeting of the Committee providing details of the performance of the internal audit function against each of the metrics shown in appendix 3 to the report.	Internal Audit / Community Planning & Corporate Performance Manager
3.	27/02/14 article 4	External Audit Performance Indicators	To request that a similar set of key performance indicators be developed for external audit.	External Audit / Community Planning & Corporate Performance Manager
Risk Management				
4.	27/02/14 article 6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
5.		Risk Register	Corporate Governance	Performance and Risk Manager
6.		Best Value Audit		
Control Environment and Assurance				
7.	27/02/14 article 8	Library Services	Internal Audit Plan agreed	Internal Audit
8.	26/06/14 article 6	Continuous Controls – Financial Controls Programme	Internal Audit Plan agreed	Internal Audit
9.	27/02/14 article 8	Pension Fund Financial Controls	Internal Audit Plan agreed	Internal Audit
10.	27/02/14 article 8	Compliance with Public Records (Scotland) Act – Phase 2	Internal Audit Plan agreed	Internal Audit
11.	27/02/14 article 8	Community Planning Aberdeen (formally Management	Internal Audit Plan agreed	Internal Audit

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
		Information)		
Control Environment and Assurance – audit follow up				
12.		Audit Follow Up	Standing Item	Internal Audit
Finance				
13.		Unaudited Annual Accounts 2014/15		Head of Finance
Exempt Report				
14.	N/A	Matters Under Investigation	Standing Item	Director of Corporate Governance
PLEASE NOTE THAT THE WORKPLAN FOR SEPTEMBER ONWARDS WILL BE FULLY POPULATED FOLLOWING THE FEBRUARY MEETING OF THE COMMITTEE				
SEPTEMBER 2015				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Audit
2.	26/02/15	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting		Governance Support Officer
Risk Management				
4.	27/02/14 Article6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
5.		Risk Register		
Control Environment and Assurance - Internal				
6.				
Control Environment and Assurance - External				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
7.				
Control Environment and Assurance – Audit Follow Up				
8.		Audit Recommendations Outstanding	Standing Item	Internal Audit
Finance				
9.				
Value For Money				
10.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
Exempt Reports				
11.		Matters Under Investigation	Standing Item	
NOVEMBER 2015				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Audit
2.	26/02/15	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting		Governance Support Officer
Risk Management				
4.	27/02/14 Article6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
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Control Environment and Assurance - Internal				
6.				
Control Environment and Assurance - External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.		Audit Recommendations Outstanding	Standing Item	Internal Audit
Finance				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
9.				
Value for Money				
10.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
Exempt Report				
11.		Matters Under Investigation	Standing Item	
FEBRUARY 2016				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Audit
2.	26/02/15	External Audit Progress and Performance		External Audit
3.	N/A – instruction of Director of CG	Feedback/ Evaluation of External Auditors		Corporate Performance Manager
4.		Data Protection Reporting		Governance Support Officer
Risk Management				
5.	27/02/14 Article6	System of Risk Management	To agree the regular submission of key elements of the system of risk for the Committee's consideration on a continuous basis.	Performance and Risk Manager
6.		Risk Register		
Control Environment and Assurance - Internal				
7.				
Control Environment and Assurance - External				
8.				
Control Environment and Assurance – Audit Follow Up				
9.		Audit Recommendations Outstanding	Standing Item	Internal Audit
Finance				
10.				
Value for Money				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
11.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
Exempt Report				
12.		Matters Under Investigation	Standing Item	

AUDIT, RISK and SCRUTINY

DECISION TRACKING SHEET

26 FEBRUARY 2015

Please note that this statement contains a note of the decisions allocated to other Committees or to Officers to enable this Committee to track that audit recommendations and recommendations from the Committee are being actioned.

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
1.	Audit and Risk 26 June 14 Article 18	**Community Centre Internal Audit Report** (ii) to request that the Service take an urgent decision in relation to the recommendation that the Council make a choice as to whether it takes on responsibility for carrying out the PVG checks, or whether it allows management committees to process PVG checks through an external organisation, to enable this part of the recommendation to be progressed as soon as possible, and to delegate to officers appropriately.	G Woodcock	Education, Culture and Sport	The Council's legal department have been investigating this from a legal perspective. Their initial advice is that "there appears to be nothing in the PVG legislation or guidance which specifically states this would be illegal [whether CC's can be required to use the Council for these checks] There are provisions governing how bodies apply on behalf of others (acting as "umbrella bodies") provided that they comply with the Code of Practice and the legislation by the rules stop short of stating that this should never be made compulsory". At the current time, support is being provided to assist groups to enrol with Volunteer Scotland where this has been required. Groups have been asked to sign a declaration with regards to PVG checks and

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
					ensure that any group hiring space within the centre also confirms their PVG position.
2.	Audit and Risk 26 June 14 Article 23	**Internal Audit Follow Up** (iv) to note the work being done in relation to Arms Length Organisations and that a further report would be presented to the Committee in September	S Whyte	Finance	An Internal Audit report is included on the agenda.
3.	Audit and Risk 26 June 14 Article 25	**Social Care and Wellbeing Contracts Workplan** (ii) to request that updates on progress with the workplan be reported to the appropriate Committee.	A Macleod/ T Cowan	Social Care and Wellbeing	This is reported to the Education and Children's Services Committee each Committee cycle. **Complete**
4.	Audit and Risk 23 Sept 14 Article 4	**Elected Members Development** to note that training for members of the Audit, Risk and Scrutiny Committee would require to be undertaken if they had not been previously trained	D Morrison M Murchie	Human Resources and Org. Dev Customer Service and Performance	1-2-1 to be scheduled with Cllr Crockett **A report is on the agenda.**
5.	Audit and Risk 23 Sept 14 Article 14	**Complaints Handling Procedure** to request officers to undertake a sampling exercise of complaints upheld or partially upheld to determine the level of completeness specifically providing evidence for lessons learnt	L McKenzie	Customer Service and Performance	the sampling exercise has been carried out and a bulletin report will be submitted to Committee detailing the results and proposed next steps **Complete**
6.	Audit, Risk and Scrutiny 20 Nov 14 Article 4	**Progress of Committee Decisions** in relation to a question from Councillor Graham relating to whether the recommendations contained within the action plan had been agreed, to note that the Head of Legal and Democratic Services would liaise with the Service and provide a response to the Committee.	J MacEachran	Legal and Democratic Services	HR have analysed the feedback in relation to the Corporate Induction Process and have prepared an action plan which they are implementing. The action plan was developed as an internal process to improve the Corporate Induction Process for the future.

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
					Directorates/ Services All managers with new starts will take responsibility for ensuring an effective service induction takes place. HR Business Partners, Directorate Business Managers and PA's will assist the relevant line manager to ensure Chief Officer induction is planned and effective using the Chief Officer e-Induction pack and guidance. **Complete**
7.	Audit, Risk and Scrutiny 20 Nov 14 Article 10	**Data Protection Monitoring** (i) in relation to a question from Councillor Graham regarding concerns over Data Protection training for staff, to note that the issue would be discussed with the Corporate Management Team so that appropriate action can be taken; and (iii) in relation to a question from the Convener regarding the low number if fees charged for Subject Access Requests, to note that the Head of Legal and Democratic Services would liaise with the staff involved and provide a response to the Committee.	J MacEachran	Legal and Democratic Services	(1) Details re training and delivery contained in report on Agenda. (2) Services consider the circumstances of each individual case and the decision is taken on a pragmatic basis whether to charge a fee or not. **Complete**
8.	Audit, Risk and Scrutiny 20 Nov 14 Article 21	**Whistleblowing Policy** (i) to request Officers to report back to this Committee advising on any amendments to the Council's Whistleblowing Policy	R MacBeath	Legal and Democratic Services	Report to be submitted to Committee in April 15
9.	Audit, Risk and	**Corporate Health and Safety**	K Rennie/	Legal and Democratic	The Local Government

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
	Scrutiny 20 Nov 14 Article 22	**Committee – Reporting Arrangements** in relation to a question from Councillor Young regarding whether Regional Trade Union representatives could attend the Corporate Health and Safety Committee, to refer the request to the Local Government Employees Joint Consultative Committee for their consideration with a report then submitted to this Committee advising of the decision.	M Masson	Services	Employees Joint Consultative Committee resolved: to note that the Chairperson, in liaison with Councillor McCaig, Convener of Audit, Risk and Scrutiny Committee would consider the views of the Committee and request that a report be submitted to the Audit, Risk and Scrutiny Committee for consideration. **The minute reference is included on the agenda**.

CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 29 August 2014. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Mike Middleton (GMB), Chairperson; and, Councillor Graham, Vice Chairperson. City Council Representatives:- Councillors Cameron, Finlayson and Greig.

Trade Union Representatives:- Joe Craig (UNITE), Karen Davidson (UNISON), John Noble (UCATT), Carole Thorpe (EIS), David Willis (GMB) and Tom White (SSTA).

Officers in attendance:- Angela Scott (Chief Executive), Ciaran Monaghan (Head of Service) (Office of Chief Executive), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Lever (Team Leader), Bruce Findlater (Admin Officer), Carol Fraser (Team Manager), Michael Hearns (Directorate Support Manager), Lesley Kirk (Directorate Support Manager), Kate Mackay (Business Manager), Andrew Moat (Health and Safety Adviser). For item 5 - Gaynor Clarke (Planning and Development Officer), Susan Devlin (Head of Children's Services), Shona Manson (Children's Services Manager) and Paul Toseland (Team Manager). For items 6, 7 and 8 - Hugh Murdoch (Head of Asset Management and Operations) and Emma Watt (Senior City Development Executive).

APOLOGIES

1. Apologies were intimated on behalf of Councillor Donnelly, Ewan Sutherland, Andrew Jones and George Ferguson.

MINUTE OF PREVIOUS MEETING

2. The Committee had before it the minute of its previous meeting of 23 May 2014.

The Committee resolved:-
to approve the minute as a correct record.

COMMITTEE BUSINESS STATEMENT

3. With reference to article 4 of the minute of its previous meeting of 23 May 2014, the Committee had before it a statement of outstanding business prepared by the Clerk.

In relation to item 2 (Occupational Health Provider Reports), Councillor Finlayson stated that the reports referred to were severely overdue and requested an update on the position. The Health, Safety and Wellbeing Manager advised that the two latest reports had been included on the agenda and that the contract with the provider was being managed via monthly meetings and that service credits were being issued to the provider. The service credits were for failure against the KPI's and charged at the rate

of 1% below the KPI equalled a £80 credit and they were currently set at 100% for provision of reports and 95% for provision of appointment.

In relation to item 3 (Employee Reward Scheme), the Health, Safety and Wellbeing Manager advised that she had met with Councillor Finlayson to discuss the proposals and indicated that she would be discussing the criteria with the Star Awards organisers to see if the Health and Safety Employee Award Scheme could be incorporated into the current Star Awards.

The Committee resolved:-

(i) to remove items 2 (Occupational Health Provider Reports) and 3 (Employee Reward Scheme);
(ii) to note the information provided regarding the Occupational Health Reports; and
(iii) to otherwise note the business statement.

SOCIAL CARE AND WELLBEING REPORT

4. The Committee had before it the annual health and safety report for the Social Care and Wellbeing Service for the period 1 July 2013 to 30 June 2014 which included a Director's statement and the Service Health and Safety Action Plan.

The report advised that (1) on 1 August 2013, the Service transferred 713 members of staff from the Older People and Rehabilitation service to the Local Authority Trading Company, Bon Accord Care and that those staff involved in Older People that remain in the Service are Older People Care Management, Wellbeing Team and the Over 50's events team; (2) the Service currently employed 1086 staff across four delivery areas; (3) the Service held regular health and safety meetings which were attended by Senior Management, senior officers with a remit for health and safety and Trade Union officials; (4) the Service were in the process of reviewing the Business Continuity Plans for each team and establishment; and (5) all residential workers received Strategies for Crisis Intervention and Prevention Training and violence and aggression training.

The report contained the following statistical information:-

Older People and Rehabilitation

- there were 5 accidents, none of which were reportable
- there were 3 incidents
- the number of days lost on average per employee due to illness was 18

Adult Services

- there were 22 accidents, none of which were reportable
- slips, trips and falls attributed to the highest cause of accident
- there was a reduction in the number of lifting and handling accidents from the previous year which could be attributed to the transfer of staff from Older People Services
- there were 48 incidents which was a reduction from the previous year
- violence attributed to the highest cause of incident which included anti-social behaviour, disruptive behaviour, threatening behaviour, threatened with a weapon and menacing behaviour
- the number of days lost on average per employee due to illness was 16

Children's Services

- a new residential unit, Marchburn Children's Home, was opened in December 2013 which has had an impact on the number of reported accidents and incidents
- there were 13 accidents, none of which were reportable
- there were 71 incidents which was a significant increase from the previous year (20)
- violence attributed to the highest cause of incident which included anti-social behaviour, disruptive behaviour, threatening behaviour, threatened with a weapon and menacing behaviour
- incidents reported at Marchburn had been investigated jointly with the Health and Safety Team and the Residential Service Manager with the outcome resulting in a health and safety management action plan being developed to address health and safety outcomes for workers in Looked After Children in Residential services
- the number of days lost on average per employee due to illness was 15

Business Management

- there was one accident involving a fall from height
- there were no incidents reported which was a reduction from the previous year (3)
- the number of days lost on average per employee due to illness was 8

Service Wide

- at the time of submitting the report 19 out of 57 establishments had failed to return their workplace inspection documentation, an action plan to address the issue had been prepared
- the scores relating to the individual elements of the health and safety matrix were: 100% for First Aid and Accidents/Incidents; 67% for Emergency Precautions, Housekeeping and Cleaning, Environment, Slip and Trip Hazards, Machinery, Plant and Equipment and Welfare; and 65% for Risk Assessment
- the overall score for compliance for the directorate was 69.71%
- a number of issues were identified which the directorate were addressing
- 657 employees attended health and safety related training
- the average number of absences over 28 days was 100 compared to 241 from the previous year (mainly attributed to the transfer of staff to Bon Accord Care)
- the main reason for the number of absences related to respiratory difficulties and gastrointestinal problems however whilst comparing those to the number of days lost by sickness reasons, psychological reasons are the greatest cause for absence.

Councillor Cameron referred to the negative press coverage of incidents at Marchburn Children's Home and sought clarification on the current position, whereupon the Head of Children's Sevices advised that Marchburn Children's Home was a new residential unit and that the children required support to deal with a variety of issues they may have. The home had presented challenges, some of which related to the home and its residents being targeted by members of the community. She further advised that there was an action plan in place to deal with all of the issues that had been presented. She also gave assurance that all staff had received training to deal with Crisis Intervention

and that ongoing support and training was available for staff to ensure that they had the necessary skills and confidence to deal with any situation that may arise.

Councillor Graham requested a copy of the investigation report and action plan relatin to Marchburn Children's Home, whereupon the Service advised that these would be issued.

The Chief Executive sought clarification over whether the Committee were aware of the increasing trend of incidents and on the low health and safety matrix returns, whereupon the Health, Safety and Wellbeing Manager advised that the incidents are reported via YourHR on a quarterly basis and should be discussed at the Service Health and Safety Committee and the Service Manager advised that since the report had been issued all but one of the workplace inspections had been completed. The Chief Executive requested that this Committee be provided with all of the incident information to enable them to identify any trends and possible improvements.

The report recommended:
that the Committee note the content of the report.

The Committee resolved:-
(i) to note that the investigation report and associated action plan relating to Marchburn Children's Home would be issued to Councillor Graham;
(ii) to request that for future Health and Safety Quarterly Reports that all incident information is presented to identify trends and possible improvements;
(iii) to request the Service to improve the timeframes for completion of workplace inspections to ensure that they are completed within the required period; and
(iv) to otherwise note the content of the report.

FIRE AT KITTYBREWSTER

5. The Committee had circulated a report by the Health, Safety and Wellbeing Manager which provided information relating to a vehicle which caught fire in the Fleet Workshop during a welding repair job. The incident occurred when a vehicle waiting to be repaired was hit by another vehicle resulting in a damaged lock on the rear of the vehicle which required to be welded. The welding work introduced an ignition source and combustible materials contained in the back of the vehicle caught fire.

The report recommended that the Service:
(a) develop and implement a permit to work system for hot work;
(b) review current working procedures and risk assessments to assess whether they were suitable and sufficient;
(c) provide updated information, instruction and training to employees who complete such tasks and implement a regime of periodic refresher arrangements;
(d) assess whether current supervision and monitoring of hot work is appropriate and ensure effective arrangements are implemented;
(e) reviews the procedure regarding how a vehicle is presented to Fleet Services for repair which should include consideration of cleaning residual materials on the vehicle and the need to empty the vehicle waste; and
(f) communicate and implement the above recommendations across the organisation.

The Committee resolved:-
(i) to endorse the recommendations made to the Service for improvement;
(i) to note that the Head of Asset Management and Operations would provide a report to the next meeting of this Committee providing an update on the implementation of the recommendations;
(iii) to otherwise note the content of the report.

MARISCHAL COLLEGE INCIDENT

6. The Committee had circulated a report by the Health, Safety and Wellbeing Manager which provided a summary of an incident that occurred at Marischal College on 23 July 2014 whereby a member of the public drew a knife and instructed staff to call the police.

The report recommended that the Service:
(a) draft a procedure on actions required of employees during and post serious incidents including how to alert Management to any vehicle parked directly outside Marischal College and how to effectively 'lock down' the required parts of the building during any incident;
(b) review current Risk Assessments and provide related information, instruction and training;
(c) review how and who QMatic alerts should be sent during incidents in the Filter Reception area to minimise numbers converging on the area;
(d) implement a regime of regular refresher training/toolbox talks on the use of QMatic which would help embed its use if incidents occur;
(e) ensure that there is a regime to ensure that all service user-facing employees are trained on how to de-escalate incidents which should include the refresher training; and
(f) review building security arrangements throughout the organisation.

The Committee resolved:-
(i) to note that the recommendations were based on the critical incident report; and
(ii) to otherwise note the content of the report

HYDROGEN BUS PROJECT UPDATE

7. With reference to article 12, resolution (iii) of the minute of its meeting of 23 May 2014, the Committee had before it a paper prepared by the Health, Safety and Wellbeing Manager which provided an update on the Hydrogen Bus Project.

The paper provided information relating to the interim refuelling depot which included risk assessments, health and safety, training and concerns raised relating to the site and operation of the depot. The paper also contained details relating to the permanent aspect of the project. A copy of the Hydrogen Project Communication Plan was included for information.

John Noble raised concerns relating to the Communication Plan and that staff had still not received site specific information on the project. Emma Watt advised that there were representatives on site who should be channelling the information to staff. The

Chief Executive requested that officers discuss the concerns raised with management to ensure that communication is issued to all staff.

The Committee resolved:-

(i) to note that the Health, Safety and Wellbeing Manager would discuss the issues raised relating to the communication plan with Management for the Project; and

(ii) to note that the Hydrogen Bus Project would be included as a standing item on future agendas, with site representatives and management for the project being invited to attend for that item.

SCHOOL SECURITY UPDATE

8. With reference to article 7 of the minute of its meeting of 23 May 2014, the Committee had before it a report by the Lead Officer for school security which provided an update on the ongoing work by the Education, Culture and Sport Service to review school security procedures within Aberdeen City Schools.

The report advised that the school security guidelines as presented to the previous meeting and to the School Security Group had now been finalised and has been used to construct a questionnaire aimed at identifying and prioritising work needed to improve security across the school estate. The questionnaire focused on each category of security and required each school to confirm whether the expected security measures were in place and if not to carry out a risk assessment to record the level of risk associated with that area of security. The results from the questionnaire will allow the Service to identify the schools in need of improvement and to prioritise the work required along with the costings for the work. A copy of the questionnaire was appended to the report.

Councillor Finlayson enquired as to whether there was a system in place to test the security measures within schools, whereupon the Directorate Support Manager advised that this could be looked at as part of the overall programme for improvement.

Councillor Graham enquired as to what happened to the Condition Survey undertaken previously, whereupon the Directorate Support Manager advised that this will form part of the overall improvement plan for security within the school estate.

The Committee resolved:-

to note the information contained in the report.

EMPLOYEE ASSISTANCE PROGRAMME REPORT

9. The Committee had before it a report prepared by Time for Talking on behalf of the Council which provided he figures for the usage of the Employee Assistance Service for the period 1 April to 30 June 2014.

The report advised that there had been 24 referrals during the period, of which 17 related to personal issues and 5 related to work related issues. There had been 57 face to face counselling sessions and 13 telephone counselling sessions.

The Committee resolved:-
to note the report and the information provided.

OCCUPATIONAL HEALTH REPORT

10. The Committee had before it (1) the occupational health and safety report for 1 April to 30 June 2014; (2) the occupational health and safety report for 1 January to 31 March 2014; and (3) Physiotherapy Service reports from 1 October 2013 to 31 March 2014. The reports provided the following statistical information relating to the occupational health service:

April to June 2014

- 280 appointments were delivered comprising:
    - 34 medicals, 2 LGV, 1 Drug and Alcohol screening and 31 for taxi drivers
    - 149 referrals
    - 30 Hand Arm Vibration Syndrome Assessments, 21 Tier 3 and 9 Tier 4
    - 7 Audiometry Assessments
    - 60 Physiotherapy Sessions
- 43 New Employment Questionnaires had been completed
- There were 4 cases of did not attend and a further 3 cancelled with the responsible Service being backcharged for the non attendance
- 34 Hep B vaccinations were delivered
- Psychological (44) and Musculoskeletal (44) were the highest diagnosis categories

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

CORPORATE HEALTH AND SAFETY REPORT - APRIL TO JUNE 2014 - REPORT BY ACTING DIRECTOR FOR CORPORATE GOVERNANCE

11. With reference to article 10 of the minute of its meeting of 23 May, 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided details of the number and types of accidents, incidents and occurrences during the period 1 April to 30 June 2014.

The report provided statistical information broken down into the following categories:

Accidents/Incidents, Accident Rates and Sickness Absence

- 35 employees accidents were reported of which 6 were reportable to the enforcing authority
- 79 accidents to third parties were reported of which 5 were reportable to the enforcing authority
- The accident rate for the period was 0.67 accidents per 1,000 employees
- 83 incidents were reported by employees
- The corporate sickness absence rate for the period was 11.20 working days lost per employee

Enforcement Interventions (Health and Safety Executive and Scottish Fire and Rescue)

- The HSE contacted the Council regarding unsafe dismantling of scaffold on Union Terrace by contractors. With the Council's and HSE involvement the scaffolding was removed in a safe manner
- There were no interventions from the Scottish Fire and Rescue Service

Health and Safety Training

- 512 delegates attended health and safety training over the period in questions
- There were 18 late cancellations or no shows at health and safety training which resulted in £1641 being back charged to the Services.

Fire Risk Assessment

- 11 fire risk assessments were completed during the period

The report recommended:
that the Committee refer the report to the Corporate Management Team –

(a) to discuss and encourage review of statistics by Heads of Service with Services specific detail discussed at Senior Management Teams;
(b) to support actions to reduce accidents and work related ill health in line with health and safety targets; and
(c) to disseminate and take action on the health and safety information in this report.

In relation to Incident Information, the Health, Safety and Wellbeing Manager advised the statistics would be broken down into directorates for future reports.

In relation to accidents to third parties, the Chief Executive requested that details of the accidents be provided in future reports as this would be helpful to identify interventions required to prevent accidents occurring in the future.

In relation to Sickness Absence, the Chief Executive stated that further interventions were required to reduce sickness absence across the Council as the figures presented had remained at a constant level over the previous year.

Councillor Graham sought additional information relating to the Manual Handling Passport Scheme, whereupon the Health and Safety Manager advised that the scheme would allow the training to transfer with the employee within local authorities or the NHS. She further advised that she would issue a website link to the Committee which would provide additional information about the scheme.

The Committee resolved:-

(i) to note that incident information would be provided per directorate for future reports;
(ii) to instruct the Health, Safety and Wellbeing Manager to include details of third party accidents in future reports;
(iii) to request directorates and the health and safety team to identify additional interventions to reduce sickness absence across the organisation;
(iv) to note that a website link providing additional information on the Manual Handling Passport Scheme would be issued to the Committee; and
(v) to otherwise approve the recommendations contained in the report.

HEALTH AND SAFETY ACTION PLAN

12. With reference to article 12 of the minute of its meeting of 23 May 2014, the Committee had before it for information the latest position statement of the Corporate Health and Safety Action Plan, prepared by the Health, Safety and Wellbeing Manager.

The Chief Executive requested that for future reports the action plan be presented in the form of an improvement plan which would provide evidence against each action to show the improvement measured.

Councillor Graham enquired as to when the Corporate Health and Safety Policy would be presented to Committee, whereupon the Health, Safety and Wellbeing Manager advised that it would be discussed by the Corporate Management Team on 25 September and then issued for consultation thereafter.

The Committee resolved:-
(i) to request the Health, Safety and Wellbeing Manager to replace the action plan with an improvement plan; and
(ii) to otherwise note the action plan.

FUTURE REPORTING ARRANGEMENTS - VERBAL UPDATE FROM THE HEALTH, SAFETY AND WELLBEING MANAGER AND THE CLERK

13. The Health, Safety and Wellbeing Manager advised that the reporting structure for the Committee would change from the next meeting to incorporate elements of the Health and Safety Management System including Controls, Co-operation, Communication and Competence. She further advised that the system had been developed to test organisations compliance with legislative requirements.

The Clerk advised that the Committee would now be reporting to the Audit, Risk and Scrutiny Committee and that there was a need to have a clear reporting route to ensure that the parent committee had assurance that health and safety matters were being dealt with.

The Committee resolved:-
to note the information provided.

DATE OF NEXT MEETING - FRIDAY 28 NOVEMBER 2014 AT 10AM

14. The Committee noted that their next meeting was scheduled for 28 November 2014 at 10am.

- **MIKE MIDDLETON, Chairperson**.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	26 FEBRUARY 2015
DIRECTOR	Ewan Sutherland (Acting)
TITLE OF REPORT	Development of Elected Members – Update
REPORT NUMBER:	CG/14/095

1. PURPOSE OF REPORT

The purpose of this report is to provide an update on the development of members of this committee, since the last meeting of 20 November 2014.

2. RECOMMENDATION(S)

that the Committee note the content of the report.

3. FINANCIAL IMPLICATIONS

There are no financial implications – all training is being provided in house.

4. OTHER IMPLICATIONS

Staff in democratic services, finance, customer service and performance, human resources, internal audit are contributing to, and delivering training.

5. BACKGROUND/MAIN ISSUES

5.1 At its meeting of 27 February 2014, members approved a programme of development for members of this committee. An update on the programme is provided below:

	Date	*Event*	*Update*
Short term	**March**	Shareholders Scrutiny Group training for all members of the new Group (including trades union members) – Angela Scott to lead.	Held on 3 March, 8 attendees (including two TU reps).

March	Specific training for trades union members of the Shareholder Scrutiny Group on the Code of Conduct (which they will be required to sign up to) – Democratic Services to lead.	Held on 7 April, Unison TU rep attended.
	Session 1 – an overview of the role of the Audit and Risk Committee – Angela Scott to lead.	All A&R committee members have now attended.
April	Session 2 – an overview if the system of risk management and understanding the Audit and Risk Committee's role in examining the system of risk management – Community Planning and Performance Manager to lead.	All A&R committee members have now attended.
May	Session 3 – an overview of the internal audit control environment, and the Audit and Risk Committee's role in terms of questioning the reports it receives from internal audit on the internal control environment – Internal Audit to lead.	All A&R committee members have now attended.
June	Session 4 – an overview of the Audit and Risk Committee's responsibilities in terms of the financial reporting statements of Council – Finance Team to lead.	4 members to attend final session – date scheduled for November
January 15	Session 3 – an overview of the internal audit control environment, and the Audit and Risk Committee's role in terms of questioning the reports it receives from	All Members have attended.

	internal audit on the internal control environment – Internal Audit to lead. Session 4 – an overview of the Audit and Risk Committee's responsibilities in terms of the financial reporting statements of Council – Finance Team to lead.	2 members still to attend. 1-2-1's to be organised
TBC	Members of the Audit and Risk Committee to visit Audit Committees of a local authority and another public sector body.	Deferred until new members of the Committee have been trained.

6. IMPACT

Developing members in the area of the governance and scrutiny of arms length external organisations (ALEOs) should lead to an improvement in the governance and decision making in this area. Developing members' roles in the Audit and Risk Committee will strengthen the scrutiny and risk management arrangements of Council.

7. MANAGEMENT OF RISK

The recommendations address the risks identified in the report "Roles and Responsibilities – Is Aberdeen City Council Getting It Right?" and aim to reduce risk relating to ALEOs.

It is important that members are in a position to properly scrutinise committee papers and have a clear understanding of their responsibilities around risk management. This report seeks to address this and improve members' confidence and competency in these areas.

8. BACKGROUND PAPERS

Designing a Positive Framework Governance with Arms Length External Organisations – Audit and Risk Committee 27 February 2014

9. REPORT AUTHOR DETAILS

Karen Rennie, Committee Officer
karrennie@aberdeencity.gov.uk
(01224) 522723

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ABERDEEN CITY COUNCIL

COMMITTEE	AUDIT & RISK COMMITTEE
DATE	26TH FEBRUARY 2015
DIRECTOR	EWAN SUTHERLAND
TITLE OF REPORT	DATA PROTECTION REPORTING – OCTOBER – DECEMBER 2014
REPORT NUMBER:	CG/15/21
CHECKLIST RECEIVED	YES

1. PURPOSE OF REPORT

The purpose of this report is to provide an overview for quarter 3 (October - December 2014) to Committee of the following areas:

a) Aberdeen City Council Subject Access Request statistics
b) Data Breaches and Near Misses
c) Data Protection training
d) General Update

2. RECOMMENDATION(S)

It is recommended that the Committee note the report.

3. FINANCIAL IMPLICATIONS

There are no financial implications at this time.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

a) Aberdeen City Council Subject Access Request Statistics

A recommendation of the Information Commissioners Office (ICO) inspection of the Council's compliance with Data Protection legislation was that the number of Subject Access Requests (SARs) and Third

Party Requests received by the Council be recorded and reported to the appropriate Committee. As previously advised, these figures will be reported to the Audit & Risk Committee on a quarterly basis. The figures for the latest complete quarter, October - December 2014, are detailed below.

In the reporting quarter Aberdeen City Council received **17** Subject Access Requests and **35** requests from 3rd parties for personal data held by it.

By Service:

Service	Subject Access Requests	3rd Party Requests
Office of Chief Executive	**0**	**0**
Communities, Housing & Infrastructure	**8**	**5**
Corporate Governance	**1**	**0**
Education & Children's Services	**8**	**30**
TOTAL	**17**	**35**

In the quarter, **40** requests have been responded to. The requirement of the Data Protection Act is that requests are responded to within 40 days. **38** requests were responded to within 40 days in the reporting quarter, some **95%** of requests responded to.

The Council can charge a fee, maximum of £10, prior to responding to a Subject Access Request. In the reporting period fees were charged in respect of **14** requests.

b) Data Breaches and Near Misses

In addition to the above, the Council has an established procedure for the recording and reporting of data protection breaches. This information is reported to Members in order to provide an overview of the Council's performance in relation to keeping personal data secure.

In the reporting quarter the following breaches occurred:

By Service:

Service	**Number of Breaches**
Office of Chief Executive	0

Communities, Housing & Infrastructure	2
Corporate Governance	0
Education & Children's Services	3
TOTAL	**5**

By Breach Type:

Type of Breach	**Number of Breaches**
Human Error	4
Unauthorised Disclosure	0
Unauthorised Access	1
Loss	0
Theft	0
Other	0
TOTAL	**5**

Data Protection breaches are dealt with in a way which is dependent on the nature and potential severity of the breach. Where a breach involves or potentially involves a large volume of personal data or sensitive personal data which is likely to have an adverse impact of the data subject, then more often than not, the Council as Data Controller will 'self-report' the breach to the ICO.

During the reporting period none of the breaches were such that a self-report to the ICO was required.

The regular reports to this Committee will also provide an opportunity to update Members in relation to any significant breaches, including those where the Council has 'self-reported'. It will also allow for an update in respect of previous significant breaches, particularly where there may have been media coverage.

There have been no determinations by the ICO of outstanding breach investigations during the reporting period.

As reported previously, a review of the Council's Data Protection Breach Reporting Procedure is underway. The review is meantime being conducted by officers in the Commercial & Advice Team of Legal

Services and, in due course, will engage with Operational Support colleagues across the Council to ensure the views and experiences of services underpin the new policy and procedure. It is planned that this review will be completed by the end of March 2015 and that the revised policy and procedure will be submitted to CMT in April 2015 and then to Audit, Risk & Scrutiny Committee in June 2015.

The purpose of this review is to simplify reporting mechanisms, to clarify when a report is required and to introduce arrangements for the recording and reporting of near misses. It is hoped that this review will assist in ensuring a consistent and robust approach to the recording of data protection breaches and will also encourage the reporting of near misses as a matter of course, in order that the Council can learn from these and amend policy and practice as required.

c) Data Protection Training

As previously reported to Committee, a review of induction Data Protection is underway. This induction training is mandatory for all staff and the purpose of the review is to ensure that the contents and delivery of the training meet the requirements of the Council, Services and individual staff and take cognisance of assessed risk areas. Additionally, options for refresher training will also built into the available training package.

Officers undertaking the review have engaged with officers in the Organisational Development team in order to ensure that the revised training meets recognised standards for training and that the training is delivered in a range of formats in order to be accessible to all employees.

It is envisaged that this review will be completed by the end of April 2015, testing of revised training commencing shortly thereafter with roll out, subject to approval, starting in June 2015.

As completing the Induction Training is a mandatory requirement for all staff, consideration is also being given to options for monitoring and ensuring compliance. It is planned that a report on options for this will be taken to CMT in April 2015 and further reported to Audit, Risk & Scrutiny Committee in June 2015.

d) Complaints about Data Handling

A further aspect of the Data Protection responsibilities of Aberdeen City Council is responding to any complaints received from data subjects relating to the manner in which the Council processes their personal data.

The process for handling complaints is two-fold. At the first stage, when the complaint is raised with the Council, the organisation will

seek to respond to the complainant and resolve the concern. This may be by providing information relating to the manner in which personal data has been processed or by identifying and rectifying any weakness.

The second stage, if a complainant remains dissatisfied is where a data subject can make a complaint to the ICO. The ICO will invite the Council to advise of its handling of the issue under consideration and thereafter investigate such complaints and determine whether or not it is likely that the Council has fulfilled its obligations and duties under the Data Protection Act.

If the Council has failed in its obligations and duties, the ICO can require the organisation to take action to mitigate any risk.

In the reporting period, **1** complaint was received by the Data Controller from a data subject.

Further, in the reporting period, the ICO notified the Council that **1** complaint had been received in its office. The Council responded to the complaint and the ICO's determination is awaited.

6. IMPACT

None

7. MANAGEMENT OF RISK

Adherence to the Council's policies and procedures for the handling of personal data is essential to the management of the risk associated with the management of information. Strong monitoring of the effectiveness of these arrangements is necessary in order to identify any areas of concern and implement appropriate arrangements to mitigate this.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

Fiona Smith, Governance Support Officer

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Telephone: 01224 522516

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Equality and Human Right Impact Assessment: The Form

EHRIA

Aberdeen City Council

There are separate guidance notes to accompany this form – "Equality and Human Rights Impact Assessment – the Guide." Please use these guidance notes as you complete this form. Throughout the form, **the word "proposal" refers to policy, strategy, plan, procedure, report or business case.** This then, embraces a range of different actions such as setting budgets, developing high level strategies and organisational practices such as internal restructuring. Please also refer to the "Completion Terminology" at the end of the form.

1:Equality and Human Rights Impact Assessment- Essential Information	
Name of Proposal: Monitoring of data protection compliance for period April – June 2014	**Date of Assessment: 03/03/2015**
Service: Legal & Democratic Services	**Directorate: Corporate Governance**
Committee Name or delegated power reference (Where appropriate): Audit & Risk Committee	**Date of Committee** (Where appropriate): 26th February 2015
Who does this proposal affect? Please Tick ✔	Employees ☐ Job Applicants ☐ Service Users ☐ Members of the Public ☐ Other (List below) ☐

2: Equality and Human Rights Impact Assessment- Pre-screening

Is an impact assessment required?	Yes ☐ No ☐
If No, what is the evidence to support this decision? (Once this section is completed, please complete section 8 of the form).	The report details statistics which demonstrate compliance with Council policy and procedures for data protection matters including subject access requests and data protection breaches. No EHRIA is required as no areas of non-compliance are highlighted and existing policies and procedures have previously been subject to EHRIA assessment.

3: Equality and Human Rights Impact Assessment

a- What are the aims and	

intended effects of this proposal?	
b- What equality data is available in relation to this proposal? (Please see guidance notes)	
c- List the outcomes from any consultation that relate to equalities and/or human rights	

issues e.g. with employees, service users, Unions or members of the public that has taken place in relation to the proposal.	
d- Financial Assessment If applicable, state any relevant cost implications or savings expected from the proposal.	**Costs (£)** Implementation cost £ Projected Savings £
e- How does this proposal contribute to the public sector equality duty: to eliminate discrimination, harassment and victimisation; advance equality of opportunity; and foster good relations?	

f- How does this proposal link to the Council's Equality Outcomes?

4: Equality Impact Assessment - Test				
What impact will implementing this proposal have on employees, service users or other people who share characteristics protected by *The Equality Act 2010* ?				
Protected Characteristic:	**Neutral Impact:** Please √	**Positive Impact:** Please √	**Negative Impact:** Please √	**Evidence of impact and if applicable, justification where a '*Genuine Determining Reason*'* exists** *(see completion terminology)
Age (People of all ages)				
Disability (Mental, Physical, Sensory and Carers of Disabled people)				
Gender Reassignment				
Marital Status (Marriage and Civil Partnerships)				
Pregnancy and Maternity				
Equality Impact Assessment Test:				

What impact will implementing this proposal have on employees, service users or other people who share characteristics protected by *The Equality Act 2010* ?				
Protected Characteristic:	**Neutral Impact:** Please √	**Positive Impact:** Please √	**Negative Impact:** Please √	**Evidence of impact and if applicable, justification where a '*Genuine Determining Reason*'* exists** *(see completion terminology)
Race (All Racial Groups including Gypsy/Travellers)				
Religion or Belief or Non-belief				
Sex (Women and men)				
Sexual Orientation (Heterosexual, Lesbian, Gay And Bisexual)				
Other (e.g: Poverty)				

5: Human Rights Impact Assessment Test	
Does this proposal have the potential to impact on an individual's Human Rights? Evidence of impact and , if applicable, justification where the impact is proportionate	
Article 2 of protocol 1: Right to education	**Yes** ☐ **No** ☐ **Evidence:**
Article 3: Right not to be subjected to torture, inhumane or degrading treatment or punishment	**Yes** ☐ **No** ☐ **Evidence:**
	☐ ☐

Article 6: Right to a fair and public hearing	**Yes** **No** **Evidence:**
Article 8: Right to respect for private and family life, home and correspondence	**Yes** ☐ **No** ☐ **Evidence:**
Article 10: Freedom of expression	**Yes** ☐ **No** ☐ **Evidence:**
Article 14: Right not to be subject to discrimination	**Yes** ☐ **No** ☐ **Evidence:**
	☐ ☐

Other article not listed above, please state:	**Yes** **No** **Evidence:**

6: Assessment Rating:	
Please rate the overall equality and human right assessment (Please see Completion terminology)	☐ Red ☐ Red Amber ☐ Amber ☐ Green
Reason for that rating:	

7: Action Planning

As a result of performing this assessment, what actions are proposed to remove or reduce any risks of adverse outcomes identified on employees, service users or other people who share characteristics protected by *The Equality Act 2010* ?				
Identified Risk and to whom:	**Recommended Actions:**	**Responsible Lead:**	**Completion Date:**	**Review Date:**
8: Sign off				

Completed by (Names and Services) :	Fiona Smith, Governance Support Officer, Legal & Democratic Services
Signed off by (Head of Service) :	Jane MacEachran, Head of Legal & Democratic Services

Please send an electronic copy of your completed EHRIA - without signatures - together with the proposal document and/or committee report to:

Equalities Team
Customer Service and Performance
Corporate Governance
Aberdeen City Council
Business Hub 13
Second Floor North
Marischal College
Broad Street
Aberdeen
AB10 1AB

Telephone 01224 523039 Email sandrab@aberdeencity.gov.uk

9: Completion Terminology:	
Assessment Pre-screening Rating:	This section will highlight where there is the obvious potential for a negative impact and subsequent risk of negative media coverage and reputational damage to the Council. Therefore, a full impact assessment is required, for example around sensitive issues such as marching, Gypsy/ Traveller issues, change to social care provision. It should also be completed to evidence why a full impact assessment was not required, example, there is no potential negative impact on people.
Assessment Rating:	After completing this document, rate the overall assessment as follows: **Red:** As a result of performing this assessment, it is evident that we will discriminate (direct, indirect, unintentional or otherwise) against one or more of the nine groups of people who share *Protected Characteristics.* It is essential that the use of the proposal be suspended until further work or assessment is performed and the discrimination is removed. **Red Amber:** As a result of performing this assessment, it is evident that a risk of negative impact exists to one or more of the nine groups of people who share *Protected Characteristics.* However, a genuine determining reason may exist that could legitimise or justify the use of this proposal and further professional advice should be taken. **Amber:** As a result of performing this assessment, it is evident that a risk of negative impact exists and this risk may be removed or reduced by implementing the actions detailed within the *Action Planning s*ection of this document. **Green:** As a result of performing this proposal does not appear to have any adverse impacts on people who share *Protected Characteristics* and no further actions are recommended at this stage.
	Equality data is internal or external information that may indicate how the proposal

Equality Data:	being analysed can affect different groups of people who share the nine *Protected Characteristics* – referred to hereafter as *'Equality Groups'.* Examples of *Equality Data* include: (this list is not definitive) 1: Application success rates by *Equality Groups* 2: Complaints by *Equality Groups* 3: Service usage and withdrawal of services by *Equality Groups* 4: Grievances or decisions upheld and dismissed by *Equality Groups*
Genuine Determining Reason	Certain discrimination may be capable of being justified on the grounds that: *(i) A genuine determining reason exists* *(ii) The action is proportionate to the legitimate aims of the organisation* Where this is identified, it is recommended that professional and legal advice is sought prior to completing an Equality Impact Assessment.
Human Rights	The rights set out in the European Convention on Human Rights, as incorporated into the UK Law by the Human Rights Act 1998.
Legal Status:	This document is designed to assist us in *"Identifying and eliminating unlawful Discrimination, Harassment and Victimisation"* as required by *The Equality Act Public Sector Duty 2011.* An Equality Impact Assessment is not, in itself, legally binding and should not be used as a substitute for legal or other professional advice.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26th February 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Transition to Shared Internal Audit Services
REPORT NUMBER	CG/15/23
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to advise members of arrangements being put in place to manage the transition to a shared Internal Audit Service with Aberdeenshire Council.

2. RECOMMENDATION(S)

that the Committee:–

(a) Note the ongoing work to manage the transition from an outsourced internal audit service to a shared service between Aberdeen City and Aberdeenshire Councils.

3. FINANCIAL IMPLICATIONS

The current expenditure on Internal Audit is approx. £400,000 p.a. The proposal from Aberdeenshire Council identifies potential savings of £217,000 p.a. However, this is subject to the level of audit coverage required.

4. BACKGROUND/MAIN ISSUES

4.1 This Committee and the Council's Finance, Policy & Resources Committee have agreed to the development of a shared Internal Audit Service between Aberdeen City and Aberdeenshire Councils. Officers are currently working on designing and implementing transition arrangements which will ensure continuity of the function.

4.2 TRANSITION

Officers from both Councils have met, together with representatives from PWC to plan and begin the transition from, in the City Council's case, externally sourced provider to a shared resource.

A project plan has been prepared by Aberdeenshire Council for the actions which need to be undertaken in order for the new shared service to be effectively implemented. There are 6 key areas within the plan:-

Requirement	**Status**
Agreement and commitment from both Councils.	The proposal has been approved by both the Audit & Risk and Finance, Policy & Resources Committees of Aberdeen City Council. Aberdeenshire Council's Scrutiny and Audit Committee and Policy and Resources Committee have approved the proposal.
Formal Mechanism to Share	Discussions have progressed with colleagues on the most appropriate model for a shared service. Advice has been sought from Procurement colleagues and options are being prepared.
Staffing	Aberdeenshire Council have commenced recruitment of additional staff with appointments expected in January or February 2015. Induction and training of staff will be carried out prior to commencement of the new shared service.
Audit Planning for 2015/16	A number of points have now been agreed by officers and PWC:- i. PWC will complete all reviews within the 2014/15 Internal Audit Plan. Any reviews included in the 2014/15 Plan which are not completed by 31st March 2014 will continue to be the responsibility of PWC unless both Councils agree to these being passed to the new shared service; ii. PWC will include the new shared service in the preparation of the scoping of all reviews

	between now and the establishment of the new service; iii. PWC will include the new shared service in final review and "close out" of all reviews between now and the establishment of the new service; iv. The Chief Internal Auditor for Aberdeenshire Council has led on the preparation of an audit plan for Aberdeen City Council in 2015/16 which is reported to this Committee. v. PWC will undertake and submit to the Committee in June 2015 the required annual opinion, in accordance with the Public Sector Internal Audit Standards (PSIAS), based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
Physical and ICT Requirements	Plans are being progressed to ensure that the transition is supported by early and effective arrangements to put in place all practical elements relating to access, accommodation, ICT, communications, management, etc.
Methodology and Reporting Arrangements	The attached proposal from Aberdeenshire Council outlines the methodology envisaged for the new shared service. A proposed new Internal Audit Charter is included in the agenda for the Audit, Risk and Scrutiny Committee for approval.

5. REPORT AUTHOR DETAILS

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APPENDIX B

PROPOSAL FOR A SHARED INTERNAL AUDIT SERVICE BETWEEN ABERDEENSHIRE AND ABERDEEN CITY COUNCILS

Internal Audit

The Public Sector Internal Audit Standards define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

The Local Authority Accounts (Scotland) Regulations 2014 will make it mandatory to have an Internal Audit service complying with recognised standards and practices.

Vision

This document details a proposal for a shared Internal Audit Service between Aberdeenshire Council and Aberdeen City Council based on the current Aberdeenshire model. Although the proposal is for the staff of the Internal Audit Section to be employed by Aberdeenshire Council, the Section will be a shared resource and will be committed to providing a professional service, complying with Public Sector Internal Audit Standards, to both Councils.

The vision is for the Section to be embedded in, and be an integral part of, both Councils. It will be flexible in service delivery, with the ability to substitute planned works with other works that emerge as a requirement during the year, subject to the Chief Internal Auditor being satisfied that an annual Internal Audit opinion can be delivered. It will not be an external agency to either and will adhere to the requirement to report independently, without fear or favour.

Both Councils provide broadly similar services and by being embedded within both Councils, unlike an external service provider, best practice that is identified in each will be able to be shared for the mutual benefit of both, with the potential to enhance and embed more cost effective processes and procedures, and assist in identifying further areas for shared services, helping both Councils achieve their drive for Best Value and improvement.

It is acknowledged that the ways of working detailed in this document will be different to those currently in place in Aberdeen City Council, and that it will take time for these changes to become accepted and embedded. However, it is anticipated that both Councils will benefit from the proposed shared arrangements.

It is the intention that Aberdeenshire's Internal Audit will provide a service to the Aberdeenshire Health and Social Care Partnership and, should this proposal result in a shared Internal Audit service, it will provide the base for proactively seeking opportunities with existing and other public sector partners in relation to Internal Audit provision.

Aberdeenshire Internal Audit – Background

Aberdeenshire's Internal Audit has been provided in-house since Local Government re-organisation in 1996. Being a part of the Council's structure, and available every day, allows strong professional relationships to develop with other staff in the organisation. This has helped with the dissemination of best practice through the provision of advice outwith the formality of Internal Audit's reporting structure and format. Many improvements in systems, understanding and compliance have been made through these channels.

There is a wide range of experience within the Internal Audit Section at present. The Chief Internal Auditor has worked in Local Government Internal Audit since 1986, having commenced his career in Aberdeen District Council. In the shadow year leading to Local Government re-organisation in 1996, he was the Acting Chief Internal Auditor of the City of Aberdeen District Council, and has been the Chief Internal Auditor with Aberdeenshire Council since then. During the period of its existence, the Chief Internal Auditor also held this role with Grampian Fire and Rescue Service through a shared service arrangement.

The two Senior Auditors have been with Internal Audit for six and two years respectively, having previously both worked in Aberdeenshire's Finance Service. Both are professionally qualified, are required to undertake professional CPD, and bring previous experience of Local Government Internal and External Audit to the Team.

The Assistant Auditors have experience of Internal Audit ranging from one to more than twenty years. Some are pursuing professional qualifications and all are subject to quarterly reviews by their line manager as part of Aberdeenshire Council's career development scheme for Assistant Auditors and Accountants.

Trainee Accountants studying for the CIPFA qualification regularly gain the required experience of Internal Audit through working in the Section, and this has included a trainee from NHS Grampian successfully fulfilling the requirements through working in the Aberdeenshire team.

A decision was taken a number of years ago that there would be no specialist audit resources (eg Computer or Contract Audit) in the team, with each member of staff tackling these types of audits as part of their job. However, an Assistant Auditor regularly attends meetings of the Computer Audit Sub-group of the Scottish Local Authorities Chief Internal Auditors' Group which helps bring current issues to the Section's attention. Inevitably, some staff display certain skills in relation to specialist audits and these are shared throughout the team.

The Council's external auditors have consistently stated that they have been able to place reliance on the work of Internal Audit.

Internal Audit Resourcing

Aberdeenshire Council's Internal Audit Section currently has an establishment of eleven posts comprising the Chief Internal Auditor, two Senior Auditors and eight Assistant Auditors. The Section is currently two Assistant Auditors short of full establishment with one vacancy being advertised at present and one member of staff on a short-term secondment.

It is proposed that the Section be brought up to establishment and, if the proposal for a shared service is agreed, to recruit two further Assistant Auditors. The revised structure is planned to produce around 2,400 audit days which would initially be split between Aberdeenshire and Aberdeen City Councils in the ratio of 1,600:800. Aberdeenshire Council currently receives 1,900 Internal Audit days per annum whilst Aberdeen City Council has, for 2014/15, 608 days plus Chief Internal Auditor input. The reduction in days for Aberdeenshire Council will be achieved, without impacting on the level of assurance provided, through developments currently being worked on within the Team.

Aberdeen City Council's officials believe that, should current arrangements with PWC continue, their Internal Audit costs will decrease. However, it is anticipated that a shared Internal Audit service will reduce the cost of Internal Audit between the two Council's by £270,000 per annum (Aberdeen City Council £217,000, Aberdeenshire Council £53,000). However, it may be prudent not to take the full amount of these anticipated savings in year one of the new arrangements. The costs are based on staffing and incidental costs, and do not include any on-costs or central administration recharge which, in the spirit of partnership working through a shared service, are not intended to be included.

As with any Council Service, there may be challenges with recruitment and retention. Aberdeenshire has been successful in maintaining an Internal Audit resource which has enabled improvements to be made and for an annual opinion on the Council's control environment to be adequately supported. Should challenges with recruitment and retention arise in future, this will impact on the levels of planned work that can be undertaken and completed.

Internal Audit Planning

The proposal is that a shared Internal Audit Service commence with effect from 1 April 2015. In order to achieve this, there are some vital steps that need to be completed. The first is to obtain agreement from each Council's senior management and relevant Council Committees. Subject to senior management approval, it is planned that reports requesting approval of the arrangements will be submitted to appropriate Committees in September 2014.

Assuming that approval is given to progress, there are a number of other stages that need to be completed including agreement of an Internal Audit plan for Aberdeen City Council, and ensuring that adequate resources are in place to undertake the work.

Aberdeenshire Council has a rolling three year plan in place which is reviewed annually through consultation with senior management. The plan is agreed by the Council's Scrutiny and Audit Committee around the end of each financial year so that the impact of

the previous year's work can, as far as possible, be taken into account. Aberdeen City Council has an annual plan that is determined through consultation with senior management and approved by the Audit and Risk Committee. It is proposed that, in the first instance, a one year plan for Aberdeen City Council will be developed by Internal Audit, with consultation with appropriate senior management, and that this be submitted to the Audit and Risk Committee in February 2015 for agreement. The results of the work contained therein would assist in informing future three year rolling plans which would be presented to Committee for agreement around the end of each financial year.

There will be differences between the two Councils in terms of governance and control arrangements, and the expectations of senior management and elected members. Aberdeenshire Council's Internal Audit Section would have to gain an early understanding of Aberdeen City Council's control environment and governance arrangements and it is proposed that this commence prior to the formal start of any shared arrangements.

In order to achieve this, and to inform the first year's Internal Audit plan, Internal Audit would engage with specific officers of Aberdeen City Council including the Chief Executive, Directors, Head of Finance, and Risk Manager. Discussions would also be held with Audit Scotland, the Council's current external auditor, and with the Council's current Internal Audit provider, PWC. Whilst such consultation is vital in forming the plan, it is important that the plan is that of the Chief Internal Auditor in order to comply with Public Sector Internal Audit Standards which require that the 'Chief Audit Executive' report on any limitations to the scope of his or her work.

Discussions with PWC would include reviewing their progress against the current Internal Audit plan and determining, in consultation with management, how and by whom any work that may not be commenced or complete by the end of the 2014/15 financial year should be progressed.

The above process will assist in identifying the areas of risk over which Internal Audit will need to review and provide assurance regarding the systems in place to control and mitigate risk, along with those areas where Internal Audit will need to gain an understanding and satisfy itself that they are working adequately.

The draft plan would be produced by Internal Audit and would cover the Council's General Fund, Common Good, HRA, Pension Fund and a small amount of assurance work over the group structure (i.e. ALEOs). This would be circulated for discussion to the Chief Executive, Directors, and Head of Finance before being submitted to the Audit and Risk Committee for approval. Although such discussions have not yet taken place, Internal Audit currently anticipates that the plan would include the audit of some of the Council's main financial systems, to establish and evaluate the controls in place, and also to assist Internal Audit gain a better understanding of the Council's control environment, along with some cross cutting reviews of the main transactional data streams (payments, payroll, etc) to determine the level of compliance with policies and procedures, achievement of best value, and assist in identifying areas that would justify more detailed examination in future.

Aberdeen City Council's current Internal Audit plan includes commencement and completion dates. It is not anticipated that future plans would include dates for each

assignment as this can be impacted on by factors outwith the control of Internal Audit. This will assist with Internal Audit being flexible and being able, as far as is practicable, to work around issues which may prevent the commencement or conclusion of work to a pre-planned timetable.

The level of planned input for each audit will be based on a risk based approach and assume that systems are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review a given area, and this will impact on the achievability of the plan.

It is usual in any given year for additional work to be required, either within the planned work, as additional work requests due to issues arising during the year, or specific investigations into, for example, suspected financial irregularities. Although a contingency element will be built into the Internal Audit plan for each Council, it is possible that this allowance may not be sufficient. The Internal Audit Section has always planned at a high level within the available resources in the past to ensure that should additional work through planned work, additional work requests, or investigations does not materialise, then there is sufficient planned work agreed.

It will be for the Chief Internal Auditor to manage the competing demands between planned and additional works, between both Councils, and to report as appropriate to management and relevant Committees. This may mean that, as has regularly been the case in the past, agreed planned work may move from one year to the next, and that the allocation of resources and costs between the two Councils may change.

A copy of the most recent report to Aberdeenshire's Scrutiny and Audit Committee seeking approval of the current three year Internal Audit plan is attached for information. This provides further details on how the plan was developed but it should be noted that this plan is based on approximately 1,900 audit days per annum.

Audit Methodology

Aberdeenshire Council's Internal Audit Section has an Internal Audit Charter, approved by the Council's Scrutiny and Audit Committee. There are some differences between this and that approved by and for Aberdeen City Council. It is seen as essential to the efficient provision of a service that Internal Audit operates in the same way, as far as practically possible, within both Councils, and that any differences do not impact on this. In view of this, it is proposed that Aberdeenshire's Charter be presented to Aberdeen City Council's Audit and Risk Committee for approval in February 2015. A copy of Aberdeenshire's Internal Audit Charter is attached for information.

Aberdeenshire's Internal Audit methodology is designed to comply with the requirements of the Public Sector Internal Audit Standards. At the commencement of each planned audit, contact is made with the appropriate Service's nominated officer for that audit in order to establish whether there are any particular issues that they are aware of that need to be specifically covered and to advise of Internal Audit's scope and objective for the audit. Although this will be detailed in the Internal Audit plan, and will be discussed at the commencement of each review, if issues are identified during Internal Audit work that

are outwith the originally planned scope, that Internal Audit believes should be included in its work, this will be the case.

Systems of control under review will be documented either by flowcharting or narrative description. Ideally, Services will have such documentation in place and the planned level of Internal Audit resource assumes that this is the case. The controls that management have put in place are then evaluated to determine if they are sufficient. Specific testing of these controls is then undertaken to ensure compliance and, where appropriate, determine whether best value is being achieved.

Internal Audit Outputs

The results of testing will be discussed with management during the course of the review and at the conclusion of testing. A draft report will then be prepared and issued detailing relevant findings and any recommendations for improvement. Aberdeenshire Council's Financial Regulations require Services to provide a full response to draft Internal Audit reports within one calendar month, and it is proposed that this be adopted in relation to Aberdeen City Council. Final reports would be issued to the responsible Service Director, Head of Service, and Service Manager, the Head of Finance, External Auditor, and Risk Manager, and any others as appropriate.

The results of each planned assignment will be reported, in summary, to the next available Committee. Currently, Aberdeenshire's Internal Audit reports are submitted to the relevant Policy Committee and then the Scrutiny and Audit Committee. It is proposed that this arrangement, believed to be unique in Scotland, is reviewed. Internal Audit output relating to Aberdeen City Council would be reported as soon as is practically possible to the Audit and Risk Committee.

The Chief Internal Auditor will report, independently, in his or her own name.

The agreed recommendations from each report will have an implementation date agreed with the responsible Service. These will be followed up by Internal Audit and progress with implementation included in reports to the Audit and Risk Committee.

Internal Audit currently reports progress against the plan to the Scrutiny and Audit Committee twice each year; once in December and then following the year end. It is proposed that this be the case for Aberdeen City Council. A number of performance measures are in place within Aberdeenshire's Internal Audit Section and these will be reported as required.

All of the planned work undertaken, along with any additional work and the work of other assurance providers will be considered in completing Internal Audit's annual Internal Financial Control Statement which will feed into the Head of Finance's Governance Statement in the Council's Accounts. Internal Audit's annual report to Committee will include the annual Internal Financial Control Statement.

Sample reports to Aberdeenshire's Scrutiny and Audit Committee relating to Internal Audit's regular output, and presentation of Internal Audit's annual report, including performance data, are attached for information.

Reports to the Scrutiny and Audit Committee have resulted in the Committee holding specific Workshops to further investigate matters arising from Internal Audit work. Theses workshops supplement the Committee's own review and investigation process and helps ensure close working between those Members and Officers charged with scrutiny responsibilities.

As mentioned above, the Council's external auditors have consistently stated that they have placed reliance on Internal Audit's work. Recommendations made by the Team for improvements in systems, controls and compliance have, in part, helped the Council maintain a record of having an 'unmodified' audit certificate from external audit.

In addition to the assurance work undertaken by Internal Audit, there have been many improvements made over the years as a direct result of Internal Audit work. These include:

- Significant improvements in the management of Housing stocks which had a history of requiring material adjustments at each year end.

- Introduction of a Corporate Travel Team to help standardise procedures and drive down costs through creation of a centre of excellence.

- Introduction of hire and pool cars to drive down travel costs achieved through recommendations and trialling a hire car scheme.

- Changes in the way mileage can be claimed by staff using their own vehicles on Council business which will save around £250,000 per annum when introduced.

- Improvements in the timing and procurement methodology for ICT equipment in schools resulting in better planning and the ending of 'year-end spend'.

- Raising awareness of the requirements of Financial Regulations and procurement related legislation through a number of audits which has led to an on-going review of the Regulations and enhanced training for management which should result in improved compliance.

- Raising awareness of the requirement to demonstrate transformational project success factors through an appropriate benefits realisation tool which is now being implemented.

Quality Review

The Public Sector Internal Audit Standards require that each Internal Audit Section undertake an annual self-assessment of its compliance with the Standards. CIPFA has produced a detailed checklist to assist in this being done and Aberdeenshire's Internal Audit Section undertook such a review in relation to 2013/14. This can be made available if required.

A further requirement of the Standards is that an external assessment be undertaken on a five yearly cycle. Aberdeenshire's Scrutiny and Audit Committee has approved Internal Audit's involvement in a national scheme being devised by the Scottish Local Authorities Chief Internal Auditors' Group whereby an external assessment would be undertaken on a four yearly cycle by another Council's Chief Internal Auditor. Accreditation of this scheme is being sought from CIPFA.

Councils with outsourced Internal Audit arrangements are excluded from these arrangements due to the potential for commercial conflict arising. A shared Internal Audit service would be able to take advantage of the arrangements.

David Hughes,
Chief Internal Auditor,
Aberdeenshire Council.
17 July 2014

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 February 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek approval of the attached Internal Audit plan for 2015/16.

2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Plan for 2015/16.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

4. BACKGROUND/MAIN ISSUES

4.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The plan for 2015/16 is attached as appendix B.

4.2 All audits included in the attached plan, as well as those in future plans, will help familiarise Internal Audit with the Council's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.

4.3 A small number of audits contained in the attached plan are to be undertaken across both Aberdeen City and Aberdeenshire Councils. Where appropriate a single report will be issued whilst others will be reported separately to each Council. Where possible, it is planned that these audits will be undertaken simultaneously so that good practice can be shared through the audit process.

4.4 The plan for Aberdeenshire is being consulted on and will be presented to that Council's Scrutiny and Audit Committee on 1 April 2015. The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

4.5 It is planned to have rolling three year plans in future, with those of both Councils linked as far as possible to improve efficiency and help share best practice.

4.6 The plan has been discussed with Service Directors to ensure that they are aware of what Internal Audit is planning to audit and to allow them to identify areas which they consider to be of risk to their business operations which Internal Audit has not identified. Each audit has been allocated to a quarter in the year and most of these have been confirmed with Services.

4.7 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit expects to be able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified.

4.8 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts and an annual budgeted cost for 2015/16 of £550,000. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

5. REPORT AUTHOR DETAILS

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Appendix A

INTERNAL AUDIT PLAN 2015/16
STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2015/16. It is a requirement of the Public Sector Internal Audit Standards that the Internal Audit plan is based on a risk assessment. Many Internal Audit Sections will define the whole audit universe (all auditable Services or systems) and apply a score against each component for various criteria including the inherent risk in the system, and the quality of management and mitigating controls in place.

Whilst an audit universe has been identified, based on previous work undertaken by Internal Audit in Aberdeenshire, to apply scores against various criteria is considered, by Internal Audit, to be too subjective and adds little value to the process. Assessment of the quality of management and mitigating controls, especially in the first years of any new Internal Audit arrangements will be more subjective than in later years and would be based on an insufficient knowledge base.

In developing the plan consideration was given to the Council's risk registers, the Council's Strategic Priorities, the Assurance and Improvement Plan 2014-17, and a listing of previous audits undertaken within Aberdeenshire Council, and the outcome of these. Where possible, discussions were held with relevant senior officers to help inform the areas to review. However, the overriding consideration for year one of Aberdeenshire Council providing Internal Audit services to Aberdeen City Council was for an overall understanding of the Council's control environment to be gained whilst being able to provide sufficient assurance to allow an annual opinion to be expressed, whilst also being able to consider value for money and efficiency.

In order to achieve its strategic priorities and outcomes, the Council allocates its budget to Service Directorates and enables service delivery through delegated authority detailed in its governance arrangements.

For Internal Audit to fulfil its objective of providing assurance over the Council's control environment, the internal controls put in place to protect the Council's assets have to be evaluated and tested. Taking this into account, along with the contents of the documents detailed above, Internal Audit considers that the main risks to the Council's control environment and achieving its Strategic Priorities and Outcomes relate to the key areas detailed in the following table.

Key Area	Risk	Risk
Corporate Governance	Failure to have arrangements in place that specify the overall control environment and delegated authority across the whole Council.	High
	Failure to comply with the requirements of the corporate governance arrangements including Financial Regulations, the Officers Scheme of Delegation, and other Council Policies.	High
Budget Setting	Failing to ensure that a sustainable budget is set which allows for delivery of a defined service including everything that will be required to deliver that service.	High
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	High
	Failing to have outcome measures to demonstrate service provision.	Medium
	Failing to achieve Best Value / Value for Money.	High
Procurement	Failing to comply with procurement legislation.	High
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High
Payroll	Failing to ensure that employees are paid correctly.	Medium
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High
	Failing to identify and recover sundry debts due to the Council.	Medium
	Failing to control cash income received.	Medium
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium

Risk:

High	There is a high probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.
Medium	There is a risk, before mitigating controls are applied, of errors being made which would expose the Council to an element of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.
Low	There is a low probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.

Internal Audit Plan 2015/16

Having considered the above issues, and looking to the future when it is anticipated that conjoined three year plans covering Aberdeenshire and Aberdeen City will be produced, it has been determined that audits will be developed in the detailed Internal Audit plan to ensure that periodic assurance is provided over the following areas as detailed.

Various aspects of procurement, payroll, and income collection will be reviewed on an annual basis.

Various aspects of Budget Setting, Monitoring and Management will be covered across all Services on a rolling basis throughout the three year period.

The main financial and business systems of the Council (Financial Ledger, Council Tax System, Business Rates, Receivables, Housing Rents, Payroll, Payables, Housing Benefit, Care First, etc) will each be covered once in the three year period.

Audits will be designed to audit specific key areas across Services or the Council, whilst Service or location oriented audits will also be undertaken to test a range of key areas. In doing so, assurance will be gained as to whether controls in place are operationally effective and efficient, and whether they are being complied with. Whilst undertaking audits, Internal Audit will consider opportunities to improve systems and processes, effect change and achieve value for money.

All audits will feed into an overall evaluation of the Corporate Governance arrangements and compliance.

Appendix B

INTERNAL AUDIT PLAN 2015/16

CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Corporate Policies and Procedures	Corporate Policies and Procedures in Aberdeen City and Aberdeenshire Councils (joint audit)	To undertake a "stock take" of the policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation.	Q1
Risk Registers	Risk Registers	Council-wide review of procedures in place to consider whether risks are identified and adequately managed.	Q1
Recruitment Procedures	Procedures across all Services (excluding Teaching staff)	Consider whether all Services are complying with Policy relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.	Q1
ALEOs	ALEOs	To review the governance arrangements in place between Aberdeen City Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.	Q2
Compliance with Procurement related Legislation and Financial Regulations.	Payments made via Creditors System.	To review payments made via the Creditors System on a six-monthly basis to ensure that a sample of payments in excess of £5,000 (incl VAT) have been made in full compliance with Legislation and Financial Regulations and that, where appropriate, Value for Money has been achieved by challenging management regarding the purchase. This review will also include a review of files of paid invoices to ensure compliance in relation to lower valued payments.	Q2+4
Timesheets / Allowances	Timesheets and Allowance claim forms	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	Q3
Following the Public Pound	Grants	Review arrangements in place to ensure that public funds are awarded against set criteria which complies with the principles of following the public pound requirements.	Q3
Data Protection	Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	Q3

CORPORATE GOVERNANCE

Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Creditors System	Creditors System	Consider whether appropriate control is being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	Q1

Finance

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Budget Setting Process	Council Budget	Review procedures used in setting the Council's budget.	Q1
Council Tax	Council Tax billing, payments and arrears recovery.	Consider whether billing and collection arrangements are robust and adequately applied.	Q2
Bank Reconciliations	Main Council bank accounts	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	Q3
VAT	VAT	Consider whether VAT returns are accurately and timeously prepared and that appropriate reconciliations are completed to ensure accuracy.	Q3
Budget Monitoring	Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Q4
Benefits	Rent Allowances, Rebates and Council Tax Reduction	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Q4

Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Payroll System	Payroll System	Consider whether appropriate control is being exercised over the payroll system, including contingency planning, disaster recovery and interfaces, and that payments made by the system are accurate. To include system data reconciliations.	Q1

EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Recruitment Procedures	Teachers	Consider whether Service is complying with Policy relating to recruitment of teaching staff, and that recruitment is being undertaken in the most efficient manner.	Q2
Academy Visits	Selection of Academies	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Q3
Family and Community Support	Family Centres	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Q3
Teachers Payroll including Supply Teaches	Teachers Payroll including Supply Teachers	Consider whether all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona-fide employees.	Q4
Out of Authority Placements	Out of Authority Placements	Consider whether system used to make placements is robust and that alternatives are considered before decisions are made which commit expenditure.	Q4

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

Housing

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Rent Assessment	Rent Assessment Scheme	Consider whether the scheme is robust and is operating satisfactorily in relation to rent setting.	Q1
Rent Collection	Rent Collection	Consider whether rent collection and arrears processes are robust and are being complied with.	Q1
Building Maintenance	Procurement	Consider whether adequate control is in place regarding procurement of materials.	Q2
Sheltered Housing	Implementation of revised arrangements	To review the implementation of revised arrangements following the January 2013 report on Housing for Varying Needs Review.	Q2

Transportation

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Vehicles	Vehicle and Driver records	Ensure that the procedures put in place to address concerns raised by the Traffic Commissioner have been implemented and are operating in a satisfactory manner. To include random, unannounced visits to check vehicles.	Q3
Crematorium	Crematorium	Ensure that procedures put in place to address concerns raised in 2014/15 have been embedded in the Crematorium and ascertain where assurance over operation will be obtained from in future.	Q3
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Q4

Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Trade Waste	Trade Waste	Consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust.	Q2

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Social Work Tendering	Commissioning Team	Consider whether robust, documented procedures are in place to adequately control tendering and selection processes.	Q1
Self Directed Support	Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	Q3
Integration of Health and Social Care	Health and Social Care Partnership	Internal Audit provision for Health and Social Care Partnership to include consultancy on arrangements being introduced covering risk management, staff and information governance, and provision of assurance to stakeholders.	As Required

PENSION FUND

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Investment Strategy	Investment Strategy	Review of compliance with pension fund investment strategy.	Q2
Investment Management	Investment Management	Review of arrangements in place to monitor the performance of investment managers.	Q4

GENERAL

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Follow up of agreed recommendations.	Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee.	Continuous
Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	Reporting Internal Audit outputs to Audit and Risk Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	Continuous
Commercial and Procurement Services - PACE Projects	PACE Projects (joint allocation of time between Aberdeenshire and Aberdeen City).	To provide consultancy regarding issues arising from proposed projects.	As Required
Shared Services	Shared Services as they arise (joint allocation of time between Aberdeenshire and Aberdeen City).	To provide consultancy regarding issues arising from shared service proposals.	As Required
Contingency	Investigations and additional works.	To undertake investigations and additional works as they arise during the year and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	As Required

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 February 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Charter
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek agreement to amending the Internal Audit Charter from 1 April 2015.

2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Charter for implementation from 1 April 2015.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

4. OTHER IMPLICATIONS

Approval of this report will result in a change to the Council's Internal Audit Charter.

5. BACKGROUND/MAIN ISSUES

5.1 In April 2013, new Public Sector Internal Audit Standards (PSIAS) were introduced for application in the United Kingdom. These replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and are supported by a Local Government Application Note to provide guidance in relation to that sector.

5.2 The Standards are mandatory and require that Internal Audit sections have an Internal Audit Charter which includes specific requirements contained within the Standards. The Standards require that the organisation's Board (for Aberdeen City Council, the

Audit, Risk and Scrutiny Committee) approves the Internal Audit Charter.

5.3 On 24 February 2014, the Audit and Risk Committee agreed an updated Internal Audit Charter for Aberdeen City Council based on proposals from PWC who have been providing Internal Audit Services to the Council. Whilst the Charter is still appropriate, the proposal for a shared Internal Audit Service between Aberdeenshire and Aberdeen City Councils was based on ensuring that, as far as practically possible, Internal Audit operates in the same way in both Councils.

5.4 The proposal considered by the Audit and Risk Committee on 23 September 2014 included the Aberdeenshire Internal Audit Charter along with a proposal that the Charter be submitted to this meeting for approval. The revised Charter will be considered by Aberdeenshire Council's Scrutiny and Audit Committee on 1 April 2015.

5.5 The Internal Audit Charter, which is attached as an appendix to this report, is based on the requirements of the PSIAS and has been updated to refer to the arrangements in both Councils.

6. REPORT AUTHOR DETAILS

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Appendix A

ABERDEENSHIRE AND ABERDEEN CITY COUNCILS INTERNAL AUDIT CHARTER

INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) require that an Internal Audit Charter be in place to detail the purpose, authority and responsibility of Internal Audit. The Charter should also establish Internal Audit's position within the organisation, including the Chief Internal Auditor's functional reporting relationship with the "Board", authorise Internal Audit's access to records, personnel and physical properties relevant to the performance of its activity, and define the scope of such activity.

It is a requirement of PSIAS that the Charter be approved by the "Board". Within Aberdeenshire Council, the Scrutiny and Audit Committee is deemed to be the Board. Within Aberdeen City Council, the Audit, Risk and Scrutiny Committee is deemed to be the Board. Both Committees are herein after referred to as "the Board".

ROLE

Internal Audit's primary role is to provide independent and objective assurance on the Council's entire control environment. This involves a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of the control environment. Reports are produced relating to each audit assignment and summaries of these are provided, as they relate to each Council, to the relevant Policy Committee and the Scrutiny and Audit Committee in Aberdeenshire, and the Audit, Risk and Scrutiny Committee in Aberdeen City Council. Along with other evidence, these reports are used in forming annual opinions on the adequacy of the Councils' control environments.

Internal Audit is also responsible for carrying out ad-hoc investigations into potential irregularities involving cash, stores, equipment or other property of the Council, and for providing advice as and when required in relation to control and compliance issues.

PROFESSIONALISM

Internal Audit will govern itself by adherence to the requirements of the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, has authority, through the Councils' Financial Regulations, to:

(a) Enter at all reasonable times any Council premises or land.
(b) Have access to all records, documents and correspondence relating to any financial and other transactions of the Council.
(c) Require and receive such explanations as are necessary concerning any matter under examination.
(d) Require any employee of the Council to produce cash, stores, equipment or any other Council property under his or her control.

The Chief Internal Auditor has free and unfettered access to the Councils' Chief Executives, and Chair / Convener of the Board. The Chief Internal Auditor has the right to report direct to Council in any instance where he or she deems it inappropriate to report direct to Aberdeenshire Council's Director of Business Services, Chief Executive, or Policy & Resources Committee, or Aberdeen City Council's Director of Corporate Governance, Chief Executive, or Audit, Risk and Scrutiny Committee.

ORGANISATION

The Chief Internal Auditor will report functionally to the Board and administratively (i.e. day to day operations) to the Director of Business Services / Director of Corporate Governance, who is a member of the Councils' Strategic Leadership Teams.

In this context functional reporting means the Board will (in respect of each Council):

(a) Approve the Internal Audit Charter.
(b) Be consulted on and approve the annual Internal Audit Plan.
(c) Receive reports from the Chief Internal Auditor on the results of Internal Audit activity or other matters the Chief Internal Auditor determines necessary.
(d) Make enquiries of management to ensure that Internal Audit is adequately resourced to meet assurance and other key responsibilities.
(e) Make enquiries of management to ensure that Internal Audit is operating in an independent manner and that it is receiving the necessary co-operation from Council management in undertaking its duties.

The Chief Internal Auditor's annual review will be undertaken by the Director of Business Services. The Chief Executives of each Council will be asked to contribute to this and will review the outcome. The Chair / Convener of the Board will be asked to provide input to the review.

INDEPENDENCE AND OBJECTIVITY

In order to satisfy the requirements of the Public Sector Internal Audit Standards, Internal Audit must be independent and objective.

Internal Audit will remain free from interference by any element in the organisation in the matter of audit selection (including scope, procedures, frequency and timing), and content of reports thereon to permit maintenance of a necessary independent and objective mental attitude. This will not prevent Internal Audit from consulting on its work programme or on the outcome of audit assignments.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment. However, Internal Audit may be consulted on the implementation of new systems to ensure that, as far as possible, all considerations are taken into account during their implementation. Such involvement shall not preclude Internal Audit from reviewing that area and reporting thereon.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal Audit staff will complete an annual declaration confirming compliance with rules on independence, any conflicts of interest, and the offer and / or acceptance of inducements. Where Internal Audit staff have had operational responsibility for any activity whilst working in a previous or seconded role, they will not be involved in the audit of that area for at least one year following the end of any such responsibility.

The Chief Internal Auditor will confirm to the Board, at least annually, the organisational independence of the Internal Audit function.

RESPONSIBILITY

It shall be the responsibility of Internal Audit to complete sufficient assurance work to support the annual opinion detailed in its Internal Financial Control Statement. All work shall be undertaken in accordance with the requirements of the Public Sector Internal Audit Standards. All Internal Audit staff will complete an annual declaration confirming that they have read and understood these requirements.

It shall be the responsibility of Council management to ensure that adequate and appropriate systems of internal control are in operation which help ensure that the Council's objectives are fulfilled in a manner which complies with the Council's policies and procedures and in accordance with the law. Council

management will ensure that access is provided to records, personnel and assets of the Council as required by Internal Audit, and that responses are provided to Internal Audit as required by the Council's Financial Regulations.

The CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* states that the chief financial officer (Head of Finance) must:

(a) ensure an effective internal audit function is resourced and maintained
(b) ensure that the authority has put in place effective arrangements for internal audit of the control environment
(c) support the authority's internal audit arrangements, and
(d) ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

Aberdeenshire Council's Financial Regulations require that whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, equipment or other property of the Council or any suspected irregularity in the exercise of the functions of the authority, the Director concerned shall immediately notify the Chief Executive, the Head of Finance, Head of Human Resources and Organisational Development and the Chief Internal Auditor, as appropriate, who shall take such steps as may be considered necessary by way of investigation and report. Similar arrangements are detailed in Aberdeenshire Council's Disclosure of Information (Whistleblowing) Policy and Strategy for the Prevention and Detection of Fraud, Bribery and Corruption. Aberdeen City Council's Financial Regulations require that the Head of Finance and Head of ICT and Transformation be advised of any suspected irregularity affecting the finances, property, services or policy of the Council and that the Head of ICT and Transformation investigate such matters as appropriate.

Internal Audit will consider the outcome of such investigations in its future work programme and in forming its opinion on the control environment of the Council.

INTERNAL AUDIT PLAN

On an annual basis, the Chief Internal Auditor will submit to the Councils' Management Teams (in terms of PSIAS "senior management") and Boards an Internal Audit plan for review and comment. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the period covered by the plan.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from the Councils' Management Teams and Boards. Any significant deviation from the Internal Audit plan will be communicated to the Councils' Management Teams and Boards through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each audit and this shall be distributed as appropriate. Internal Audit results will be reported to the relevant Policy Committee (in Aberdeenshire) and the Board.

The Internal Audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit will monitor action taken by management to implement agreed recommendations and will provide this information to Policy Committees (in Aberdeenshire) and the Board.

PERIODIC ASSESSMENT

The Chief Internal Auditor will periodically report to the Councils' Management Teams and Boards on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Councils' Management Teams and Boards.

In addition, the Chief Internal Auditor will communicate to the Councils' Management Teams and Boards on Internal Audit's quality assurance and improvement program, including results of ongoing internal assessments and external assessments which must be conducted at least every five years.

Approved by the Board on …

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Aberdeen City Council

Internal Audit Performance

(October 2014 - February 2015)

Audit and Risk Committee

26 February 2015

Contents

Section 1 – Introduction

Background

1.01 The assurance you receive through the internal audit programme is a key component of your overall governance framework, which is ultimately reflected in the Statement on Corporate Governance presented in the annual financial statements. The purpose of this internal audit progress paper is to highlight the progress against the 2014/15 Internal Audit Plans since the previous Audit, Risk and Scrutiny Committee (November 2014).

Internal audit reviews for 2014/15

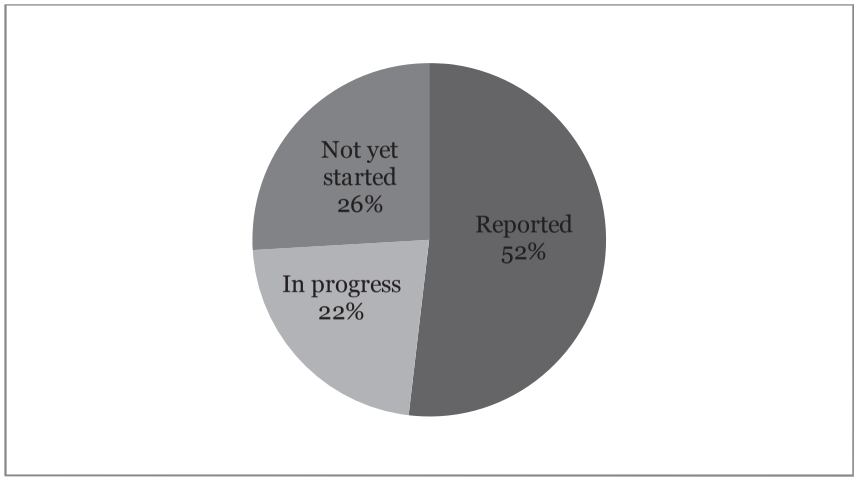
1.02 Since the last Audit and Risk Committee meeting we have finalised the following 8 reviews and agreed detailed action plans with management to address the recommendations made:

- IT Asset Management (Corporate Governance);
- Aberdeen International Youth Festival – Following the Public Pound (Corporate Governance);
- ALEO Tier 2 Review (Corporate Governance);
- CareFirst: Budgetary Control and Forecasting (Social Care and Wellbeing);
- Service Reviews – Adult and Older People (Social Care and Wellbeing);
- IT Disaster Recovery (Corporate Governance);
- Continuous Controls – Phase 1 (Corporate Governance); and
- Follow up (Cross Cutting).

These reports are included on the Audit and Risk Committee agenda in their entirety.

1.03 Where necessary the reports have been redacted. Internal Audit will present the Executive Summary for each report in accordance with usual practice, but will take questions on the detailed report and action plan as necessary.

Overall 2014/15 internal audit progress status – February 2015



1.04 Within the 2014/15 plan there was a review scheduled to assess value for money in Music Services. Due to the resignation of the head of the Music Service in late 2014, it was determined that this review would be replaced by a separate review of Section 75 Planning. This change to the audit plan has been agreed with the Convener and Vice-Convener of the Committee and relevant Council Officers. The review of Section 75 Planning is currently in progress and a report will be presented to the April 2015 Audit, Risk and Scrutiny Committee.

1.05 On a consideration of risk, it is recommended that the proposed review on "New School Builds" be replaced in the Annual Plan with a review of governance arrangements for "Fleet Management". Education and Children's Services are contributing to an ongoing review on "Corporate Landlord Responsibilities" which is considering repairs, maintenance and capital investment. Should this review identify a need for further work in relation to New School Builds this can be reconsidered.

Performance against KPIs

1.06 Incorporated in our Internal Audit Charter are a range of KPIs against which the performance of PwC and client staff (Council Officers) involved in the reviews can be measured. The performance against these targets for the 8 completed reviews presented to this Audit and Risk Committee is as follows:

KPI	Target	Actual
Terms or reference agreed 4 weeks prior to fieldwork	95%	63%
Planned fieldwork start date	95%	100%
Fieldwork completion date	95%	75%
Issuing draft reports for management comments (2 weeks after fieldwork complete and a close out meeting held)	95%	75%
Receiving management comments (2 weeks after issuing draft report)	95%	25%
Issuing finalised reports (within 1 week of receiving final management response)	95%	100%
Final reports presented to the Audit and Risk Committee in accordance with pre-agreed timetable	100%	86%

1.06 Target dates for each review are included on the front cover of the individual reports presented to the Committee, including supporting narrative to explain why certain KPIs have not been achieved.

Section 2 – Summary of progress against the 2014/15 plan

2.01 The following table details the progress that has been made against the 2014/15 plan, as well as highlighting any reviews that have been postponed or replaced, which have previously been discussed at Committee.

Audit Title	Proposed timing	Terms of reference agreed	Draft Report Issued	Management Response Received	Report Finalised	Report to Audit and Risk Committee
Financial						
Continuous Controls – Financial Control Programme (first six months)	Q3	✓	✓	✓	✓	Feb-15
Continuous Controls – Financial Control Programme (last six months)	Q4					Jun-15
Car Parking	Q1	✓	✓			Sep-14
Parent Council Funds	Q2	✓	✓	✓	✓	Sep-14
Pension fund financial controls	Q4	✓				Apr-15
Compliance						
IT Disaster Recovery	Q3	✓	✓	✓	✓	Feb-15
Security Review	Q2	✓	✓	✓	✓	Sep-14
IT Asset management	Q3	✓	✓	✓	✓	Feb-15
Compliance with the Public Records (Scotland) Act – Phase 1	Q2	✓	✓	✓	✓	Nov-14
Compliance with the Public Records (Scotland) Act – Phase 2	Q4	✓				Jun-15
Management Information	Q3					Apr-15

Audit Title	Proposed timing	Terms of reference agreed	Draft Report Issued	Management Response Received	Report Finalised	Report to Audit and Risk Committee
Procurement Governance						
Procurement in Construction	Q2	✓				Apr-15
Procurement controls out with PECOS	Q2	✓	✓	✓	✓	Nov-14
Governance of Assets						
New Schools Programme	Q2	N/A	N/A	N/A	N/A	N/A
Corporate Landlord responsibilities (Asset Management)	Q4	✓				Apr-15
Flooding and Coastal Risk Management	Q1	✓	✓	✓	✓	Sep-14
Corporate Governance						
Policy and Procedure Development	Q3	✓				Apr-15
ALEO review	Q3	✓	✓	✓	✓	Feb-15
Controls Assurance Mapping	Q2	✓	✓			Apr-14
Complaints Handling Process	Q1	✓	✓	✓	✓	Sep-14
Operational						
Compliance with laws and regulations	Q2	✓	✓	✓	✓	Sep-14
Library Services	Q4					Jun-15
Fraud governance within housing and environment	Q2	✓	✓	✓	✓	Nov-14
Service reviews	Q2	✓	✓	✓	✓	Feb-15
Roads	Q4					Apr-15
Care First budgetary control and forecasting	Q3	✓	✓	✓	✓	Feb-15
Section 75 Planning	Q4	✓				Apr-15

Audit Title	Proposed timing	Terms of reference agreed	Draft Report Issued	Management Response Received	Report Finalised	Report to Audit and Risk Committee
Value for Money						
Music Services	Q3	N/A	N/A	N/A	N/A	N/A
Transport contracts within Education and Social Work	Q2	✓	✓	✓	✓	Nov-14
Other						
Follow up	Q1	NA	✓	✓	✓	Jun-14
Follow up	Q2	NA	✓	✓	✓	Sep-14
Follow up	Q3	NA	✓	✓	✓	Nov-14
Follow up	Q4	NA	✓	✓	✓	Feb-14
Internal Audit Reviews from 2013/14						
Self-Directed Support	NA	✓	✓	✓	✓	Sep-14
Devolved School Management	NA	✓	✓	✓	✓	Nov-14

Aberdeen City Council

Annual Audit Plan 2014/15

Prepared for Aberdeen City Council

February 2015

Contents

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Aberdeen City Council's financial statements.

2. This report summarises the key challenges and risks facing Aberdeen City Council and sets out the audit work that we propose to undertake in 2014/15. Our plan reflects:
    - the risks and priorities facing Aberdeen City Council
    - current national risks that are relevant to local circumstances
    - the impact of changing international auditing and accounting standards
    - our responsibilities under the Code of Audit Practice as approved by the Accounts Commission for Scotland
    - issues brought forward from previous audit reports.

3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. In 2013/14, Aberdeen City Council prepared 4 sets of financial statements in respect of its charitable trusts which disclosed total assets of around £10 million. Accordingly, we will perform the audit of the council's charitable trusts in parallel with the audit of the council's financial statements.

Summary of planned audit activity

4. Our planned work in 2014/15 includes:
    - an audit of the financial statements and provision of an opinion on whether:
        - they give a true and fair view of the state of affairs of Aberdeen City Council and its group as at 31 March 2015 and its income and expenditure for the year then ended
        - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
    - an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee

- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year
- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including: internal controls; the adequacy of internal audit; Statutory Performance Indicators; and a review of the ICT environment
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results.

Responsibilities

5. The audit of the financial statements does not relieve management or the Audit, Risk and Scrutiny Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

6. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

7. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Head of Finance

8. It is the responsibility of the Head of Finance, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:

- maintaining proper accounting records
- preparing financial statements which give a true and fair view of the state of affairs of Aberdeen City Council and its group as at 31 March 2015 and its expenditure and income for the year then ended.

Format of the accounts

9. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. Aberdeen City Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation, common accounting principles and standard formats should be used.

Audit Approach

Our approach

10. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Aberdeen City Council and its group. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
    - understanding the business of Aberdeen City Council and its group and the risk exposure which could impact on the financial statements
    - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
    - identifying major transaction streams, balances and areas of estimation and understanding how Aberdeen City Council will include these in the financial statements
    - assessing and addressing the risk of material misstatement in the financial statements
    - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

11. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2014/15 includes:
    - comprehensive closedown procedures for the financial statements setting out clear responsibilities for preparation and accompanied by a timetable issued to all relevant staff
    - delivery of unaudited financial statements with a comprehensive working papers package to be made available to audit over a phased period in accordance with an agreed timetable
    - completion of the internal audit programme for 2014/15
    - a letter of management representation for key areas of the financial statements
    - representations from the auditors of the council's subsidiaries within the group boundary.

12. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit is provided by PricewaterhouseCoopers. We seek to rely on the work of internal audit wherever possible and, as part of our planning

process, we carried out an early assessment of the internal audit function and concluded that we could place reliance on their work. Overall, we concluded that the internal audit service operates in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enables us to take assurance from their documentation and reporting procedures.

13. We plan to place formal reliance on internal audit's Continuous Financial Controls activity to support our audit opinion on the financial statements. This work reviews key financial control systems, for example, payroll, accounts payable, accounts receivable, treasury management, council tax and non-domestic rates.

14. In respect of our wider governance and performance audit work we also plan to review the findings of internal audit work around arm's-length bodies.

Group arrangements

15. Our responsibilities and approach set out earlier cover both our audit of the council and its group. In order to give an opinion on the group accounts, we need an understanding of the nature of the council's subsidiaries and associates and their relationships including any significant changes during the year, group wide controls including the work of internal audit and the consolidation process.

16. International Standard on Auditing 600 (ISA600): using the work of another auditor focuses on the group engagement lead providing direction to component auditors to ensure that sources of assurance are agreed as part of the planning process. In reaching our opinion on the group accounts, we consider, review and evaluate as required the work of the auditors of the council's subsidiaries and associates within the group boundary and seek representations from them on a range of matters covering professional competence, conduct, and audit opinion. We also review the audited accounts for each of the entities in the group.

17. Having considered the effect of component auditors' reports, along with any unadjusted misstatements and events after the financial reporting period, we should have sufficient assurances to conclude on whether the entities' accounts, policies and disclosures have been appropriately consolidated in the group accounts.

Materiality

18. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

19. Based on our knowledge and understanding of Aberdeen City Council we have set our planning materiality at 1% of gross expenditure. For 2014/15 planning materiality is £7.566 million.

20. We set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements
- extent of audit testing coverage.

21. For 2014/15 performance materiality has been set at £3.778 million. We will report to those charged with governance all misstatements greater than £100,000. In line with auditing standards, amounts below this level are considered 'clearly trivial' and need not be reported.

22. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context. Such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

Exhibit 1: Materiality levels

	Materiality £	Performance Materiality £	Clearly Trivial £
Council	7,566,000	3,778,000	100,000
Group	7,066,000	3,533,000	100,000
Lands of Skene	323 (SFA) 40,000 (BS)	162 (SFA) 20,000 (BS)	10 (SFA) 1,000 (BS)
Lands of Torry	1,274 (SFA) 20,000 (BS)	637 (SFA) 10,000 (BS)	30 (SFA) 500 (BS)
Education Endowments	6 (SFA) 1,676 (BS)	3 (SFA) 838 (BS)	1 (SFA) 50 (BS)
Charitable Trusts	208 (SFA) 25,348 (BS)	104 (SFA) 12,674 (BS)	8 (SFA) 100 (BS)

23. We set different levels of materiality for the council's annual accounts, those of the council's group and those of the individual charities. For the charities, different levels of materiality have been set for the Statement of Financial Activities (SFA) and Balance Sheet (BS) due to the disparity in values between the two. The levels of materiality, performance materiality and 'clearly trivial' are included in Exhibit 1.

Reporting arrangements

24. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The Audit, Risk and Scrutiny Committee is required to consider the unaudited annual accounts at a meeting by 31 August.

25. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.

26. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.

27. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.

28. Exhibit 2 highlights the key dates for the Audit, Risk and Scrutiny Committee taking account of submission requirements.

Exhibit 2: Annual Accounts audit timetable – key dates

Key stage	Date
Planned approval of unaudited annual accounts by Audit, Risk and Scrutiny Committee	25 June 2015
Planned approval of audited annual accounts for signature by Audit, Risk and Scrutiny Committee	24 September 2015
Independent auditor's report signed	By 30 September 2015

29. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. A copy of all final agreed reports will be sent to the Chief Executive, Acting Director of Corporate Governance, Head of Finance, Internal Audit and Audit Scotland's Performance Audit and Best Value Group.

30. We will provide an independent auditor's report to Aberdeen City Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with

applicable statutory requirements. As part of streamlining our audit approach, this year the Annual Audit Report will be combined with the ISA 260 report. As a result, the Annual Audit Report will be issued by 30 September which is one month earlier than previous years.

31. All annual audit reports produced are published on Audit Scotland's website www.audit-scotland.gov.uk

32. Planned outputs for 2014/15 are summarised at Appendix 1.

Quality control

33. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

34. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Stephen Boyle.

Independence and objectivity

35. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

36. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Aberdeen City Council.

Audit issues and risks

Audit issues and risks

37. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main financial statements risk areas for Aberdeen City Council.

Annual Accounts Opinion Risks

38. **Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations):** As set out in paragraphs 24 to 27, the 2014 regulations introduced a number of key changes with regard to the processes for approval and publication of both the unaudited and audited annual accounts.

39. In order to meet these certification dates for the annual accounts and the planned earlier publication of the Annual Audit Report, we held discussions with the Head of Finance and his team to review our respective ways of working in order to implement a smarter approach for the preparation and audit of the council's financial statements and the charities' accounts. This will require a change in working practices for both the finance and audit teams but should enable us to collectively deliver the audited accounts to meet the required timescales.

40. The 2014 regulations require a management commentary to be included in the financial statements for the first time. This requires greater disclosures than have been included to date as part of the explanatory foreword, for example, more information on principal risks and uncertainties, main trends and factors affecting future development and performance and social, community and human rights issues.

41. **Fraud Risk**: We have identified that some areas of the council's financial statements have an element of fraud risk attached, for example:

- **Income**: Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. While Aberdeen City Council receives a significant amount of funding from the Scottish Government, there are also a range of other sources including Council Tax, Non Domestic rates and charges for services. The extent/complexity of income means there is an inherent risk that income could be materially misstated. The ISA requires auditors to evaluate which types of revenue transactions give rise to such risks. We will therefore design and perform audit procedures to address these matters.

- **Management override of controls**: ISA 240 requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively. We will therefore design and perform audit procedures which are responsive to the risks identified in respect of Aberdeen City Council.

42. **New group accounts standards:** The Code of practice on local authority accounting in the United Kingdom 2014/15 (the Code) requires authorities to prepare group financial statements in accordance with relevant accounting standards. From 2014/15, the group accounting standards are IFRS 10 Consolidated financial statements, (as adapted by Code paragraph 9.1.1.3), IFRS 11 Joint arrangements, IFRS 12 Disclosure of interests in other entities, and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011). The council is required to consider the implications of the new standards and we will review the group accounts to ensure the requirements have been applied accordingly.

43. **Capital Investment**: Through its Strategic Infrastructure Plan (SIP), the council is taking forward a number of significant developments. Several projects have complex funding arrangements, involving different models of working with external partners and agencies and consequently, these projects are quite different in nature to traditional projects historically funded by borrowing. Robust governance and performance monitoring arrangements will be required to provide elected members with the necessary assurances on progress. In addition, an ongoing awareness of developments in significant projects is required as part of our wider understanding of the business of the council and this assists in our anticipation of the accounting implications that need to be considered to ensure the required disclosures have been included in the financial statements.

44. Examples of projects relevant to the 2014/15 audit are:

- **Aberdeen Western Peripheral Route (AWPR):** Funding for AWPR has been the subject of a tripartite Memorandum of Understanding (MoU) between the Scottish Ministers, Aberdeen City Council and Aberdeenshire Council signed on 30 October 2003 and subsequently varied in April 2007 and April 2013 to reflect changes to the project. The MoU confirmed that the level of funding contributions from the two partner local authorities would be restricted at the lower of either a maximum of £75m or 9.5% each. The approved 2014/15 - 2018/19 non-housing capital plan includes expenditure of £57 million over the 5 year period. This is a significant project which partners will wish to monitor to ensure expenditure is contained within agreed spending plans.

- **Hydrogen buses:** The council has worked in partnership to secure a range of funding streams to enable a fleet of hydrogen buses to be acquired by the city. The fleet will belong to the council and will form part of the property, plant and equipment on the council's balance sheet.
- **Marischal Square**: In 2013, Muse Developments was selected as the council's strategic partner for this development. Arrangements are developing and any impact on the council's 2014/15 financial statements needs to be considered.

45. **Holiday pay:** A recent ruling by the European Court of Justice reached the opinion that the calculation of holiday pay could be based on variable payments in addition to basic pay, for example contractual overtime or bonus payments. In addition, it may be possible for employees to make retrospective claims and for former employees to make claims. The council has estimated that the impact of the decision on its current employees is around £500,000 while it continues to consider the position in respect of retrospective claims and former employees. We will assess the council's response to this legal opinion including the adequacy of any provision included in the financial statements.

46. **Highways assets:** These are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. We will monitor the council's progress in planning ahead to allow full compliance with the Code.

Wider Dimension Risks

47. **Financial Pressures:** The 2014/15 revenue budget was approved by the council in February 2014. The 5 year indicative budget at that time predicted a cumulative shortfall at 2018/19 of £35 million. The draft revenue budget for 2015/16, presented to the Finance, Policy and Resources Committee in December 2014 highlighted a growing funding gap in the 5 year budget, with the cumulative shortfall increasing to £52 million, largely as a result of uncertainty in the expected level of Revenue Grant and increased cost pressures. There is a risk that expenditure is not contained within available resources and that the necessary efficiencies are not secured to meet the estimated shortfall.

48. The ICT function is currently being restructured as part of the ICT Improvement Plan under the responsibility of a new post of Head of Information Technology and Transformation. The council's external contract for hosting servers is due to end in

around 6 months. Options for future delivery of many ICT services such as a shared service desk and data centre are currently being developed. We will review ICT arrangements as part of our routine work in reviewing the council's transformation plans.

49. **Performance and scrutiny of the council's Arm's-Length External Organisations (ALEOs):** The introduction of a series of governance hubs was agreed in 2014 which would establish a group of officers within each relevant service to consider performance information in respect of the council's group companies and ALEOs. It was agreed that the new governance hubs would report to the Audit, Risk and Scrutiny Committee on a regular basis. In addition, a sub-committee to the Audit, Risk and Scrutiny Committee, to be known as the Shareholder Scrutiny Group (SSG), was established to review the performance of the local authority trading company, Bon Accord Care. This met for the first time in November 2014.

50. Aberdeen has a significant group structure and as part of our opinion work for the group accounts, we will review and assess progress in implementing the new governance arrangements.

51. **Restructuring: I**n summer 2014 the council implemented a revised committee structure and a new management structure. An organisational review implemented a '3+1' senior management model where the 'plus one' is a joint role with NHS Grampian to take forward the health and social care integration agenda. The committee structure was also reviewed to provide better alignment with the organisational structure which reduced the number of service committees from 5 to 3 plus the integration shadow board. Both directors and committees have assumed greater responsibilities and remits which will require to be kept under review to ensure that structures are operating effectively.

52. **Health and Social Care Integration:** The Public Bodies (Joint Working) (Scotland) Act 2014 provides the framework for the integration of health and social care services in Scotland. The council and NHS Grampian agreed on a body corporate/ integrated joint board model for Aberdeen. The restructure of the council's management team includes a chief officer who is jointly accountable to both the council and NHS Grampian for the health and social care integration agenda. This post was filled in August 2014 and the incumbent took office in October 2014.

53. A Transitional Leadership Group was approved in November 2013 to oversee integration in Aberdeen. This became a Shadow Joint Board from January 2015 and by April 2016, an integration Joint Board will be in place.

54. Aberdeen City Council and NHS Grampian need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans. We will monitor progress with this agenda throughout the year.

55. **Shared Section 95 Officer Arrangements**: In December 2014, the council entered into a trial shared service arrangement with Shetland Islands Council for the delivery of the remit of the Chief Financial Officer – commonly referred to as the Section 95 Officer. This arrangement will initially be for 12 months, with a review to be undertaken after 6 months. The council regard this initiative as both an opportunity and a challenge. In response, the council are increasing the number of accountants within the team and are also amending the roles and responsibilities of the senior posts within the team to ensure there is strengthened leadership and capacity. While we have shared our concerns around capacity with the Head of Finance, we also recognise that steps have been taken to build the capability of the team. We will consider the outcome of the six month review as part of the assurances we collate in forming our governance opinion for the year.

56. **Performance Reporting:** In March 2014, the Corporate Management Team adopted a performance dashboard to consider the council's performance. More recently, the Finance, Policy and Resources Committee has received a similar tool for reviewing the Corporate Governance Service indicators and has sought further refinement. It is intended that the use of dashboards will be rolled out across the council in due course. In the spirit of transparency and proper accountability, links to the dashboards should also be made available on the council's website to afford the public easy access to the most up to date information on the performance of the various services of the council. We will review the council's use of performance information as part of our review of the arrangements for Statutory Performance Indicators.

Summary assurance plan

57. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix 2. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix 2. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Fees and resources

Audit fee

58. Over the past four years, on a national basis, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. The overall fee strategy for 2013 largely held indicative fees at the same level as the previous year. For 2014, there has been an increase of 1%.

59. In determining the audit fee we have taken account of the risk exposure of Aberdeen City Council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. In setting the fee, we have agreed an approach for earlier access to certain working papers and receipt of the complete set of working papers to support the unaudited financial statements on a phased basis up to 30 June 2015.

60. The agreed audit fee for 2014/15 audit of Aberdeen City Council and the trust funds is £416,000 (2013/14 £410,400) which represents an increase of 1.36% on the previous year. Our fee covers:

    - the costs of planning, delivering and reporting the annual audit including auditors' attendance at committees
    - your organisation's allocation of the cost of national performance audits and statutory reports by the Accounts Commission
    - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

61. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

62. Stephen Boyle, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Anne MacDonald who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 3. The core team will call on other specialist and support staff as necessary.

Exhibit 3: Audit team

Name	Experience
Stephen Boyle BAcc CPFA, Assistant Director	Stephen has 18 years' experience of public sector finance. He trained as an accountant with a Big 4 firm, before joining Audit Scotland in 2002. He later worked as Head of Finance and Corporate Services for Cube Housing Association, before spending three years with Glasgow Housing Association as Assistant Director of Finance. He re-joined Audit Scotland in June 2013.
Anne MacDonald CA, Senior Audit Manager	Anne has many years public sector experience mainly in local government financial audit.
Mark Johnstone CPFA, Senior Auditor	Mark has a significant number of years of public sector audit experience with Audit Scotland, across the local government, central government, health and further education sectors.
Edward Stansfeld, Senior ICT Auditor	Edward trained as an auditor in private practice in the early 90s, and then worked in industry for five years. He joined Audit Scotland in 2001 as an IT audit specialist. Edward contributes to the international ISM3 information security standard which provides a process-based view of ISO27001/BS7799.
Deirdre Sim, Auditor	Deirdre has 18 years public sector audit experience in a wide range of clients in the local government and health sectors.
Steven Caldwell, Professional Trainee	Steven joined Audit Scotland's graduate training programme in October 2013 and is currently working towards his ICAS qualification.
Bryan Gillingham, Professional Trainee	Bryan joined Audit Scotland's graduate training programme in October 2014 and is currently working towards his ICAS qualification.

Appendix 1: Planned audit outputs

Planned outputs	Target date for consideration by Audit, Risk and Scrutiny Committee	Submission date for returns to Audit Scotland / Scottish Government
Governance		
Local Scrutiny Plan 2015/16	30 April 2015	N/A
Governance management letter	25 June 2015	N/A
Performance Audit		
National Fraud Initiative – Data Return	N/A	June 2015
Overview Report – Data Return	N/A	Early October 2015
Financial statements		
Report to Audit, Risk and Scrutiny Committee – Communication of audit matters to those charged with governance (Combined ISA260 and the Annual Report to elected members and the controller of audit on the 2014/15 audit	24 September 2015	N/A
Independent auditor's report on the financial statements	N/A	By 30 September 2015
Audit opinion on charitable trusts	N/A	By 30 September 2015

Planned outputs	Target date for consideration by Audit, Risk and Scrutiny Committee	Submission date for returns to Audit Scotland / Scottish Government
Audit opinion on Whole of Government Accounts	N/A	Early October 2015
Grants		
Education Maintenance Allowance	N/A	31 July 2015
Criminal Justice Services Returns	N/A	30 September 2015
Housing Benefit Subsidy	N/A	30 November 2015
Non Domestic Rates Income return	N/A	January 2016

Appendix 2: Significant audit risks

We undertake a risk-based audit whereby we focus on those areas where we have identified a risk of material misstatement in the accounts. This section shows how our audit approach focuses on the risks we have identified through our planning procedures. ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment* defines a significant risk as "an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration."

In this section we identify a range of risks facing Aberdeen City Council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of Aberdeen City Council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Audit Risk	Source of assurance	Assurance procedure
Annual Accounts opinion risk		
Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations) The 2014 regulations introduce a number of key changes with regard to the processes for approval and publication of both the unaudited and audited annual accounts. There is a risk that the new requirements are not met.	• Annual Accounts Action Plan prepared taking all key dates into account • Early planning meeting held with Head of Finance and his team to agree an approach to enable an earlier conclusion to the audit to ensure the audited accounts meet the timetable for the Audit, Risk and Scrutiny Committee.	• Regular contact with finance department • Agreed timetable for delivery of draft annual accounts • Agreed early annual accounts audit work to be carried out in April and May.

Audit Risk	Source of assurance	Assurance procedure
Income recognition Aberdeen City Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.	• Internal Audit continuous controls review which assists in providing an opinion on the governance arrangements • There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations • The council has a fraud policy in place.	• Detailed substantive testing of revenue transactions • Assurances from the work carried out by internal audit.
Management override of controls As stated in ISA240, management in all entities is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	• Internal Audit continuous controls review which assist in providing an opinion on the governance arrangements • There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations.	• Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business.
Group Accounting Standards The Code of practice on local authority accounting in the United Kingdom 2014/15 (the Code) requires authorities to prepare group financial statements in accordance with relevant accounting standards. These have been updated for 2014/15. There is a risk that group relationships and transactions included in the financial statements do not comply with accounting standards.	• Annual review of relationships with external bodies by the Accounting team in conjunction with Heads of Service to ensure that entities falling within the council's group boundary have been identified.	• Regular contact with finance department • Early review to identify and confirm the impact on group accounts.

Audit Risk	Source of assurance	Assurance procedure
Capital investment Through its Strategic Infrastructure Plan (SIP), the council is taking forward a number of significant developments. Several projects have complex funding arrangements, involve different models of working with external partners and agencies and consequently, there are potential technical accounting issues to resolve. There is a risk that significant transactions are not treated correctly in the financial statements leading to a potential misstatement in the results.	• Dedicated project manager responsible for delivery of the SIP • Continued oversight of the Corporate Asset Group in the management of capital projects • Designated specialists to consider capital accounting and balance sheet during year and through year-end closure.	• Watching brief on significant projects including review of associated documentation and discussion with officers.
Holiday pay A recent legal ruling reached the opinion that the calculation of holiday pay could be based on variable payments in addition to basic bay and that employees and former employees may be able to make retrospective claims. There is a risk that provisions included in the financial statements do not meet the criteria set out in accounting standards.	• Report to Finance, Policy and Resources Committee setting out the action undertaken by the council in relation to current practices and the ongoing work in assessing the potential for retrospective claims.	• Consider the robustness of the action to date and adequacy of any provision included in the financial statements.

Audit Risk	Source of assurance	Assurance procedure
Highway assets The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis from 1 April 2016. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. There is a risk that the new valuations will not be available when required.	• Ongoing discussions between finance and infrastructure officers to gather the necessary information.	• Monitor the council's progress in planning ahead to allow full compliance with the Code.
Wider responsibility risks		
Financial Pressures The draft revenue budget for 2015/16, presented to the Finance, Policy and Resources Committee in December 2015 highlighted an increased funding gap with the cumulative shortfall increasing from £35 million to £52 million. There is a risk that savings targets will not be met impacting on services and delivery of strategic aims.	• Regular meetings of Finance and HR Business Partners with Directors and Heads of Service to discuss all aspects of the council's business • Revisiting options identified but not progressed as part of the priority based budgeting exercise • Head of Service challenge process • New Head of Service post for IT and Transformation.	• Ongoing monitoring of financial plans, assumptions and estimates.

Audit Risk	Source of assurance	Assurance procedure
Performance and scrutiny of ALEOs There is a growing level of services provided by ALEOs. While this provides greater flexibility in the delivery of services, there is a risk that the council cannot demonstrate that the council's objectives are being met or that resources are being used effectively.	• A series of officer led governance hubs have been developed in respect of the council's group companies and ALEOs which will report to the Audit, Risk and Scrutiny Committee. Once implemented and embedded, these arrangements should provide robust scrutiny of the governance and performance of ALEOs against the council's objectives • A Shareholder Scrutiny Group was formed and met for the first time in November 2014 as a sub committee of the Audit, Risk and Scrutiny Committee with the remit of scrutinising the performance of Bon Accord Care • Group finance directors met together for the first time in February 2015. It is intended that this forum will continue at least annually.	• Monitoring of the new arrangements as they become embedded.

Audit Risk	Source of assurance	Assurance procedure
Restructuring Roles and responsibilities of directors and the remits of council committees have been widened as part of the recent organisational restructure. The mechanisms put in place to support these wider roles and responsibilities will take time to become embedded increasing the risk that some important performance issues may go unnoticed in the interim.	• Revised Heads of Service roles and remits • Additional Depute Convenors were appropriate • Cross service involvement, for example, in monitoring the Strategic Infrastructure Plan and with strengthened links to the corporate management team • Strengthened scrutiny arrangements	• Monitoring of the new arrangements as they become embedded.
Health and Social Care Integration Although arrangements for Health and Social Care integration are currently on track, Aberdeen City Council and NHS Grampian need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans.	• Work is underway to develop an integration scheme and the strategic plan for the joint board • A Resource Group involving council and NHS finance staff representation have provided detailed coverage of financial budgets.	• Monitor progress of the new arrangements as they are developed.

Audit Risk	Source of assurance	Assurance procedure
Shared Section 95 Officer Arrangements In December 2014, the council entered into a trial shared service arrangement with Shetland Islands Council for the delivery of the remit of the Chief Financial Officer – commonly referred to as the Section 95 Officer. There is a capacity risk that the demands on officers to provide the shared service will impact on the service provided in Aberdeen.	• Restructure of Finance Department including recruitment of additional resource to build capacity • Access to resource available through PWC • Formal six month review of pilot exercise to be carried out.	• Ongoing monitoring of the development of the service in Aberdeen.
Performance Reporting It is intended that the use of performance dashboards will be rolled out across the councils committees in due course. In the spirit of transparency and proper accountability, links to the dashboards should also be made available on the council's website. In the absence of effective information, there is a risk that priorities are not being progressed as poor performance may not be promptly identified and therefore corrective action cannot be taken timeously.	• Development of performance management processes • Corporate Management Team dashboard • SIP dashboard.	• Monitoring of the new arrangements as they are developed.

NOT FOR PUBLICATION

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 February 2015
DIRECTOR	Ewan Sutherland, Director of Corporate Governance (Acting)
TITLE OF REPORT	Health and Safety Assurance Plan 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to propose a holistic structured compliance assurance system to test the effectiveness of organisations health and safety arrangements and to seek approval of the attached Health and Safety Assurance plan for 2015/16.

2. RECOMMENDATION

It is recommended that the Committee:

a. Adopt the proposed holistic structured compliance assurance system;
b. Approve the attached Health and Safety Assurance Work Plan for 2015/16;

3. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

4. BACKGROUND/MAIN ISSUES

4.1 The Corporate Health and Safety Committee reports to the Audit, Risk and Scrutiny Committee the remit of is to ensure the Council

meets its legal obligations through the development and approval of the Council's Health and Safety policy, including its annual review and implementation. This includes the governance arrangements for the monitoring of health and safety legal compliance, risk management and internal control arrangements. It is critical to identify, assess and provide adequate control of occupational health and safety risks arising from our work activities, ensuring risks are dealt with sensibly, responsibly and proportionately to eliminate or minimise risks.

The purpose of testing the organisations health and safety arrangements is to:

- check the robustness and effectiveness of the arrangements in place;
- establish level of compliance with legislation;
- provide assurance to senior management informing them of good practice and identified areas of improvement; and
- hold those accountable for non-compliance and not undertaking identified actions.

4.2 Assurance or governance arrangements will be tested via the following:

	Internal	External
Independent	• Health, Safety and Wellbeing Team - Audits; - Compliance monitoring; - Physical verification; - Fire Risk Assessments; and - Incident investigation. • Legislation compliance, process / procedural and qualitative based checks • Planned and unannounced site visits.	• Enforcing authorities – Health and Safety Executive, Scotland Fire and Rescue • Legislation compliance • Planned and unannounced site visits.
		• Internal Audit – Audits (process / procedural / quantative based checks)
Service	• Management assurance via Workplace Inspections. • Incident investigations.	

	• Shop floor visits.	

4.3 A similar assurance planning approach to Internal Audit will be adopted by the Health, Safety and Wellbeing Team with the development of a Health and Safety Assurance Annual Work Plan in conjunction with Directorates/Services. This will be based on the Strategic Operational Risk Register. The draft Internal Audit Work Plan does not focus on health and safety. This new approach will provide an independent layer of assurance by the specialist corporate Health, Safety and Wellbeing Team. This is an additional of assurance over the existing layer of management assurance.

4.4 Focus is on a proactive approach in identifying improvement areas rather than reactive triggers. The scope has been influenced by incident investigation, corporate projects, regulatory initiatives and intervention. This has enabled accurate risk profiling to ensure that minor risks have not been given too much priority and that major risks have not been overlooked. The gathered and collated information will provide the current status of each component with identified improvements again similar to the approach taken by Internal Audit. Key recommended actions will be discussed with management, who will be required to indicate acceptance or rejection of recommendations and when they expect to be able to implement them.

4.5 Summarised findings will be reported to the Corporate Health and Safety Committee and the Corporate Management Team through the compliance dimension of the CMT Performance Dashboard. Progress will be monitored by the Corporate Health and Safety Committee holding management to account until identified actions are closed out.

4.6 The intention is to mirror the style of the Internal Audit Work Plan which identifies the proposed audit, who the lead officer will be and when the audit is proposed.

4.7 The Work Plan is flexible and may be amended to reflect changes in priority or to respond to emerging risks. It details what the Health, Safety and Wellbeing Team expects to review in the set 12 month period.

4.9 Currently the Health, Safety and Wellbeing team comprises of Health, Safety and Wellbeing Manager, Team Leader (Health, Safety and Wellbeing), 4 x Health and Safety Advisers and Wellbeing Support Assistant. The current team Work Plan identifies a short fall in resource for the improvement areas and workflows for the pending 12 month period. Adjustments are being made to processes to release resource to deliver the Fire Risk Assessment Programme. The aspiration is to move to a proactive weighted

service while coaching managers to develop key skills to improve health, safety and wellbeing management within their related Service. Additional resource will be required in the following up of actions in relation to the Audit, Compliance Monitoring and Physical Verification. Further resource implications will be better known once the Work Plan has been finalised following discussions with Directorates /Services. Given this is the equivalent of the audit discipline which Internal Audit are familiar with the intention would be to explore capacity provided by Internal Audit if required.

4.10 Discussion requires to be held with Aberdeenshire colleagues regarding potential joint working in simultaneous topic auditing.

4.11 It would be intended to have rolling three year plans in future to mirror and compliment Internal Audits planned approach.

5. REPORT AUTHOR DETAILS

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Appendix A

Health and Safety Assurance Work Plan 2015/16

Strategy and Risk Assessment

The drivers for the Work Plan are:

1. Risk Register (see table below)
2. Serious incidents
3. Legislation changes

Corporate Health and Safety Register Table
CG006 Risk of poor or inadequate health and safety arrangements

Impact						
4		CGHR29 Delivery of Fire Risk assessment programme		CGHR41 Asset management of Buildings CGHR 24 Disjointed robust gas safety	CGHR36 Disjointed robust asbestos management CGHR28 Lack of compliance with healt h and safety legislation and assessment and control of risk CGHR38 Lack of robust Management of Occupational Road Risk	
3		CGHR33 EAS contract poor performance CGHR37Smarter Working		CGHR27 Lack of audit system CGHR32 OHP contract poor performance CGHR35 Lack of understanding acceptance of roles and responsibilities CGHR45 Lack of health surveillance	CGHR26 Recording, reporting and reviewing incidentsincluding cases of ill health CGHR25 Lack of suitable emergency arrnagements CGHR34 Lack of stress management CGHR43 Lack of consistent safe Working at Height arrangements CGHR42 Lack of supervision and monitoring	CGHR31Poor mangement of contract / contractors CGHR39 Lack of consistent suitable violence and aggression arrangements including lone working CGHR40 Lack of robust security arrangements CGHR45 Lack of actions – close out /budgeting
2					CGHR44 Lack of consistent manual handling arrangements	
1						
	1	2	3	4	5	6
			Severity →			

Health and Safety Assurance Plan 2015/16

Having considered the above corporate key health and safety risks it is intended to focus on the four system components Controls, Co-operation, Communication and Competence using the Plan, Do, Check and Act approach in the initial 12 month period.

A total of 160 days within the Health, Safety and Wellbeing Team have been allowed to undertake the audits, compliance monitoring and physical verification.

Specific focus areas identified in consultation with Directorates are detailed in the tables below, these will be flexible as to emerging risks:

Directorate/Service Specific

Corporate Governance

Subject	Scope	Objective	Timescale	CRR*
Violence and Aggression	Customer Service Centre	Consider effectiveness of operational arrangements in line with legal requirements.	Q3	CGHR39
Management of contractors	ICT	Ensure robust procedures are in place and operating satisfactorily. To include the control of asbestos.	Q1	CGHR31 CGHR36

*Corporate Risk Reference

Education & Children's Services

Subject	Scope	Objective	Timescale	CRR*
Violence and Aggression	Educational and Children Services establishments	Consider effectiveness of operational arrangements in line with legal requirements.	Q3	CGHR39
Management of contractors	Educational establishments	Ensure robust procedures are in place and operating satisfactorily. To include the control of asbestos.	Q1	CGHR31 CGHR36
Management of stress	Educational and Children Services establishments	Consider if stress is being effectively managed (identified and controlled) within the Services.	Q3	CGHR34
Security and health and safety emergency	Educational establishments	Ensure robust procedures are in place and operating satisfactorily.	Q2	CGHR40 CGHR25

arrangements				
Recording, reporting, monitoring and reviewing incidents including cases of ill health	Educational and Children Services establishments	Consider effectiveness of operational arrangements in line with corporate procedures including use of YourHR.	Q2	CGHR26
Assessment and control of risk	Educational establishments	Consider effectiveness of operational arrangements in line with legal requirements in relation to risk assessment - general and specific.	Q1	CGHR28

Communities, Housing & Infrastructure

Subject	Scope	Objective	Timescale	CRR*
Management of contractors	Capital and revenue construction projects	Ensure robust procedures are in place and operating satisfactorily. To include the control of asbestos and working at height.	Q1	CGHR31 CGHR36
Management of occupational road risk	ACC fleet operating vehicles	Consider effectiveness of operational arrangements in line with legal requirements. To include traffic management arrangements at Kittybrewster and West Tullos depots.	Q4	CGHR38
Management of Asbestos	Housing and non-housing asset portfolio	Consider effectiveness of operational arrangements in line with legal requirements.	Q1	CGHR36
Management of stress	Educational and Children Services establishments	Consider if stress is being effectively managed (identified and controlled) within the Services.	Q3	CGHR34
Security and health and safety emergency arrangements	Corporate offices	Ensure robust procedures are in place and operating satisfactorily for Marischal College and Frederick Street.	Q2	CGHR40 CGHR25
Asset management of buildings	ACC employee workplaces	Ensure robust procedures are in place and operating satisfactorily.	Q4	CGHR41

Assessment and control of risk	Building, Environmental and Road Services	Consider effectiveness of operational arrangements in line with legal requirements in relation to risk assessment - general and specific. To include working at height and manual handling.	Q1	CGHR28 CGHR43 CGHR44

Adult Health & Social Care

Subject	Scope	Objective	Timescale	CRR*
Violence and Aggression	ACC Social care establishments delivered Services	Consider effectiveness of operational arrangements in line with legal requirements.	Q3	CGHR39
Management of contractors	ACC Social care establishments delivered Services	Ensure robust procedures are in place and operating satisfactorily. To include the control of asbestos.	Q1	CGHR31 CGHR36
Management of stress	ACC Social care establishments delivered Services	Consider if stress is being effectively managed (identified and controlled) within the Services.	Q3	CGHR34
Recording, reporting, monitoring and reviewing incidents including cases of ill health	ACC Social care establishments delivered Services	Consider effectiveness of operational arrangements in line with corporate procedures including use of YourHR.	Q2	CGHR26
Assessment and control of risk	ACC Social care establishments delivered Services	Consider effectiveness of operational arrangements in line with legal requirements in relation to risk assessment - general and specific, (including manual handling, infection control)	Q1	CGHR28

Cross Directorate

Subject	Scope	Objective	Timescale	CRR*
Management of contractors	Capital and revenue construction	Ensure robust procedures are in place and operating	Q1	CGHR31 CGHR36

	projects - housing and non-housing	satisfactorily. To include the control of asbestos.		
Assessment and control of risk	Selection of ACC Service delivery	Consider effectiveness of operational arrangements in line with legal requirements in relation to risk assessment - general and specific, (including manual handling, working at height infection control)	Q1	CGHR28
Recording, reporting, monitoring and reviewing incidents including cases of ill health	Directorates /Services	Consider effectiveness of operational arrangements in line with corporate procedures including use of YourHR.	Q2	CGHR26
Management of stress	Directorates /Services	Consider if stress is being effectively managed (identified and controlled) within the Services.	Q3	CGHR34
Security and health and safety emergency arrangements	Corporate offices	Ensure robust procedures are in place and operating satisfactorily for Marischal College and Frederick Street.	Q2	CGHR40 CGHR25
Close out of actions	Fire risk assessments and incident investigations	Ensure robust procedures are in place and operating satisfactorily with appropriate budgeting arrangements.	Q3	CGHR45

The above audits will by complimented by the collation of information from specific compliance monitoring and physical verification to give holistic evaluation of compliance. This will enable assurance on the effectiveness of operational controls.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit and Risk
DATE	26 February 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	System of Risk Management
REPORT NUMBER:	CG/15/23
CHECKLIST RECEIVED	Yes/No

1. PURPOSE OF REPORT

To present the Committee with the Council's Risk Management Strategy which supports the further development of the System of Risk Management.

2. RECOMMENDATION(S)

The Committee are asked to:
(i) Approve the Risk Management Strategy;
(ii) Note the further developments in the System of Risk Management;
(iii) Instruct any other action as appropriate.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from the report.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5. BACKGROUND/MAIN ISSUES

The report is the latest before the Committee detailing progress with delivering improvements to the System of Risk Management. The System comprises six components and reports will continue to be presented to the Committee on each component in turn to evidence those improvements.

6. IMPACT

Corporate – The system of risk management impacts on all aspects of decision making across the Council. The Local Code of Corporate Governance tasks councils with following six principles. Principle 4 requires

that councils maintain transparent, informed decision-making which is subject to effective scrutiny and the management of risk.

Public – The report is designed for information purposes and no Equalities and Human Rights Impact Assessment has been prepared.

Services are required to carry out regular reporting of performance to committees. Corporate Governance undertakes to report our own performance to the Finance Policy and Resources Committee, along with a periodic service risk register update. In addition, the Committee will receive service risk registers on a rolling cycle, as part of the Council's overall risk management assurance framework.

7. MANAGEMENT OF RISK

The report details information on the Council's system of risk management.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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10. REPORT

10.1 The system of risk management

A report before the Committee on 27 February 2014 detailed the six components of an effective system of risk management:

- Structure
- Skills
- System
- Strategy
- Staff
- Shared Values

This report presents information to support the strategy component.

10.2 The Risk Management Strategy details the governance and reporting arrangements around the Council's management of risk and provides a clear strategic direction with regard to the Council's approach to risk and opportunity, in terms of our appetite as a risk aware organisation.

10.3 The Strategy should be seen as the principal point of reference for all officers and elected members involved in the risk management process. Guidance is given on roles and responsibilities, the control environment, the assessment of risk appetite, governance around risk management in the Council Group,' the integration of health and adult social care and the management of and response to, risk incidents.

10.4 Progress update on the System of Risk Management

Structure
Services continue to review and reassess their risk profiles and to align these with their service and improvement planning activity. As registers are completed, they will be presented to the Committee. Effective management of the Council's strategic risk profile is dependent on the dynamic management of risks at the operational tiers. The Strategic Risk Register is therefore being linked to those tiers and CMT will view the register periodically where progress at completing mitigation will be evidenced.

Skills
The middle managers training programme is underway and delegates receive training in the management of both risk and opportunities.

System
The Covalent Risk Module continues to be used to manage risk registers. Reports are being designed which will illustrate the clear linkages between strategic and operational risk and reflect a total picture of the Council's risk profile.

The integration of health and adult social care presents new challenges in the management of risk. At present, the Shadow Integration Joint Board's risk arrangements are in an early phase and largely reflect risks with the potential to impact during the move to integration. Once the IJB is formally active, the Strategic Plan and the outcomes contained within it will lead to the identification of a comprehensive risk register going forward. NHS Grampian use the Datex system to manage risk and it will be for the IJB to determine which system for management and reporting risk, is used.

It is anticipated that the first iteration of the Shadow IJB Risk Register will be presented to the Committee at the April meeting.

Schedule of future reports
Reports will detail progress on delivering improvements against the six components of the System of Risk Management. Additionally, the Committee will be presented with each of the Service Risk Registers in succession:

Committee Date	System component	Risk Register
30 April 2015	Staff	Communities, Housing and Infrastructure; Shadow Integration Joint

		Board.
25 June 2015	Shared Values	Corporate Governance

ABERDEEN
CITY COUNCIL

Risk Management Strategy

January 2015

CONTENTS

INTRODUCTION

This document sets out the Risk Management Strategy for Aberdeen City Council. It replaces the document last reviewed and approved in October 2013.

This Strategy and the principles of risk management governance and assurance it reflects can be applied to the risk management functions undertaken throughout the Council Group. Although we recognise the independence of our arms-length and partner organisations to determine internal governance and reporting structures, we strongly recommend that the principles documented in the strategy are adopted. In this way, we can best ensure a consistent approach to good governance across the Group and that robust arrangements for effective risk identification, assessment and response are in place.

The Risk Management Strategy will continue to be subject to annual review.

The Strategy is designed to meet the following requirements:

- To promote the development of an Enterprise Risk Management culture across the Council and its Group.
- To support Principle 4 of the Local Code of Corporate Governance which requires transparent informed decision making which is subject to effective scrutiny and the management of risk.
- To assist the achievement of objectives.
- To provide a framework for the application of risk management practices to partnership activity in which the Council leads.
- To enhance the value of services provided to communities.
- To establish the methodology that identifies our appetite for risk.

The Strategy is supported by an operational tool: the **Risk Management Manual.**

CONTEXT

Under the Local Government (Scotland) Act 1994, the Council must meet the governance requirements of the Scottish Government. This also supports our best value culture.

ROLES and RESPONSIBILITIES

Risk Management is led at the corporate level by the Director of Corporate Governance. The risk management function is coordinated by the Performance and Risk Manager who reports to the Performance and Transformation Manager.

Within each service, there will be suitable mechanisms for the identification, assessment and management of a comprehensive risk register for the service. This will include the clear identification of a risk owner for each assessed risk.

The Performance and Transformation Manager, Performance and Risk Manager and representatives of all services will be members of the Corporate Risk Management Group (CRMG). The Group supports the development of a consistent and structured approach to risk management activity across the Council and provides a forum for sharing best practice. The CRMG will meet quarterly.

There are five specialist risk-related areas and in each, the lead officer will be a permanent member of the (CRMG). These areas are:

- Health, Safety and Wellbeing
- Facilities management
- Insurance
- Information Management
- Business Continuity / Emergency Planning

In the wider context, managers throughout the Council hold responsibility for the management of risk. This responsibility embraces not only the control and mitigation of threats but the identification and exploitation of opportunities and supports a strategic governance assurance culture based on informed decision-making.

See appendix 4 for role descriptions

RISK AND RISK MANAGEMENT

Risk is defined as the combination of the likelihood of an event occurring and its impact, should it occur. Risk Management is the process whereby we address the uncertainty attaching to our activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The Council is committed to the development of an Enterprise Risk Management approach (ERM). This approach categorises risks according to **hazard, control** and **opportunity**. **Hazard** risks are those which inhibit the achievement of benefits to the Council, the city and its communities. **Control** risks are those which increase uncertainty or doubt about the achievement of benefits and **Opportunity** risks are those which enhance the achievement of benefits.

Risk Management is intrinsic to the wider performance management function. By effectively linking the management of risk to performance management and reporting, the Council is able to improve decision making by minimising threats and maximising opportunities, key factors in meeting objectives. Risk Management aims to identify all significant risks and opportunities which present, to assess their likelihood and potential impact, evaluate the internal controls in place and determine what other actions are required to mitigate the risk or enhance the opportunity.

THE RISK MANAGEMENT CONTROL ENVIRONMENT

The risk management control environment has a key role in the management of risks that are significant to the achievement of our corporate objectives. Effective control requires that:

- Significant, strategic, operational, financial and compliance risks are identified and assessed on an ongoing basis;
- Managers understand which treatment option (risk response) is required with each risk;
- Our shared values, code of conduct, HR policies and performance reward systems support an opportunity risk culture;
- Authority and accountability are clearly defined and devolved decision-making is a reality;
- Employees understand their roles with regard to security of tangible and intangible assets, enforcing Health and Safety, Financial Management, Information Security and facilities requirements;
- Managers have relevant skills to manage risk and deliver objectives;
- There are channels of communication to allow individuals to report suspected breaches of law or other improprieties;
- Incident management informs risk management;
- Risk management activity is reported timeously for effective governance and to support a council-wide assurance strategy.
- Risk incidents are properly and timeously managed and

used to inform improvements and better risk control.

A Statement of Internal Control, which details the strength of the Council's response to these factors, will be presented to the Audit, Risk and Scrutiny Committee annually.

RISK RESPONSE

All risks are assessed in terms of the combination of impact and the likelihood of a risk occurrence. It is this assessment which then informs a decision on risk response.

The response to hazard and control risks is best summarised:

Tolerate We have assessed that the risk is at a level which is manageable and no further treatment is required.

Treat We formulate and apply action plans to mitigate the risk and reduce it to a tolerable level.

Transfer The risk is best responded to by means of transferring it to another party. This may be through insurance against liabilities, or by transferring the risk to a partner or arms-length external organisation (ALEO) in the service provision sectors.

Terminate The consequences, were the risk to occur, are of such magnitude, that the only acceptable response is to terminate it. (This may be impractical in the public sector where a statutory or regulatory function is involved).

Where the approach is to tolerate the risk, the current assessment, reflected in the risk matrix, will be identical to the residual assessment. In this scenario, all practical and affordable measures have been implemented to manage the risk and no further action may be necessary or appropriate. In certain circumstances however, the risk may continue to be recorded in the register for monitoring purposes. Where the approach is to treat the risk, the residual risk level will be lower than the current level and will need to be identified. This will be the level of risk the Council is prepared to tolerate when controls and mitigation at an agreed level, have been established. This level of tolerability is one of the key components in the Council's appetite for risk. *(see section on risk appetite and allocation of resources)*

The risk management approach to opportunities is the reverse to the management of hazard and control risk. In these cases, we seek to increase likelihood and maximise impact. The approach can be summarised:

Exploit the opportunity by increasing the likelihood of it happening;

Enhance the impact (by increasing the consequences of the opportunity risk);

Engage with partners in order to maximise received benefit.

The Council, in common with much of the public sector, faces reducing resources and increasing demand. These demands will be influenced by demographic changes, customer / citizen expectations, statutory requirements and central government policy. In this environment, the need to identify and exploit opportunities will be of increasing importance to the effective delivery of services and the achievement of outcomes. The Council's shared values and appetite for risk reflect this importance.

SYSTEM OF RISK MANAGEMENT

The Council's System of Risk Management comprises six criteria which direct our approach to risk. The System comprises:

- **Structure**; the design of risk registers, their ownership and management;
- **Skills**; the skills required of risk owners and others involved in the management and control of risk and the training designed to deliver appropriate skills sets;
- **System**; the technological arrangements in place to manage the Council's risk profile;
- **Strategy**; the Council's attitude to and appetite for risk;
- **Staff**; the people and roles needed to implement the strategy, manage the risk protocols, monitor and report risk management activity;
- **Shared Values**; the culture of the Council and our common beliefs.

STRUCTURE

A Strategic Risk Register will be maintained in which all service-critical and function-critical risks facing the Council will be recorded and managed. Risks will be grouped in terms of corporate criticality:

- Capacity
- Capability
- Compliance
- Harm

For governance, each will be led by a member of the Corporate Management Team. The management of risk at the strategic level will be informed by the implementation of controls and mitigation at both the strategic and service / operational levels. For example, developments in the management of a *Protecting Children* risk at the service level, will be linked at the strategic level to *Harm* and *Compliance* to ensure these key areas of risk are timeously updated and subject to dynamic management activity.

Beneath the strategic level, all services will maintain registers which include risks with the potential to impact on their Service and Improvement Plan priorities and outcomes. All services will take account of the corporate key dependencies in their consideration of risk:

- Financial Management and Planning
- Customer relations
- Employee engagement
- Business Continuity Planning
- Health, Safety and Wellbeing

Services will align the management of risk with the delivery of Service Improvement Plans and with the risks impacting those deliverables clearly articulated and scoped.

Services may also choose to maintain risk registers at lower tiers, which reflect those operational matters relating to business planning that require response at the team level.

Each risk will be assigned a single owner with direct accountability for the monitoring of control effectiveness and the delivery of actions to mitigate the risk.

Service Management Teams and the Corporate Management Team will take collective responsibility for service and strategic risk registers respectively and ensure that the Audit, Risk and Scrutiny Committee is provided with regular updates on the management of the Council's risk profile.

SKILLS

Effective risk management requires the appropriate skills sets for all those involved. Risk owners, Executive (Corporate Management Team) the non-executive (Elected Members) and all officers reporting to the Council's committees will need distinct training in order to develop appropriate skills in presenting comprehensive risk information when making recommendations in reports.

Internal senior and middle management training packages will include

a risk component targeted at specific officer needs. In particular, managers training programmes will deliver awareness and understanding of both the negative and positive aspects of risk management.

Elected member training will be delivered periodically, targeted at the development of appropriate challenge and assurance capabilities.

Our arrangements for the provision of training are subject to annual benchmarking.

SYSTEM

The Covalent Risk Module is the corporate risk management tool. The module is available to all services to manage their risk registers, produce tailored reports and set review and reassessment schedules. The module has linkages to other Covalent tools, namely the Incidents, Policies, Actions and Performance Indicators modules. The Performance and Risk Manager logs incidents of strategic significance against relevant risks in order to inform reassessment. These will include incidents affecting our facilities operations and security, ICT operations and security and Health and Safety. *(see section on risk incidents)*

Business Continuity Plans will be recorded in the Policies module and aligned with relevant strategic and operational risks.

Performance Indicators will be maintained to measure the effectiveness of the Councils risk management arrangements, informed through annual benchmarking activity.

Progress in delivering mitigating actions may be recorded in the Actions module and linked to the parent risk to aid assessment.

The efficacy of the Council's overall risk management technical support will be subject to annual benchmarking to ensure continuing compliance to industry standard.

Organisations in the Council Group may use alternative technical solutions to support risk management. All systems should be periodically reviewed to ensure continuing effectiveness.

STRATEGY

This document represents the Council's risk management strategy. That is it reflects our attitude to risk and our appetite for it. (*see section on risk appetite and allocation of resources*

STAFF

Our employees are key to the risk management process. It is staff members working in their specialisms which must scan the risk environment, assist in managing existing risks through the completion

of mitigating actions, identify emerging risks and seek out opportunities. This will happen throughout the management tiers of the Council.

The ***Risk Management Manual*** is designed to provide our personnel with the tools to manage risk within their own work environment. The manual is regularly updated and includes advice on risk assessment techniques, response protocols, system use and monitoring and reporting requirements.

SHARED VALUES

The Council is ***'Risk Aware.'*** That is we actively seek to identify and address not only the risks to the achievement of our objectives, but also the opportunity risks which will deliver added benefit to our communities.

In order to maintain this culture, we require strong leadership and direction for risk management activity and effective communication at all levels within the Council, and between the Council and our stakeholders. There needs to be a high degree of accountability for the management of risks, according to established protocols.

The effectiveness of our shared values, or our Risk Culture, is assessed through the Council's risk assurance framework. This covers internal and external audits of our risk management arrangements and monitoring and review of those arrangements by the Corporate Management Team (CMT) and the Audit, Risk and Scrutiny Committee.

In addition, the Council annually benchmarks its risk management arrangements through a public sector benchmarking club. The outputs of these exercises provide an assessment of the extent to which risk management is embedded in the Council's management structures and processes and assesses the strength of our shared values and belief systems.

RISK APPETITE AND ALLOCATION OF RESOURCES

The two extremes of organisational risk management culture are referred to as **'risk averse'** and **'risk aggressive.'** In reality, most organisations will be placed at a point somewhere along this spectrum. That place will be determined by the organisation's appetite for risk. In the public sector, it is difficult to place a financial assessment on the level of risk appetite, unlike the commercial sector where the response to markets will largely determine where a firm is placed in terms of risk culture. The Council's risk appetite is determined by the Corporate Management Team and will be measured by our approach to both the negative and positive aspects of risk management, by:

- Assessing the residual level of hazard and control risk (the risk profile we are prepared to tolerate) and allocating the financial, people, infrastructure and time resources required to improve controls and apply mitigation, so that risks reach the desired level of tolerability.

- Identifying the level of resources (financial, people, infrastructure and time) we are prepared to invest in opportunity risk programmes and projects in order to enhance the achievement of outcomes and the addition of benefit to the Council and our communities.

Opportunity risks may actually arise from hazard or control risk management. For example, the Council may decide to bring a risk to an assessed level of tolerability by directing agreed resources at its management. Further analysis at this point may identify an opportunity to add benefit by investing additional resources in an improvement project, even though the original (hazard or control) risk is tolerable. As a rule, established techniques such as Cost Benefit Analysis or SWOT (Strengths, Weaknesses, Opportunities and Threats) will be required to identify and evidence the strength of opportunities and the resources required to manage them. Other creative thinking approaches will also come into play here and management training programmes will include a focus on positive risk techniques in decision making.

RISK INCIDENTS AND NEAR MISSES

An incident is an unplanned occurrence or event leading to harm, loss or damage to people, property or reputation. A near-miss is an incident that had the potential to cause harm, loss or damage but was prevented or avoided.

Risk incidents are incidents which have the potential to increase the level of risk recorded in the strategic risk register with implications for the level of resources required to manage the Council's risk profile. All incidents require categorisation and grading so that a determination may be made of their impact on the risk profile.

Incidents may occur in connection with:

- The operation of facilities (fire, flood etc.);
- The security of facilities and staff (unauthorised access, threats, aggression and violence towards staff and customers);
- Information Security (breach of security around electronic or paper records); [link to DP Breach Procedure and Management of Information Security Policy; Information Security Incident Reporting Procedure]
- ICT Operations (failure of critical operational systems);
- Health, Safety and Wellbeing. [link to the H&S Incident Reporting Procedure]

It is important that a proper incident management process is followed to ensure intelligence is captured and improvement actions identified to support the management of risk.

When an incident occurs, key personnel drawn from the function or service concerned should assess the scale of incident according to impact, using the incident / near miss matrix. Incidents assessed as **high, severe** or **extreme** must follow the Critical Incident Reporting process. All incidents impacting on

the Council's duty of Health and Safety should follow the relevant process.

Near misses will necessarily not carry the same impact as actual incidents but in some cases, the seriousness of the prevented or avoided incident will be such that it is expedient to follow the Critical Incident Reporting Process so that lessons may be learned and improvements identified and implemented.

Records of incidents and near misses will be analysed periodically to identify trends and patterns that may require additional systemic change, improvements or remedial action.

Please see appendices 2 and 3.

RISK MANAGEMENT IN THE COUNCIL GROUP

This strategy provides a framework to our Arms-Length External Organisations (ALEOs) within which appropriate risk management arrangements may be implemented as part of internal governance responsibilities. The strength of these arrangements will be subject to scrutiny by the Council to provide assurance that a proper consideration of risk is being taken.

As a minimum, all ALEOs should ensure that:

- A robust and transparent risk management process is established including arrangements for the identification, assessment, evaluation, recording, monitoring and reporting of risks;
- Performance information is monitored for early warning signs of emerging risk;
- Potential insurable risks and liabilities have been identified and provided for;
- Business continuity arrangements are in place in the event of a major incident.

INTEGRATION OF HEATH AND ADULT SOCIAL CARE

The Integration of Health and Adult Social Care services requires a new approach to the management of risk. This strategy may be used to inform those arrangements. The Chief Officer of the **Aberdeen City Health and Social Care Partnership** (the Partnership) is responsible for establishing the Partnership's risk management framework, which should be embedded in the formal Integration Scheme. The Integration Scheme's section on risk management should specify:

- The Partnership's risk management policy and strategy and methods for consistently identifying, analysing and evaluating risk;
- Leadership and lines of accountability for risk management;
- Arrangements for recording, updating and monitoring risk management information;

- Arrangements for reporting risk management information both to the Board, and to the Council and NHS Grampian;
- Arrangements for agreeing when and how risks are retained or transferred between the partners or to third parties;
- The professional risk management and insurance support and guidance available from both the Council and NHS Grampian.

The Council will record integration as a risk in the ACC Strategic Risk Register.

The Shadow Integration Board will establish a register of key strategic and operational risks for management during the process of moving towards integration. The following issues and dependencies will inform the identification of risks over the short, medium and longer terms.

- Governance, Management and Strategy
- Financial Management
- People Management
- Assets Management
- Information Management
- Performance Management
- Customer Management
- Business Continuity / Disaster Recovery Management

These risks will be mitigated by clearly defined actions and protocols within the Integration Scheme. As actions are completed, risk control will increase and the scale of the risk should reduce. Similarly, as integration proceeds, continuing examination of issues and dependencies will identify new emerging risks.

The development of the Strategic Plan will establish the outcomes the Partnership sets out to achieve and the identification of risks impacting on the deliverability of outcomes, will inform the further construction of the Partnership's ongoing risk management framework.

RISK MANAGEMENT MONITORING AND REPORTING

Strategic risk management is a cyclical process that must be subject to regular revision to ensure its continuing effectiveness. Service risk monitoring and reporting processes will also reflect this requirement.

Risk owners are responsible for reviewing and reassessing their risks and determining if further treatment or an alternative risk response is required. The risk owner also determines the scoring of the risk according to the **Impact X Likelihood** matrix.

Services are responsible for ensuring that risk owners carry out scheduled reviews of risks in order to ensure that the Service Risk Register can be properly updated and maintained. As with the governance arrangements surrounding the Strategic Risk Register, Service Risk Registers

should be reported monthly to Service Management Teams and to the Audit, Risk and Scrutiny Committee on a rolling cycle, in order to guarantee continuing relevance and active management.

Maintenance and reporting of the Strategic Risk Register is the responsibility of the Performance and Risk Manager. The Strategic Risk Register is reported to the Corporate Management Team as part of the Corporate Performance Dashboard on a monthly basis and affords the CMT the opportunity to review the risk profile of the Council and also to identify emergent risks. Annual risk workshops may be convened to aid this process. The outputs of service risk register reviews will further inform the process. The Strategic Risk Register will be reported annually to the Audit, Risk and Scrutiny Committee, along with the Statement of Internal Control. In addition, Internal Audit will provide regular reports on the effectiveness of risk management to the Committee.

An analysis of the effectiveness of the components of the system of risk management will be reported periodically by the Performance and Risk Manager to the Audit, Risk and Scrutiny Committee.

See Appendix 1 for the Risk Management Reporting structure

RISK AND ASSURANCE

The significance of the *Risk Management Statement of Internal Control* has already been documented in this strategy. The Statement articulates the strength of our risk management arrangements and their role in supporting a council-wide assurance strategy. Central to this assurance is the relationship between risk management and internal audit. Internal audit planning will be risk-based and this depends on risk management being properly aligned with performance management, customer, employee and stakeholder feedback and robust horizon-scanning processes.

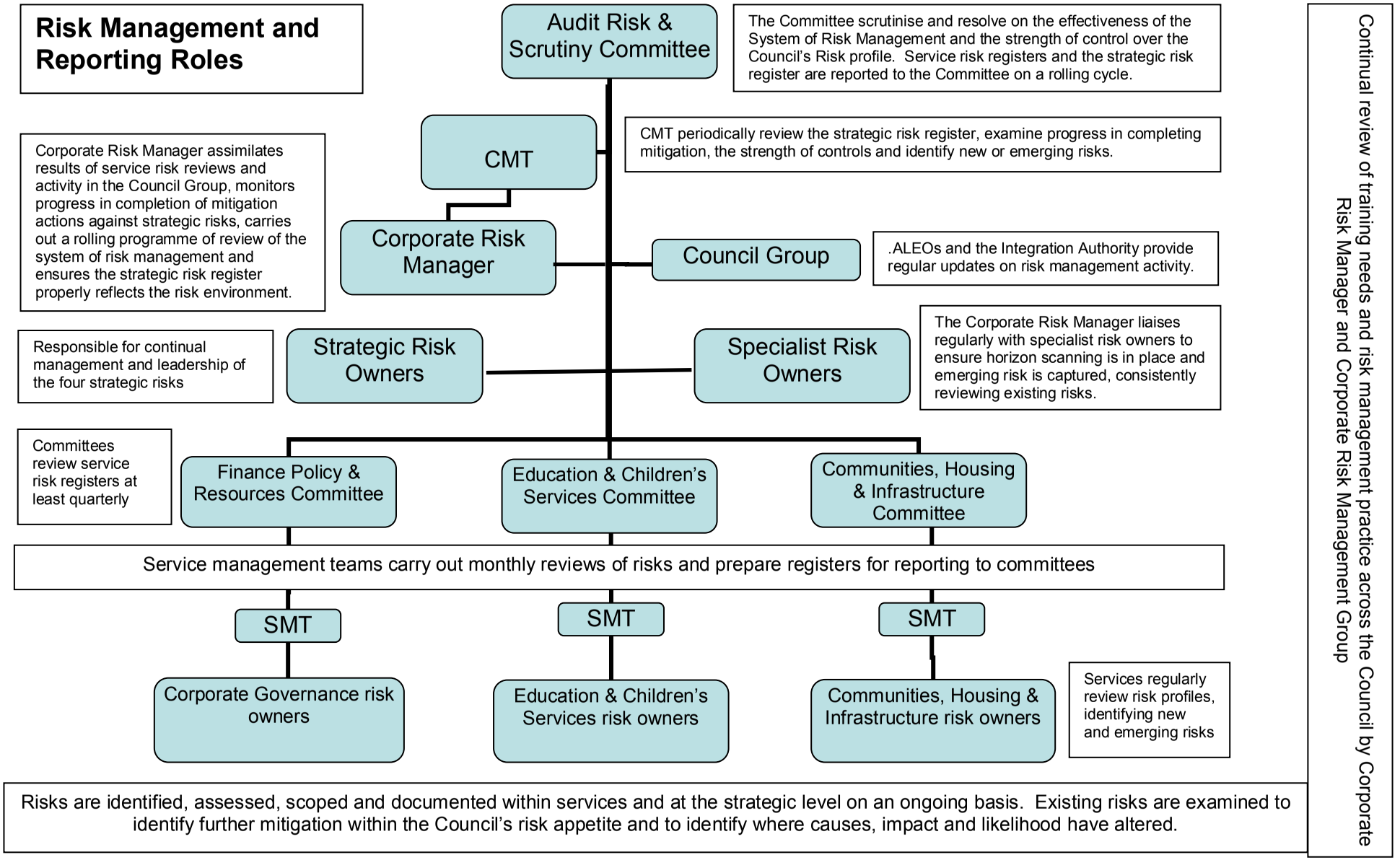
To support the required level of assurance in risk management activity, compliance with risk assessment schedules and incident / near miss reporting protocols will be monitored and reported through performance dashboards.

Risk assurance is also required with regard to the proper management and operation of organisations within the Council Group. The strength of this assurance is essential to the fulfilment of our statutory obligations and allows the Council to manage its own risk exposure which arms-length service delivery brings.

Risk management should be embedded as a continual process of identification, assessment and evaluation if it is to be effective in supporting a corporate assurance strategy.

Appendix 2

Risk Management and Reporting Roles



Appendix 3 **Incident Assessment**

	Incidents at this level are reportable to line management		Incidents at this level should follow the Critical Incident Process and be notified to the Risk Manager who will evaluate impact on the Strategic Risk Register		
Incident Source	**Low**	**Moderate**	**High**	**Severe**	**Extreme**
ICT Operations	Incident leading to brief downtime of essential systems	Loss of essential systems 0.5-1 day	Loss of essential systems 1-3 working days	Loss of essential systems 3-5 working days	Loss of essential systems 5> working days
ICT Security *(refer also to Management of Information Security Policy; Information Security Incident Reporting Procedure*)	Password 'sharing', Unattended, unlocked PCs	Unauthorised access to restricted systems / data, Loss of portable media (e.g. USB flash drives)	Unauthorised access to / compromise of very sensitive data or inappropriate use leading to compromise Loss of portable media containing sensitive information	Theft of systems / data / hardware	Malicious software (Malware) attacks e.g. viruses, spyware, key-logger programs etc. leading to major compromise of system integrity
Information Governance	Accidental release or loss	Accidental release or loss	Disclosure or loss of sensitive	Malicious disclosure or	Unauthorised disclosure

and Security *(refer also to DP Breach Procedure, role of IMLOs; Information Security Incident Reporting Procedure)*	of personal data (e.g. names addresses, correspondence)	of sensitive personal data	or personal data	accidental loss of highly sensitive information with potential to cause harm	leading to harm to individuals
Facilities Security	Loss of id badge	Attempt by unauthorised person(s) to access facilities	Unauthorised access to restricted areas	Theft of assets	Major theft / fraud or misappropriation of assets
Facilities Operations	Brief compromise of facilities availability (e.g false fire alarm)	Loss of power supply or key facilities through fire / flood <1 day	Loss of power supply or key facilities 1-3 days	Loss of power supply or key facilities 3-5 days	Loss of key facilities 5>days
Violence / Abuse *(refer also to H&S incident reporting procedure)*	Swearing / shouting	Aggressive or intimidating language or gestures	Threatening behaviour directed to employees or members of the public during the performance of Council business	Harm (physical or psychological) to employee(s) / members of the public	Death or serious injury
Health and Safety	For Health and Safety related incidents generally, refer to Health, Safety and Wellbeing Team, YourHR and associated procedures.				

Notes:

Assessment of Impacts

To rate incidents as ‘severe’ or ‘extreme’, the impact, or potential impact must meet one or more of the following criteria:

- Does the incident have the potential to cause harm to an individual or communities?
- Does the incident have the potential to significantly and negatively impact the Council’s reputation?
- Is the Council at risk of prosecution?
- Will the Council be unable to carry on normal operations for a defined or undefined period?
- Will the Council be unable to provide essential services?

Near Misses Reporting Protocol

‘Near Miss’ is a term which refers to incidents which have been prevented or avoided, usually as a result of intervention following the emergence of a danger or threat. Although the impact of a near miss is necessarily lower than that of an actual incident, the intelligence gleaned from near misses can also influence the management of risk. Near misses will generally be identified in the areas of Health and Safety, and security around information, facilities and ICT. It is important that all employees becoming aware of a near miss report the matter to their line manager. Managers should determine whether the scale of the near miss is such that it needs to be reported as a Critical Incident so that lessons may be learned and appropriate system improvements made. It is also the case that records of incidents and near misses, even where they have not followed the Critical Incident process, will be analysed in order to identify trends and patterns which may be then be reported to senior management through performance dashboards.

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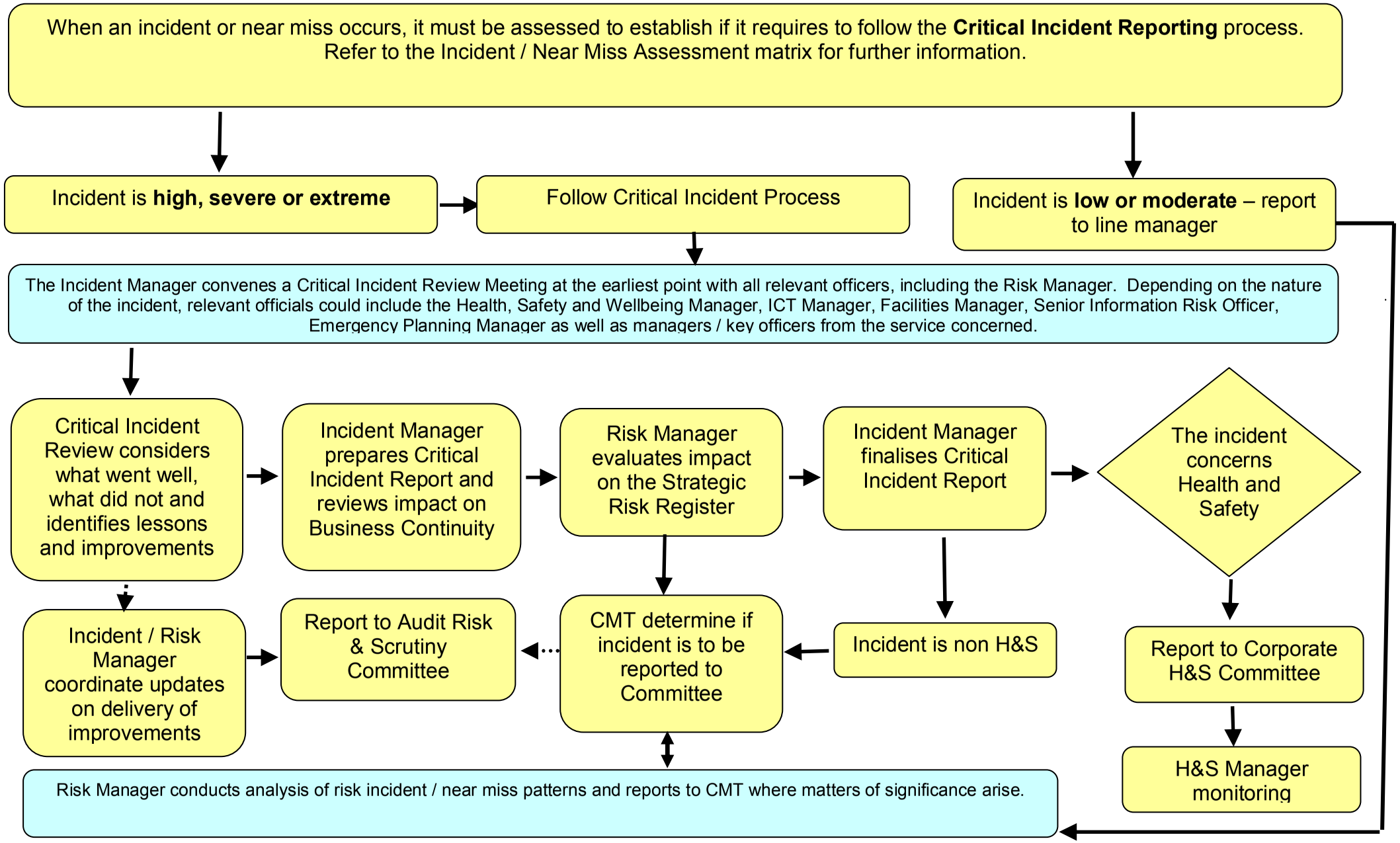
Appendix 4 Incident / Near Miss Reporting



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Appendix 5 Key Roles and Responsibilities

Audit, Risk and Scrutiny Committee	Scrutinise and challenge the strength of the system of risk management. Consider governance and risk management assurance.
Corporate Management Team	Own and regularly review, the strategic risk register. Consider the strength of controls and completion of mitigating actions and overall assurance around the system of risk management.
Directors / members of CMT	Own and lead on each of the four strategic risks.
ALEO Governance Hub	Oversee activity in the Council Group with regard to governance and assurance including the management of risk.
Risk Manager	Coordinates risk management activity across the Council, ensures the strategic risk register is continually updated, prepares the annual Risk Management Strategy, supports development and delivery of training packages for elected members and officers.
Senior Information Risk Officer (SIRO)	Owns and is responsible for the management of all information security risk.
Service Management Teams	Collectively own service risk registers, review these monthly and seek assurance on the effectiveness of service risk management arrangements and alignment with service objectives and improvement strategies. Horizon scan and identify, assess and assign emergent risks.
Risk Owners	Actively manage risk and the alignment and monitoring of mitigation and control.
Corporate Risk Management Group	Provides a forum for sharing best practice and ensures developments in risk management are disseminated through services.
Internal Audit	Prepare and conduct audits based on an analysis of key areas of risk facing the Council. Address the control strength of key strategic risks.
Health, Safety & Wellbeing Manager	Owns and leads on Health, Safety and Wellbeing risk
Facilities Manager	Owns and leads on risk in the Council's infrastructure and operational facilities.
Financial Services Manager	Leads on the Council's insurance arrangements.

Emergency Planning Manager	Leads on Business Continuity / Emergency Planning.
ICT Manager	Own and leads on matters of ICT operations and security.

ABERDEEN CITY COUNCIL

COMMITTEE	**Audit, Risk and Scrutiny**
DATE	**26 February 2015**
DIRECTOR	**Gayle Gorman**
TITLE OF REPORT	**Education and Children's Services Risk Register**
REPORT NUMBER	**ECS/15/008**
CHECKLIST COMPLETED	**Yes**

1. PURPOSE OF REPORT

The Audit and Risk Committee of 23 September 2014 approved a report by the Council's Performance and Risk Manager with regard to a 'System of Risk Management'.

Members of the Committee agreed a schedule of future reports, which included the Service Risk Register for Education and Children's Services being presented to the Committee in this cycle. The Service Risk Register is attached as Appendix 1.

2. RECOMMENDATION(S)

The Committee are asked to:

(i) approve the Service Risk Register for Education and Children's Services;

(ii) note the risks contained within it and the mitigating actions that the service is taking to address these risks;

(iii) note that the Service Risk Register will form an integral part of the Service Business Plan for the Service.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

However, the Service Risk Register identifies increasing demand pressures upon the service and the risks that may arise, should action not be taken to mitigate this demand; either in terms of the need for an increase in

resources, or actions to respond to and reduce demand through transformational change.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report. Any implications arising from the risks identified are addressed within the risk register itself.

5. BACKGROUND/MAIN ISSUES

5.1 The Education, Culture and Sport Standards and Quality Improvement Plan was approved by the Education, Culture and Sport Committee at its meeting on 27 March 2014. Social Care and Wellbeing Service Business Plan was approved by the Social Care, Wellbeing and Safety Committee at its meeting on 27 May 2014.

5.2 The risk register for Social Care and Wellbeing was approved at the Committee on 20 November 2014. The risks identified within this register as they relate to Children's Social Work Services and areas of responsibility of the Chief Social Work Officer have been incorporated into the risk register for Education and Children's Services.

A risk register has since been developed which identifies the range of strategic risks under Education and Children's Services. These reflect core risk areas which were summarised in the 2012/13 Internal Audit plan and are also aligned to the six components comprising an effective system of risk management, approved by Audit and Risk Committee. The six components are as follows:

- Structure
- Skills
- System
- Strategy
- Staff
- Shared Values

5.3 The risk register has been updated to reflect the tier 1, tier 2 and proposed tier 3 organisational structures. In particular, the revised risk register highlights potential for increased risk around significant change for the new Service including the implications of recent restructuring and the proposal to implement Reclaiming Social Work.

In addition, as part of the tier 3 organisational review there is a risk associated with the continuity of business functions as we move forward

with Children's Services and the new structures for the integration of Health and Social Care.

5.4 Both the Reclaiming Social Work and the Integration programmes have their own risk registers which are managed through the respective programme boards.

5.5 Risks were identified in the following main areas:

- Reclaiming Social Work – in particular, considering how we ensure continuity of high quality service delivery and early intervention and prevention strategies.

- The Inclusion Review – the ability to adequately support pupils with additional support needs in a mainstream education setting.

- Increasing Demographics – projected increases in primary and secondary school rolls of 31% and 16% respectively between 2013 and 2021 will require careful monitoring to ensure sufficient capacity exists within the school estate.

- Integration of Service budgets – following restructuring, budgets are required to be appropriately aligned under the new Services to deliver improved outcomes for young people.

- Workforce Planning – to ensure that staff recruitment and retention is sufficient to deliver high quality services with appropriate professional skill sets.

- Performance Monitoring – developing a range of meaningful indicators which are robust and clearly demonstrate how the Service is performing and improving outcomes for young people.

5.6 The Service Risk Register demonstrates that vigilance will be maintained through mitigating actions to ensure that there is no disruption to services in the period of transition and that potential and real risks are identified and managed. Risk Registers will continue to be developed under the new structures.

5.7 A key element of the development process for the Service Business Plan includes the identification of the key risks and challenges the service will face. These are reflected in the Strategic Risk Register.

6. IMPACT

Corporate – The system of risk management impacts on all aspects of decision making across the Council. The Local Code of Corporate Governance tasks Councils with six principles. Principle 4 requires that Councils maintain transparent, informed decision-making which is subject to effective scrutiny and the management of risk.

Public – The report is designed for information purposes and no Equalities and Human Rights Impact Assessment has been prepared.

Services are required to carry out regular reporting of risk to Committees. The Service identifies and manages risk in accordance with national, Corporate and local priorities, strategies, policies and procedures and with the General Teaching Council of Scotland, Scottish Social Services Council and Care Inspectorate standards for registered professional staff and services.

7. MANAGEMENT OF RISK

The report details the strategic risks identified by Education and Children's Services and the mitigating actions and controls which are in place to respond to these. The Service also manages risks to individuals on a daily basis, in line with agreed national and local best practice for risk management.

8. BACKGROUND PAPERS

Corporate Risk Management Manual 2014

9. REPORT AUTHOR DETAILS

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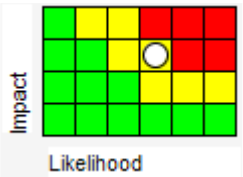
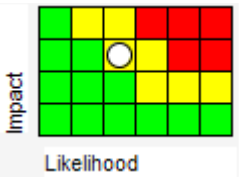
Education and Children's Services Strategic Risk Register

Report Type: Risks Report
Report Author: James Martin
Generated on: 12 February 2015

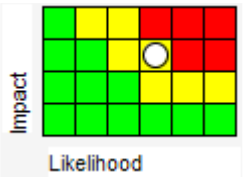
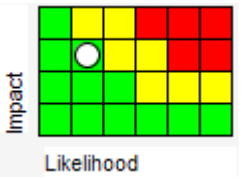
Cannot group these rows by Description

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001	Directorate Strategic Risks	Directorate wide risks					Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions

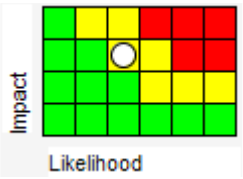
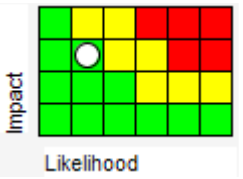
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001a	Failure to deliver Directorate commitments in the Directorate's business plans	Risk that business plan programmes are not adequately scoped and costed; that insufficient resources are made available for delivery of programmes; that governmental/administration influences hamper delivery of programmes.	Inability for individuals to achieve the outcomes in their care and education plans. Failure to sufficiently develop the market and communities to enable support services to be available. Service users may need to be maintained in inappropriate high cost services, with associated poorer outcomes and higher costs to the Council. Service users needs escalate and require higher level of support as needs are not addressed at an earlier stage. The Service is unable to deliver its agreed priorities. Budget limits / constraints are exceeded. Reputational damage in the community. Central government censure / poor inspection and regulatory reports. Urgent remedial action required to rectify budget deficits and statutory obligations in the future. Workforce do not support transformation of service delivery programmes.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
The risk is that the Council is not able to source the services required to meet identified needs.	Regular meetings with key partners, to highlight potential areas. Joint commissioning strategies. Clear and robust business plan, which is regularly reviewed in terms of progress and impact. 1:1s and supervision will identify where there are particular issues. Regular reviews will determine whether outcomes are being achieved and where potential issues may be arising	Joint workforce planning and development meetings with key partners. Regular meetings with providers. Communication with key providers with regards to future developments and required changes in services. Market development with CPU and looking at issues jointly across Grampian. Establish effective communication strategy for both internal and external service users, to engage all stakeholders. Embed self-evaluation models in services and ensure alignment with requirements of regulatory bodies. Fully embed robust weighted metrics to support effective performance management and reporting.

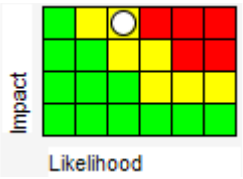
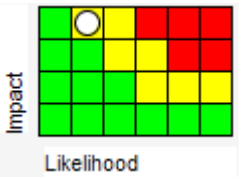
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001b	Risk that the needs of our customers are not understood and met	The Education and Children's service is committed to an outcome based approach in its service planning and delivery arrangements. This risk reflects the potential for negative impact on our ability to demonstrate improved outcomes for our customers.	The risk is that those people who are not assessed as requiring social work support and protection, or who do not meet the eligibility criteria, fail to access those universal services that could support them. There is a risk that families fail to engage with approaches and that this failure to engage undermines the achievement of outcomes for individuals. Some people are not able to access any supports and this may lead to a deterioration in their conditions and ultimately back into the service with a higher need.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
The risk is that in moving away from paternalistic social care services, into initiatives such as self directed support and person centred planning, that we fail to appropriately engage families. The risk is that the service fails to engage with communities with regard to changes in service delivery and on specific service developments. There is also a risk of the failure to develop universal community based services which are available to all Families are unaware of initiatives such as self directed support, person centred planning, systemic practice etc. Families fail to engage with these approaches. Families do not understand the rationale for such approaches and are not supportive. Families see these as negative actions being done to their family members. The risk that ECS doesn't have a clear understanding of the support needs of pupils within its schools. Individuals and families are not engages with in a holistic way.	Consultation and engagement policy. Regular reviews will determine whether outcomes are being achieved and where potential issues may be arising. Category on the child protection register to record 'non engaging families' care plans are formed to take this into account. Community, locality and strategic plan engages communities.	Develop a more equitable allocation of mainstream school staff and through the implementation of a robust annual audit of needs ensure equitable allocation of support staff. Ensure thresholds of additional support across the different visiting specialist services, and the consequent allocation of visiting staff is equitable and in line with the audit of needs Take account of the views of parents and young people in relation to: • Earlier identification of needs • Improved approaches to identification, diagnosis and pathways for Autistic Spectrum Disorder • Development of a parent support group which focuses on the needs of children with ASD • Development of policy and guidance for improving approaches to gifted and talented children • Implementation of simple solutions which can support dyslexic pupils • More localised placements to reduce travel time for children • Increased respite opportunities for children with complex needs • Development of Authority guidance to schools about the timing of reviews, particularly transition reviews

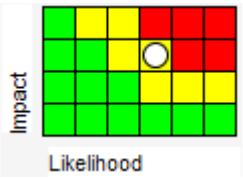
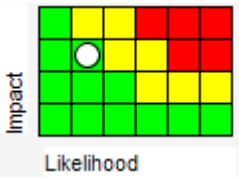
		• Improved partnership from schools with visiting specialist teachers, such as the sensory services • Increased suitable post-school placements for children with complex needs • Timeous communication about placements Communications and engagement strategies for major change programmes and projects. Clear care plans with stated outcomes and clear identified actions. Community and Strategic planning partners are involved in discussions. Through ICSP, Community Planning & joint working, etc. we have the opportunity to influence universal services. Community capacity building. Getting It Right For Every Child (GIRFEC) model ensures that mainstream services are available to support vulnerable children and young people. Involvement in key strategic forums ensures the need for universal access is discussed. Children's Audit identifies areas for improvement in terms of access to services for children with protected characteristics. Position and influence of CSWO to identify and manage risks. Child protection the area of highest priority. Management of process of change and establishment of new joint structural and leadership arrangements. Monitoring of outcome measures, community care returns, and internal KPIs to identify issues. Specific indicators relating to Child and Adult Protection. Self evaluation and case auditing, to monitor practice.

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001c	Failure to take account of national, regional and local policies which impact upon Directorate services	Changes to national, regional and local policies, notably through elections, have consequences for delivery of the Directorate's objectives. Some may be negative whilst others may present opportunities.	Legislative barriers to the Council's planned actions; Required actions which were previously unplanned; Need for additional expenditure.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
	Priority based budgeting and option appraisal. Undertaking sector analysis in annual updates to Service and Business Plans. Scenario planning and sensitivity testing.	Reviewing exclusions policy and other key documents in order to ensure that they are influencing the embedding of a nurturing ethos throughout our service. The CSWO (Chief Social Work Officer) will have responsibility for a wider protective agenda than Children. This will includes Adults at Risk of Harm, Guardianship and management of high risk offenders in the community. The role of the CSWO is to ensure that there are effective governance arrangements for the management of the complex balance of need, risk and civil liberties, in accordance with professional standards

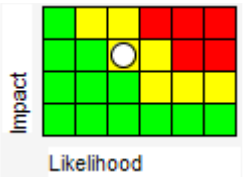
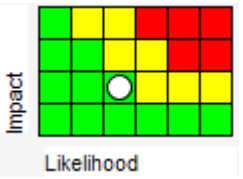
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001d	Failure to meet our statutory and regulatory obligations	Risk that the Directorate fails to adhere to statutory and regulatory guidellines concerning service provision	Impact is on individual service users, who may not receive services. Impact is on those who may not be protected. Impact is that serious harm may be caused to individuals. Council would be failing in its statutory obligations. Reputational risk to the council Impact is on individual who may not receive a service that they require. Impact is on those who may not be adequately protected. Impact is that serious harm is caused to individuals due to an inappropriate assessment or review.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
One risk factor is that the service fails to identify vulnerable children who are in need of support and protection. This level of risk may be increased by increasing demand and workloads and at periods of significant change for the service. The risk is that we fail to appropriately assess those in need of support and protection, leading to care plans which do not improve the circumstances of the individual, or to individuals who do not receive a service at all. Regular reviews monitor achievement of the outcomes in the care plan, if reviews are not happening or are not of a sufficient quality, there is the risk of the individual not achieving the outcomes in their care plan and the potential for deterioration in their situation.	New risk assessment framework, will assist in identifying those who may be at risk and assist in appropriately managing risk. Child protection policies and procedures, including joint working with Health and Police. Care Management policies and procedures. 100% compliance with national standard for assessment. Children's Services Policies and Procedures, including CPCC and LAC processes. Wider children's services applying GIRFEC processes and operational procedures. Adult and Child Protection Policies and Procedures. Quality Assurance, self evaluation, PR&D and supervision policies and procedures	Demographic information used to inform service planning, to identify and prepare for those who may be at risk or in need in the future. Child protection is deal with as the area of highest priority GIRFEC processes (agreed assessment models) identify those children who are in need of targeted specialist support and protection. Analysis of increased demand has been highlighted to CMT, including an analysis of the impact of this demand on existing services. The CSWO (Chief Social Work Officer) will have responsibility for a wider protective agenda than Children. This will includes Adults at Risk of Harm, Guardianship and management of high risk offenders in the community. The role of the CSWO is to ensure that there are effective governance arrangements for the management of the complex balance of need, risk and civil liberties, in accordance with professional standards

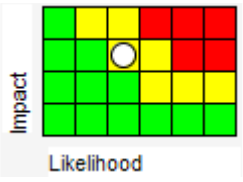
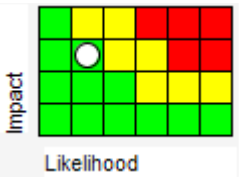
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001e	Failure to plan service delivery in the light of demographic demands		Impact is on individual service users, who may not receive services most appropriate to their needs Impact is on individual who may not receive a service that they require. Impact is on those who may not be adequately protected. Impact is that serious harm is caused to individuals The impact is on the individual whose care plan and/or outcomes cannot be met. This may lead to a deterioration in their circumstances or increase the risks in their personal situation. Early interventions may fail, leading to further intervention and increased costs. Risk that the authority is unable to meet demand for services e.g. Pre-school places will come under increasing pressure.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
Presumption of mainstreaming, as outlined in the Standards in Scotland's Schools Act, was not seen to be fully understood and applied. The unusually high numbers of specialist provisions, coupled with cumbersome referral process, limits the flexibility of systems and the development of a smooth continuum of provision. The risk is that we fail to appropriately identify and manage risk to vulnerable children and adults. Demand for service continues to increase with an increased complexity in need of service users. The service is in a period of major transition and this may increase the risk to those for whom we provide services and support. Reducing technical knowledge at a senior level, decreases the overview of the management of risk at all levels. The risk is that we do not identify and provide the right supports to allow service users to meet the outcomes and actions identified in their care plans. The risk is also that the appropriate supports are not available to meet assessed need	Policy and Performance work across the council and with external organisations to ensure that all relevant data is gathered and used in order to allow Education and Children's Services to be strategic and proactive. Performance data to develop insight is embedded throughout the service and continued to be used in order to develop where possible, evidenced based practice New risk assessment framework, will assist in identifying those who may be at risk and assist in appropriately managing risk. Child protection policies and procedures, including joint working with Health and Police Eligibility criteria and thresholds for access to services. Children's Services policies and procedures. Care Management policies and procedures. Quality assurance and case auditing. Joint commissioning strategies. Framework contracts. Priority Based Budgeting. Community and Strategic planning. Budget monitoring and reporting to DLT, CMT and Committee. Performance indicators and performance reporting identify areas of	In light of the increasing numbers of children and young people with a diagnosis of autism in the absence of well understood inter-agency diagnostic methodologies and appropriate learning pathways, consider the place of Autism Outreach in terms of size, remit and line management Consider earlier intervention and support for children with significant and complex needs, and their families, and ensure close links with health professionals, so that the educational potential of each child is more fully considered at entry to nursery. Provide support to mainstream nurseries to meet the needs of a wider range of children and ensure skilled staff from the new special school have strong links with children with the most complex needs at the nursery stage Demographic planning - school roll forecast in the right place, service asset plans, corporate planning group. Better integrated business planning, mapped against a schedule and reported back to Directorate Leadership Team.

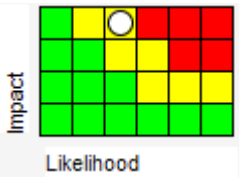
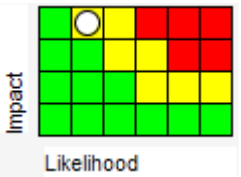
The risk is that service users are unable to access mainstream universal services due to their race, religion, gender, language or disability.	significant demand pressure Robust contract and commissioning processes. 5 year budgeting processes allows for early identification and action to address required price increases and allows flexibility in relation to contractual uplifts. Community planning partnership. Strategic planning partnerships. Equalities legislation and equalities plan.	Introducing a new joint business planning process Combining performance metrics to create a performance reporting approach encompassing the entire Education and Children's Services Directorate. Use of outcomes based approaches Review and evaluation of services (provided and commissioned) to ensure unmet need is identified and measures taken where possible to redesign services as appropriate. Joint commissioning strategies lay down our commissioning intentions, which provides stability for providers. Joint frameworks for services provide stability for providers and the Council. National contracts provide some price stability. Community capacity building. The CSWO (Chief Social Work Officer) will have responsibility for a wider protective agenda than Children. This will includes Adults at Risk of Harm, Guardianship and management of high risk offenders in the community. The role of the CSWO is to ensure that there are effective governance arrangements for the management of the complex balance of need, risk and civil liberties, in accordance with professional standards GIRFEC model ensures that mainstream services are available to support vulnerable children and young people. Children’s Audit identifies areas for improvement in terms of access to services for children with protected characteristics.

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001f	Risk that effective business continuity and disaster recovery arrangements are not in place.	The Council is bound by legislation and in its role as a corporate body as a public service provider. Effective disaster recovery and business continuity arrangements are an essential feature of the Education and Children's Services Risk Register.	The Council suffers a breakdown in key systems and functions and is unable to deliver essential services. Potential for serious harm / loss of life to members of the community.			Treat	Euan Couperwhite

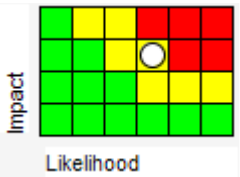
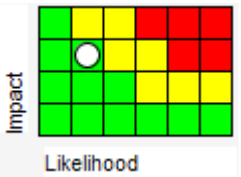
Risk Factors	Internal Controls	Mitigating Actions
Inadequate disaster recovery planning and business continuity arrangements.	Internal audit arrangements covering business continuity arrangements. BCPs are in place regarding all of the Directorate's critical functions. Critical functions are agreed by CMT based on one or more of the following criteria being met: 1. Human welfare or the environment 2. The finances of the Council 3. The Council's statutory obligations 4. The Council's reputation 5. The Council's ability to respond to emergencies The Business Impact Analysis has been completed and recovery time objectives for all key activities have been set. The use of a Business Continuity Plan Review and Testing Schedule for Services was agreed by CMT to give assurance that Business Continuity Planning is being actively managed and that effective business continuity and disaster recovery arrangements are in place.	The Council has a Business Continuity Policy document. This also contains a template to assist Services to produce Business Continuity Plans for critical functions. Critical functions have been agreed by CMT based on one or more of the following criteria being met. Functions which have a significant impact on: 1. Human welfare or the environment 2. The finances of the Council 3. The Council's statutory obligations 4. The Council's reputation 5. The Council's ability to respond to emergencies The Business Impact Analysis has been completed, so that recovery time objectives have been set for all key activities.

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001g	Failure to deliver Education and Children's Service's asset management plans	The council is aiming for a future school estate that: Meets customer aspirations. Responds to evolving needs. Is effectively managed and maintained over the long term	Risk of further damage or accident if condition of schools in Aberdeen not properly maintained. Design and development errors which have a financial and community impact.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
Continuing demands to be addressed are: Extension of nursery provision, growing demand for high quality ICT access, sustainability and environmental issues, projected increase in Aberdeen's population, housing developments and greater community access requirements. Budget pressures may have an adverse impact on school maintenance budgets. The scale and scope of the new Academy for Torry and Kincorth.	Condition surveys provide a systematic, uniform and objective basis for gathering information on the state of the external and internal fabric of school buildings. Surveys identify the work necessary to bring buildings up to a serviceable state of repair and are carried out on the components of a building such as the walls, doors and windows. Each individual component is given a condition and priority rating with an estimated repair or renewal cost. All schools receive a full condition survey as part of an ongoing rolling programme. The data gathered informs future maintenance programmes and formulate budgets. Effective project management in place. Consultation exercises in place to engage key stakeholders Effective, robust and long term school role forecasting in place. Service builds flexibility into school estate plans to accommodate both longer term demographic changes and unforeseen local changes. This might include school buildings that can be readily expanded or easily converted to other uses.	Education and Children's Service regularly and actively involved in a Local Authority network relating to Estate Management. This improves knowledge transfer, including good and bad practice, and reduces likelihood of repeated mistakes in design and development. Post occupancy evaluations carried out. School users consulted and involved in any significant design stages. Reclaiming Social Work programme will identify asset requirements for children's social work services and seek to maximise opportunities for co-location

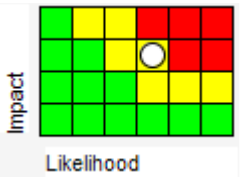
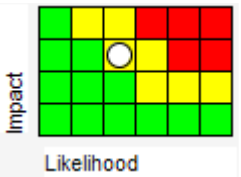
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001h	Risk of poor or inadequate Health and Safety arrangements		Employees injured through work activity Council prosecuted by HSE for breaches of legislation. Increased insurance claims and insurance premiums. Member of public, contractor or employee killed at work, possible Corporate Manslaughter, loss of reputation, financial costs to Council. Sickness rates increase because of lack of compliance with good health and safety practice. Increased employer/employee litigation through inconsistent approach to managing health and safety in the workplace. Unable to defend health and safety claims or disputes Fire damage and financial and reputational costs to the Council through a fire at a Council owned building			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
Increase of reportable incidents in specific work areas or activities Accidents not reported or investigated Increase absence rates for example muscular skeletal or other work related absences ☐ None compliance with primary legislation or Council Policies. Project work not planned effectively to control health and safety risk. Managers and employees not effectively health and safety trained. Absence of robust health and safety monitoring and recording system. Fire Risk Assessments not current and reviewed by Managers	1. Health and Safety Policy current and reviewed each year. 2. Risk Management process, procedure and training for assessors in place. 3. Employees consulted about Health and Safety issues through Safety Rep inspections, Safety Rep Meetings and reports to Health and Safety Committee. 4. Programmes of Health and Safety Training and information. 5. Arrangements for trained first aiders in place 6. Arrangements for the reporting of incidents, accidents and work based ill health in place. 7. Display of Health and Safety information, tool box talks and awareness campaigns. 8. Employers Liability Insurance. 9. Health and Safety Advisors keep up to date with current risks and good practice control measures. 10. Fire Risk Assessment programme completed on a risk assessed basis for all Council buildings	

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001i	Risk of poor financial management and decision making		Resources aren't funded appropriately wether it is in relation to outcome priority and impact. Services take too long to adapt to changing needs of customers. Insufficient resource (staff and services) to meet demand, meaning people are left at risk of serious harm, as risks are not identified and managed appropriately. Budget overspends or underspends. Inability to provide care to some service users, due to lack of resources. Failure to understand whole system impact and complexity of increasing demand, leading to inappropriate prioritisation of resources.			Treat	Euan Couperwhite

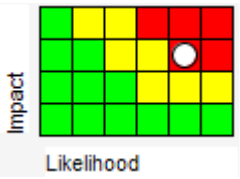
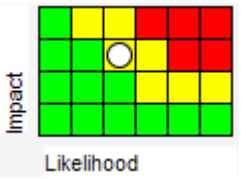
Risk Factors	Internal Controls	Mitigating Actions
Demand on the service continues to grow, due to demographic and social changes and resources are insufficient to deal with the increased demands on the service. Failure to acknowledge and respond to risk appropriately leads to people being left at risk of serious harm.	The criteria for funding is aligned to the aims and objectives of the city's Cultural Strategy, 'Vibrant Aberdeen' and its Sport and Physical Activity Strategy, 'Fit for the Future' and strives to ensure that investment provides Best Value and opportunities for all city residents. Each investment programme follows the Local Code of Practice for funding external bodies and 'Following the Public Pound'. The Review of External Investment for Culture and Sport also took place in order to ensure value for money and that investment continues to impact positively on ECS and Aberdeen City priorities.	Effective business function evaluation and monitoring in place as part of regular Directorate Leadership Team meetings. Overview of risk register, financial planning, outcomes measurement etc. Collaborative Service and Business Plan development put in place in order to ensure most effective use of resources across service and with partners in order to achieve excellent outcomes for our customers. Ensure that those with budgetary responsibility are proficient in financial management and have a clear understanding of financial regulations. Ensure that there is clarity in terms of vision and staff role and remit in their work towards achieving this vision. Effective Performance reporting in place throughout the directorate. To review decision making protocols in order to ensure scrutiny while ensuring that adaptability in order to continue to best meet customers needs is possible. Training in systemic practice to support RSW may increase attractiveness of Aberdeen Children's Social Work services as a place to work The CSWO (Chief Social Work Officer) will have responsibility for a wider protective agenda than Children.

		This will includes Adults at Risk of Harm, Guardianship and management of high risk offenders in the community. The role of the CSWO is to ensure that there are effective governance arrangements for the management of the complex balance of need, risk and civil liberties, in accordance with professional standards

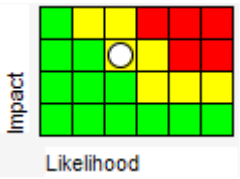
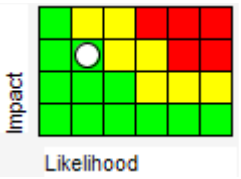
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001j	Risk that effective workforce planning isn't developed and implemented	Successful workforce planning must operate in three dimensions if it is to be successful. These dimensions are: •The strategic and business dimension •The workforce planning dimension •The HR implementation skills dimension	Inability for individuals to achieve the outcomes in their care and or education plans. Failure to sufficiently develop the market and communities to enable support services to be available. Service users may need to be maintained in inappropriate high cost services, with associated poorer outcomes and higher costs to the Council. Service users needs escalate and require higher level of care package/support as needs are not addressed at an earlier stage. An inexperienced staff group requires a large amount of training, guidance and support. Experienced staff have to carry larger proportions of complex cases, which can increase their workload and increase levels of stress. Experienced staff leaving are replaced with less experienced staff, due to difficulties in recruitment. Impact on service users if staff are less experienced. Inability to meet statutory requirements due to lack of staff. Need to prioritise staff to statutory work may mean other areas of work suffer. Inability to recruit support staff means inappropriate tasks falling to front line staff. Need to recruit agency staff at a higher cost. There is a risk to the reputation of the Council, if services cannot be maintained due to staff shortages.			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
The risk is that our staff group is not sufficiently trained and knowledgeable for the work that we expect them to carry out. There is a risk in our ability to recruit	In relation to the Inclusion Review, one of the internal controls will be to undertake an audit of staff skills, qualifications and training needs in order to develop a comprehensive training programme, for	Provide professional development to ensure the five roles of support for learning are better understood by all and demonstrate how they can play a key role in supporting

experienced qualified staff, an inexperienced staff group requires a large amount of management guidance and support. The risk is around the service's ability to recruit quality staff to fill vacant posts and also around our ability to retain the staff that we already have. This is exacerbated by geographic location and Aberdeen's low rates of unemployment and issues of perception of working within the social care sector. The social care market in Aberdeen is a competitive market with a limited pool of staff, this is across all social care sectors and across public, private and voluntary agencies.	all managers and practitioners across Education and Children's Services, and their partners, to ensure high quality inclusive practice which effectively meets the needs of all. This includes dissemination of the electronic Support Manual, customised in line with Aberdeen's policies and procedures, to be updated in line with these recommendations, along with a collation of best practice. Council HR Policies. 1:1s and PR&D Learning and Development Plan Improved flexibility in terms of speed of recruitment and recruitment processes. Recruitment Workforce group with key partners, including service providers, to look at recruitment and retention issues across the sector as a whole. Review of skill mix to maximise benefit of staff resource. New ways of working, aiming to attract new staff who are attracted by service innovation Smarter working / different ways of working, where appropriate to service involved	staff and pupils within inclusive settings. Consider the establishment of an Inclusion Co-ordinator post in each school to coordinate the approach and delivery of additional support Consider how to better use the skills and expertise of personnel in existing specialist provisions and services to develop a more coherent continuum of provision, in which mainstream opportunities are maximised in line with the guidance provided within Scottish legislation; reduce the number of Admissions groups who 'gate-keep' admissions to specialist provision Take account of the expertise of the teachers and speech therapists in the 'Language Units' and consider alternative means of supporting a wider group of children with significant speech and language delay or disorder within their local school. Undertake an audit of staff skills, qualifications and training needs in order to develop a comprehensive training programme, for all managers and practitioners across Education and Children's Services, and their partners, to ensure high quality inclusive practice which effectively meets the needs of all. This includes dissemination of the electronic Support Manual, customised in line with Aberdeen's policies and procedures, to be updated in line with these recommendations, along with a collation of best practice. Ensure robust succession work force planning, particularly in light of Aberdeen's difficulty in recruitment. Review the relative size of services and consider more equitable allocation of management roles across all support services. The deployment of staff and a suite of CPD will be a critical success factor in implementing this change and minimising any risks associated. Council's Employee Development service provides generic and management training opportunities. Social care specific training to qualified staff is commissioned Learning and Development Plan identifies areas where training is required and gaps to be filled.

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001k	Failure to exercise effective change management	3 key areas form an effective change management process: •Funding/Resources •Demand/Demography •Staffing/Capacity There are three significant specific change management challenges which Education and Children's Services will undergo. These are: 1. The complete integration of Children's Service and Education Services 2. The move towards a fully mainstreamed Inclusion Service 3. reclaiming Social Work.	Staff have uncertainty from the integration of the two services which has an impact on health and wellbeing. Failure of service users and partners to understand the rationale for decision making. Inappropriate decision making, as service user and carer views were not sought – decisions made without full information. Decisions are seen as paternalistic or counter productive. Staff are not engaged, leading to poor morale. People are maintained at an existing level, with no opportunity to reduce dependence. Poor communication across directorates responsible for social work services may lead to increased risk in the system. Failure to continue to meet the needs for those children most at risk			Treat	Euan Couperwhite

Risk Factors	Internal Controls	Mitigating Actions
Children's Services is a new Directorate and given the scope of the service there will be challenges involved in the changes that accompanies the joining of services. The risk is that we do not adequately engage with service users in individual and group situations, to seek their input into their own care planning and support and in wider service design and development as significant changes are made.	Care planning and person centred planning. Community engagement strategy. Community planning and strategic planning. CSWO role in ensuring the governance of social work services and standards. Business function evaluation and monitoring carried out through regular Directorate leadership Team meetings. Including risk register, budget, performance monitoring.	Staff from across Education and Children's Services invlolved in the review of Service Plans and the creation of the first Education and Childrens Services Service Plan. Effective communication/engagement plan in place Involvement of service users, families and carers in care planning and review. Involvement of service users, families and carers in strategic planning processes, such as development of joint commissioning strategy for self directed support. Alignment of business functions Collaborative projects brining together teams Effective project management in place Communication Plan developed.

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Owned by
ECS 001l	Failure to work in partnership with key stakeholders		Impact is on individual service users, who may not receive services most appropriate to their needs Impact is on individual who may not receive a service that they require. Service users and potential service users are unclear about services and how to access them. Staff feel isolated and disconnected. Complaints are received.			Treat	Gayle Gorman

Risk Factors	Internal Controls	Mitigating Actions
The risk is that we do not adequately engage with service users in individual and group situations, to seek their input into their own care planning and support and in wider service design and development. People are unclear about who we are, what we do, how we do it and why. Partners are unclear about our role.	Community planning partnership. Strategic planning partnerships. Community and Strategic planning.	Improve both the strategic partnership and collaboration at operational level within Education and Children's Services, and between Education and Children's Services and NHS Communications strategy approved by DLT, with associated action plan. Weekly internal communication with staff, monthly bulletins, quarterly newsletter. Back to the floor events and staff briefings. External stakeholder events for any key transformational programmes, such as Reclaiming Social Work. RSW has its own communications strategy, stakeholder analysis and communications plan. Events delivered in order to use stakeholder perception analysis to inform development. Ensure appropriate representation from partners at key strategic and operational meetings where Education and Children's Services have a lead role.

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Aberdeen City Council

IT Disaster Recovery

Internal Audit Report 2014/2015 for Aberdeen City Council

January 2015

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	3 November 2014	25 September 2014	Green
Planned fieldwork start date	1 December 2014	1 December 2014	Green
Fieldwork completion date	12 December 2014	11 December 2014	Green
Draft report issued for Management comment	9 January 2015	8 January 2014	Green
Management Comments received	23 January 2015	29 January 2015	Amber. Note: most comments provided on 21 January.
Report finalised	4 February 2015	30 January 2015	Green
Submitted to Audit and Risk Committee	February 2014	February 2015	Green

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Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
	Critical	**High**	**Medium**	**Low**	**Advisory**
Low					
Control design	-	-	-	2	-
Operating effectiveness	-	-	-	2	-
Total	**-**	**-**	**-**	**4**	**-**

Summary of findings

1.01 We have conducted a review of IT Disaster Recovery (IT DR) at Aberdeen City Council, with a focus on the policies and plans in place across ICT to address a disaster recovery incident. This has included a review of the planning across all systems that have been identified as critical; these are the ATOS data centre, the Getronics telephony system and the email servers.

1.02 The plans for Disaster Recovery have two layers; at high level there is the overarching ICT Disaster Recovery Plan, which covers the Council's responses to a Disaster Recovery (DR) incident; and the outsourced plans that cover the recovery of the data centre and the telephony system. The outsourced services provide the primary DR solutions for the Council's key systems.

1.03 Overall we found the controls to be largely satisfactory in addressing the risks around disaster recovery. In the course of our review we have noted four low-risk control findings for management's consideration:

- There has been no formal review, of the ICT Disaster Recovery Plan, to ensure that plans are an accurate representation of current practice and considers all critical systems;
- Staff involved in disaster recovery are not provided with any specific training;
- Disaster recovery testing is not as robust for the Getronics contract as it is with the ATOS data centre; and

- Not all departments provide staff to assist with the data centre DR testing.

1.04 We have identified a number of areas of good practice, including:

- There is a strong process in place for identifying and tracking risks around DR for the ATOS data centre. These are all tracked centrally in a joint ATOS/ACC risk register, which is reviewed on a monthly basis;
- There is an annual test of the transfer of operations from the primary to the secondary data centre. This has been carried out with only minor issues in the last two years and provides management with further comfort of the reliability of ATOS's DR procedures;
- There has been a process over the last couple of years of the ICT accounts managers engaging with the different service sectors Business Continuity Planning (BCP) process to ensure that these address issues around an IT DR incident. This process ensures that IT DR is understood to be the responsibility of the business as a whole and that appropriate plans are in place for the users to continue their operations in the absence of IT systems. ICT is seeking to communicate and raise awareness of what the service users can expect from ICT in an incident and the need to have plans to work for a prolonged period in the absence of IT systems; and
- ICT has recently implemented a process to review the criticality of all IT systems to assess any risks around key connections and hardware.

Management comments

We are pleased that the audit highlights the areas of good practice that are already in place regarding IT Disaster Recovery, and will continue to maintain and develop this going forward, incorporating the findings identified in this report

2. Detailed findings and recommendations

2.01 There is a need for a periodic rebasing of the ICT Disaster Recovery plans – Control design deficiency

Finding

We have reviewed the ICT Disaster Recovery Plan and found that, although the plan has been reviewed annually by the information security officer, the plan has not been re-baselined since 2008. As a result we have identified the following inaccuracies within the plan:

- The plan does not reflect the DR responsibilities within major service contracts, e.g. Atos managed data centre and Getronics telephony contracts;
- The plan refers to a DR vendors list which is now superseded by ICT Contracts Register.

Additionally ICT has begun a process to update the assessment of the criticality of systems. This has identified a number of previously critical systems that are non-critical. It is believed that once this process is extended to the systems previously not defined as critical some of these systems will be redefined as critical. This all means that there are potentially gaps in the current planning, however management are aware of these and are working through them. The lack of rebasing means that this change in the assessment of the criticality of systems has not been reflected in the ICT DR plan.

Risks

If there is no rebasing of the plans on a regular basis then this may lead to gaps in the plan including the failure to address critical risks that have developed since the previous version was written. This may impact the ability to restore systems in a timely manner in a DR situation.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Future updates of the ICT Disaster Recovery Plan will be scheduled annually and after any significant changes to systems, and will incorporate changes to current practice, levels of system criticality and lessons learned from any Disaster Recovery exercises.	Sandra Massey, IT Manager **Target date:** 30 April 2015

2.02 There is a need to have regular table top reviews to both test plans and to raise awareness of DR among participants– Control operating deficiency

Finding
The council produce a ICT Disaster Recovery Plan. This sits above the main ATOS plan to recover the data centre and covers management's response to a DR incident. This overarching plan has not been tested during the year. Management are aware of this issue, and in the past they performed monthly tests to test this plan. However, these where stopped due to time constraints Additionally in discussion with staff it has been identified that there is a low level of awareness of the plans in place. For example, staff who are referenced in the plan were not able to identify what level of authority is needed to activate it. The root cause of this is a lack of training with no training in DR currently taking place.
Risks
There is a risk that if the plans are not tested then there may be unidentified gaps in planning and these may not be discovered until a disaster. Additionally if this testing does not involve training and awareness building of those that could be called upon to enact the plan then the plan may not be able to be enacted in an emergency.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	ICT will undertake an annual walkthrough of the plans by those involved in their operation to try and identify any weaknesses and to ensure that key people are aware of their responsibilities and actions in a disaster recovery situation. (a table top review)	Sandra Massey (ICT Manager)
		Target date:
		30 June 2015

2.03 Getronics DR responsibilities need to be more actively controlled– Control operating deficiency

Finding

Getronics manage the telephony systems and have a maintenance provision in the contract that covers the recovery of the system in a DR situation. This however needs to be more firmly managed with the ATOS contract being held up as good practice to be followed. In our review of the current DR arrangement with Getronics we identified the following issues:

- The current plan supplied by Getronics is out of date:
- The last test performed on the DR plan has not yet been documented: and
- There have been a number of changes to the placement of the switch gear and the plans have not been updated to reflect these changes.

Risks

The Council may not be able to recover the telephony system in a timely manner without proper DR processes in place.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Telephony DR processes will be updated and tested, with the support of Getronics, as per their contractual arrangements	Sandra Massey, IT Manager
		Target date:
		31 May 2015

2.04 Service users are not always made available for testing of ATOS DR– Control operating deficiency

Finding

The annual test of the ATOS DR plan for the data centre requires testing of the operation of the critical systems to be effective. Ideally this should be done by the users to ensure that testing actively reflects the needs of users.

ICT have had difficulties getting some of the smaller departments to provide staff to do this, due to budgetary impacts around overtime, which has resulted in these service units not participating in the DR tests.

For example, Cremations and Burials did not participate in the 2014 test, which resulted in an issue not being identified until Monday morning, after the test was completed.

Risks

There is a risk that if service units do not support with this testing, specific business issues may not be identified prior to a DR incident.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Low	System Owners should consider and document the risk of not testing their systems during disaster recovery testing of the data centre. IT will ensure that they request and retain copies of risk assessments prior to all future IT Disaster Recovery exercises	Sandra Massey, IT Manager	30 November 2015

Appendix 1 – Background and Scope

Background

AP1.01 IT Disaster Recovery (IT DR) planning is an important component of business continuity planning. Where organisations rely on IT systems for their operations it is critical that IT disaster recovery is appropriately planned for, and considered within the context of the organisation's wider business continuity management strategy.

AP1.02 Aberdeen City Council's operations are reliant on several critical IT systems across a broad range of Council services. The failure of any of these systems could have a significant impact on the Council's ability to deliver services across the city. Effective IT disaster recovery planning is therefore essential to ensuring that the Council is able to respond to system failures in the event of a major disaster incident, in order to maintain operations of all critical systems.

Governance and Management

AP1.03 The starting point of planning for IT DR is the identification of the criticality of systems and the timeline for recovery of those systems to minimise disruption to operations. This was originally performed, when the plans were first designed, by the service departments identifying those systems they considered to be critical to their operations. This drove the original creation and operation of the DR plans. There has not been a full review since that plan was developed in 2004, as a consequence ICT believe there may exist several systems, implemented since the last full review, that are critical to Council services but not included in the DR plans.

AP1.04 ICT uses seven criteria to define the criticality of the system: user base, financial impact, reputational impact, contractual impact, customer impact, inter-connections and survivability. This has been performed for all those systems identified as critical when the DR plans were originally written. However, this has yet to be done for systems previously defined as non-critical. ICT believe that some of these non-critical systems will be redefined as critical once this review takes place.

AP1.05 The assessment of criticality performed in 2004 drove the creation of a high level plan for Disaster Recovery, called the ICT Disaster Recovery Plan. This plan has been updated several times in the intervening period. This update consists of the reviewer emailing the team leaders and asking them if there are any changes that need to be made and if the phone numbers on the list are complete. This update is performed annually and was last done in December 2013.

AP1.06 Additional plans are maintained at a more practical level to restore access to the critical IT systems in the event of a failure. The main way this would be done is to transfer from the primary data centre in Livingston to a Secondary data centre in Edinburgh. These connect in to the Aberdeen City Council Network through a

different set of connections thereby allowing the entire IT system to be switched to a second operating environment. Responsible for both these data centres is maintained by ATOS a subcontractor.

AP1.07 The only critical systems that are maintained outside the ATOS data centre are the telephony system and the email servers. The telephony system is maintained by Getronics. They provide ACC with a DR plan to enable recovery of the telephony system in a DR incident. The responsibility for this plan and the updating of this lies with Getronics, as they have a contractual obligation to maintain the system including in the case of a major incident.

AP1.08 The email system is hosted on three different servers; if one of these fails then the other servers maintain the system. No DR plan for the email system is considered necessary; ICT judge the risk of all three servers at three separate sites failing at once is considered too low to consider planning for it.

Disaster Recovery testing

AP1.09 ACC does not have a plan in place to test its overarching ICT Disaster Recovery Plan. ICT instead relies on the testing of the major practical component plans, such as the ATOS and Getronics plans to recover the data centre and telephony system, to ensure its DR plans are up to date.

AP1.10 The ATOS plan is tested on an annual basis. This is led by ATOS who are contractually responsible for this test in partnership with ACC who provide the necessary ICT staff as and when necessary. This is performed over a weekend with a transfer to the DR data centre on the Saturday and a transfer back on the Sunday. The Services are expected to supply staff to perform testing on the Saturday and the Sunday to ensure that the data centres are operating effectively.

AP1.11 All issues identified and unresolved on the day are placed on the ATOS risk register, which is reviewed on a monthly basis at a joint meeting. This meeting is led by ATOS and attended by key staff in ICT at ACC.

Training and awareness

AP1.12 Historically training and awareness of DR within ICT has been covered by 'table top' scenario testing of these plans on a monthly basis. However, this has not been performed recently due to limitations on the time of these individuals required to participate.

Awareness of the IT DR procedures is facilitated through the engagement of the Account Managers in the Business Continuity Planning (BCP) of the service units. This is done to ensure the service units are aware of what they can expect from ICT in the event of a disaster, and to emphasise that service units are expected to have plans in place to operate without the IT systems for a prolonged period of up to 24 hours.

Appendix 2 – Agreed Terms of reference

Background

IT disaster recovery planning is an important component of business continuity planning. Where organisations rely on IT systems for their operations it is critical that IT disaster recovery is appropriately planned for, and considered within the context of the organisation's wider business continuity management strategy.

Aberdeen City Council's operations are reliant on several IT systems across a broad range of Council services. The failure of any of these IT systems could have a significant impact on the Council's ability to deliver services across the City. Effective IT disaster recovery planning is therefore essential to ensuring that the Council is able to respond to system failures in the event of a major disaster incident, in order to maintain operations of all critical systems.

Our review will assess the current effectiveness of IT disaster recovery planning at the Council and whether these plans are aligned to the Council's wider business continuity planning.

Scope

We will review the design and operating effectiveness of the key controls in place to monitor disaster recovery. The sub-processes included in this review are:

Sub-process	Control objectives
Governance and management	• Disaster recovery plans cover end-to-end processes for all critical in-house IT systems. The assessment of the criticality of IT systems is aligned to the Council's business continuity plan. • Disaster recovery plans are in place for the outsourced data centre. These plans are reviewed to ensure they align with the Council's business continuity plan. • Governance arrangements are in place within ICT to ensure disaster recovery plans are regularly reviewed and assessed for appropriateness. A senior responsible owner has been appointed to manage disaster recovery. • IT disaster recovery plans are designed to be aligned with good practice.

Disaster recovery testing	• All IT disaster recovery plans are tested annually to ensure they are operating effectively. • IT disaster recovery test results are reviewed by ICT and Corporate Governance management and where issues are identified during testing these are escalated and resolved with changes made to plans as appropriate. • Sufficient resources are allocated to enable effective execution of IT disaster recovery plans
Training and awareness	• Key staff with responsibility for IT disaster recovery have sufficient training to enable them to perform their roles. • Awareness training is delivered across the organisation to educate staff on how to respond in an IT disaster recovery situation. At a minimum, completion of this training is monitored for key staff.

Limitations of scope

The scope of our review is outlined above. This will be undertaken on a sample basis. Our scope does not include an evaluation of the Council's business continuity planning, or provide assurance over recoverability for any future events.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.
- Identify any events that have invoked the disaster recovery procedures within the current financial year, through investigation with management.
- Identify the key risks in respect of IT disaster recovery.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls on a sample basis.

Key Council Contacts

Name	Title	Role	Contact details
Paul Fleming	Head of Customer Service and Performance	Project Sponsor	pfleming@aberdeencity.gov.uk
Sandra Massey	ICT Manager	Key Contact	smassey@aberdeencity.gov.uk

Appendix 3 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of IT Disaster Recovery, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to IT Disaster Recovery is as at 11th December 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Aberdeen City Council

IT Asset Management

Internal Audit Report 2014/2015 for Aberdeen City Council

January 2015

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	27 October 2014	25 September 2014	Green
Planned fieldwork start date	24 November 2014	24 November 2014	Green
Fieldwork completion date	5 December 2014	5 December 2014	Green
Draft report issued for Management comment	19 December 2014	20December 2014	Green
Management Comments received	23 January 2015	20 January 2015	Green
Report finalised	30 January 2015	30 January 2015	Green
Submitted to Audit and Risk Committee	February 2015	February 2015	Green

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Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
		Critical	**High**	**Medium**	**Low**	**Advisory**
Medium	Control design	-	-	2	-	1
	Operating effectiveness	-	-	-	2	-
	Total	-	-	**2**	**2**	**1**
	Responsible Director: Director of Corporate Governance Project Sponsor: Head of Customer Service and Performance					

Summary of findings

1.01 ICT is responsible for the management of the ICT inventory assets. The scope of our review was to assess the maintenance of the ICT assets and how it aligns with the Council's corporate strategies. In the course of our review we have identified two medium risk findings:

- The ICT asset inventory is not consistently updated following HR events (refer finding 3.01); and
- The assets stored within the ICT stock rooms are not subject to regular review to ensure that the records are complete and accurate, and all stock is appropriately accounted for (refer finding 3.02).

1.02 The systems and processes in place are not wholly in line with current best practice. ICT are aware of this and currently have a project underway to introduce a new service delivery system, which will include provision for a new, centralised ICT asset inventory. This is planned to be implemented in 2015, and will replace the existing inventories maintained. This technology solution, along with process improvements under consideration by ICT management should allow for stronger controls for monitoring ICT assets throughout the Council.

1.03 In the course of our review we identified areas of good practice operating within ICT asset management. In particular, we noted that there is an ICT Asset Management plan in place which aligns with the Councils Corporate Strategy, and is reviewed on an annual basis at the Finance, Policy and Resource Committee.

Management comments

The auditor was knowledgeable on their subject matter and provided some additional suggestions for inclusion in our Asset Management procedures. The audit highlighted that we hold detailed information on our assets, but that this is not always recorded in such a way to maximise its use. The findings are not unexpected and tie up with our current planned IT Service Improvements.

2. Detailed findings and recommendations

2.01 Updating the ICT asset inventory following HR events – Control design

Finding

There is no process in place to ensure that the ICT hardware inventory is updated following key Human Resources (HR) events such as recruitment, redeployment, extended leave, resignation or dismissal. At present ICT is solely reliant on the department managers informing ICT of any staff who have had any change to their job status.

Furthermore, the specific users of the laptops are not able to be identified from the ICT asset management inventories for all users, as departmental managers may have all assets for their team recorded under their own name.

Risks

If ICT are not aware of changes to staff employment status, the ICT inventory assets will not be updated to reflect the changes. This could lead to, for example, a heightened risk that management would be unable to identify which assets needed to be returned, which could potentially result in equipment not being returned.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Medium	1. Timely information driven from HR records will be investigated, to ensure ICT are made aware of any changes to employee status. 2. Regular reconciliations between leavers and the asset database will be performed, to ensure that the inventory remains current, and all assets are known. 3. ICT analysts will be reminded of their requirement to document the name and signature of the user of the asset when updating the hardware sheet, even where a number of assets are signed out by the departmental manager.	1. & 3. Sandra Massey, IT Manager 2. Craig Falconer, Service Desk Co-ordinator	1. 30 April 2015 2. 30 April 2015 3. 31 January 2015

2.02 Performance of regular stock takes– Control design

Finding
ICT do not perform reconciliations to ensure that the asset database records completely and accurately reflects the actual stock held in the store rooms. Best practice of asset management includes performing regular stock takes of assets held within local stores, to ensure that they are accurately reflected within the Council's records. We note that access to the stock rooms is restricted to only those responsible for signing out assets, and staff who manage the communications equipment, which partially mitigates the risks.
Risks
There is a risk that the stock listed on the database is inaccurate or incomplete. This may be due to stock being removed from the store room and ICT not being informed in of any movement. There is a heightened risk of fraud or theft, as misplaced assets may not be identified.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Medium	The Service Desk team will perform a periodic stock count to confirm that all assets recorded as being 'in stock' within the inventories are complete and accurate. Any discrepancies will be investigated and documented accordingly within the asset register and financial systems.	Craig Falconer, Service Desk Co-ordinator	31 January 2015

2.03 Maintenance of the ICT Asset Inventory – Control Design

Finding

From our review of the ICT inventories, we noted that:

1. There are currently three different inventories maintained by ICT, for computers, mobile devices and historic assets. As such there is no overall view of ICT assets owned by the Council. We note that a new system is currently being investigated that would address this finding.
2. Management have limited access to data they require in order to compare current performance to what is stated in the ICT Asset Management Plan. At present they can gain information on measures such as spend per unit; however they cannot gain information for all the measures as listed on the ICT Asset Management plan.
3. There are no formal written procedures in place for the actions to be taken if stock is lost, stolen or requiring repair.
4. There is no assessment for the criteria used to justify asset disposal, to ensure that assets are correctly and appropriately disposed.

Risks

By not maintaining a central inventory, that is fully reflective of all asset changes, there increased risks that:

1. Performance of ICT may not be aligned to the performance measurements which have been listed in the ICT Asset Management Plan.
   Inconsistencies may be introduced to the various inventories when updating asset details.
2. Data in the ICT Asset Inventory may be inaccurate, due to inconstancies in updating asset data in areas where no formal procedures have been defined.
3. Assets may be being disposed of which should not be disposed resulting in a waste of resources. Alternatively, assets may not be disposed of when they should be; therefore potentially incurring high repair costs.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Low	1. Implement a system that allows for information to be centrally recorded, and supports reporting to monitor performance of key indicators to those agreed within the ICT Asset Management Plan. This action is dependent on the implementation of the new IT Service Management tool, the purchase of which is subject to Committee approval in February 2015. Current timescales are for implementation by December 2015. In the meantime, we will undertake more consistency checks between the existing systems 2. Formal procedures will be introduced to define how to update the ICT Asset Database for events such as lost or stolen assets. These procedures should be reviewed on an annual basis 3. Disposal criteria of assets will be documented, assessed and evidenced on a quarterly basis.	1. Sandra Massey, IT Manager 2. & 3. Craig Falconer, Service Desk Co-ordinator	1. 31 December 2015 2. 28 February 2015 3. 31 January 2015

2.04 Maintenance of ICT asset inventory – Operating deficiency

Finding

Through our testing of a sample of 25 asset purchases, we noted:

- Two occasions where the purchase service sheet was not uploaded to the VQSM system, resulting in insufficient evidence of approval.
- Four occasions where the signature used to authorise purchases was not on the authorised signatory listing. For all instances, the purchase had been appropriately approved through the procurement process.

Furthermore, it was noted that repairs to ICT assets are not recorded against specific assets within the Asset Database.

Risks

There is a risk that assets have not been approved by ICT before purchase. These assets may be of a higher cost, which would result in ICT not achieving their targets as set out in the ICT Asset Management Plan.

As repairs are not being documented, management are unable to track recurring issues and repair costs associated with certain asset types.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Low	1. All supporting documentation and authorisation will be retained and uploaded onto VQSM. 2. The list of authorised signatures will be kept up to date and only employees on this list can authorise the purchase of assets. 3. A repair function will be built into the specification of the new IT Service Management Tool, in order to enable ACC to identify repair trends. This will allow reports to be run to see if there are particular assets which have high repair costs.	Sandra Massey, IT Manager	1. 31 January 2015 2. 31 January 2015 3. 31 December 2015

2.05 No asset lifecycle has been defined – Control design

Finding

ICT assets do not have a defined life cycle; assets are only replaced when the asset is no longer functional, or during special projects requiring upgrades to hardware (such as the XP replacement programme).

Per discussion with ICT Management, we noted that this is due to budget restrictions.

Due to the nature of change within technology, most organisations seek to replace IT assets, such as laptops and mobile devices, within a 3-5 year life cycle, to ensure that they remain current, provide the required level of service and performance, and are capable of receiving all required security updates.

Risks

ICT Assets may become redundant and not function with software updates, which could result in work being performed by staff being inadequate.

Action plan

Finding rating	Agreed action	Responsible person / title
Advisory	Consider introducing an Asset life cycle to allow ICT to track costs and maintain appropriate assets to support the services' operations. To be considered within the revised ICT Asset Management Plan.	Sandra Massey, IT Manager
		Target date:
		30 April 2015

Appendix 1 – Background and Scope

Background

2.01 The scope of our review was to understand and evaluate the controls in place over the Council's technology assets. ICT are responsible for the management of over 20,000[1] different assets, including computers, mobile devices, corporate network, and key business applications. Management estimate the replacement value for these assets exceeds £16 million[1]. We focussed on understanding how the ICT Asset Management Plan aligns with the overall Council asset strategy, and how ICT maintain the ICT assets to support the Council's operations.

Policy and procedure

2.02 There is an ICT Asset Management Plan in place which is aligned to the Council's Corporate Asset Strategy, which is reviewed on an annual basis. ICT asset management is regularly discussed at the Finance, Policy and Resource Committee. At present there are only limited reports that can be run to measure actual performance against the suggested benchmarks in the ICT Asset Management Plan due to system limitations.

2.03 There are currently three separate ICT asset inventories in place. Management are currently investigating a new service desk system that would allow for a more automated, central asset management system to be introduced.

Scope and limitations of scope

2.04 The detailed scope of this review is set out in Appendix 2 in the Terms of Reference. We have undertaken a review of the design and operating effectiveness of the Council's control's for ICT Asset Management specifically those controls disclosed in the scope in the Terms of Reference. Our work was undertaken using a sample based approach.

[1] *Statistics from management's assessment within the ICT Asset Management Plan - 2013*

Appendix 2 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences***;*** *or* • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact ; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences ***;*** *or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 3 – Agreed Terms of reference

Background

Aberdeen City Council has a significant volume of ICT assets across a number of sites and services. To achieve value for money, and full use from the hardware and software in use, it is important that all ICT assets are:

- Tracked and managed appropriately;
- Able to support service delivery and planning requirements;
- Upgraded appropriately, and developments are rolled out to the correct PCs;
- Appropriately protected from impacts of loss or theft; and
- Replaced on a timely basis, once they reach the end of their useful life

Scope

We will review the design and operating effectiveness of the key controls operated by corporate ICT to monitor ICT asset management. The sub-processes included in this review are:

Sub-process	Control objectives
IT Asset Management	• Management have a formal IT Asset Management Plan in place that is aligned to the Council's Corporate Asset Strategy • ICT and Corporate management have access to appropriate management information to enable them to measure performance in achieving the IT Asset Management plan
IT Inventory	• Management maintain an IT hardware asset inventory; • The IT hardware asset inventory is updated on a regular basis and responsibility for maintenance is assigned to appropriate individual(s) • The IT hardware asset inventory is updated for the impact of certain key IT events including: o Purchase o Deployment o Redeployment o Reported loss or theft; and o Retirement • The IT hardware asset inventory is updated for the impact of certain key HR events including : o Recruitment o Redeployment o Extended Leave o Resignation; and o Dismissal

Limitations of scope

The scope of our review is outlined above, and will be focussed on IT assets controlled by Corporate ICT. All controls testing will be undertaken on a sample basis. Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.
- Identify the key risks in respect of IT asset management.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls on a sample basis.

Key Council Contacts

Name	Title
Paul Fleming	Head of Customer Service and Performance
Sandra Massey	ICT Manager

Appendix 4 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the IT Asset Management, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to IT Asset Management is as at December 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Aberdeen City Council

CareFirst: Budgetary control and Forecasting

Final Report

Internal Audit Report 2014/2015 for Aberdeen City Council

February 2015

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	6 October 2014	15 October 2014	Amber
Planned fieldwork start date	3 November 2014	3 November 2014	Green
Fieldwork completion date	5 December 2014	5 December 2014	Green
Draft report issued for Management comment	5 January 2015	7 January 2015	Amber
Management Comments received	21 January 2015	22 January 2015 13 February 2015	Amber – initial comments received in timely manner but follow up required due to complex nature of the review
Report finalised	13 February 2015	13 February 2015	Green
Submitted to Audit and Risk Committee	26 February 2015	26 February 2015	Green

Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
		Critical	**High**	**Medium**	**Low**	**Advisory**
Medium Risk	Control design	-		1	1	-
	Operating effectiveness	-	-	2	-	-
	Total	**-**	**-**	**3**	**1**	**-**

Summary of findings

1.01 CareFirst is the system used for recording care provision within Social Care and Wellbeing (SC&W), and is used by a number of other Local Authorities. CareFirst is used to generate the service agreement specification between Aberdeen City Council and the care provider, and this forms the contract for provision of a care package to the individual user. Recognising budgetary pressures, it is critical that budgets are set accurately and forecasting throughout the year, takes into account all known commitments to avoid an overspend at year end. At present the Council is having difficulties reconciling the financial position for the service and is keen to look at the forward planning arrangements but also the end to end approach of data appearing on CareFirst, the relationship with this to the budget and subsequent finance reports.

1.02 The scope of our review was to assess the design and operating effectiveness of the processes and controls in place over the CareFirst system. From this review we have identified three medium risk and one low risk findings.

Medium Risk Findings

1.03 **Data quality issues within CareFirst.** Improvements are needed to the quality of data within the CareFirst system to allow for the accurate monitoring and forecasting of budgets. During our review we noted three key areas impacting the quality of data:

- Inaccurate recording within CareFirst is user driven, whether this is through data entry errors or not updating or closing care packages. Although procedural guidance is available, through staff interviews (with 3 Care Managers and 23 Care Workers) we noted that user knowledge of the CareFirst system and its supporting procedures could be improved.

- Whilst the accuracy of the data is ultimately the responsibility of frontline Care Managers, it should be acknowledged that not all recording errors can be avoided and therefore there is a need for a secondary monitoring control to cleanse problematic data. The unmatched transaction report is produced on a monthly basis to allow review and action over incorrect transactions. Although produced, we found that this report is not used in practice.

- The growing volume of caseloads and challenges in recruiting Care Managers is increasing the difficulty of keeping CareFirst up to date and accurate. During interviews it was reflected to Internal Audit by Care Managers that they feel that their time is stretched between managing existing client needs, sourcing the appropriate care and updating the system. There is a need to formally consider whether a separation in roles between those performing assessment and managing client relationships and those recording the care packages on Carefirst is appropriate.

1.04 **Monitoring and forecasting.** Monthly budget reports are generated to allow budget holders to monitor their budget; however we have noted that these reports are not being utilised. In addition to this, commitment reports provide budget holders with the future expected cost of active care packages within CareFirst and should be used to reforecast and inform management whether budgets are likely to be met. Commitment reports have not been regularly distributed to budget holders during 2014/15 and as a result reforecasting has not been performed. It should also be noted that due to the data quality issues within CareFirst, the accuracy of commitment reporting is currently unreliable.

1.05 **Invoice variations and processing.** Due to the nature of social care provision, the care initially arranged / agreed is not always what is provided to the client. As a result, invoice amounts can differ to the value on the order. From our review we noted that invoices are being matched to care packages and processed for payment even if the amount on the invoice significantly differs from the amount recorded on CareFirst. In this situation, the difference between the amount on the invoice and the amount on CareFirst is recorded as a variance. There is no formal monitoring or secondary review to ensure variances are appropriate. In addition to this, financial limits for processing variations are not held within the system and there is limited review to ensure users are authorising within their limits.

Low Risk Finding

1.06 **Authorisation rights.** Authorisation rights to approve service agreements and create variances are devolved to team members at the discretion of Service or Team Managers. As a result, there is a lack of governance, oversight and clarity around who has authority to do what across the department.

Management Comments

1.07 The service proposed this audit in response to on-going challenges in monitoring and forecasting of budget spend, through recording of care packages on CareFirst. The findings of the audit in terms of use and development of systems and improvement of governance will address some risks but the capacity issue in relation to the growing volume of caseloads and recording will need to be resourced, with a review of “skill mix” as the first step to separation of assessment and care management and recording roles

2. Detailed findings and recommendations

2.01 Data quality issues within CareFirst– Operating effectiveness

Finding

Improvements are needed to the quality of data within the CareFirst system to allow for the accurate monitoring and forecasting of budgets. During our review we noted three key areas impacting data quality:

(1) Inadequate knowledge of CareFirst and its supporting procedures

Inaccurate recording within CareFirst is user driven, whether this is through data entry errors or not updating or closing care packages. Although procedural guidance is available, through interviews (with 3 Care Managers and 23 Care Workers) we noted that user knowledge of the CareFirst system and its supporting procedures could be improved. A number of individuals raised concerns that there is a lack of understanding of key functionality such as how to navigate the system and managing workloads using the clipboard.

(2) Unmatched transaction reports

Whilst the accuracy of the data is ultimately the responsibility of frontline Care Managers, it should be acknowledged that not all recording errors can be avoided and therefore there is a need for a secondary monitoring control to cleanse problematic data. The unmatched transaction report is the key monitoring control used to improve the accuracy of data on the CareFirst system. The reports are run monthly by the CareFirst Team and provide a list of transactions for review by the Finance team. Many of the transactions will be care packages for which no invoices have yet been received, but will be received after the typical billing period; these transactions require no follow up. Other transactions are 'illegitimate' and relate to the following:

- Care packages which should have been closed on CareFirst to reflect that the client no longer receives care ;
- Care packages which remained open when care was temporarily suspended. Amounts payable are still generated for periods when no care was provided; and
- Transactions for care packages which were not 'matched' appropriately to invoices, and hence not cleared during the processing of payments.

From discussions with members of SC&W and Finance we have noted that although the reports are run on a monthly basis, reports are not reviewed or actioned. We consider this to be caused by the following factors:

- Responsibility for reviewing and actioning the report has not been assigned;
- There are no agreed criteria for assessing whether a transaction is illegitimate and whether it requires further investigation. For example, a decision could be made to target transactions that are sitting unmatched for a period of over 90 days; and
- There is no oversight from senior management to ensure that the task is being performed on a monthly basis.

Please note that management have also highlighted the lack of available resource as a key factor in why this task is not being routinely performed.

(3) Roles, responsibilities and resourcing

The growing volume of caseloads and challenges in recruiting Care Managers is increasing the difficulty of keeping CareFirst up to date and accurate. During interviews it was reflected to Internal Audit by Care Managers that they feel that their time is stretched between managing existing client needs, sourcing the appropriate care and updating the system. There is a need to formally consider whether a separation in roles between those performing assessment and managing client relationships, and those recording the care packages on Carefirst is appropriate. This approach will allow staff to play to their strengths, develop specialisations and remove inconsistency in data input. Additionally, centralising the sourcing of care will remove the duplication that currently exists where workers are independently contacting suppliers.

Risks

Management information for budgetary and forecasting purposes is unreliable due to data quality issues within CareFirst.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
Medium	• The Senior Leadership Team should reinforce the importance of following processes and entering data correctly. Line Managers should be encouraged to identify team members who are having most difficulty using the system. Once targeted, these individuals should be provided with additional training and one to one support where necessary. • Management should assign responsibility for reviewing and actioning the unmatched transactions report. Management may consider creating a dedicated role for this task as it would benefit from a technical understanding of CareFirst, knowledge of the Council's financial arrangements with suppliers and all client groups. • Agreement will be reached on the criteria/ parameters to be used for deciding whether transactions should be investigated or not. The unmatched transaction report will be modified by the CareFirst Team to ensure it only includes the transactions for assessment before it is issued to the individual responsible for reviewing and actioning. • Dummy invoices will be processed in CareFirst to remove illegitimate transactions. This will not impact actuals (which are reported through e-Financials) and will allow for accurate commitment reporting. The individual responsible for the unmatched transaction report should also be responsible for this task. • To ensure temporarily suspended care packages do not accrue costs, the person responsible for reviewing and actioning the unmatched transactions report should enter variances to offset the amount. A list of users who are not closing care packages as per the guidelines should be issued to Service Managers for appropriate action. • The completed unmatched transaction report should be reviewed and signed off by the responsible person's line manager on a monthly basis. • Consideration will be given to separating the roles of those who assess and manage frontline client needs and those who are sourcing the supply of care and subsequently recording the care on the system.	SC&W Senior Leadership Team (it has been agreed that a short life working group will be established to action these points) **The Target date:** 30 June 2015 - please note that this date may be revised once the short life working group has met for the first time.

2.02 Monitoring and forecasting - operating effectiveness

Finding

Monthly budget reports are automatically generated via Business Objects to allow budget holders to monitor their budget. From discussions we have noted that these reports are not being used. From the three budget holders interviewed, one did not know their password/ how to access Business Objects, one didn't have an account and one admitted that they did not use the reports. We believe the following factors are impacting this:

- Lack of understanding with regards to the software packages in use. There are two different software packages (business objects XI and collaborative planning) used for the budget process and budget holders are unaware how the systems are intended to complement each other;
- Lack of capacity for budget holders to perform these duties as a result of increasing workloads; and
- Lack of engagement from budget holders.

At the beginning of each financial year, forecasting is based on last year's spend. The Reporting and Monitoring Team produce the initial forecast and thereafter it is intended that budget holders update this. Commitment reports provide budget holders with the future expected cost of active care packages within CareFirst and should be used to reforecast and inform management whether budgets are likely to be met. Commitment reports have not been regularly distributed to budget holders during 2014/15 and as a result reforecasting has not been performed. It should also be noted that due to the data quality issues (as noted in Finding 3.01) the accuracy of commitment reports is currently unreliable. As a result, budget holders do not see value in using these to reforecast incorrectly.

Risks

As a result of budget reports not being utilised, actual costs are not being monitored against budgeted costs. As a result of infrequent and inaccurate commitment reporting, budget holders are not receiving the information to allow them to reforecast appropriately. Both situations may result in the overspending or under-spending of budgets.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
Medium	1. Management will ensure that going forward the commitment reports are being appropriately distributed to the relevant budget holders on a monthly basis. 2. Additional training to budget holders will be formally rolled out as part of the wider Finance Framework in March 2016. In the meantime, budget holders within SC&W will be encouraged to seek support from their named contact in Finance if required. Finance staff will be asked to add this to agenda for future 1 to 1 budget meetings. Please note that recommendations relating to data quality issues are included within Finding 3.01.	Paul Dixon (Finance Partner) **The Target date:** 1) 31 May 2015 2) 31 March 2015

2.03 Invoice variations and processing – Control design

Finding

Due to the nature of social care provision, the care initially arranged / agreed is not always the care provided to the client. As a result, invoice amounts can differ to the value on the service agreement. From our review we noted that invoices are being matched to care packages and processed for payment even if the amount on the invoice significantly differs from the amount recorded on CareFirst. In this situation, the difference between the amount on the invoice and the amount on CareFirst is recorded as a variance. To investigate the impact of this we ran a report of all variances posted through CareFirst between 1 April 2014 and 1 December 2014. Our analysis and detailed breakdown is provided below:

- The total valuation of the invoice variations processed for extra cost was £583,737; and
- The total valuation of the invoice variations processed for less cost was £1,078,005

Detailed Breakdown:

Variations:	Extra Cost	Less Cost
Additional work required	£514,703.17	£381.69
Automatic Variation to Non Residential Charge	£1.13	£0.93
Client absent	£0.57	£0.00
Day Care Charge	£0.00	£14.64
Finance Administration Use Only	£266.83	£9,007.08
Less work required	£2,876.08	£1,019,208.45
Public Holidays (cost only)	£1,103.77	£145.19
Repayment	£1,281.96	£0.00
Service not provided	£27.56	£3,565.41
Small Rounding Difference	£63,476.57	£45,681.69
Sum:	**£583,737.64**	**£1,078,005.08**

There is no formal monitoring or secondary review to ensure variances are appropriate. In addition to this, financial limits for processing variations are not held within the system and there is limited review to ensure users are authorising within their limits.

SC&W have a dedicated Process and Control Team who receive invoices and process the payment. From discussions with staff it was brought to our attention that if suppliers send invoices to the SC&W Process and Control Team as well as the Council's central Accounts Payable Team, there is a risk of the invoice being processed twice. Service Managers should not approve invoices for the central Accounts Payable Team to process but on occasion this does appear to happen. The Key Financial Controls internal audit was performed in conjunction with this review and we noted that a £140,000 invoice for social care was paid twice in December 2014. The duplicate payment was identified via the Council's dual payments report, and we understand that a credit is currently being discussed with the supplier.

Risks

Due to insufficient monitoring of invoice variations and limited assurance that users are adhering to financial authorisation limits, there is a risk that there is a risk of incorrect invoices being paid.

Due to invoice being sent to two processing teams, invoices may be approved and paid twice.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	1) A monthly report should be run by the Processing and Control Team to identify users who are processing variations above their approved value and to ensure variations are appropriate. Exceptions should be highlighted to line management for appropriate action. A sample of variations should be tested to ensure classified correctly. Exceptions should be highlighted to line management for appropriate action. 2) Service Managers should be reminded that invoices for care provision should not be approved via the Council's central Accounts Payable team.	Paul Dixon (Finance Partner) **The Target date:** 1) Imminently 2) 28 February 2015

2.04 Authorisation rights– Control design

Finding

Authorisation rights to approve service agreements and create variances are devolved to team members at the discretion of Service or Team Managers. As a result, there is a lack of governance, oversight and clarity around who has authority to do what across the department.

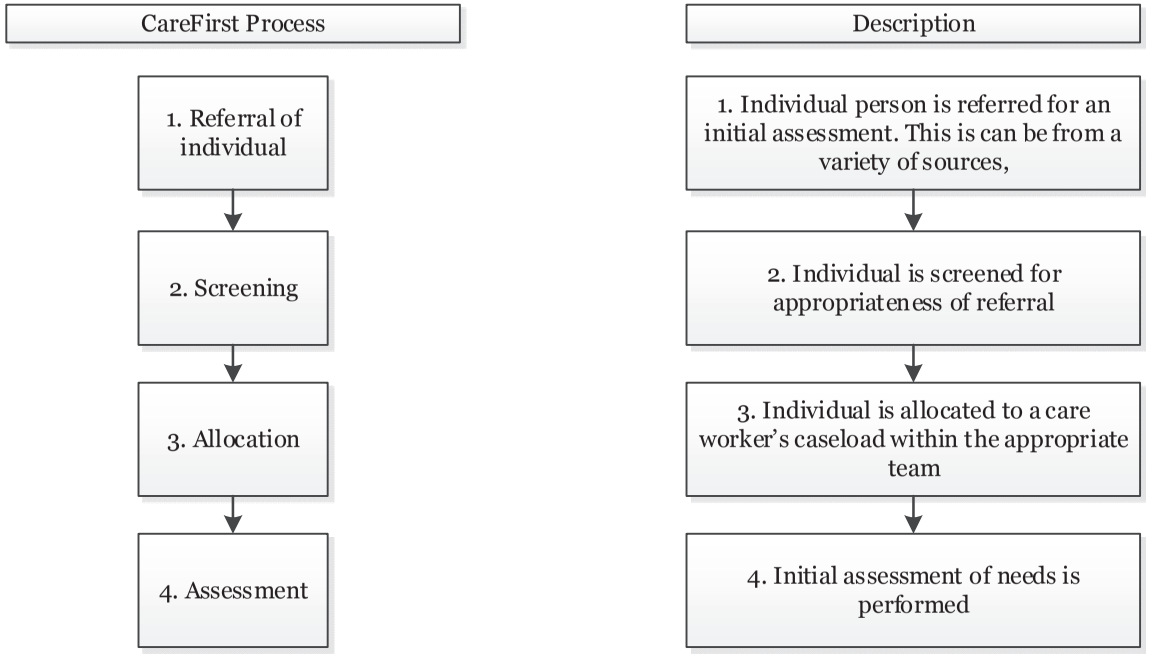
Risks

As authorisation rights are not approved and issued centrally there is a risk that service agreements are being created by Care Manager without appropriate oversight from management.

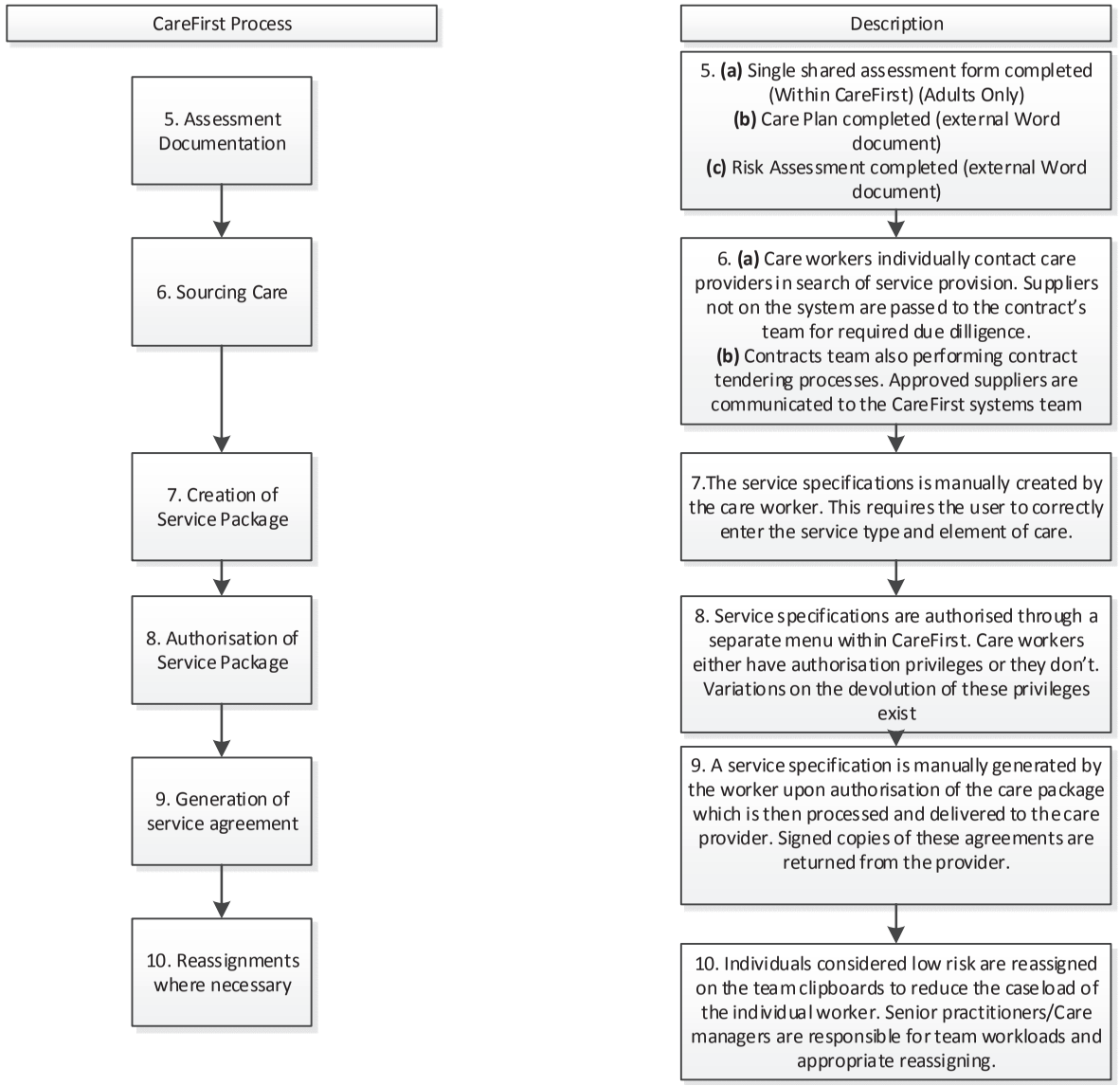
Action plan

Finding rating	Agreed action	Responsible person / title
Low	1. Authorisation rights across the department should be reviewed and assessed for appropriateness. A central register should be maintained to ensure there is on-going clarity over authorisation rights. 2. The Council should discuss with other Local Authorities the appetite for setting financial authorisation limits within the system. If popular this should be raised at the next OLM Systems meeting.	Trevor Gillespie (Team Manager – Performance Management) Service Managers
		The Target date:
		31 March 2015

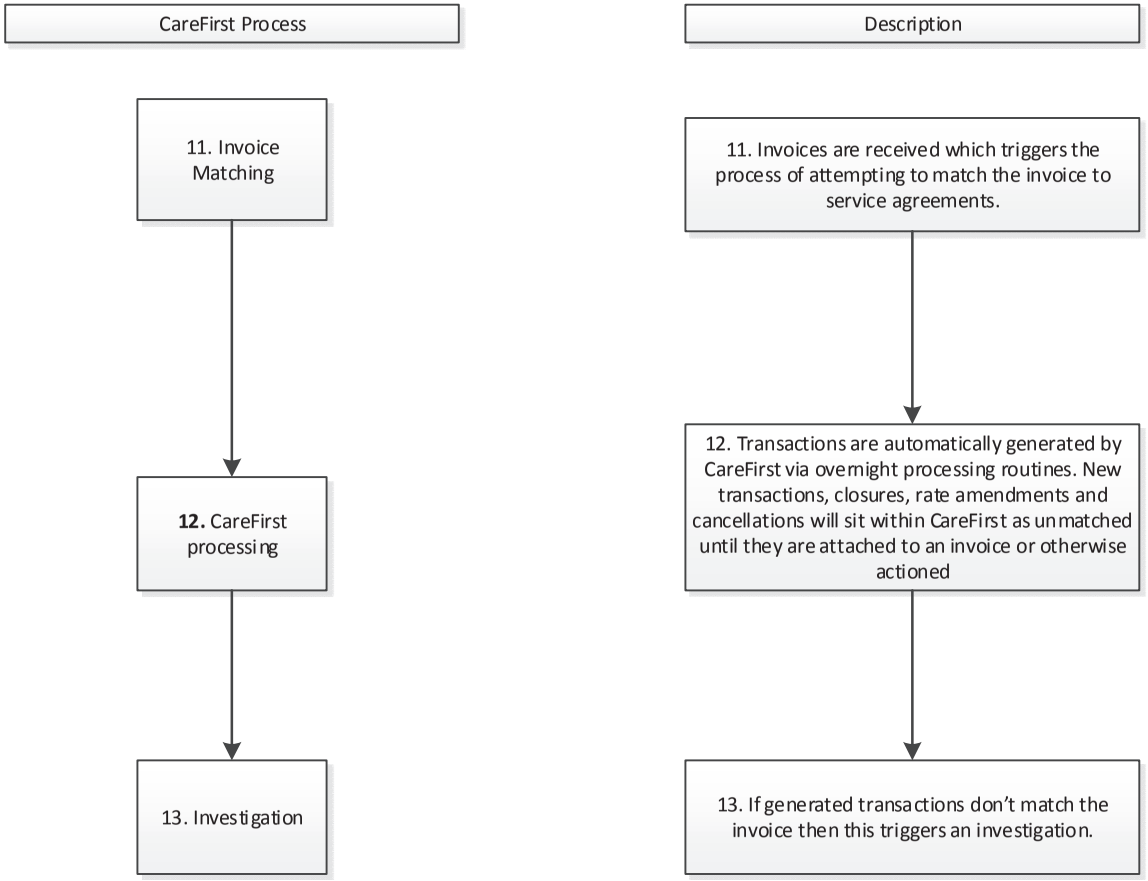
Appendix 1 – Initial procedures process diagram



Appendix 2 – Creation of care package process diagram



Appendix 3 – Finance processing diagram



Appendix 4 – Background and Scope

Background

2.01 CareFirst is an information management system used by Aberdeen City Council within Social Care and Wellbeing (SC&W). The software is used to record the care provision provided, and is operated by a number of other Local Authorities. CareFirst is also used to generate the service specification between Aberdeen City Council and the third party care provider which forms the contract for provision of a care package to the individual user. It should be noted that the Council developed this functionality; it is not standard within CareFirst.

Departmental structure

2.02 Social Care and Wellbeing (SC&W) is currently split between Adult services (including Older People) and Children's services. Below this level, the structure is divided into a number of service lines before being split further up into teams who work in specialist care areas or geographical areas. It is currently intended that each of these service lines record and utilise the CareFirst system in the same way. All of Adult Services care provision is recorded through CareFirst. For Children's Services however, it is only provision related to children's disability, specialist residences and foster care which is recorded in CareFirst. This is due to the other care within Children's services being provided by in-house resources that does not require requisition from external third parties.

2.03 There are four other teams within SC&W and Corporate Governance that are involved in using the CareFirst system. Please note that the latter three teams sit within Finance (Corporate Governance) and are physically separated from the operational staff in SC&W:

- CareFirst Team which includes the System Development Officers responsible for managing the operations of the software;
- Process and Control Team who receive invoices and process the payment through the CareFirst system;
- Reporting and Monitoring team who are responsible for providing information to budget holders amongst other financial reporting duties; and
- Social Work Financial Assessments Team who are responsible for assessing the level of client contributions and invoicing social work clients.

CareFirst processes and procedures

2.04 *Initial Assessment*

Upon initial assessment of a referral, Care Managers either complete a single shared assessment form (Adults) or GIRFEV (Children), which is inbuilt into CareFirst. Two external documents to the system are also completed: a care plan (to be used by the service provider) and a further risk assessment. These are stored on the relevant services shared drive.

2.05 *Creation of a Care Package*

Upon assessment of a user's needs, Care Managers will contact relevant suppliers in search of care provision. It should be noted that there is a framework list of suppliers and the number of suppliers is limited within Aberdeen. Subsequently, the Care Manager must create the package on the CareFirst system. This requires

them to select the correct service type and element of care for the client on the drop down menus within the CareFirst system. This ensures that the commitments are recorded against the appropriate cost centres.

2.06 *Authorisation and Service Agreements*

Once the care package is set up for the client, a subsequent authorisation is required. On the CareFirst system, users either have access to authorise or they do not. Financial limits are in place but these sit out with the system. Devolution of these authorisation rights differ across service areas and teams, with the level of devolution decided at the Service Manager level. Regardless of the level of devolution, the package needs to be authorised through a separate menu for it to become live. When authorised, the worker generates a service specification and cover letter which is printed and sent to the third party service provider.

2.07 *Updating, suspending and closing care packages*

Once authorised, care packages cannot be updated or temporarily suspended; Care Managers are only capable of revising the end date of the care package. A change in service for example requires the care package to be closed down and a new one to be created. Guidance currently states that if the planned service is to stop / change for a period of two weeks or less, the agreement should be left open and the appropriate variations entered. If the planned service is to stop / change for a period of longer than two weeks, the existing agreement should be closed and a new service agreement created where appropriate. Care Packages are closed on the system after a review has taken place or due to particular circumstances of the client. Care packages which are due to be closed follow the same authorisation procedures which are in place for the creation of new care packages.

Budgeting and Forecasting

2.08 *Accuracy of data within CareFirst*

Recognising budgetary pressures, it is critical that budgets are set accurately and forecasting throughout the year takes into account all known commitments to avoid an overspend at year end. At present, the Council is having difficulties reconciling the financial position for the service. In the past, CareFirst has been subject to a detailed cleansing exercise to maintain the data; however as this exercise has not been continuous, issues have arisen again. To help with the on-going task of ensuring accuracy the 'unmatched transactions' report was introduced for review. 'Unmatched' refers to committed service agreements which have not yet had invoices processed against them and 'transactions' refers to the overall care package broken down into costs for each week. Therefore, one transaction is the cost of a service agreement for a single week. The overall report therefore contains a combination of:

- Legitimate transactions: service agreements for which no invoices have yet been received but will be received in the future after the typical billing period has past; and
- Illegitimate transactions, including service agreements which:
    a. Should have been closed down on CareFirst;
    b. Remained open when care was temporarily suspended; and
    c. Transactions were not 'matched' appropriately to invoices, and hence not cleared during the processing of payments.

  In (a) and (b), amounts payable are still being generated on CareFirst despite the care package not being provided. Please note that although payables are generated, these would not be paid unless processed.

2.09 *Budget Setting and Monitoring*

Budgets are prepared with the assistance of a software package called 'Simul8' which forecasts demographics relevant to the services provided. These demographics form the basis of the assumptions which underpin the budgets. It should be noted that Simul8 was last used c. 5 years ago as part of the Priority Based Budget process and this data still remains the basis for annual budget updates. It is expected that this will be refreshed in 2015/16 in line with the move to the Integration Joint Board.

It is intended that budgets are currently monitored in two ways by budget holders: monthly reports generated via business objects software and quarterly meetings with the Reporting and Monitoring Team within Finance". Budget holder meetings can be held more frequently at the request of the budget holder and all budget holders have access to a named primary contact within Finance if they require additional support. Monthly management reports "CMT Highlights" are also prepared for the Senior Management Team within SC&W.

The Reporting and Monitoring Team also produce commitment reports which detail all live care packages for the year, allowing for a comparison with budgeted spend. It is currently intended that these are produced and distributed to budget holders on a monthly basis.

2.10 *Forecasting*

At the beginning of each financial year, forecasting is based on last year's spend, amended for items such as increased demographics, price inflations and growth/ saving proposals. The Reporting and Monitoring Team produce the initial forecast and thereafter it is intended that budget holders update this to reflect current spend alongside future commitments. Management have highlighted that commitment reporting is the preferred method of forecasting; however inaccuracies within the CareFirst system prevent this from being used.

CareFirst provider

2.11 The Council currently pays an annual service fee to OLM Systems for the maintenance of the CareFirst system. OLM Systems hold quarterly meetings with the Council and other Local Authorities to discuss the development of the software. The quarterly meetings are split into two sessions. In the morning, the Local Authorities meet without OLM Systems to discuss and agree upon matters which should be presented. In the afternoon, OLM Systems are involved in the discussions where changes or developments to the software are approved through voting. The ability of Aberdeen City Council to effect change on the software is therefore restricted by the wishes of other Local Authorities.

Scope and limitations of scope

The detailed scope of this review is set out in Appendix 5. We have undertaken a review of the design and operating effectiveness of the Council's controls regarding the CareFirst system.

Appendix 5 – Agreed Terms of reference

Background

This review is being undertaken as part of the 2014/15 internal audit plan approved by the Audit and Risk Committee in April 2014.

Scope

PwC have reviewed the design and operating effectiveness of the processes and controls in place over the CareFirst system. Within the scope of this review PwC have considered both residential and non-residential care packages for Children, Adults and Older People. The sub-processes included in this review are:

Sub-process	Control objectives
Recording of care packages	• Procedures are in place and consistently followed for assessing, approving, recording, updating, suspending and closing care packages and their associated financial commitments on CareFirst on a timely basis; and • Procedures are fit for purpose and user friendly. Please note: Internal Audit are unable to access client sensitive information on CareFirst and as a result will test this control objective by way of a systems walkthrough, review of documentation and interview with staff.
Budgetary control and forecasting	• Budgets are set on an annual basis and are underpinned by well-defined assumptions and projections. Budgets are reviewed and formally approved by senior management; • Budgets are monitored by budget holders on a regular basis and variances investigated or actioned. Significant variances are reported to senior management on a timely basis and appropriate actions to rectify issues are taken; and • Forecasting is performed on a regular basis to identify potential future areas of overspend. Senior management are consulted and an action plan is put in place if overspend is identified.
Accuracy of Data	• The responsibly for assessing the accuracy of financial data on CareFirst is clearly defined and the exercise is performed on a regular basis; • Unmatched transactions (e.g. care commissioned but cancelled, no carers available to provide service) are reviewed and resolved on a timely basis; and

	• Financial commitment reports are reconciled to data recorded on Care First on a regular basis. Ownership for investigating variances is assigned.
CareFirst	• Management have considered alternative systems for use within Social Care and Wellbeing and have a clear business case for the use of CareFirst.

Limitations of scope

The scope of our review is outlined above. This will be undertaken on a sample basis.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit approach

Our audit approach is as follows:

☐ Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.

☐ Identify the key risks in respect of Care First.

☐ Evaluate the design of the controls in place to address the key risks.

☐ Test the operating effectiveness of the key controls on a sample basis.

Appendix 6 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the CareFirst system, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the CareFirst system is as at December 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Aberdeen City Council

ALEO Tier 2 Review
Final Report

Internal Audit Report 2014/2015 for Aberdeen City Council

February 2015

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	22 September 2014	10 October 2014	Red – delay in getting contact details of key contacts
Planned fieldwork start date	20 October 2014	20 October 2014	Green
Fieldwork completion date	7 November 2014	7 November 2014	Green
Draft report issued for Management comment	24 November 2014	21 November 2014	Green
Management Comments received	8 December 2014	3 December 2014 8 December 2014 28 January 2015 13 February 2015	Amber – delays in receiving comments from a key contact due to other work commitments.
Report finalised	13 February 2013	13 February 2015	Green
Submitted to Audit and Risk Committee	26 February 2015	26 February 2015	Green

Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
	Critical	**High**	**Medium**	**Low**	**Advisory**
High risk					
Control design	-	2	3	-	-
Operating effectiveness	-	-	-	-	-
Total	-	2	3	-	-

Summary of findings

1.01 As public spending pressures remain across local government in Scotland, there is a continued focus on ensuring that authorities are maximising their funding to secure effective and efficient services for local people. This principle extends beyond the services provided by the authorities themselves, to services provided by external organisations that support meeting the Council objectives.

1.02 In 2012/13 a review of the Tier 1 ALEOs; (AECC, Sport Aberdeen, Aberdeen Sports Village and Bon Accord care) was performed by Internal Audit. The report highlighted 4 high and 2 medium risk recommendations to improve the governance and scrutiny arrangements in place. The implementation of these recommendations is monitored through the quarterly follow up reported to Audit and Risk Committee.

1.03 It has been agreed with management that arrangements in place over Tier 2 ALEOs should now be subject to review. Aberdeen Heat and Power and Aberdeen Performing Arts have been identified, due to their size, as the two ALEOs most appropriate for review.

1.04 Management are still in the process of implementing the recommendations made following the review of Tier 1 ALEOs, and therefore the findings of this review provide an additional opportunity to further improve the framework in place for Tier 2 ALEOs. Overall our review has noted two high risk findings in relation to the arrangements for Tier 2 ALEOs:

- **Lack of consideration of risks posed to the Council** – we found that there is a lack of consideration of the risks posed to the Council from its relationships with Aberdeen Heat and Power and Aberdeen Performing Arts. As a consequence, there is a lack of clarity as to whether the current monitoring arrangements in place are proportionate to the risk posed to the Council. There is therefore the need for the Council to formally assess the risks posed by ALEOs to the Council. (Finding 3.1)

- **The requirement to update the current Following the Public Pound guidance** – we found that the current guidance in place dictates the governance arrangements for each ALEO based on funding levels alone, as opposed to the overall risk profile of the organisation. In addition we found that several of the requirements within the current guidance document are not operating in respect of Aberdeen Heat and Power and Aberdeen Performing Arts (Finding 3.2).

1.05 We have noted a further 3 medium risk findings which require to be addressed in order that governance arrangements for Tier 2 ALEOs are capable of adequately managing risks faced by the Council.

1.06 Please note that the findings within this report are in relation to the processes and controls operated within the Council. Process and controls operated within the ALEOs did not fall within the scope of this review and internal audit have not investigated these, nor have we a view upon them.

Management comments

Management welcome the review of Tier 2 ALEO's which builds on the Tier 1 review and note the findings. Taken together, the implementation of the action plans for both reviews will further enhance the overall framework in place for ALEOs. A number of the actions arising from this review relate to updating the Following the Public Pound guidance and this process is already underway and will be consulted on and implemented within the timescales contained within the report.

2. Detailed findings and recommendations

2.01 Lack of consideration of risks posed by each ALEO to the Council– Control design

Finding

At present there is a lack of consideration of the risks posed to the Council from its relationships with Aberdeen Heat and Power and Aberdeen Performing Arts, or the delivery of services through these vehicles. Whilst each entity maintains risk registers and has risk management processes in place in order to manage risk locally, this is not done from within the Council. It should be acknowledged that when an ALEO is first set up the risks to the Council will have been considered; however there is no on-going assessment, recording and management of this.

Key risks from these relationships identified by internal audit include:

- Failure of Aberdeen Performing Arts to suitably maintain the Council assets it leases, leading to financial loss, health and safety risks, and negative impact on service delivery. There is also a risk that the Council is not supportive of the arts programme delivered;
- Failure of Aberdeen Heat and Power to suitably maintain the district heating system, leading to financial loss and negative impact on service delivery;
- Absence of robust financial management procedures in either entity, leading to inefficient use of Council funds; and
- Absence of a sound control environment in either entity leading to poor service delivery or financial loss.

The Audit Scotland best practice guidance identifies understanding of risk as the key underpinning principle which should dictate a reasonable and proportionate programme of governance for each local authority ALEO. At present, the only risk formally assessed by the Council in relation to the governance of ALEO's is financial loss. This is due to the requirement of the Following the Public Pound Guidance. In the absence of an understanding of the wider risks posed by each, it is impossible to determine a suitable governance framework in order to manage the risks proportionately.

Risks

Absence of an understanding of the risks posed by each entity leads to an inability to suitable manage or mitigate risks posed, resulting in negative financial or service implications for the Council.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
High	Management will consider the wider risks posed by ALEO's to the Council to ensure that this area of risk is included in the corporate risk register / service risk registers. Risks may include financial, health & safety, reputational and service delivery. The level of risk posed by an ALEO to the Council will determine the governance arrangements that will apply and this will be incorporated into a revision of the Following the Public Pound guidance.	Performance & Risk Manager **Target date:** 30 September 2015

2.02 Following the Public Pound guidance– Control design and Operating effectiveness

Finding

The Council's current Following the Public Pound guidance requires review and updating to ensure that it is capable of directing proportionate governance across the Council's ALEO portfolio and that it is capable of operating in practice.

Our review of the current guidance confirmed that the governance route for each ALEO is dictated only by the financial contributions made by the Council, as opposed to the full risk profile of the relevant organisation. Audit Scotland's report states:

"*Lower levels of expenditure can be relatively high risk due to the nature of services they provide. Conversely, higher expenditure areas may not have such high operational risks but councils should regularly monitor them as the impact of failure on council finances and service users would be substantial.*"

In addition, our review of the arrangements in place for Aberdeen Heat and Power and Aberdeen Performing Arts confirmed that the monitoring requirements of the Following the Public Pound document are not currently operating in practice. This was demonstrated by the following:

- We were unable to obtain evidence of completed appendices containing checklists for operational and financial reviews required by the guidance;
- We were unable to obtain evidence that the relevant financial procedures had been reviewed and retained by the Council; and
- We were unable to obtain evidence of annual reports being submitted to monitoring committees.

Risks

Absence of a governance framework which reflects the full risk profile of an ALEO may lead to a level of monitoring which is insufficient to adequately manage risks posed.

Failure to implement Council monitoring arrangements may result in an inability to identify and address financial, reputational, operational issues on a timely basis.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
High	Management will revise the Following the Public Pound guidance to include reference to the alternative risks posed by the Council engaging with ALEO's and ensure that increased risks results in increased scrutiny where appropriate. Management will remind monitoring officers that they must complete all elements of monitoring prescribed by the guidance.	Corporate Accounting Manager	30 September 2015

2.03 Governance arrangements for ALEOs which do not receive direct funding– Control design

Finding

At present there is a lack of clarity regarding the governance arrangements required for ALEOs which do not receive direct Council funding, but which do play a key role in the delivery of strategic objectives and over which the Council exercises control through board representation.

An example of this is Aberdeen Heat and Power who play a key role in the delivery of affordable warmth for both Council tenants and other customers within Aberdeen city. The Council recognises the group relationship that exists between it and Aberdeen Heat and Power and as a result details of the organisational performance are included in the Council's Annual Statement of Accounts. However, the Council's Following the Public Pound guidance excludes Aberdeen Heat and Power due to the fact it does not receive direct funding.

The relationship with Aberdeen Heat and Power has evolved over time without consideration of an appropriate monitoring framework. In the past communications with the Council were informal and unrecorded, and there was no programme of reporting to Council committees. In recent months the Energy Manager within the Council has sought to formalise and record monitoring that takes place, however there remains an uncertainty as to whether the current monitoring arrangements are sufficient, or indeed necessary.

Risks

Absence of a clear governance framework which is capable of addressing the nuances of all Council ALEOs may lead to arrangements taking place which are not sufficient to manage the risks posed to the Council, or which are unnecessary in the event of low levels of risk faced.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Management will revise the Following the Public Pound guidance to include reference to ALEO's that do not receive direct grant funding so as to establish suitable governance arrangements for these.	Corporate Accounting Manager
		Target date:
		30 September 2015

2.04 Ensuring Councillors and Officers are in receipt of appropriate training before undertaking ALEO roles – Control Design

Finding

There is no requirement for Councillors or monitoring officers to undertake training to fully equip them to understand and execute their roles in relation to ALEOs. There is an external training programme offered by the Council to elected members which outlines their responsibilities where they hold dual roles as both Councillors and company directors; however this is voluntary and participation levels are very low. We found that when the programme was last run in 2012, only nine elected members in total attended and only one of the six elected members who sit on the Boards of Aberdeen Heat and Power and Aberdeen Performing Arts.

It was noted that Aberdeen Performing Arts run their own Board member inductions which outline the roles of company directors under the Company's Act. However, the Council cannot rely on each ALEO running their own sessions, nor would such sessions address the nuances of the role of a Councillor acting as a company director.

In addition, there is no training available for monitoring officers who undertaken the role of oversight of ALEOs. This role involves a significant level of judgement, the ability to interrogate financial statements, respond to risk and assess internal governance arrangements. It may be the case that the experience of monitoring officers does not encompass such skills, and that training is required to ensure that this role is undertaken effectively.

Risks

Absence of appropriate training of elected members may result in an inability to execute their role in accordance with relevant legislation and the Councillors' Code of Conduct.

Absence of appropriate training of monitoring officers may result in ability to effectively monitor ALEOs and escalate issues to Council committees as appropriate.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
Medium	1. Elected Members will be advised that participation in the external training programme run by the Council will be mandatory for those who hold director or trustee roles on ALEO boards. 2. All monitoring officers will be advised that they are required to undertake suitable training and to make use of expertise available in the Council, as determined by management, to enable them to fully execute their duties as set out in the Following the Public Pound guidance.	Team Leader, HR&OD **Target date:** 1. 31 March 2016 2. 31 December 2015

2.05 Ensuring governing documents are subject to a regular programme of review – Control design

Finding

There is no requirement to periodically review the service level agreements (SLA) and other governing documents for each ALEO to ensure that they remain appropriate and continue to operate in practice. As a result, it was noted that the SLA between the Council and Aberdeen Performing Arts contains principles which are not operating in practice, nor are they considered by relevant personnel as appropriate in the current arrangements. Specifically we noted the following:

- The SLA requires that all purchase orders exceeding a value of £25,000 be countersigned by an elected member. This does not take place in practice, nor do the monitoring officer or CEO of Aberdeen Performing Arts consider this a practical or necessary check given the elected members' roles as non-executive directors.

- The SLA also requires that the business plan for Aberdeen Performing Arts is approved by the Council. This does not take place in practice; the monitoring officer receives and reviews the annual business plan but this is not reported to or approved by the Council or sub-committee. Once again the monitoring officer and CEO do not consider this a practical approach given that Aberdeen Performing Arts is accountable to a number of other funding bodies and could not produce a business plan which is subject to approval from each.

Risks

Absence of periodic review of ALEO governing documents may lead to practices evolving over time which are not consistent with original requirements, resulting in a governing document which is redundant.

Action plan

Finding rating	Agreed action	Responsible person / title	Target date:
Medium	Management will revise the Following the Public Pound guidance to include reference to the periodic review of ALEO governance documents that have been put in place between the Council and the ALEO (e.g. SLA's).	Corporate Accounting Manager	30 September 2015

Appendix 1 – Aberdeen City Council ALEO and FPP contributions 2014/15

Table 1.1

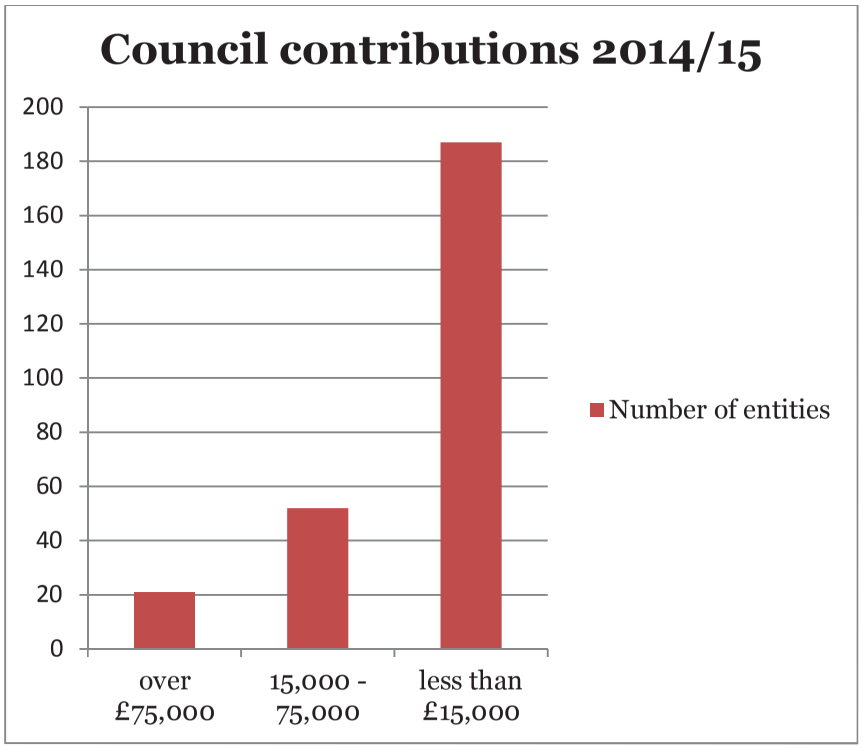


Table 1.2

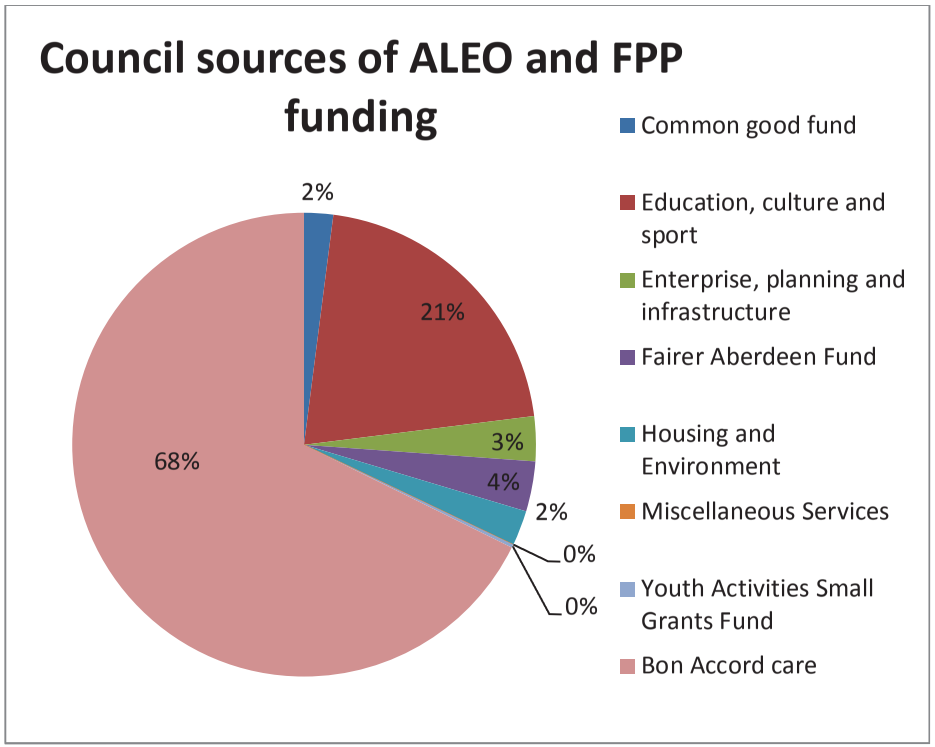


Table 1.1 represents the number of ALEOs per contribution level

Table 1.2 represents the source of ALEO and FPP contributions within internal Council budgets

Appendix 2 – ALEO profile: Aberdeen Performing Arts

(1) Annual Council spend	C. £900,000 per annum	***(6) Internal governance arrangements***	Management Board and three sub-committees
(2) Key relationship(s) with Aberdeen City Council	1. Council has representation on the management board of APA 2. Council provides annual grant funding to APA 3. Council leases three cultural venues to APA	***(7) Relevant Council monitoring committee***	Formally the Culture and Sport sub-committee, however during the recent restructure this has been disbanded and no clear substitute has been appointed.
(3) Legal status	Company limited by guarantee and registered charity.	***(8) Council appointed monitoring officer***	Cultural Policy and Partnership Manager
(4) Primary governing documents	1. Memorandum of Agreement and Articles of Association 2. Service Level Agreement between the Council and APA 3.Annual grant funding letter from Council 4. Property leases for each property rented to APA	***(9) Arrangements compliant with Following the public pound?***	No – please refer to finding 3.02
(5) Board representation	Four elected members	***(10) Arrangements compliant with Audit Scotland best practice?***	No – please refer to finding 3.01

Appendix 3 – ALEO profile: Aberdeen Heat and Power

(1) Annual Council spend	C. £2.2m (dependent on capital project activity)	***(6) Internal governance arrangements***	Management Board and two sub-committees
(2) Key relationship(s) with Aberdeen City Council	1 Council has representation on the management Board of AHP 2 Council is a customer of AHP through its provision of heating to Council tenants 3 Council utilises AHP services as a contractor in further extending the district heating network across the city	***(7) Relevant Council monitoring committee***	No nominated monitoring committee
(3) Legal status	Company limited by guarantee	***(8) Council appointed monitoring officer***	No formally appointed officer but role is undertaken on an informal basis by the Energy Manager.
(4) Primary governing documents	1 Company articles of association 2 Framework agreement for the provision of heat services to Council tenants 3 Individual installation agreements for each capital project	***(9) Arrangements compliant with Following the public pound?***	No – please refer to finding 3.02
(5) Council Board representation	Two elected members	***(10) Arrangements compliant with Audit Scotland best practice?***	No – please refer to finding 3.01

Appendix 4 – Background and Scope

Background

2.01 As public spending pressures remain across local government in Scotland, there is a continued focus on ensuring that authorities are maximising their funding to secure effective and efficient services for local people. This principle extends beyond the services provided by the authorities themselves, to services provided by external organisations to meet council objectives.

2.02 The Accounts Commission produced a report in June 2011 "Arm's length organisations (ALEOs): Are you getting it right?" which included a number of key messages:

- Governance for ALEOs can be complex, strong and effective governance is required from outset;
- Clarity about roles and responsibilities is vital; and
- Monitoring of ALEOs should be risk based and proportionate;

2.03 The Accounts Commission define an ALEO as:

"*companies, trusts and other bodies that are separate from the local authority but are subject to local authority control or influence. Control or influence can be through the council having representation on the board of an organisation, and/or through the council being a main funder or shareholder of the organisation.*"

2.04 The national report emphasised the importance of Councils periodically reviewing their ALEOs to ensure effective governance is in place. In 2012/13, a review of the Tier 1 ALEOs; AECC, Sport Aberdeen, Aberdeen Sports Village and Bon Accord Care) was performed by Internal Audit. The report highlighted 4 high and 2 medium risk recommendations to improve to the governance and scrutiny arrangements in place. The implementation of these recommendations is monitored through the quarterly follow up reported to Audit and Risk Committee.

2.05 It has been agreed with management that arrangements in place over Tier 2 ALEOs should now be subject to review. Aberdeen Heat and Power and Aberdeen Performing Arts have been identified, due to their size, as the two ALEOs most appropriate for review.

Background to ALEOs

2.06 ACC revised their Local Code of Practice on "Following the Public Pound" in October 2011. The document sets out principles of best practice when establishing funding relationships with an arm's length body and provides a financial review process and checklist setting out details of specific financial checks required. The governance arrangements established under this guidance are dependent on the financial contributions made by the Council. Where the funding is greater than £75,000 the Local Code requires:

- A detailed one year financial plan and summary three year financial plan for each period that funding is being granted;

- A check every two years to ensure the organisation has adequate policies and procedures to govern the way its finances are handled;
- An annual check to ensure that the projections in the financial plan are realistic and achievable and that sufficient cash exists to enable the organisation to meet its financial obligations for at least the next 12 months;
- An annual check that other sources of material funding are secure and assess any risks relevant to the ability of the organisation to continue as a going concern; and
- Ongoing checks on the six monthly management accounts to ensure that there is sufficient cash to meet the organisation's outgoings for the forthcoming year.

Aberdeen Heat and Power

2.07 Aberdeen Heat & Power Ltd is a 'not for profit' company that was set up by Aberdeen City Council in 2002 to develop and operate district heating and CHP (Combined Heat & Power) schemes in their area. Combined Heat and Power (CHP) is a system whereby electricity is generated locally for sale and the heat emitted by the generator is captured and used to heat properties instead of being released to the atmosphere. The scheme has grown through three principal projects (Seaton, Hazelhead and Stockethill) and now supplies around 1530 flats in 22 multi-story blocks and 9 public buildings. Carbon emissions from these buildings have reduced by 45% and typical fuel costs to tenants have been reduced by 50% compared to the previous heating system. Please refer to Appendix 1 for a detailed profile of Aberdeen Heat and Power.

Aberdeen Performing Arts

2.08 The Aberdeen Performing Arts is a charitable trust founded in 2004 to take over the running and management of entertainment venues from Aberdeen City Council. Aberdeen Performing Arts manages His Majesty's Theatre, Music Hall, The Lemon Tree and a box office selling tickets for venues across Scotland. Aberdeen City Council contributes c. £900,000 per annum to Aberdeen Performing Arts. Please refer to Appendix 2 for a detailed profile of Aberdeen Performing Arts.

Scope and Objectives

2.09 The overall objective of this review is to consider the design and operation governance arrangements in place for the Tier 2 ALEOs: Aberdeen Heat and Power and Aberdeen Performing Arts. Our review focused on the following themes:

- How governance arrangements operate in practice;
- The Council is sighted on financial governance, and is provided with required information to promote good financial governance;
- Clarity on roles and responsibilities – ALEO and Council;
- Applying best value principles;
- Councilor and Officer support, including advice and training; and
- Performance monitoring arrangements, including scrutiny arrangements and corporate visibility of arrangements across the Council.

Appendix 5 – Agreed Terms of reference

Background

The Accounts Commission produced a report in June 2011 "Arm's length organisations (ALEOs): are you getting it right?" which included a number of key messages:

- Governance for ALEOs can be complex, strong and effective governance is required from outset;
- Clarity about roles and responsibilities is vital; and
- Monitoring of ALEOs should be risk based and proportionate;

The national report emphasised the importance of Council's periodically reviewing their ALEOs to ensure effective governance is in place. In 2012/13 a review of the Tier 1 ALEO's; AECC, Sport Aberdeen, Aberdeen Sports Village and LACT) was performed by Internal Audit. The report highlighted 4 high and 2 medium risk recommendations to improve to the governance and scrutiny arrangements in place. The implementation of these recommendations is monitored through the quarterly follow up reported to Audit and Risk Committee.

It has been agreed with management that arrangements in place over Tier 2 ALEO's should now be subject to review. Aberdeen Heat and Power and Aberdeen Performing Arts have been identified as the two ALEO's most appropriate for review.

Aberdeen Heat and Power

Aberdeen Heat & Power Ltd is a 'not for profit' company that was set up by Aberdeen City Council in 2002 to develop and operate district heating and CHP (Combined Heat & Power) schemes in their area. Combined Heat and Power (CHP) is a system whereby electricity is generated locally for sale and the heat emitted by the generator is captured and used to heat properties instead of being released to atmosphere. The scheme has grown through three principal projects (Seaton, Hazlehead and Stockethill) and now supplies around 1530 flats in 22 multi-story blocks and 9 public buildings. Carbon emissions from these buildings have reduced by 45% and typical fuel costs to tenants have been reduced by 50% over the previous heating system.

Aberdeen Performing Arts

Aberdeen Performing Arts is a charitable trust founded in 2004 to take over the running and management of entertainment venues from Aberdeen City Council. Aberdeen Performing Arts manages His Majesty's Theatre, Music Hall, The lemon Tree and a box office selling tickets for venues across Scotland. Aberdeen City Council contributes c. £900,000 per annum to Aberdeen Performing Arts.

Scope

The overall objective of this review is to consider the governance arrangements in place for the Tier 2 ALEOs: Aberdeen Heat and Power and Aberdeen Performing Arts. Our review will focus on core themes:

- Establishing good governance and how governance arrangements operate in practice;
- Ensuring that the Council is sighted on financial governance, and is provided with required information to promote good financial governance;
- Clarity on roles and responsibilities – ALEO and the Council;
- Applying best value principals;
- Councillor and Officer support, including advice and training; and
- Performance monitoring arrangements, including scrutiny of arrangements and visibility of arrangements across the Council

Limitations of scope

The scope of our work is outlined above, and will only focus on the 2 ALEOs listed.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the key governance arrangements in place at each ALEO, using the Audit Scotland good practice questionnaire and assessment (as set out in Appendix 1)

- Meet with the relevant Chief Executive/Accountable Officer/Senior Management at the ALEOs to discuss the governance arrangements in place

- Review of supporting documentation, considering how the arrangements meet recommended practice and the Council's Following the Public Pound guidance including review of Committee Membership, reporting to and from the Council, standing financial instructions, scheme of delegation, management reporting, registers of interest and conflicts of interest

Appendix 6 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Tier 2 ALEOs, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Tier 2 ALEOs is as at October 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Aberdeen City Council

Continuous Financial Controls Report

Period 1 April 2014 to 30 September 2014

Table of Contents

1. Introduction

Purpose of this report

This report summarises the work that Internal Audit has undertaken on continuous financial auditing for the six months to 30 September 2014. This work has been undertaken as part of the 2014/15 Internal Audit programme approved by the Audit Committee in February 2014.

Background to continuous auditing and monitoring

Continuous auditing is the process of ongoing testing of key financial controls to assess whether they are operating effectively, and to flag areas and report transactions that appear to circumvent control parameters. We use a combination of manual testing and computer aided audit techniques (CAATs) to extract data from the IT system and to validate that controls are operating as designed.

Our testing covers compliance with key financial controls and results in the production of an internal audit report on a six monthly cycle, allowing for the identification and reporting of trends over a longer period of time.

Therefore, continuous auditing provides regular and timely controls assurance over the Council's core financial systems and informs our consideration of the adequacy and effectiveness of these systems within our Internal Audit Annual Report, which links to your annual governance statement within the financial statements. Continuous auditing is the process of ongoing testing of key financial controls to assess whether they are operating effectively, and to flag areas and report transactions that appear to circumvent control parameters. We use a combination of manual testing and computer aided audit techniques (CAATs) to extract data from the IT system and to validate that controls are operating as designed. Our testing over financial controls is undertaken on a six monthly basis and provides the following key benefits:

- It provides management with assurance over the operation of key controls on a regular basis throughout the year;
- CAATs allow testing of 100% of the population rather than relying on a sample (where controls are automated);
- Control weaknesses can be addressed during the year rather than after the year end; and
- The administrative burden on management is reduced in areas where there is sufficient evidence that key controls are operating effectively, when compared with a full internal audit systems review.

Scope

Continuous auditing has been adopted for nine of the Council's financial systems this year. The systems are:

- Fixed Assets;
- Accounts receivable;
- Non Domestic Rates (NDR);
- Payroll;
- Treasury Management;
- Cash;
- Accounts payable;
- Council Tax; and
- Housing Benefits.

The controls we have tested have been identified through discussion with relevant staff from each system, the performance of walkthroughs, and through comparison against Audit Scotland (external audit) best practice control matrices. All controls have been identified using a risk based approach.

CAATs work

To date we have designed and refined five and seven CAATs tests within Accounts Receivable and Accounts Payable respectively with the assistance of our data assurance specialists. The results of these are included within this report. There are certain areas, such as cash and fixed assets, where the controls in place are predominantly manual and so CAATs cannot be used.

2. Overall summary

Set out below is the summary per system, taking into account the number and extent of exceptions we found during testing and the number and severity of control design improvements identified. The criteria that have been used to rate each system are detailed in Appendix 1.

Period 1: 1 October 2013 to 31 March 2014 (reported to the Audit and Risk Committee in June 2014)
Period 2: 1 April 2014 to 30 September 2014 (as reported in this report)

Table 1: Summary of Period 1 and Period 2 rating and direction of travel

System	Rating to 31 March 2014 (Red, Amber, Green)	Rating to 30 September 2014 (Red, Amber, Green)	Direction of Travel/Trend (↓←→↑)
Fixed Assets	Green	Green	←→
Accounts receivable	Amber	Red	↓
NDR	Green	Amber	↓
Payroll	Green	Green	←→
Treasury Management	Green	Green	←→
Cash	Green	Green	←→
Accounts Payable	Green	Green	←→
Council Tax	Green	Green	←→
Housing Benefits	Green	Green	←→

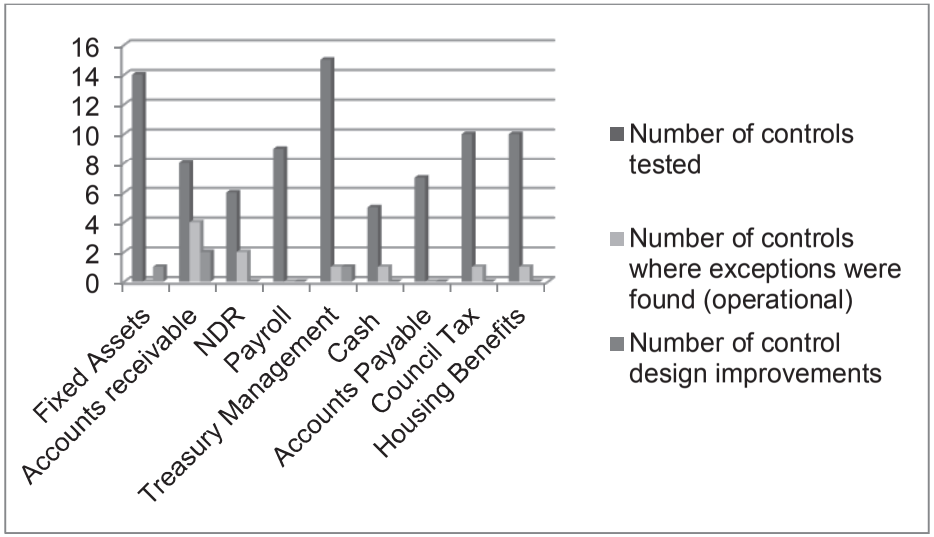
Period 2 testing (1 April 2014 to 30 September 2014)

The results are summarised below and are given in more detail in section 3.

Table 2: Period 2 results

System	Number of controls tested	Number of controls where operational exceptions were found	Number of control design improvements
Fixed Assets	14	0	1
Accounts receivable	8	4	2
NDR	6	2	0
Payroll	9	0	0
Treasury Management	15	1	1
Cash	5	1	0
Accounts Payable	7	0	0
Council Tax	10	1	0
Housing Benefits	10	1	0
Total	**84**	**10**	**4**

Diagram 1: Period 2 results



The key exceptions arising from our work on each system are given below.

Fixed assets

- The Transman system has not been updated to reflect the large number of vehicles that have been disposed of or written off. These are recorded in the system as overdue for service. This large list of overdue vehicles may lead to genuinely overdue vehicles not being detected. *(Medium Risk)*

Accounts receivable

- In 3 out of 25 cases, a new customer was sampled but the Customer Invoice form could not be found to show authorisation for the customer to be added to the system. *(Low Risk)*

- No review takes place of the suspense account of the unallocated receipts. This is because ACC have no process to identify them. A review needs to take place with reference to the unpaid invoices to allow their identification. *(Low Risk)*

- In 24 of 25 case accounts marked as disputed they have not subsequently been marked to show that they have been followed up. We could not determine whether this was due to a failure to follow up on disputed accounts or that the accounts had been followed up but not marked in the system. *(High Risk)*

- In relation to debt recovery procedures: *(Low Risk)*
    - In 12 out of 45 cases the reminder letter was issued late (after 31 days);
    - In 5 out of 45 cases the final notice was issued late (after 17); and
    - In 35 out of 45 cases the debt had been sent to the sheriff court late.

- For 3 out of 25 credit notes samples a Credit Note Authorisation form (CNA) could not be found to evidence the approval. *(Low Risk)*

- The folder containing the signatures of the people who can authorise CNA's is out of date and contains signatures of people who have left. *(Low Risk)*

NDR

- For 1 of the 20 refunds selected for testing a refund form could not be located. *(Low Risk)*

- For 4 out of 5 users sampled their level of access to the NDR system was deemed to be inappropriate for their job role and responsibility. *(High Risk)*

Payroll

- No exceptions noted.

Treasury Management

- In 5 of the 20 posting slips selected in our testing the posting had not been authorised by two separate authorisers. The cause of these exceptions was identified as due to one of the authorisers being on annual leave. A Delegation of Authority should be introduced to ensure that there is someone in place to carry out authorisations when either of the two current authorisers are absent. *(Medium Risk)*

Cash

- In 25 out of 25 bank reconciliations sampled the review of the reconciliation did not take place in a timely manner. *(Low Risk)*

Accounts payable

- No exceptions noted.

Council Tax

- In 5 out of 10 samples of weekly reports from the assessor the approval of the upload was not done in a timely manner. *(Medium Risk)*

Housing Benefit

- 4 of the 30 samples of instances of fraud passed to the fraud investigation team were not investigated with the 10 days. *(Low Risk)*

Management Comments

Management notes that there continues to be an effective financial control environment overall and that testing is identifying a small numbers of exceptions that are generally at the lower end of the risk scale. It is recognised that improvements can be made and there are a number of recommended control design improvements that are highlighted in the report. These will be implemented by the relevant officers in the timescales detailed.

Comparison of period 1 results with period 2

The charts and table below show the results for period 2 and period 1 for comparison. As can be seen from the diagrams, the proportion of control exceptions has fallen slight from 14% to 13% from period 1 to period 2.

Diagram 2: Period 1 – proportion of controls with exceptions

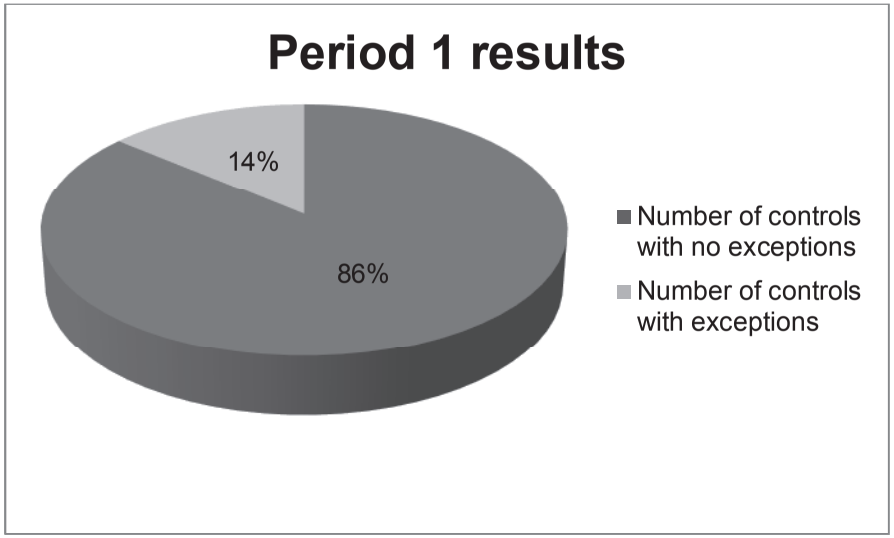


Diagram 3: Period 2 – proportion of controls with exceptions

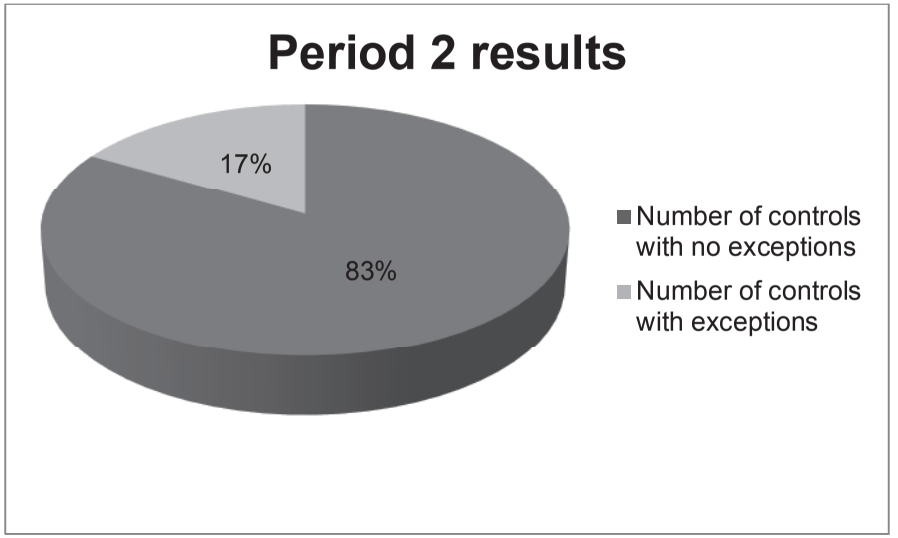


Table 3: Comparison of P1 and P2

System	Number of controls tested		Number of controls where exceptions were found	
	P1	P2	P1	P2
Fixed Assets	11	14	1	1
Accounts receivable	11	8	4	6
NDR	6	6	0	2
Payroll	11	9	3	0
Treasury Management	10	15	1	2
Cash	5	5	1	1
Accounts Payable	12	7	3	0
Council Tax	9	10	1	1
Housing Benefits	9	10	1	1
Total	**84**	**84**	**15**	**14**

3. System summaries

Fixed Assets

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Acquisitions and capital projects				
FA1	A capital programme is drawn up at the beginning of each financial year and budgets are allocated to each budget holder in respect of defined projects approved via the bid process. The capital programme is formally approved by the Corporate Management Team (CMT) and Finance, Policy and Resources Committee (FPR).	**N/A**	**0**	Control operates at year end only.
FA2	A rolling 5 year replacement report is submitted to and approved by Council. The Council assess the level of funding to be allocated to fleet management for this 5 year period.	**N/A**	**0**	Control operates at year end only.
FA3	Capital purchases are made through the PECOS procurement system. Purchase authorisation limits are set for purchasers within the system with automated routing to appropriate approvers within the Council's scheme of delegation.	**N/A**	**0**	New control tested in 6 months to 30 September 2014

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
FA4	Capitalisation threshold is in place for all asset categories of £6k. On a monthly basis, capital accountants run a report of all purchases out of the revenue budget (and therefore have not been coded as capital expenditure within the ledger), which exceed £6k and capitalise any necessary transactions through a manual journal.	**N/A**	**0**	New control tested in 6 months to 30 September 2014
FA5	On a monthly basis, capital accountants download all general ledger entries to capital accounts and perform a review to ensure that all transactions are coded correctly. The capital accountants will then manually enter the assets on to the Fixed Asset Register, allocating the class of assets and a defined useful life.	**N/A**	**0**	New control tested in 6 months to 30 September 2014
Depreciation				
FA6	Useful life for Property, Plant and Equipment is identified, reviewed and approved on an ongoing basis.	**N/A**	**0**	New control tested in 6 months to 30 September 2014

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
FA7	All assets are automatically depreciated through the FAR system (AIRS) in accordance with the predetermined useful lives.	**N/A**	**0**	New control tested in 6 months to 30 September 2014
Disposals				
FA8	Disposals of property with a value >£250k must be approved by the Head of Finance, Head of Legal and FPR Property Subcommittee. Property disposals <£250k are approved by the Head of Asset Management.	**0**	**0**	
FA9	Disposals of vehicles are made through auction. The Fleet Manager must approve all vehicle disposals.	**N/A**	**N/A**	New control tested in 6 months to 30 September 2014 Control Operates only at year end

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
FA10	Disposal forms for property are completed and authorised by the Head of Finance and Head of Legal and approved by the FPR. Disposals are updated on the FAR when the Finance department are notified of the disposal after committee approval has taken place.	**N/A**	**0**	New control tested in 6 months to 30 September 2014
FA11	Disposal forms are sent from the Fleet Department to the Finance Team who update the FAR.	**N/A**	**0**	New control tested in 6 months to 30 September 2014
Adjustments & period end close				
FA12	Vehicles are serviced on an ongoing basis to ensure they are still working and in good order. The fleet management system (Transman) is updated with details of vehicle services.	**N/A**	**1**	New control tested in 6 months to 30 September 2014. Design exception – The system contains a large number of overdue service vehicles. This is because a large number of vehicles have been disposed of or designated off road and the system does not reflect this. An update is therefore require.
FA13	Land and buildings are revalued on a rolling five year basis in accordance with the relevant regulations. Revalued assets are updated in the FAR.	**N/A**	**0**	New control tested in 6 months to 30 September 2014

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
FA14	The value of assets per the AIRS system is reconciled to eFinancials on an annual basis as part of the annual accounts preparation process.	**N/A**	**0**	Control operates at year end and therefore not included in 6 months to 30 September 2013. Control not operated until late May 2014 and therefore included in September 2014 testing.
Total		**0**	**0**	

Accounts Receivable

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Process-wide considerations				
AR1	There is a Financial Regulations Handbook which has the statutory obligations detailed. In addition there is an Income Service Manual that details day-to-day processing activities for accounts receivable	**N/A**	**0**	New control tested in 6 months to 31 March 2014
Order Processing				
AR2	Only the debtors team can set up new customers on the system and this is not individuals who process invoices. Details are passed to the team on Customer Invoice Control (CIC) forms from the individual departments.	**N/A**	**3**	3 CIC forms could not be found during testing.
Cash Receipts				
AR3	Unidentified receipts are posted to a dedicated suspense account which is regularly examined and cleared.	**N/A**	**1**	New control tested in 6 months to 31 March 2014. Design Exception – the review did not take place because ACC has do not believe they can identify these payments. A new review process needs to designed to identify these payments.
Bad debts				

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
AR4	Disputed customer balances are monitored monthly and followed-up with Services to identify status of balance.	**N/A**	**24**	Updated control tested in 6 months to 31 March 2014 In 24 of 25 case accounts marked as disputed have not marked to show that they have been followed up. PwC could not determine whether this was due to a failure to follow up on disputed accounts or that the accounts where not being followed up on
AR5	Debt recovery procedures are in place: the system automatically issues reminder letters after 35 days of debt being due and a final notice after 14 days of the first date. After a further 7 days, debt is transferred to the Sheriff Officer.	**36**	**35**	Sep 13 -In 16 out of 45 cases, the reminder letter was not issued. In 2 out of 45 cases the reminder letter was issued late (5 and 6 days late). In 18 out of 45 cases the final notice was issued late. (ranging between 19 and 90 days late) It was noted that due to a systems issue there was a large backlog of invoices and as a result the weekly reminders were not run as normal. Mar 14 - In relation to debt recovery procedures: - In 12 out of 45 cases the reminder letter was issued late (after 31 days); and - In 5 out of 45 cases the final notice was issued late (after 17). - In 35 out of 45 cases the debt had been sent to the sheriff court late

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
AR6	The Head of Finance approves all write offs on a quarterly basis.	**1**	**0**	As at the date of testing (4 April 2014) neither the Q3 nor Q4 write offs had been approved by the Head of Finance. This is deemed untimely for the Q3 write off and therefore 1 exception noted.
Adjustments and period end close				
AR7	Services complete a Credit Note Authorisation (CNA) form that is approved by a service line manager. An authorised signatory list details who can approve credit notes.	**N/A**	**4**	3 (CNA) forms couldn't be found. The folder containing the authorised signatures is out of date and should be reviewed to ensure that it only contains valid signatories.
AR8	The accounts receivable sub-ledger is reconciled to the general ledger every month.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
Total		**37**	**67**	

Accounts Receivable – CAATs

Control Reference	Title	Description	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
AR CAAT 1	Credit limits non zero	All users with a non zero credit limit. It is expected that each of these people is in the service income team or within pensions	**0**	**0**	
AR CAAT 2	GL authoriser not in user table	A list of users who have transactions in the Sales Ledger but no entry in the User tables	**0**	**0**	
AR CAAT 3	Invoice > limit	A list of credit memos that were authorised by somebody where the total value exceeds their authoriser limit.	**N/A**	**0**	
AR CAAT 4	Credit > Limit	A list of invoices that were authorised by somebody where the total value exceeds their authoriser limit.	**N/A**	**0**	
AR CAAT 5	Self Authorised Credit Notes	An extract of users who have raised self authorised credit notes on the system	**N/A**	**0**	
Total			**0**		

NDR

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Valuation				
NDR1	Reconciliations take place on a weekly basis between the Grampian Joint Valuation Board valuation roll and the NDR system, which agrees both number of properties and rateable value. These are signed as reviewed by a department manager.	**0**	**0**	
Billing				
NDR2	Bills are calculated automatically according to each property's rateable value and any discounts/reliefs applied.	**0**	**0**	
Collection				
NDR3	Arrears letters are automatically sent by the Northgate system in accordance with a pre-defined calendar. The letters are extracted from the system in a file which is spot checked by the Team Leader. The file is then sent to Aberdeenshire Council who print the letters. The letters are once again checked prior to being sent to businesses by the NDR Team.	**0**	**0**	
Monitoring and adjustments				

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
NDR4	Write offs and refunds will not be processed until the relevant form has been completed by a member of the team and approved by another member of the team.	**2**	**1**	In 2 out of 45 cases, documents which evidence the preparer and reviewer sign off could not be located at the time of testing. Management understand this is due to capacity issues within the scanning team and expect the documents to be available once the backlog is cleared. In March 2014 testing, 1 refund request form not found.
Standing Data Maintenance				
NDR 5	General NDR policies and procedures surrounding NDR processes and associated legislation are available to all staff via Robohelp.	**0**	**0**	
NDR 6	Access to the NDR system is restricted to select members of staff by way of password protection. All users except a team of 5 and the Systems and Billing Manager have read only access. Passwords are prompted to be changed every 90 days.	**0**	**4**	In 4 of 5 items tested user active on system despite not requiring access. There is the expectation that in the next PwC review that users with no requirement for access will be removed from 'active' category.
Total		**2**	**5**	

Payroll

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Time Recording				
PR1	Services provide an approved Excel spreadsheet of employee timesheets to payroll for manual entry.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
Payroll Calculations				
PR2	All salaries greater than £4.5k are investigated as part of exception reporting performed	**0**	**0**	
PR 3	Monthly staff monitoring reports are distributed to budget holders for review.	**0**	**0**	
Standing Data Maintenance				
PR4	Procedures are documented which detail day to day operation of the payroll system and roles and responsibilities.	**0**	**0**	
PR5	New starts require a notification of appointment form to be completed and authorised by HR prior to being input into the Payroll system	**0**	**0**	
PR6	Leavers require a notification of termination form to be completed and authorised by HR prior to being input into the Payroll system	**1**	**0**	

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
PR7	Changes to bank details processed by the Payroll team are only actioned on receipt of written notification from employees.	**0**	**0**	
Adjustments and period end close				
PR8	Access to the payroll system is restricted to appropriate staff. Management review access on a quarterly basis for appropriateness.	**0**	**0**	
PR9	Reconciliations are performed between the payrun, to payroll totals and the general ledger.	**2**	**0**	
Total		**3**	**0**	

Treasury Management

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Process Wide Considerations				
TR1	A Treasury Management Manual has been prepared to provide a comprehensive guide to all aspects of the duties involved in Treasury Management for ACC.	**0**	**0**	
TR2	Staff receive treasury training and refresher training on a regular basis.	**0**	**0**	
Investment Transactions				
TR3	Treasury review the weekly credit ratings produced by Capita. These are then used to update the approved list of deposit takers.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR4	The Finance, Policy and Resources Committee (FPR) approve all changes to the deposit takers list and the investment limits for each counterparty.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR5	There is a clear segregation of duties between officers responsible for dealing, recording and receiving confirmation of transactions	**0**	**0**	Note: See exceptions noted in TR13
TR6	Interest Rates and Bank Balances sheets (DRIBB) are completed daily and authorised	**0**	**0**	
TR7	The investment system (PSTM) is configured so that investment deposits cannot exceed the limits set by the FPR on the counterparty list.	**0**	**0**	New control tested in 6 months to 31 March 2014

TR8	All dealer receipts of new borrowings are retained and cannot exceed Prudential Code limits as set annually. In addition, all external loan providers are issued with an ACC letter signed as authorised.	**0**	**0**	
TR9	PSTM calculates repayments and interest. The Treasury Officer sense checks all calculations before payment.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR10	A register maintained to account for all fixed term loans. This is produced electronically to show the principal amount of loan,interest rate, interest payment date as well as the fee payable to the broker for arranging the loan (1/10th% of the loan amount and period - prorated if less than 12 months).	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR11	All changes to borrower bank details must be accompanied by a signed letterhead from the external party.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR12	All payments require authorisation by someone separate from who raises the payment within the online banking system.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
TR13	All ledger posting slips for payment are prepared and authorised prior to input into the ledger.	**11**	**6**	While some of the testing may be deemed an exception, there are only two individuals who are capable of being able to approve the journals. When either is absent there is nobody else who would have the required knowledge to replace them in their absence. A design exception has been noted that the control should include a delegation of authority to allow a nominated individual to sign off posting slips during their absence.
TR14	All broker payments are authorised by the Chief Accountant prior to payment and agreed to broker statements.	**0**	**0**	

Adjustments and period end close				
TR15	A monthly reconciliation is completed when all ledger entries for the period have been posted (should be 7 days after the end of each period). The Treasury Officer produces a report covering interest payments and expenses, loans (long and short term) through use of an analyser report writing tool for information downloaded from efinancials. The Treasury Officer submits the report to the Chief Accountant who checks a sample of entries on the report against supporting spreadsheet records.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
Total		**11**	**6**	

Cash

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
C1	There are a number of documents in place containing procedural guidance for cash. These are available within a shared file on the system and are reviewed and updated regularly.	0	0	
C2	The bank rec team are responsible for maintaining the cash book. There is a separate cashier office who are responsible for handling cash.	0	0	
C3	Most bank accounts are reconciled on a monthly basis after month end. Reconciliations are reviewed and signed off by a more senior team member. The general account is now reconciled on a daily basis. The current plan is to move all bank accounts to daily reconciliations.	1	25	There is no evidence of review and sign off of the daily general account reconciliation. Management have since asked for advice on how to evidence this electronically and will implement as a matter of priority. Testing did not highlight any exceptions in the preparation of the reconciliation. In March 2014 testing review by senior member was not timely for some bank recs due to this being a recent implementation and so there was catch up involved in getting bank recs reviewed for the period. For bank reconciliation to the 30st September the review took place on the 1st October. This is not a timely review and an exception has been raised for each.
C4	Unallocated payments are reviewed in to attempt to clear transactions. The bank rec team also have responsibility for the debtors suspense account.	0	0	

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
C5	Access to online banking is restricted by username and password and a security fob. Access to the Bank Rec system is restricted by username and password. Access to the Icon system (income transactions) is restricted by username and password.	0	0	
Total		**1**	**25**	

Accounts Payable

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Ordering				
AP1	Purchase orders with new vendors require review and approval from management and update to the vendor master file by Procurement.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP2	AP forensics software is used to scan the payments file for duplicate payments and fraud indicators. Items flagged by the software are stopped from payment until investigated.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP3	The release of cheques for printing and signing or release of electronic funds is carried out by individuals separate from those who give approval for invoices.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP4	Access to process disbursements is segregated from vendor maintenance, purchasing, goods receipts, and accounts payable.. The disbursement approval functions and the disbursement preparation functions are segregated. The recording of cash disbursements is segregated from the general ledger function.	**N/A**	**0**	New control tested in 6 months to 31 March 2014

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Adjustments				
AP5	Sub-ledgers are reconciled to the general ledger on a monthly basis. Reconciling items are investigated and resolved on a timely manner.	**N/A**	**0**	March 14 - This control is undertaken by accountants outside of the AP function. This cannot be tested at PwC's present site.
Standing Data Maintenance				
AP6	On a weekly basis, a member of the Account's payable team runs a report showing all changes to standing data. A sample is then selected from these changes (typically a sample of 5) and traced to some form of backup. This team member then performs a general overall check for reasonableness of all changes.	**N/A**	**0**	
Total		**N/A**	**0**	

Accounts Payable – CAATs

Control Reference	Title	Description	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
AP CAAT 1	GL authoriser not in user table	A list of users who have transactions in the Purchase Ledger but no entry in the User tables	**0**	**0**	
AP CAAT 2	Credit limits > limit	A list of credit purchases that were authorised by somebody where the total value exceeds their authoriser limit.	**0**	**0**	
AP CAAT 3	Purchase Invoices > Limit	A list of purchase invoices that were authorised by somebody where the total value exceeds their authoriser limit.	**0**	**0**	
AP CAAT 4	Suppliers with No bank details	A list of suppliers that do not have any details.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP CAAT 5	Suppliers with the same bank details as Employees	A list of suppliers and employees with matching bank details	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP CAAT 6	Employees that have Duplicate Bank Accounts in the system	A list of duplicate bank details in the system.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
AP CAAT 7	Suppliers with Duplicate entries	A list of suppliers with duplicate entries in the supplier table (based on the account number and sort code). The risk here is duplicate payments.	**N/A**	**0**	New control tested in 6 months to 31 March 2014
Total			**0**	**0**	

Council Tax

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
CT1	Weekly assessor reports are received and information is updated into the Council Tax system manually. Reports are signed once updated and stored within the department.	0	5	5 exceptions noted. This is due to the lack of the timely approval of the report.
CT2	A bi-annual reconciliation is performed between a full listing of properties and bands received from the assessor and a report run from the Academy system. Any variances are flagged and investigated.	NA	0	March 14 - Reconciliation not performed due to data transfer issues noted by Assessors Office. Method of transfer used by Aberdeen City Council no longer meets security standard required. Both parties are working to resolve the issue and a solution is expected by July 2014. Reconciliation will be performed at earliest opportunity.
CT3	The Academy system automatically calculates council tax bills based on information within the system. System parameters entered at the start of each year, are independently checked and are in line with decisions taken by the Council.	0	0	
CT4	Capability to make changes to system parameters is restricted to the appropriate people.	0	0	

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
CT5	Discounts are calculated automatically based on system parameters within Academy.	0	0	
CT6	Discounts are only awarded following review of relevant supporting documentation (i.e. Evidence of student matriculation)	0	0	
CT7	The Academy system automatically generates a letter if payments are overdue. Reminder letters and final reminder letters are also automatically generated.	0	0	
CT8	Council tax procedures are contained within a central document library (Robohelp). Robohelp is updated regularly in line with statutory regulations.	0	N/A	Annual Control that operates in May
CT9	Refunds must be authorised by the team leader prior to being processed.	0	0	
CT10	The Head of Finance must approve write-offs of £10,000 and over. An annual report is submitted to the Finance and Resources Committee indicating the totals written off.	1	0	In 1 out of 5 write offs of £10,000 and above, there was no approval by the Head of Finance.
Total		1	5	

Housing Benefits

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
HB1	Awards are processed only on receipt of a properly completed claim form signed by the claimant with appropriate supporting documentation and, in the case of income support cases, support from the Benefits Agency.	0	0	
HB2	Claimant's tenancy details are verified against housing records (local authority tenants) or tenancy agreements (private sector tenants).	0	0	
HB3	The rent allowance elements of the benefit system are regularly reconciled with the rent accounting system for council tenants.	N/A	0	New control tested in 6 months to 31 March 2014
HB4	The rent rebate elements of the benefit system are regularly reconciled with the rent accounting system for council tenants.	N/A	0	New control tested in 6 months to 31 March 2014
HB5	Rent allowance payment runs are examined for reasonableness of amounts and correct ledger coding, and are authorised by a senior officer	N/A	0	New control tested in 6 months to 31 March 2014
HB7	Adequate security exists over payments made by cheque and the circumstances behind lost, stolen, or uncashed cheques are followed up.	N/A	0	New control tested in 6 months to 31 March 2014
HB8	A formal policy exists to cover approach to recovering overpayments and the Council has instituted procedures for its implementation.	N/A	0	New control tested in 6 months to 31 March 2014
HB8	Procedures exist to ensure the correct classification of overpayments between LA error, claimant error, fraudulent, other error, and technical.	0	0	
HB9	Overpayments to be written off or listed as non-recoverable must be authorised by the team leader.	0	0	

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
HB10	Issues of fraud are passed to the fraud investigation team. The decision to investigate the fraud or not is noted within the system as is the outcome.	**32**	**4**	In March 2014 testing, control was updated to state the fraud investigation team are expected **to take first action** within 10 working days of receiving the referral. 4 exceptions were noted - of those, 2 were due to no date being on file.
	Total	**32**	**4**	

4. Control design improvements identified

We have noted below where the design of controls could be improved to further enhance the control environment or to improve efficiency.

Fixed Assets

1. There are a large number of vehicles listed as overdue for service – Low Risk	
Matters arising We inquired with management as to why there where a large number of vehicles overdue for service. It was explained that these are likely to have either been disposed of or put off road and the system has not been updated to reflect this.	
Risk There is a risk that if ACC can't know what has happen to these vehicles then they may still be on the road and unserviced.	
Recommendation • Steps should be taken to update the system to ensure that that all vehicles that are not eligible for servicing are removed until this can be done a regular review should be implemented to ensure that all these vehicles are indeed of road or disposed of.	
Responsible Officer: Fleet Manager	**Target Date:** Ongoing as part of wider service review

Accounts Receivable

1. The folder containing the authorized signatures to reverse an invoice is out of date – Low Risk	
Matters arising We reviewed the folder of authorized signatures for the reversal of invoices. We found that this was significantly out of date and contained signatures of people who have left.	
Risk There is a risk that people who are not currently authorized to reverse invoices might do so.	
Recommendation • The folder of authorized signatures should be reviewed annually to ensure that all those signatures within it are still appropriate	
Responsible Officer: Billing and Collection Manager	**Target Date:** March 2015

2. No review of the unidentified receipts took place during the period – Low Risk	
Matters arising We asked to inspect evidence of unidentified receipt reviews. However, no evidence could be provided as no such review took place during the period. This review was not performed because Accounts Receivable considered that they had no way to identify these receipts until a customer claimed them.	
Risk There is a risk that receipts are not matched to the appropriate customer and this leads to customers being chased for payments they have already made.	
Recommendation • A review should take place with reference to the list of unpaid invoices .	
Responsible Officer: Billing and Collection Manager	**Target Date:** May 2015

Treasury management

1. SoD in posting to ledger does not operate when one of the reviewers is on holiday – Medium Risk	
Matters arising When items are posted to the ledger a ledger posting slip is prepared. This must be signed by one person and reviewed by a second. The current arrangement is that there are only two people who can do this. When one of these two is on holiday or absent there is no review and the posting is authorised by just the one signatory.	
Risk There is a risk that: • Items may be incorrectly posted; • Items may inaccurately posted; and • Items may be fraudulently posted.	
Recommendation • A Delegation of Authority should be put in place to cover an absence. This should delegate authority for the posting to another individual for the duration of the absence.	
Responsible Officer: Treasury Officer	**Target Date:** Immediate

Appendix 1: Assessment criteria

Priority ratings used for the control design improvements.

Critical	Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to: The efficient and effective use of resources The safeguarding of assets The preparation of reliable financial and operational information Compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
Medium	Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Ratings used for assessing each system:

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk/Green	6 points or less
Medium risk/Amber	7– 15 points
High risk/Red	16– 39 points
Critical risk/Red	40 points and over

Appendix 2: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of continuous financial controls, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of continuous financial controls is for the period 1 April 2013 to 30 September 2013. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

disclose fraud, defalcations or other irregularities which may exist.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Aberdeen City Council

Service Reviews – Adult and Older People

Final Report

Internal Audit Report 2014/2015 for Aberdeen City Council

February 2015

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	6 October 2014	15 October 2014	Amber
Planned fieldwork start date	3 November 2014	3 November 2014	Green
Fieldwork completion date	5 December 2014	5 December 2014	Green
Draft report issued for Management comment	5 January 2015	7January 2014	Amber
Management Comments received	21 January 2015	22 January 2015 13 February 2015	Amber – initial comments received in timely manner but follow up required due to complex nature of the review
Report finalised	13 February 2015	13 February 2015	Green
Submitted to Audit and Risk Committee	26 February 2015	26 February 2015	Green

Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
		Critical	High	Medium	Low	Advisory
High Risk	Control design	-	-	-	-	-
	Operating effectiveness	-	2	1	-	-
	Total	-	**2**	**1**	-	-

Summary of findings

1.01 The Council's Care Management Standards state that as well as on-going monitoring, an overall review of service users' needs will take place on a pre-arranged date. The scope of our review was to assess compliance with policies and procedures in relation to scheduled service reviews for care users (Adult and Older People), in terms of responsibilities and timeframes. From this review we have identified two high risk and one medium risk findings.

1.02 Please note that due to the data quality within the CareFirst System, management were unable to provide a list of care packages which were due for review within the testing period. As a result, our work has focused on reviewing the business processes which have led to these inaccuracies and we have proposed control recommendations to resolve the issues going forward.

High Risk Findings

1.03 **Reviews not being performed.** Although we have been unable to validate the number of outstanding reviews (due to data quality within the CareFirst system), through discussions with Care Workers and SC&W management, it has been highlighted that reviews are not performed due to limited resource capacity within SC&W. Internal guidance also states that reviews may not be performed due to staffing issues. As a result, the requirements of the Council's Care Management Standards which relate to timely periodic reviews are not met, and clients may be receiving care packages which are not fit for purpose. In addition to this, reminders which are intended to alert Care Workers to reviews needing performed are inaccurate and not used in practice. From sample testing, we identified 56 out of 60 reminders which were incorrect. As a result, Care Workers have inadequate information to allow them to determine which reviews should be performed when.

1.04 **Interpretation of what constitutes a 'review'.** The Council's Care Management Standards clearly defines a review as a formally planned and executed visit with the client which is separate from on-going monitoring. Through detailed discussions with members of SC&W, we have noted that there are inconsistencies in

the way in which Care Workers interpret what a review is and what a review should involve. As a result of Care Workers incorrectly interpreting the definition of a review, inadequate and untimely reviews may occur.

Medium Risk Finding

1.05 **Recording of reviews.** There are inconsistencies regarding the methods used to record a review, and as a result there is inadequate information detailing which reviews have been performed and which are overdue. In addition to this, when clients are reassigned, the new Care Worker may not be able to interpret previous interactions with the client. This may result in missed review dates and unsatisfactory client service. CareFirst has the functionality to record all review information internally via the 'Care Assess' module. As fields on the electronic forms allow for intelligent data use in other parts of the client file, there are numerous advantageous to using this functionality which are not utilised.

Management Comments

1.06 This has been an area of challenge to the service since the loss of a Review Team in 2010 (to budget savings) and the Inspection Report in 2012 that highlighted Review as an area for improvement. The service proposed this Internal Audit to support its efforts to improve performance. The findings in relation to lack of clarity of definition of a 'review' and inconsistencies in recording can be addressed through staff training and use of the functionality of the Care First 'Care Access' module. The issue of capacity in care management to conduct reviews to the standards expected, as set out in the Care Management Standards, has resourcing implications that may impact on budgets, even with service redesign to make more effective use of care management staffing across Adult Services.

2. Detailed findings and recommendations

2.01 Reviews not being performed – Operating effectiveness

Finding

Although we have been unable to validate the number of outstanding reviews (due to data quality within CareFirst), through interviews with care workers and management, it has been highlighted that reviews are not performed due to limited resource capacity within SC&W. Internal "monitor and review" guidance also states that reviews may not be performed due to increasing demands on the service.

Within CareFirst, each Care Manager has a 'clipboard' which provides a list of activities to be performed. The 'request for funding' activity is intended to inform Care Managers when a review is due to be performed. However, it was noted that not all Care Workers are aware of this, and instead, understand 'request for funding' to mean that a service specification is to be generated. Through discussions with management it appears that the intent for the 'request for funding' activity has been lost over time. As a result, the review reminders are not being utilised by Care Managers.

On further investigation, it also appears that clipboards are congested with inaccurate data such as review reminders for former clients, reassigned clients and clients which are not as of yet requiring a review. To help identify business processes which are causing this data inconsistency, we selected a sample of 60 outstanding 'request for funding' activities and discussed the situation with the relevant Care Manager. Of the activities tested:

- 37 related to closed or cancelled care packages where the reminder activity had not been closed down. In this instance, closed down care packages are those where the client no longer requires any form of social care and the worker has formally cancelled the package on CareFirst;
- 6 related to reviews which were not outstanding but appear to be because no future date had been entered when the activity was created;
- 8 related to instances where the client had been reassigned to another care worker or team clipboard but the review reminder remained assigned to the original care worker who created the care package. In all of these instances, no review had been performed by the new assignee. All 8 cited under resourcing as the reason, with 3 of the 8 determined as low risk clients where review duties had been passed onto the care home.
- 4 related to genuinely outstanding reviews where all 4 cited under resourcing as the reason, with 2 of the 4 determined as low risk clients where review duties had been passed onto the care home.
- 1 related to a care package which remained open on CareFirst but had been cancelled with the supplier. According to CareFirst, the client was still receiving care, but in reality this was not the case in reality.
- 4 related to instances where we were informed the review had been performed but the activity was not updated on CareFirst.

Please note that due to PwC not being able to inspect client sensitive information, we were reliant on the confirmation from Care Workers in relation to the above results.

Risks

Reviews are not being performed on a timely basis and as a result, the Care Management Standards are not being met and clients may be receiving care packages which are not fit for purpose.

Care Workers have inadequate information to allow them to determine which reviews should be performed when.

Action plan

Finding rating	Agreed action	Responsible person / title
High	1. Management should formally assess the staffing issues within SC&W and consider increasing the resource budget if appropriate. 2. The following reports should be run on a monthly basis and distributed to the relevant teams who will action the closing or reassignment of the activities: a. A report detailing open activities which have no open service agreement. and; b. A report detailing open activities which are not assigned to the care worker who is currently assigned the care package. 3. The 'request for funding' activity should be renamed to 'review of care package' to ensure clarity on the purpose of the activity. The 'required date' field of the 'request for funding' activity should be made mandatory to ensure the activity can be used appropriately. Please note, OLM will be required to make these system changes. 4. Guidance on the purpose and operational use of the newly renamed activity should be created and distributed.	Social Care and Wellbeing Senior Management Team Trevor Gillespie (Team Manager – Performance Management) Angela Watson (Systems development officer)
		Target date:
		1. 30 June 2015 (subject to scoping work for integration of health and social work services) Others: 31 March 2015

2.02 Interpretation of what constitutes as a 'review'– operating effectiveness

Finding		
The Council's Care Management Standards clearly define a review as a formally planned and executed visit with the client, which is separate from on-going monitoring. Through detailed discussions with members of SC&W we have, however, noted that there are inconsistencies in the way in which Care Workers interpret what a review is and what a review should involve. Although a number of care workers correctly consider a review to be a formally planned and executed visit, many consider a review to be any form of communication with the client. In these instances, a review is considered to be a part of on-going monitoring. As a result of this misinterpretation, Care Workers may not perform reviews in line with the appropriate timescales or requirements as defined in the standards.		
Risks		
Care Workers may interpret the definition of a review incorrectly, leading to inadequate and untimely review of client needs.		
Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
High	The definition, requirements and timeliness of a review under the Care Management Standards should be re-communicated to Care Workers via team meetings.	All Service Managers
		Target date:
		28 February 2015

2.03 Recording of reviews– Operational effectiveness

Finding

Reviews are documented in two ways:

- The 'observations' section of the client file within CareFirst is completed with details of all interactions with the client; and
- A word document is generated by CareFirst and is stored on the relevant teams shared drive.

Observations

The 'observations' section of the client file within CareFirst should be completed with details of all interactions with the client, and a drop down menu exists to allow Care Workers to differentiate between the types of interactions. However, within the drop down menu, there are five options which contain the word 'review'; with two being extremely similar ('review' and 'review assessment'). This has resulted from each service area being able to set individual observation options, and each of the service areas being able to view and use the options of others. Please note that the menu is titled 'subject' as opposed to 'Interaction type', adding to the confusion of what should be recorded.

Through interviews it was also highlighted that Care Workers rarely use the options containing the word 'review'. Instead, observations are recorded under the 'needs/service provision' option and the interaction type is differentiated by entering it manually into the comments box.

Due to the reasons noted, there are significant inconsistencies regarding the methods used to record a review, and as a result we were unable to extract a report from CareFirst which contains details of all of the reviews performed. To determine whether a review has been performed, it would be necessary to manually inspect each individual observation for the word 'review'. However, as previously noted in Finding 3.02, this may not be conclusive due to the differing interpretations of the word 'review'.

To provide statistical evidence that reviews are not being recorded under the correct headings, we have worked with the CareFirst team to extract observation reports with the 'review' and 'review assessment' parameters.

- For residential based packages, it was found that 71% of all open packages have had no review recorded under these headings. Of the 944 clients with care packages over 12 months old, 712 (75%) did not have a review recorded under these headings.
- For community based packages, it was found that 61% of all open care packages had no review recorded under these headings. Of the 967 clients with care packages over 12 months old, 560 (58%) did not have a review recorded under these headings.

Word document

Whilst a record of the review is intended to be recorded within 'observations' on the CareFirst system, the in-depth details of the review which are required under the care management standards, are recorded on external word documents. These documents are generated by the CareFirst system but are then stored externally on shared team network drives.

CareFirst has the functionality to record all review information internally via the 'Care Assess' module. As fields on the electronic forms allow for intelligent data use in other parts of the client file, there are numerous advantageous to using this functionality. For example, if the outcome of the review was for a

care package to be closed, this outcome would be recorded within a field. Reports could then be run using this field to determine which care packages should be closed, according to the latest review, but remain open on the CareFirst system

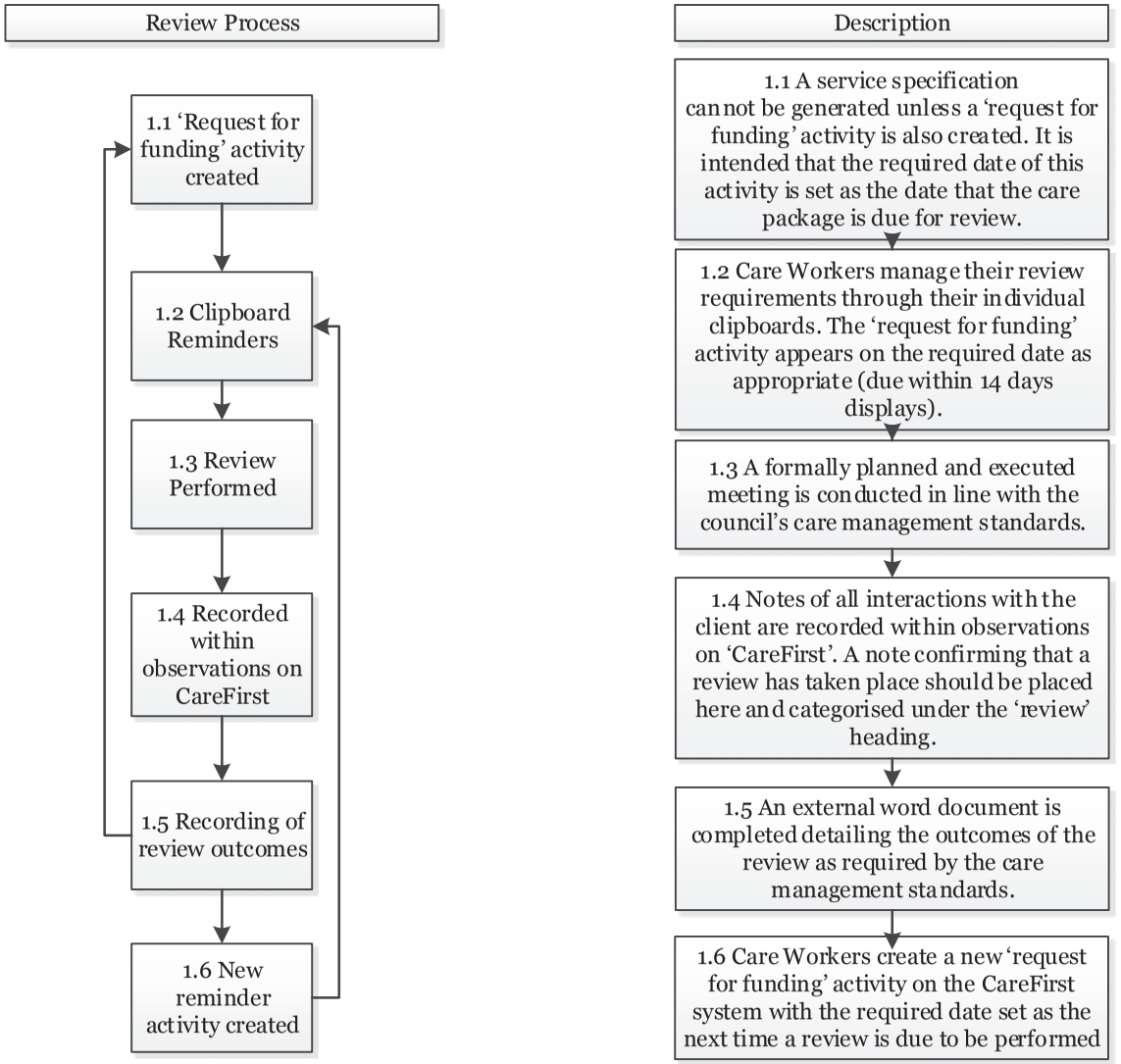
Risks

- There is inadequate management information detailing which reviews have been performed and which are overdue;
- When clients are reassigned, the new Care Worker may not be able to clearly interpret the previous client interactions. This may result in missed review dates and unsatisfactory client service;
- As a result of reviews being documented out with the CareFirst system, there may be increased data protection risks;
- No completion checks are in place out with the system, resulting in an increased risk of incomplete documents; and
- Care Workers may be less incentivised to fully document the review as no system reports can be run.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Users should be instructed to record all reviews in the CareAssess form. This electronic form allows observations to be created and has reporting functionality.	Trevor Gillespie (Team Manager – Performance Management) Service Managers **Target date:** 31 August 2015

Appendix 1 – Review Process Diagram



Appendix 2 – Background and Scope

Background

2.01 Social Care and Wellbeing (SC&W) is currently facing a number of pressures from factors in the external economic environment. Aberdeen City Council is encountering difficulties in sourcing the quantity of care that is required for their client's needs. The reason for this is twofold: firstly, high living and operating costs in the city are making the area unattractive for new private investment in social care services; and secondly, unemployment rates in the city are some of the lowest in the UK. The success of Aberdeen's energy industry is bringing unfavourable consequences to the public sector. A fundamental challenge being faced is regarding an ageing population which is placing strain on public sector services. The increasing demand and shortage in supply of care in Aberdeen is significantly contributing to the Council's challenge of being able to balance their own staffing resources.

Care Inspectorate

2.02 The Care Inspectorate scrutiny report on social work services at Aberdeen City Council was issued in December 2012. This report found that overall Aberdeen City Council was level 2, which is described as "exhibiting moderate risk", with adequate performance and moderate activity on improvement work.

2.03 The report identified a recommendation for improvement around the annual reviews of people placed in care homes, to ensure that there is clarity on the responsibilities and timescales for conducting these reviews. Reviews should be held at least annually as laid out in the national care home contract and the Council's care management standards. However, at the time of the Care Inspectorate review, the standards referred to what the review should consider and record but not who is responsible for calling and convening the review, nor sharing the review minute.

Care Management Standards

2.04 The Council's current Care Management Standards now provide clarity on the timescales that are required for reviewing both community based care packages and residential and nursing home packages. As well as on-going monitoring, an overall review of service users' needs is required to take place on the following pre-arranged date:

- Reviews of community based care packages take place within 3 months of completion of the Care Plan and at least 6 monthly thereafter; and
- Residential and Nursing Home reviews take place 6-8 weeks after admission and at least annually thereafter.

The day to day monitoring of the adherence with the Care Management Standards is also outlined as being the responsibility of the appropriate team leader. Additional guidance is available to staff detailing the responsibilities relating to the care of individual clients through the team allocation process and duties to formally record the review.

CareFirst System

2.05 CareFirst is an information management system used by Aberdeen City Council within SC&W. The software is used to record the care provision provided and is operated by a number of other local authorities. CareFirst is also used to generate the service specification between Aberdeen City Council and the third party care provider which forms the contract for provision of a care package to the individual user.

Management and recording of review on CareFirst

2.06 Within CareFirst, each Care Manager has a 'clipboard' which provides a list of all activities to be performed. Included within these activities are the reviews which are due within 14 days and overdue. When a Care Manager creates a care package they are required to create an activity called 'request for funding' before the system permits them to generate a service agreement. It is currently intended that the 'request for funding' activity is assigned to a date in the future when the review is due. It is this activity which appears on the clipboard of the individual Care Manager at the required date and the number of days overdue is displayed.

2.07 Due to the high volume of clients currently requiring care, 'team clipboards' are also being used across many teams. The intention of the team workload is to avoid overwhelming individual care workers with exceptionally large caseloads. After a client has been assessed and the care package has been completed, clients are transferred to the team clipboard if there is reasonable belief that no further attention is likely to be needed in the coming months.

2.08 Reviews performed by care workers are expected to be recorded in two ways:

- The 'observations' section of the client file within CareFirst should be completed with details of all interactions with the client; and
- A formal in-depth review document should be completed. A word document is generated by CareFirst and is stored on the relevant teams shared drive. After this, 'request for funding' activities should be set up as appropriate.

For illustrative purposes, a diagram of the process is contained in Appendix 1

Scope and limitations of scope

2.09 The detailed scope of this review is set out in Appendix 3. We have undertaken a review of the design and operating effectiveness of the Council's controls in regard to service reviews.

Appendix 3 – Agreed Terms of reference

Background

This review is being undertaken as part of the 2014/15 internal audit plan approved by the Audit and Risk Committee in April 2014.

Scope

PwC will review compliance with policies and procedures in relation to scheduled service reviews for care users (Adult and Older People), in terms of responsibilities and timeframes. The sub-processes included in this review are:

Sub-process	Control objectives
Response to Care Inspectorate Report	• The Council's care standards reflect current practices and are available to care managers; • Roles and responsibilities in relation to service reviews are clear for both community based care packages and residential and nursing homes. This includes responsibilities for the Council and for external care providers; and • Guidance on retaining minutes and actions as a result of service reviews is clear.
Service reviews	• Service reviews are undertaken in line with the agreed timescales per the care standards; and • Outcomes and actions are documented and shared between the Council and the service provider where required.

Audit approach

Our audit approach is as follows:

☐ Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.

☐ Identify the key risks in respect of service reviews.

☐ Evaluate the design of the controls in place to address the key risks.

☐ Test the operating effectiveness of the key controls on a sample basis.

Please note: Management have agreed to provide a download from the Care First system which will allow internal audit to test compliance without compromising the confidentiality of client data.

Key Council Contacts

Name	Title	Role	Contact details
Liz Taylor	Director of Social Care and Wellbeing	Sponsor	litaylor@aberdeencity.gov.uk
Kate Mackay	Business Manager	Key contact	KMacKay@aberdeencity.gov.uk
Trevor Gillespie	Team Manager – Performance Management	Key contact	TGillespie@aberdeencity.gov.uk

Agreed timings

Fieldwork start	03 November 2014
Fieldwork completed	05 December 2014
Draft report to client	05 January 2015
Response from client	19 January 2015
Final report to client	26 January 2015
Reported to Audit and Risk Committee	26 February 2015

Appendix 4 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Service Reviews, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Service Reviews is as at December 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Aberdeen City Council

Aberdeen International Youth Festival- Following the Public Pound

Internal Audit Report 2014/2015 for Aberdeen City Council

February 2014

Final Report

	Target Dates per agreed Internal Audit Charter	**Actual Dates**	**Red/Amber/Green and commentary where applicable**
Terms or reference agreed 4 weeks prior to fieldwork	17 September 2014	11 September 2014	Green
Planned fieldwork start date	15 October 2014	15 October 2014	Green
Fieldwork completion date	21 October 2014	10 November 2014	Red – PwC were asked to meet with the ex AIYF chairwoman prior to issuing the draft report.
Draft report issued for Management comment	24 November 2014	18 November 2014	Green
Management Comments received	02 December 2014	01 December 2014 26 January 2015 13 February 2015	Amber – delays in receiving comments from a key contact due to other work commitments.
Report finalised	13 February 2015	13 February 2015	Green
Submitted to Audit and Risk Committee	26 February 2015	26 February 2015	Green

Contents

1. Executive Summary

Report classification	Total number of findings ← Section 3 →				
		Critical	**High**	**Medium**	**Low**	**Advisory**
High risk	Control design	-	-	-	-	-
	Operating effectiveness	-	2	1	2	-
	Total	-	2	1	2	-

Summary of findings

1.01 The scope of our review was to consider the funding provided to Aberdeen International Youth Festival (AIYF) and its compliance with the Council's 'Funding External Bodies and Following the Public Pound' guidance. Our testing covered each of the key sub-processes and control objectives as set out in the agreed terms of reference (appendix 2).

1.02 Based on our review of the controls implemented we have identified the following two high risk, 1 medium risk and two low risk findings;

<u>High Risk</u>

- The relationship between the Council and AIYF is not at arm's length. This review highlighted that the festival still operates as though it is part of the Council and not an external body. For example, Corporate Governance provides financial services and Legal Services provide legal advice to the Board of Trustees. This close relationship prevents the Council from making an independent and objective decision about whether an investment in the festival is an effective use of public money. There is also no service level agreement (SLA) in place to ensure responsibilities between the parties are clearly understood. In addition the
- Education, Culture and Sport are responsible for awarding funding and monitoring the festival; however the process followed does not comply with the requirements set out in the Council's "Funding External Bodies and Following the Public Pound" guidance. This includes; lack of financial planning, ensuring the festival has appropriate controls in place over finances, cashflow issues and checking that other sources of funding are secure. In 2013/14, AIYF received core funding of £122,393 from the Council and the same amount has been approved for 2014/15.

Medium Risk

- Aberdeen International Youth Festival latest set of audited accounts for the year ending 31 August 2013 were due to be submitted to the Office of the Scottish Charity Register (OSCR) by the 31 May 2014. These accounts were not signed off by the auditors until 26 August 2014. This highlights that there may be a lack of financial management within the festival.

Low Risk

- Four Councillors sitting on the Board of Trustee's at Aberdeen International Youth Festival have not declared the organisation as a related entity in their Declaration of Interests.

- The "Funding External Bodies and Following the Public Pound" guidance has not been reviewed as per the review date in October 2012.

On request from Angela Scott (Chief Executive), PwC met with Jennifer Stewart (ex-Chairwoman, Aberdeen International Youth Festival) to discuss the draft report on 10th November 2014. During this meeting, Jennifer expressed her personal concerns relating to governance within the festival. As the concerns raised did not fall within the scope of this review, PwC have not investigated these, nor have we a view upon them. To ensure appropriate follow up internally, PwC sent minutes of this meeting to the Council on 16th December 2014.

Management comments

Management welcome the review of the funding provided to and the Council's relationship with AIYF and will seek to make the Board aware of the challenges that exist and the need to improve the financial management and governance arrangements they have in place.

2. Detailed findings and recommendations

2.01 Arm's Length External Organisation Relationship – control design

Finding
The relationship between AIYF and the Council is not considered appropriate for an arm's length organisation. Through discussion with various stakeholders (Budget Holder, Lead Officer, Accounting Officer and Corporate Accounting Manager) it was ascertained that, in practice, AIYF operates as an extension of the Council rather than an external organisation. It is believed that this may stem from the fact that AIYF receives substantial support from the Council and there is a desire for the festival to continue. The financial services for AIYF are performed by the Council and as a result AIYF rely heavily on the Accounting Officers support for the financial planning of the organisation. As the Council are actively involved in producing the finances on behalf of AIYF, a self-review issue may prevent an independent assessment and analysis of the financial position. Management have also highlighted that, due to the preparation of accounts, there is less time available for officers to critically assess the finances. Please note that it is formally documented in the constitution/ articles of association that the City Chamberlain (now Head of Finance) is to provide financial services to the festival. Best practice states that for funding greater than £75,000, a service level agreement (SLA) is required to be in place to ensure that responsibilities between the parties are clearly understood. There is currently no SLA in place, and instead an annual funding agreement letter is issued to AIYF. Although the annual funding letter does provide a level of comfort, it does not define the roles, responsibilities or liabilities. This is a key issue given the current resource sharing arrangement. The contents of the 2013/14 and 2014/15 funding letter were assessed against the minimum requirements and it was noted that in both instances the 'purpose of the funding and expectation of use' were not clearly defined. In addition to this, no statement is made in either letter with regards to 'access to the accounting records of the organisation that requires to be given to Council staff, including internal and external audit staff'.
Risks
This close working relationship could prevent the Council from taking an independent view of AIYF. The inability to perform an impartial review of AIYF as an investment with regards to achieving value for money may result in public funds being invested inappropriately. As roles, responsibilities and liabilities between the parties are unclear, an ambiguous relationship is created.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
High	The Board should be made aware of the challenges with the current governance structure with a recommendation that they agree to change their Articles of Association to enable a more flexible and arm's length relationship to be put in place and that future arrangements between AIYF and the Council will require to be underpinned by a formal agreement e.g. a Service Level Agreement	Head of Finance
		Target date:
		31 March 2015

2.02 Financial Information – control effectiveness

Finding

AIYF is required to submit a formal business plan to the Council, on an annual basis for funding. The festival receives 'core funding' which is approved by the Culture and Sport Sub Committee based on their on-going understanding of the organisation. During the review we noted that this plan has never been submitted and as a result a number of findings in relation to the requirements of the application have been noted:

- ***Check that the projections in the financial plan are realistic and achievable/a detailed one year financial plan and summary 3 year plan should be provided.*** AIYF did not have a detailed business plan which gives a detailed 1 year plan nor a summary 3 year plan. The only financial planning prepared is a high level budget for each year. This budget is prepared by the Chief Executive of AIYF. The Accounting Officer for the Council is involved in monitoring and reviewing this budget.
- ***Ensure the organisation has adequate policies and procedures in place to govern the way their finances are handled.*** Per discussions with the Accounting Officer and Lead Officer no formal checks are undertaken to ensure AIYF has adequate policies and procedures in place to govern their finances. The Chief Executive has complete control over expenditure. Currently there is no scheme of delegations in place and therefore the Chief Executive does not require Trustee approval for certain levels of expenditure.
- ***Check that sufficient cash exists to enable the organisation to meet its financial obligations for the foreseeable future (at least 12 months).*** The Accounting Officer prepares cashflow on a regular basis over the months of May to August. This is the period where there is considerable financial activity and therefore the greatest need for careful cash planning. Cashflows are prepared to allow monitoring of the AIYF cash position by the Council. This has highlighted that on a number of occasions AIYF will not have enough cash to pay the bills. On these occasions this was raised to the Trustee by the Accounting Officer. This highlights that AIYF has serious cashflow issues and the Council is being relied upon to identify this.
- ***Check that any other material sources of external funding are secure and assess any risks relevant to the ability of the organisation to continue as a going concern.*** This check is not performed. Sponsorship from other parties is obtained on a year to year basis and often not confirmed until during the year. AIYF usually obtains a high level of sponsorship, obtaining £92,800 2012/13 per the 31 August 2013 signed accounts and expects to receive approximately £88,000 in 2014/15. The two largest sponsors are Shell and BP providing approximately £45,000 and £24,000 respectively.

The Following the Public Pound guidance also requires a checklist to be completed when assessing ALEO funding applications. A copy of the completed checklist should be retained on file and used to evidence that best practice has been adhered to. This has not been completed and as a result areas of best practice may be missed when reviewing the eligibility of AIYF for funding.

Management have commented that these issues have been highlighted to elected members through the committee structure on a number of occasions.

Risks

As the Council is heavily involved in the running of AIYF, little consideration has been given to scrutinising the financial data in an unbiased way. As a result, public funds may be invested inappropriately. There is also a reputational risk to the Council, associated with the financial failing of the festival.

Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
High	The Council should request that AIYF prepare and submit a formal business plan in advance of the decision to award funding for 2015/16. The plan should include the attributes required by the Following the Public Pound guidance and the Council should assess this against the checklist provided.	Cultural Policy & Partnership Manager
		Target date:
		31 March 2015

2.03 Submission of Financial Statements– control effectiveness

Finding
The 2012/13 financial statements were due to submitted to the Office of the Scottish Charity Register (OSCR) by 31 May 2014. However, based on a review of the Trustee meeting minutes on the 16 June 2014 these were not complete and therefore had not been audited. The accounts for the year ending 31 August 2013 were not signed off by the auditors until 26 August 2014. This raises a question over the financial management of AIYF.
Risks
There may be regulatory and reputational risks associated with the late issuing of financial statements.
Action plan

Finding rating	Agreed action	Responsible person / title
Medium	The Board should be reminded of the requirement to provide information to the Treasurer in order to produce the accounts on a timely basis for the Board and OSCR.	Head of Finance
		Target date:
		31 March 2015

2.04 Register of Interests – control effectiveness

Finding
Following the Public Pound guidance states that the Council should maintain an up to date register of interests for representation on external bodies. It is a Councillors own responsibility to fill out a declaration of interest and Legal and Democratic Services issue six monthly reminders. The most recent declaration of interests for each councillor can be viewed online. A listing of Councillors who are Trustees for AIFY was obtained on the 15 October 2014 and each of their declarations reviewed. For 4 out of the 6 Councillors, AIYF was not listed as a related body. All 4 of these Councillors were listed as a Trustee in the last set of audited financial statements (year ending 31 August 2013).
Risks
There is a risk that conflicts of interests may not be identified and decisions are not made independently.
Action plan

Finding rating	Agreed action	Responsible person / title
Low	Councillors will continue to be reminded of their obligation to maintain the register of interest on a 6 monthly basis. For the 4 Councillors which were highlighted as not having updated the register, individual reminders will be issued as a matter of priority.	Head of Legal and Democratic Services. **Target date:** 28 February 2015

2.05 Following the Public Pound Code of Practise– control effectiveness

Finding		
The Council's "Funding External Bodies and Following the Public Pound" guidance was obtained in order to review AIYF funding arrangements against best practise. This document was last approved on the 6 October 2011 and was due for review in October 2012. The review did not take place and therefore this guidance may be outdated.		
Risks		
There is a risk that the guidance does not reflect updates in industry best practice.		
Action plan		
Finding rating	**Agreed action**	**Responsible person / title**
Low	The "Funding External Bodies and Following the Public Pound" guidance should be reviewed and updated if appropriate.	Corporate Accounting Manager
		Target date:
		30 September 2015

Appendix 1 – Background and Scope

Background

2.01 Aberdeen City Council invests in Arm's Length External Organisations (ALEOs) which bring sport and cultural events to Aberdeen. These events are important to the people of Aberdeen, as well as helping to attract visitors. One ALEO which receives funding for this purpose is Aberdeen International Youth Festival (AIYF). In 2013/14, AIYF received core funding of £122,393 and the same amount has been approved for 2014/15.

2.02 On the 12 August 2014 the Chairwoman of AIYF resigned stating that spending within the organisation was poorly controlled. As a result, internal audit have carried out a review of the AIYF under the Council's policy of 'Funding External Bodies and Following the Public Pound'.

Aberdeen International Youth Festival

2.03 The main objective of AIYF is to deliver an annual youth arts festival which showcases talented performers and artists. AIYF aims to encourage the participation in performing and visual arts amongst young people from across the globe. This festival takes place in summer and consists of music performances, galas and a range of community art venues. The festival itself is over forty years old; however, the existing organisation was jointly established in 1983 by the Council, the University of Aberdeen and the Advisory Committee of the Aberdeen International Festival of Music and Performing Arts.

2.04 Per the audited set of Financial Statements for the year ending 31 August 2013, AIFY had a total income of £557,550. The Council provided core funding of £122,563 (c. 22% of total funding) with the rest of the income coming through sponsorship and fees. The accounts showed that AIYF had a deficit of approximately £15,000 and was sitting in a net liability position. The accounts were prepared on a going concern basis and an unqualified opinion was given by the auditors (Williamson and Dunn).

2.05 AIYF's relationship with the Council is unique because a team within the Council's Corporate Governance Directorate performs the financial services for AIYF and there are a significant number of elected members from the Council on the Board of Trustees. A listing of trustees was obtained on 15 October 2014 which showed that 7 of the 14 trustees of AIFY where Councillors. The Council does not receive a fee for the financial services performed because it is considered that the Council would be required to provide AIYF with additional funding in order to pay these fees.

2.06 Due to known on-going issues with the sustainability of AIYF, discussions are currently taking place with regards to the festival's future. Council Officers and members of the AIYF staff have worked collaboratively over the last 18 months to consider a number of future options for the festival. Written and verbal updates have been provided to both the Audit and Risk Committee and Culture and Sport Sub-Committee in relation to this. At the time of reporting, the Board of Trustees had not felt able to make a decision on the future of the festival.

2.07 A review of external investments in Culture and Sport was undertaken and presented to the Culture and Sport Sub-Committee on the 10 January 2013. This review highlighted several risks associated with the operation and sustainability of AIFY. Approval for further funding was recommended and approved on the condition that the future of the festival was agreed and a Service Level Agreement was put in place.

2.08 AIYF currently only has 1 employee, the Chief Executive. Historically AIYF has operated with between 2 to 3 employees.

Scope and limitations of scope

2.09 The detailed scope of this review is set out in Appendix 2. We have undertaken a review of the compliance with the Council's FTTP policy and guidance in relation to AIYF.

Appendix 2 – Agreed Terms of reference

Background

The Chairwoman of Aberdeen International Youth Festival resigned on 12 August 2014 due to accusations that spending within the organisation is poorly controlled. Aberdeen City Council provides the festival with annual funding of £140,000.

As a result, a review of the Aberdeen International Youth Festival will be carried out under the Council policy of 'Funding External Bodies and Following the Public Pound'.

Scope

The scope of this review is to consider compliance with the Council's FTTP policy and guidance in relation to the Aberdeen International Youth Festival. The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Governance Arrangements	• Written agreements exist which define roles, responsibilities and liabilities. The agreements is used to define an unambiguous relationship between the Council and Aberdeen International Youth Festival; • Funding is approved in line with the Council's scheme of delegation; • Funding agreements exist (e.g. Service Level Agreements, application forms, letters of approval) to outline the agreed payment by the Council; and • A central register of interests is maintained by the Council to ensure any conflicts of interest are monitored and managed.
Monitoring Arrangements	• The Council has sufficient information to allow monitoring of the Aberdeen International Youth Festival and the information is in line with that required by the FTTP guidance (per Appendix A); and • A budget holder and services accountant has been allocated and financial monitoring is performed in line with the FTTP guidance.
Payments	• No payments are made to the Aberdeen International Youth Festival until all relevant financial checks have been completed to ensure the Council is comfortable the body will be a going concern.

Limitations of scope

The scope of our work is outlined above and will be performed on a sample basis. Our review will focus on the overarching governance arrangements in place between the Council and Aberdeen International Youth Festival, and compliance with the FTTP guidance. We will not undertake a review of the key controls within Aberdeen International Youth Festival (for example financial and budgetary controls) or review how they are discharging their role and remit.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.
- Identify the key risks in respect of car parking and bus lane enforcement.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls on a sample basis.
- Assess co9mpliance with FTTP guidelines

Appendix 4 - Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Aberdeen international Youth Festival, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Aberdeen International Youth Festival is as at September 2014. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit and Risk Committee
DATE	26 February 2015
OWNER OF PAPER	David Brown, Chief Internal Auditor
TITLE OF REPORT	Implementation of recommendations relating to Internal Audit, External Audit and other investigations for 1 October 2014 to 31 December 2014.

1. PURPOSE OF REPORT

To update Audit and Risk Committee Members on the progress on implementing Internal Audit, External Audit and other investigations recommendations included within reports previously approved by the Audit and Risk Committee. This report focuses on:

- Internal Audit, External Audit and other investigation recommendations due for implementation prior to 31 December 2014.

2. RECOMMENDATION(S)

Members are asked to consider this report and request actions or explanations as appropriate.

3. FINANCIAL IMPLICATIONS

There are no financial implications other than those associated with the implementation of the recommendations which will be undertaken and financed by the Services.

4. OTHER IMPLICATIONS

This report does not have any direct links with the following: legal, resource, personnel, property, equipment, sustainability and environmental, health and safety and/or policy implications and other risks.

5. BACKGROUND/MAIN ISSUES

See Appendix A for summary of overdue internal audit recommendations and explanations for progress and revised timescale for implementation.

See Appendix B for a summary of overdue external audit and other investigations recommendations and explanations for progress and revised timescale for implementation

6. IMPACT

Corporate – Internal Audit supports the Local Outcome, set in both the Single Outcome Agreement and the Interim Business Plan, that "Our public services are high quality, continually improving, efficient and responsive to local people's needs."

Public – None

7. BACKGROUND PAPERS

None.

8. REPORT AUTHOR DETAILS

David Brown
Chief Internal Auditor – Aberdeen City Council
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07725 704549

1. Summary Findings - recommendations from Internal Audit

1.01 The table below summarises the internal audit reports where recommendations were due for implementation prior to 31 December 2014.

1.02 The total due at 31 December 2014 includes those recommendations that were open as of our last report at 30 September 2014 and those due to be implemented in the period between the 1 October 2014 and 31 December 2014.

1.03 The 'open' recommendations are all those recommendations with an original target implementation date prior to 31 December 2014. This includes those recommendations where a revised target date for implementation has been communicated to Committee. Please refer to Appendix A for a detailed listing of all open recommendations.

Title	Date Issued	Total Due at 31 Dec	Closed	Open
Lone Workers Review	Mar-13	4	4	0
Self-Directed Support Arrangements	Sep-14	3	1	2
Arm's Length Organisations	Apr-13	3	0	3
Contract management arrangements within Social Care & Wellbeing	Jan-14	1	0	1
Corporate Travel System	Oct-13	2	2	0
Key Invoicing Controls within the Building Services Department	Jul-13	1	0	1
Aberdeen Western Peripheral Route	May-14	1	0	1
Roads Reinstatement by Utility Companies	May-14	1	1	0
Sourcing and Management of Agency Staff	Jun-14	4	4	0
Car Parking and Bus Lane Enforcement	Sep-14	8	6	2
Complaints Handling	Sep-14	3	1	2
Flooding and Coastal Risk Management	Sep-14	3	1	2
IT Security (Network and Perimeter)	Sep-14	3	2	1
Private Sector Housing	Jun-14	5	1	4
Community Centres	Apr-14	2	0	2
Compliance with Laws and Regulations	Nov-14	3	1	2
Fraud Governance – Housing Tenancy and Scottish Welfare Fund	Nov-14	2	0	2
ICT Governance	May-14	1	0	1
Parent Council Funds	Sep-14	5	5	0
Procurement Out With PECOS	Nov-14	4	4	0
Regeneration (Governance and Project Management Arrangements)	Feb-14	3	3	0
Stakeholder Engagement	Mar-14	2	2	0
Total		**64**	**38**	**26**
Percentage of Total			**59%**	**41%**

1.04 On request from the Audit and Risk Committee Chair, an analysis of revised target dates against original action due dates has been performed on open recommendations:

Revised Target Dates	Number of Open Recommendations*
Between 2-6 months after original due date	14
Between 7-12 months after original due date	8
Between 13-17 months after original due date	4

*Please note, this analysis does not include the one recommendation that is marked as “on-going”.

2. Summary Findings - recommendations from External Audit and other investigations

2.01 The table below summarises the recommendations relating to External Audit and other investigations which were due for implementation at the time of compiling this report:

- UK Information Commissioner's Office (ICO) Audit of the Council's Data Protection Arrangements (published in June 2013);
- Audit Scotland Interim Report 2013/14 (published June 2014); and
- Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) report (published April 2014).

2.02 Please refer to Appendix B for a detailed listing of all open recommendations.

Title	Date Issued	Total Due	Closed	Open
UK Information Commissioner's Office (ICO) Audit of the Council's Data Protection Arrangements	Jun-13	23	20	3
Audit Scotland Interim Report 2013/14	Jun-14	11	8	3
Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) report	Apr-14	6	1	5
Total		**40**	**29**	**11**
Percentage of Total			**73%**	**27%**

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Appendix A

Status of outstanding internal audit recommendations

Detailed commentary – open recommendations

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
1	Arm's Length Organisations	Apr-13	**Risk Rating: Medium** Establishing terms and conditions is an important means of influencing ALEOs to ensure the needs of the Council are met. Accordingly, there is a need to monitor the position and take appropriate action as required to ensure contractual obligations are met. The Council will revisit the contractual arrangements with each ALEO and ensure they reflect the key requirements of the Councils own "Following the Public Pound" document. Any arrangement will clearly define criteria for the council withholding its funding, or for terminating its relationship with the ALEO.	Corporate Accounting Manager 30-Sep-13	Officers throughout the organisation continue to work on reviewing agreements to ensure they meet the requirements of FPP. A review and update of the FPP guidance is also being conducted and will be reported to the relevant committee. **Revised Target Date:** Ongoing

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
2	Arm's Length Organisations	Apr-13	**Risk Rating: High** The Council will put in place reporting arrangements whereby the scrutiny of each ALEOS performance is in the context of its financial performance, service performance, achievement of objectives, risk and contract compliance. A standardised reporting arrangement will be followed for all ALEOs to ensure the following key areas are captured: • Financial Performance and Going Concern; • Performance against KPIs; • Contractual Performance; and • Consideration of management of individual ALEO corporate risks. Representation at a senior level from each ALEO will be formally requested to attend Audit and Risk Committee (at least annually) to discuss ALEO performance, risk management arrangements the future strategies of their organisations and how the ALEO contributes to the achievement of its own strategic objectives and single outcome agreement and this requirement will be built into any SLA between the council and the ALEO.	Corporate Accounting Manager 30-Sep-13	Bon Accord Care was reported to Shareholder Scrutiny Group on 20 November 2014 with a further update to be reported on 26 February 2015. Ongoing discussions have been taking place on a range of operational matters with ALEO's. However, this has not yet resulted in a set of reports that can be presented to Elected Members. A review of ALEO governance arrangements has identified a number of practical changes aimed at delivering reports to committee on a regular basis and this will be reported through SSG. This is being led by the Director of Corporate Governance. **Revised Responsible Officer:** Director of Corporate Governance **Revised Target Date:** Ongoing

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
3	Arm's Length Organisation	Apr-13	**Risk Rating: Medium** 1. Management will ensure that any Funding and Service Provision Agreement outlines the requirement that individual ALEOs must have risk management processes in place to identify, assess and mitigate risks. 2. A risk management framework, established by the individual ALEOs, will be reviewed by the Council to confirm its adequacy, with regular reporting on the status and management of individual ALEO high rated corporate risks reported to Council. 3. In addition, the Council will maintain its own risk register that identifies, assesses and manages its key risks relating to its funding of individual ALEOs and the services they provide.	Director of Corporate Governance 31-Dec-13	Risk registers were reviewed following the audit and found to be adequate, following broadly standard risk management practice. A corporate ALEO Governance Assurance Group has been established, meeting first in early January 2015. Risk Management assurance is part of the remit of this group and a common approach to risk management across the Council Group is being promoted. Standard ALEO Risk Management requirements are included in the Risk Management Strategy before the Committee on 26/2/15. **Revised Target Date:** 26-Feb-15
4	Aberdeen Western Peripheral Route	May-14	**Risk Rating: Low** ACC should identify any bespoke risks arising from the project for inclusion in its corporate and directorate risk registers.	AWPR Managing Agent Ongoing	The AWPR/B-T project has now been awarded with financial close achieved on 12 December 2014. It is now my intention to carry out the outstanding action which is "ACC should identify any bespoke risks for it arising from the project for inclusion in its corporate and directorate risk registers". To enable me to do this, I am proposing that I meet with the following individuals or their representatives; • Mr David Leslie : Strategic Infrastructure Plan Programme Manager, and • Mr Andrew Win: City Development Programme Manager. **Revised Target Date:** Ongoing

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
5	Key Invoicing Controls within the Building Services Department	Jul-13	**Risk Rating: High** The importance of returning goods received notes will be re-communicated to staff. Management will also review the process used by Tradesmen and Surveyors to ensure that this action is fully completed. Management will develop a report (or utilise a current report e.g. negative stock report, if deemed appropriate) to allow missing goods received notes to be monitored. Building Services will take management action if staff are repeatedly not returning goods received notes.	Contract Manager 31-Jan-14	The importance of returning goods received notes has been be re-communicated to staff. Management have reviewed the process used by Tradesmen and Surveyors to ensure that this action is fully completed. A business case has been written to establish an Assistant Contract Manager who will take on the responsibility of reviewing the negative stock report and the management action for not returning goods received notes. Update 3/11/14 Building Services are currently recruiting an Assistant Contract Manager who will take on the responsibility of reviewing the negative stock report and the management action for not returning goods received notes. **Revised Target Date:** 31-Jan-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
6	Contract Management Arrangements within Social Care & Wellbeing	Jan-14	**Risk Rating: High** Contracts should be in place for all services procured. Where a service has not been tendered, a clear rationale and support for this decision should be retained as evidence, and be complete and easily accessible. Where a Committee approves a contract extension, this should always be followed up with the agreement and formalisation of a contract. Where a contract expires, that is yet to be tendered or the contract extension in place a clear protocol should be in place, which considers how the service manages any risks to the Council, including an approvals process, whilst continuing to provide the service.	Social Care & Wellbeing Service Manager 31-Jan-14	The Commissioning and Contracts Team were transferred to Commercial and Procurement Services on 23rd October 2014 and are now adopting a more robust approach to the management of the commissioning process. The aim of the team is to have contracts or formal agreements in place for every service, whether this is as the result of a tender exercise or committee decision, and the team will work with Service Managers to achieve this. The team work to Workplans that are developed every year with reference to the Contract Register and planning meetings with the Service Managers. The 2014/15 Workplan was agreed at Committee in June 2014. To date the plan has facilitated 72 contracts/agreements being put in place between April and December 2014 with at least 4 more anticipated before the end of the financial year. The team are currently making arrangements to meet with Service Managers to develop the Workplan for 2015/16. Commissioning decisions will be recorded on the Workplan and appropriate actions agreed. Although the Workplans are initially agreed at the start of each financial year the team meet with services on a regular basis throughout the year to discuss progress and additional work can be negotiated to meet the changing needs of the business. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
7	Car Parking and Bus Lane Enforcement	Sep-14	**Risk Rating: High** Audits of cash recorded by the machine and counted by G4S should be performed to identify possible incidents of fraud. Discrepancies should be monitored and followed up as required.	Income Management Team, Revenue and Benefits 30-Sep-14	Implementation of the action plan is ongoing with the above target date still appropriate. A report is available identifying discrepancies which from now on will be passed to the service to monitor and follow up as required. **Revised Responsible Officer:** Service Manager, Community Safety **Revised Target Date:** 31-Mar-15
8	Car Parking and Bus Lane Enforcement	Sep-14	**Risk Rating: Medium** Procedures for managing and recording repairs and planned maintenance should be formalised. An inventory of machines should be recorded on a spreadsheet, detailing the date of the last service and service history. A log of repairs should also be maintained, detailing date reported and closed. Closed repairs should be added to the service history within the inventory to allow the team to identify recurring issues. The length of time taken to rectify a repair should be monitored and reported as a KPI to the parking performance group. Management should use this information to increase the frequency of planned maintenance of machines regularly requiring work.	Service Manager, Community Safety 31-Oct-14	The Recording system is in place. However Performance reporting system and KPIs are still being developed. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
9	Community Centres	Apr-14	**Risk Rating: Medium** The Council should take action to ensure that all leased community centres sign up to the new lease and management agreement. If necessary, payment of the Development Grant should be withheld until signed lease and management agreements are in place.	Service Manager, Sport and Communities 31-Dec-14	The five groups who have old style arrangements have been invited to move to the new terms. While two of the groups are making positive moves towards the new lease and management agreement, none have moved across, most preferring to remain on the old style arrangements. In order to ensure there is equity across the city, consideration will be given to restricting funding for these Management Committees in line with learning centre associations for 2015/16 (subject to committee approval). When the groups have signed the new arrangements this should be increased to £11,065 per annum in line with other community centre associations. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
10	Community Centres	Apr-14	**Risk Rating: Medium** To ensure that all leased community centres are operating to the required standard and complying with all applicable legislation, the Council should ensure that all documentation required per the management agreements is obtained and that prompt action is taken where this is not the case.	Service Manager, Sport and Communities 31-Oct-14	Further to this audit recommendation, the Community Centre Health Check process was altered to become a more robust Compliance Check with additional elements added to the process to ensure that certain documentation was provided to the Council. By 31 October 2014 all 19 community centre associations under the new lease and management agreement were participating in this compliance monitoring process along with invitations to the five associations on the old style arrangements. Only two associations on the old style arrangements have participated in the process with three of these community centre associations choosing not to participate. The compliance monitoring process has identified capacity issues in the management committees with regards to developing effective policies. Support is being offered to address these capacity issues and assist in the adoption of the required policies by relevant Council officers. The compliance monitoring process will be conducted annually and this first round will be concluded by 31 March 2015. The intention is then to report back to the relevant Committee on the finding of the first year's process with developmental recommendations by 31 July 2015. **Revised Target Date:** 31-Jul-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
11	Complaints Handling	Sep-14	**Risk Rating: Medium** Officers responsible for investigating and responding to complaints should be provided with access to Covalent. Procedures should be updated to emphasise the importance of lessons learned and confirm that officers responsible for investigating and responding to complaints are required to complete this field. Training should reinforce these points. Exception reports highlighting all upheld or partially upheld complaints without lessons learned should be produced and sent to Heads of Service on a monthly basis. Heads of Service should be assigned responsibility for chasing the completion of this field where appropriate.	Performance and Risk Manager 31-Dec-14	The complaints handling procedures published on the council intranet for officers to refer to has been updated to include a section on lessons learned. The email templates issued to officers to notify or remind them of a complaint have also been updated to include a reminder to consider lessons learned. A Complaint Investigation Skills training course has been arranged with the SPSO to be carried out over 3 dates in February and March 2015. Key council officers responsible for responding to complaints will be invited to attend. The content will include a section on Lessons Learned and reinforce the importance. Once the above is completed consideration will be given to exception reports as suggested. We have reviewed access to Covalent and those who require access do so. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
12	Complaints Handling	Sep-14	**Risk Rating: Low** A complaints handling training package should be developed and included as mandatory training for any staff members involved in complaints handling. Management could consider utilising SPSO training materials as an alternative to developing a bespoke training package. These training materials should form a part of the induction process for new joiners. Refresher training should be mandatory for all staff members involved in the complaints handling process. This should include a reminder of best practices in complaints handling, and details of new or updated procedures.	Performance and Risk Manager 31-Dec-14	Complaints training will from part of mandatory Customer Service training to be implemented council wide for existing staff and all new starts. This will commence before the end of 2015. The content of the complaints training will be influenced by the SPSO training sessions carried out in Feb/March 2015. **Revised Target Date:** 31-Mar-15
13	Compliance with Laws and Regulations	Nov-14	**Risk Rating: Medium** Guidance will be issued to recommend Legal Services attend monthly Senior Management Team meetings across the Council. Through discussions with the PMO Office we are aware that a new governance process is being put in place for all new projects. It is recommended that the Head of Legal and Democratic Services engage with the PMO Office to ensure the new process mitigates the risk of Legal Services not being appropriately consulted at the project appraisal phase.	Director of Corporate Governance Head of Legal and Democratic Services 30-Nov-14	Guidance has not yet been issued; however, the Legal Services managers have been attending SMT meetings regularly since the audit report was issued in November. The Head of Legal and Democratic Services has met with the Head of PMO and discussions had on best to ensure Legal Services are included in project governance arrangements. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
14	Compliance with Laws and Regulations	Nov-14	**Risk Rating: High** The Council's draft 'Policy and strategic Response to Fraud, Bribery and Corruption' should be updated to include the above points prior to finalisation. The finalised policy should be formally communicated to staff and line management should be reminded of the importance of escalating matters to the Head of Finance and the Head of Legal and Democratic Services (the Monitoring Officer).	Director of Corporate Governance Head of Legal and Democratic Services 31-Dec-14	Procedures are not yet in place to ensure matters are reported to the Monitoring Officer and as a result, the register is not up to date. This is being addressed through updates to the Fraud and Corruption Strategy. The first submission to the Audit and Risk Committee is expected in February 2015. **Revised Target Date:** 26-Feb-15
15	Flooding and Coastal Risk Management	Sep-14	**Risk Rating: Medium** In relation to flooding related issues which impact Aberdeen City, the Council should review its options on how it can improve its influence over decision making. It is recommended that the Council should request representation on SAIFF and other groups, which may be deemed beneficial. Responsibility within the Council for attending these groups should be assigned.	Structures, Flooding and Coastal Engineering Manager 31-Dec-14	A new SAIFF group is to be established to look at the problems associated with an integrated catchment like Aberdeen and Edinburgh and we would expect to be invited to join that group. A conference in Aberdeen for 02 March is being arranged to discuss the particular problems experienced by Aberdeen around flooding and wastewater. The Scottish Government, SEPA and Scottish Water have agreed to attend. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
16	Flooding and Coastal Risk Management	Sep-14	**Risk Rating: Medium** a) Guidance should be prepared to define in what circumstances a flood incident should be reported to the Structures, Flooding and Coastal Engineering team. b) The Road Operations team should keep a spreadsheet of all incidents reported. The incidents which are required to be reported to the Structures, Flooding and Coastal Engineering team should be done so on a regular basis (e.g. monthly). c) Management should consider how they can progress and contribute to national discussions regarding ambiguity of responsibilities.	Roads Manager Structures, Flooding and Coastal Engineering Manager 31-Dec-14	a) All incidents of flooding are recorded at the West Tullos Depot, Currently details of all flooding incidents are forwarded to the Flooding Team. b) Tullos maintain a spread sheet of all flooding incidents - this will be transferred to a shared drive that the flooding team can access. They can then decide which incidents need investigation/address. c) This is being taken forward both in meetings with the Scottish Government, SEPA and Scottish Water and at our conference in March. Due to the number and level of the parties involved agreement on responsibilities will be a slow process. **Revised Target Date:** Ongoing

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
17	Fraud Governance – Housing Tenancy and Scottish Social Welfare Fund	Nov-14	**Risk Rating: Medium** A fraud risk assessment and identification will be undertaken for Housing Tenancy. This will identify the fraud risks and map these to appropriate fraud prevention and detection controls in place that mitigate those risks. A fraud register will be established for housing tenancy to allow cases of fraud or suspected fraud to be formally recorded. Processes will be established for staff to report fraud and suspected fraud for inclusion on the registers. A formal policy document will be developed that clearly explains the Council's approach to tackling potential housing tenancy fraud. (ADVISORY ONLY)	Housing Access Manager Housing Manager 30-Nov-14	Agreement has been reached for the current benefit fraud reporting service to be expanded to also receive reports of tenancy fraud via the free phone number or online facility on a pilot basis. Allegations of tenancy fraud will be recorded on the risk register alongside benefit fraud to identify instances which may be of relevance to both services and ensure the risk/response can be aggregated. Given the need to assimilate current and newly established processes, including a degree of publicity, the implementation period is anticipated to be with effect from April 2015 and it should be noted that whilst this integrated approach will take a little longer to effect, the provision will significantly enhance the efficacy of the service when contrasted with a standalone approach. The initial risk assessment is being compiled by the Corporate Fraud Team based on the National Intelligence model, tailored with relevant input from housing access and management personnel. We will review the requirement for a formal policy document after an initial period of operating the integrated service. **Revised Target Date:** 30-Apr-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
18	Fraud Governance – Housing Tenancy and Scottish Social Welfare Fund	Nov-14	**Risk Rating: Medium** A fraud risk assessment and identification will be undertaken for Housing Tenancy. This will identify the fraud risks and map these to appropriate fraud prevention and detection controls in place that mitigate those risks. A fraud register will be established for housing tenancy to allow cases of fraud or suspected fraud to be formally recorded. Processes will be established for staff to report fraud and suspected fraud for inclusion on the registers. A formal policy document will be developed that clearly explains the Council's approach to tackling potential housing tenancy fraud. (ADVISORY ONLY)	Housing Access Manager Housing Manager 30-Nov-14	As part of the implementation of the integrated fraud reporting service a briefing will be prepared for all Housing Officers to ensure the identified evidencing and checks are duly followed. The current fraud prevention and detection controls will be revised after an initial period of operating the integrated service to incorporate the recommendations of the initial risk assessment and ensure continued relevance in the context of a corporate approach. This will have regard to good practice identified by other authorities operating a similar model. **Revised Target Date:** 30-Jun-15
19	ICT Governance	May-14	**Risk Rating: Medium** The role and authority of the Enterprise Architecture Governance Board will be defined as part of the Enterprise Architecture Governance Framework and approved by the Corporate Management Team. The Enterprise Architecture Governance Board will have rules that clearly define its structure, composition and decision making. The Enterprise Architecture Governance Board will have responsibility for monitoring compliance with the Enterprise Architecture Governance Framework and reporting on compliance directly to the Corporate Management Team.	Head of Customer Service and Performance 31-Oct-14	These actions are part of the 'CSP7 - Enterprise Architecture' project to 'Establish EA Capability'. The project includes these actions within its first stage. However, work on the project was put on hold as the resource delivering the project, the Enterprise Architect, was required to deliver other work that was seen to be of a greater operational significance at that time. The other work is now coming to a close and it is planned for the Enterprise Architect to resume, and give priority to, the CSP7 project from the beginning of February. The plan is to be ready to seek CMT approval by the end of March. **Revised Target Date:** 31-Mar-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
20	IT Security (Network and Perimeter)	Sep-14	**Risk Rating: Medium** The password for the generic administrator account will be changed and access to the account will be restricted to senior ICT management. The account will only be used on a 'Break-glass' basis and ICT management will monitor the firewall to ensure that use of the generic administrator is restricted to only properly approved emergency situations. ICT management will undertake a full review of the current firewall rules to ensure that they are all appropriate to the needs of the organisation. Once completed the firewall administrator team will be responsible for performing a quarterly review of the rules to ensure active rules are still required. ICT management will ensure that formal evidence is retained for all approved changes to the firewall rules. The Checkpoint firewall software will be configured to send an email alert to ICT management to notify of any changes in firewall rules, who will then verify these changes to ensure they were approved. ICT Management will ensure that changes are not self-approved.	ICT Manager 31-Dec-14	Following initiation of the review of firewall rules, a full business impact analysis is required for each rule before raising a change for removal. This is a time consuming activity and will not be completed within the previously agreed timescale. However, more formal change control around firewall rules has been implemented which incorporates this business impact analysis for new rules being added which includes appropriate time for formally reviewing that specific rule. **Revised Target Date:** 31-Mar-15
21	Private Sector Housing	Jun-14	**Risk Rating: Low** Objectives which cover the full remit of the Private Sector Housing Unit should be developed. Objectives should be SMART (specific, measurable, achievable, relevant and time specific). Reporting of progress against objectives should take place at regular intervals.	Private Sector Housing Manager 31-Oct-14	Objectives are still under development and to be completed by 27th February 2015. **Revised Target Date:** 27-Feb-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
22	Private Sector Housing	Jun-14	**Risk Rating: Low** The PSHU should formally identify all possible sources of information which can contribute to its understanding of properties potentially falling below the tolerable standard within the city. A regular programme of review of these sources should be established and a register of properties maintained which have been deemed as falling below the standard. Actions plans should be established for each property on the register, and the outcome recorded.	Private Sector Housing Manager 24-Dec-14	Sources of information have been identified with a register to be developed by 27th February 2015. **Revised Target Date:** 27-Feb-15
23	Private Sector Housing	Jun-14	**Risk Rating: Low** An exercise should be undertaken to consider the feasibility of using a case management system to ensure information can be effectively stored and extracted. The exercise should include a cost benefit analysis, and existing systems within the Council, such as iWorld and Academy should be considered. If a case management system is not used, manual procedures should be developed to ensure this information is accurately recorded. Management should ensure management information is recorded for all key processes and to support the measurement of all objectives.	Private Sector Housing Manager 24-Dec-14	A brief for ICT requirements is being drafted to determine if an ICT solution can be developed. **Revised Target Date:** 27-Feb-15
24	Private Sector Housing	Jun-14	**Risk Rating: Low** A single set of procedures covering all PSHU activities should be established. This should be accessible centrally by all team members. An owner should be assigned to the document who is responsible for periodic review to ensure the procedures are up to date with current legislation and practice.	Private Sector Housing Manager 31-Oct-14	Procedures are still under development and to be completed by 27th February 2015. **Revised Target Date:** 27-Feb-15

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
25	Self-Directed Support Arrangements	Sep-14	**Risk Rating: Low** • Proceed with the development of iConnect. • Continue to ensure all interests are represented on advisory groups, to inform the Council's development of SDS. • Develop a comprehensive communications plan, in line with national strategy and addressing the needs of all stakeholders, including carers.	Head of Adult Services 31-Oct-14	1. Action completed. 2. Action completed. 3. The communications plan is being revised by the SDS lead officer with ongoing engagement with key stakeholders. **Revised Target Date:** 30-Apr-15
26	Self-Directed Support Arrangements	Sep-14	**Risk Rating: Medium** • Disseminate the CIPFA guidance on financial monitoring; highlighting that adherence to this is a requirement of the Act. On this basis, change the financial monitoring to a more proportionate and personalised process. • Continue to work with the Care First system provider, to eliminate restrictions on flexibility and enable SDS. In particular, develop a facility for proportionate financial monitoring requirements to be input on an individual basis. • Undertake a cross-Council process review, based on the customer journey, to reduce barriers to any of the four statutory support options.	Head of Adult Services 31-Dec-14	This has been taken forward by the SDS Lead Officer who is liaising closely with the Governments advisors in relation to the implementation of SDS, and with other Councils to share experiences of the implementation of SDS, including that relating to financial governance. **Revised Target Date:** 30-Apr-15

Appendix B

Status of outstanding recommendations relating to External Audit and other investigations

Recommendation	Agreed action, date and owner	Update	Lead Officer
UK Information Commissioner's Office (ICO) Audit of the Council's Data Protection Arrangements			
B16. Consider the appropriateness of whether staff who are responsible for the corporate oversight of DP compliance, and potentially information assets in future, should undertake dedicated training.	ACC note this recommendation and will consider what training is available and assess the need and appropriateness of same. OWNER: SIRO TIMESCALE: Training will be undertaken within 12 months of the date the Audit report is published.	As a consequence of organisational restructuring, it is now considered necessary to facilitate a comprehensive, dedicated, mandatory training session for all ECMT members in respect of information management and information security. In respect of the IMGAG, members will undertake a self-assessment process regarding training requirements in late Autumn 2014 with any identified training needs planned thereafter. The timescale for completion of this action is therefore extended to within 18 months of the publication of the Audit report.	Dorothy Morrison / Fiona Smith
C4. ACC should adopt a protective marking scheme so as to provide clear benchmark guidance for appropriate security standards to apply to any data being processed. This would be consistent with SOCITM and HMG / Scottish Government guidance.	ACC will undertake an options appraisal to assess whether it will adopt a Protective Marking Scheme. OWNER: SIRO TIMESCALE: within 8 months of the Audit report being published.	As detailed in the February 2014 update, progress on implementing this recommendation has been delayed due to the wider issues in respect of the government marking scheme. IMGAG has decided to trial the ACC version of the new Government Classification Scheme (GCS) within SC&W and officers will report back to IMGAG on progress. However, the Joint Inspection of Children's Services has delayed the introduction into SC&W, it will start next month.	Steve Skidmore
C16. Protective markings should be applied to data and follow to 'end of life' including occasions of further processing by applications such as Business Objects.	ACC accept this recommendation and defers to its response at C4. ACC will investigate how it might achieve the "follow" function in relation to the processing of that data. OWNER: SIRO TIMESCALE: within 8 months of the Audit report being published.	See update to C4.	Steve Skidmore

Audit Scotland Interim Report (2013/14)			
Although a central register of fraud or suspected fraud cases, whistleblowing cases or breaches of the Bribery Act framework has been established, the Audit and Risk Committee has not yet received a report summarising activity. Risk: Overall numbers of cases and the impact on internal controls are not considered from an overall governance perspective.	This will be added to the Matters under Investigation report as necessary and reported at least annually. TIMESCALE: 30 September 2014	Procedures are not yet in place to ensure matters are reported to the Monitoring Officer and as a result, the register is not up to date. This is being addressed through updated to the Fraud and Corruption Strategy. The first submission to the Audit and Risk Committee is expected in February 2015. Revised Target: February 2015	Jane MacEachran
There was no follow up by the Policy and Performance Section to ensure that the council's policy and procedures in relation to the Bribery Act have been properly implemented. Risk: The council may not be fully complying with its approved framework	Completed risk assessments obtained for Corporate Governance. Other services are being worked on.	A request was sent to services on 14 August to obtain risk assessments. To date all are received apart from The Chief Executive Office. A further reminder has been sent. Revised Target: June 2015	Jane MacEachran

In line with the Employee Code of Conduct, staff are responsible for declaring gifts or hospitality received. There may be merit in reviewing declaration processes within services including staff reminder systems. Risk: There may a reputational risk to the council if records are incomplete	Individual reminders given to Directors at 1-2-1 discussions. This will be highlighted as part of the launch of the new suite of policy documents (Refer Action 3).	Individual reminders have been given to Directors at 1-2-1 discussions. A reminder will be sent to all other staff in conjunction with the launch of the new Fraud and Corruption Policy. The Policy has not yet been launched and it is anticipated it will be presented to Committee in April and communicated to staff in June. Revised Target: June 2015	Jane MacEachran
Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) Report			
1. Amend the RIPSA protocol and procedures document to address the issues discussed in the Inspection Report. a) Review the OSC Code of Practice to identify all areas in which the Aberdeen City Council procedures require reviewed. b) Review and amend the Aberdeen City Council protocol and procedures document.	TIMESCALE: a) By end September 2014, b) By end December 2014	There has been some slippage on the dates for implementing these actions, again due to other workload pressures and staffing changes in the team. The review of guidance for Authorised Officers is underway and will be completed by mid-February 2015. An Authorising Officers meeting will take place in early March 2015 at which the revised guidance will be issued and refresher training will be provided.	Fiona Smith Karen Donnelly
2(a) Audit of Council staff to identify those who hold either an investigative or enforcement function. Desktop audit to be sent to all Head of Service / 3rd Tier Managers	TIMESCALE: Issued by mid-September 2014 for return by mid-October 2014	Again, there has been some slippage on the dates for implementing these actions due to staffing changes in the team. A guidance note is presently being prepared and will be completed by the end of February 2015. As above, refresher training for Authorising Officers will be provided in March 2015.	Fiona Smith RIPSA Working Group

Provide training tailored to the needs of all officers on RIPSA to ensure officers have the knowledge required which is commensurate with individual's responsibilities. a) Three tier training programme to be developed: -Awareness Raising -Operational Users -Authorising Officers b) Following conclusion of the desk top audit referred to at 2(a) above, a programme for the delivery of this training will be developed. c) Training programme rolled out.	TIMESCALE: a) By end October 2014, b) By end October 2014, c) November 2014 onwards	Progress on implementing this action has been delayed firstly due to other workload pressures and then as the majority of actions cannot be taken forward until the actions for recommendation 2 are completed. The revised due dates are: a) by end February 2015; b) by end March 2015; c) April 2015 onwards	Fiona Smith Karen Donnelly RIPSA Working Group
3(a) Authorisations should always address in full the activity authorised, where and how. a) Guidance for authorised officers to be reviewed and amended where required. b) Refresher training for Authorising Officers referred to at 2(b) above to cover this requirement.	TIMESCALE: a) By mid-September 2014, b) October 2014	There has been some slippage on the dates for implementing these actions, again due to other workload pressures and staffing changes in the team. The review of guidance for Authorised Officers is underway and will be completed by mid-February 2015. An Authorising Officers meeting will take place in early March 2015 at which the revised guidance will be issued and refresher training will be provided.	Fiona Smith Karen Donnelly RIPSA Working Group

3(b) Oversight regime to monitor authorisations to ensure full details of activity authorised are given and to ensure all authorisations are cancelled as soon as they are no longer required. a) Guidance note to be prepared for Solicitors in Commercial & Advice Team who review authorisations regarding areas for monitoring. b) Requirements on Authorising Officers regarding review and cancellation of authorisations to be covered in refresher training.	TIMESCALE: a) By end September 2014, b) October 2014	Again, there has been some slippage on the dates for implementing these actions due to staffing changes in the team. A guidance note is presently being prepared and will be completed by the end of February 2015. As above, refresher training for Authorising Officers will be provided in March 2015.	Fiona Smith Karen Donnelly

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	26 February 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Fraud Governance – Scottish Welfare Fund Update Report.
REPORT NUMBER:	CG/15/06
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

A report was presented to Audit, Risk and Scrutiny Committee during November 2014. This report reviewed the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund.

The purpose of this report is to provide an update on the recommendations relating to the Scottish Welfare Fund.

2. RECOMMENDATION(S)

The committee is asked to note the progress made in implementing the audit recommendations.

3. FINANCIAL IMPLICATIONS

There are no revenue and capital implications.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

A review was undertaken by Internal Audit during 2014 on the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund.

The review identified areas of good practise that helped mitigate fraud risks; however, the review also identified areas for improvement.

At the time of finalising the report, Internal Audit was informed by management that the Scottish Government is satisfied with the

processes and controls in place to administer the Scottish Welfare Fund. As a result, although Internal Audit believed improvements could be made and consider the recommendations to be best practice, it was agreed as appropriate to raise these findings as advisory.

The audit recommendations and update are:

Recommendation 2.03 – Advisory Action

A fraud risk assessment and identification to be undertaken for the Scottish Welfare fund. This will identify the fraud risks and map these to appropriate fraud prevention and detection controls in place that mitigate those risks.

- The Scottish Welfare Fund Team is preparing a Fraud Risk Assessment. The Risk Assessment is being prepared with the assistance of the Fraud Team. A draft document has been produced and a final version will be in place for April 2015.

Recommendation 2.03 – Advisory Action

Fraud registers to be established for the Scottish Welfare Fund to allow cases of fraud or suspected fraud to be formally recorded. Processes to be established for staff to report fraud and suspected fraud for inclusion on the registers.

- This has been completed.

Recommendation 2.04 – Advisory Action

Staff to be reminded of their responsibility to ensure that all relevant documentation is retained to evidence proper checking of grant applicants in line with the fraud prevention controls.

- This has been completed.

Recommendation 2.04 – Advisory Action

All grant applications to be assigned to Scottish Welfare Fund team members for processing by the Team Leader or their designate. This will ensure that there is a segregation of duties between those processing claims and those approving claims.

- This has been completed.

Recommendation 2.04 – Advisory Action

Visits to grant applicants, both before and after grants being rewarded, to be performed. This process will be risk led focusing on those applicants who are deemed to meet certain fraud risk criteria.

- This is not feasible to achieve with the resources within the team and the timescales required making decisions on claims. However, visits are undertaken where staff highlight a risk to the eligibility of the claim.

6. IMPACT

The Scottish Welfare Fund Is a scheme operated by Local Authorities' on behalf of the Scottish Government. Whilst Aberdeen City Council does not believe there is a significant fraud issue we do welcome any input in to improving the processes in operating the scheme.

The public need to be aware that the Scottish Welfare Fund take fraud detection and prevention seriously and will review the scheme to improve processes surrounding fraud.

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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Aberdeen City Council

Follow-up report: Major capital investment in councils

AUDIT SCOTLAND

Prepared for Aberdeen City Council
February 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Executive Summary

Purpose

1. In March 2013, Audit Scotland's report on 'm*ajor capital investment in councils'* was published on behalf of the Accounts Commission. It focused on major capital projects over £5 million each and assessed how well councils direct, manage and deliver capital investments.

2. As part of the 2013/14 audit, local government auditors carried out targeted follow up work on Major Capital Investment in councils. The aim of this work was to assess to what extent councils had improved performance in managing their capital investment programmes. The follow up work covered two stages:

   - **Stage 1:** Auditors provided information on the extent to which the report and good practice guidance and checklist were considered by the relevant council and any action taken as a result.
   - **Stage 2:** For a selection of councils, including Aberdeen City Council, auditors were required to provide an assessment of the council's management of its capital investment programme.

Key Findings

3. Our overall conclusion is that the council has strengthened the management of its capital investment programme and demonstrated many aspects of good practice. It assessed existing arrangements against the recommendations contained in the national report and made a number of improvements as a result including enhancing its business case arrangements.

4. The council launched its Strategic Infrastructure Plan (SIP) in October 2013 and continues to enhance governance arrangements to ensure the SIP is properly supported and progress against the plan is reported and monitored at programme, service and corporate level including elected members. The SIP shows many of the good practices suggested by the national report including the identification of priorities, the involvement of a range of stakeholders, a longer term timescale and a consideration of how projects might be financed.

5. This is however a period of transition as several existing capital projects commenced under previous project management arrangements and so there is some variation in the form of project documentation. This may affect the ease with which the risks and benefits of older projects can be identified. Historically, some projects were perhaps accepted into the capital plan with less realistic assumptions about timing or cost.

6. While service heads and departments remain accountable and responsible for their own projects, they deliver them within a governance and reporting framework defined by the Programme Management Office (PMO). Project reporting is carried out by the PMO, and capital financial reporting by the Asset Management and Finance team. Elected members and senior officers are regularly informed of progress.

7. The national report highlighted the importance of post-project evaluations (PPEs) within six months of a project being completed to find out if the project had delivered or was on course to deliver the intended benefits and to learn lessons. PPEs depend upon the retention of explanations for cost, time and changes to scope. The council is putting arrangements in place through the project management toolkit, project reporting and corporate records management to strengthen the quality and value of PPEs. A number of important processes have been developed but due to their infancy have not yet been applied to capital projects

8. Due to the evolving nature of the SIP, there are a number of arrangements around managing capital projects which continue to evolve or have recently been introduced but have not yet been embedded. Rather than attach an action plan to this report, we will keep these new arrangements under review as part of our ongoing audit work. Examples include:

- The introduction of Project Proposal Documents
- end of project reporting including benefits delivered
- refreshed governance structure ensuring appropriate monitoring and scrutiny by an officer led group, corporate management team and elected members
- risk management at capital programme level.

Acknowledgements

9. The assistance and co-operation received from officers during the course of our audit work is gratefully acknowledged.

Introduction

Background

10. *'Major capital investment in councils'* was published on behalf of the Accounts Commission in March 2013. The report provided the first comprehensive review of major capital investment across all councils in Scotland. It focused on major capital projects over £5 million each and assessed how well councils direct, manage and deliver capital investments.

11. The report contained 14 recommendations aimed at councils to help them improve in this area. Some of the key recommendations were that councils should:

    - develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment, and consult with stakeholders such as service users and suppliers as they develop these strategies
    - develop and use clearly defined project milestones for monitoring and reporting. This should include a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects
    - improve the quality of capital project and programme information that is routinely provided to elected members, including reporting of performance against cost, time and scope targets, risk and intended and realised benefits
    - consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary
    - actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement.

12. In addition, two report supplements were published:

    - A good practice guide designed to help councils improve the management and delivery of their capital investment programmes and projects. The guide also contains a number of questions for elected members aimed at reinforcing and promoting effective scrutiny and challenge of major capital projects and programmes.
    - A good practice checklist for project managers, aimed at promoting detailed review and reflection and, if necessary, a basis for improvement.

Audit scope and objectives

13. The overall aim of the follow-up work was to answer the question: *to what extent have councils improved performance in managing their capital investment programmes?*

14. The specific audit questions were:

    - Have the recommendations from the report *Major capital investment in councils* been considered and effectively implemented?

- Do councils have sustainable capital investment plans which reflect strategic priorities?
- Are elected members provided with sufficient information to support effective scrutiny and decision-making?

15. The follow-up work covered two stages:
    - **Stage 1:** All auditors were required to provide information on the extent to which the report and good practice guidance and checklist were considered by the relevant council and any action taken as a result.
    - **Stage 2:** This involved a selection of councils only, including Aberdeen City. Auditors were required to provide an assessment of the council's management of its capital investment programme. This was based primarily on the areas covered by the recommendations from the report and included the following:
        - Capital Investment Strategy
        - Risks and Benefits Management
        - Governance Arrangements.

16. The following sections of this report set out our findings from both stages of the review at Aberdeen City Council.

Findings

Council consideration of the Audit Scotland national report

Has the council formally considered the *'Major capital investment in councils" report*?

17. The *'Major capital investment in councils"* report was published by Audit Scotland in March 2013. The council used the report's recommendations and good practice guide to review and update its existing procedures regarding capital programme management.

18. Officers from Asset Management and Finance reviewed the report's findings, as well as assessing compliance with the good practice guide. From this, a number of recommended changes to capital programme management were agreed by the council's Corporate Asset Group (CAG) in August 2013.

19. In addition, the outcome of this review was considered by the council's Finance, Policy & Resources Committee in September 2013 when it approved the following recommendations to enhance the council's arrangements for developing business cases:

    - projects should only be considered for possible inclusion in the capital programme when an up to date business case has been submitted
    - in the event members add projects to the capital programme which are not subject to normal procedures, a full business case is to be prepared as soon as possible.

20. We are satisfied that the council responded positively to the report and there is evidence that the council identified steps to address recommendations contained in the report.

Capital Investment Strategy

How does the capital investment strategy set out the needs and constraints for local capital investment?

21. The capital investment strategy is documented within the Strategic Infrastructure Plan (SIP), which was approved by the council in October 2013. The vision of the SIP is to focus on 'the development of the enabling infrastructure needed to realise the city's aspirations by creating a unified and cohesive proposal that is needed to deliver growth'. The plan is linked to the council's overall strategic vision 'Aberdeen – the Smarter City', and to the 5 year business plan. Projects contained within the plan show how they will contribute to the overall strategic objectives of the city and in turn the business cases for individual projects are required to provide links with the council's strategic priorities.

22. The SIP displays the majority of the good practice features of a capital investment strategy set out in the national report including consideration of proposed funding mechanisms. The SIP aims to deliver infrastructure investment over 15 to 20 years that contributes to economic growth. Potential priorities were reached using a 19 point scoring mechanism. This ultimately led to the identification of five long-term goals for investment and fourteen short to medium-term infrastructure projects which were evaluated in terms of their impact on the strategic goals.

Does the council have established priorities to help them decide which projects to take forward?

23. The council uses a rolling five-year business planning horizon to set priorities for services which, from 2014, take account of the SIP. Services complete service Asset Management Plans (AMPs) which then feed into the corporate Asset Management Plan. The corporate AMP takes account of the council's vision and strategic priorities.

24. Outline Business Cases (OBC) are prepared for each potential project following the standards set by Asset Management and Finance. OBCs are required to explain how projects are linked to strategic priorities.

25. There is a clear process for potential projects to complete before they are accepted for inclusion on the Capital Plan. The Corporate Asset Group (CAG) was responsible for ensuring that business cases are aligned with strategy and that projects reflect council priorities.

26. As with other aspects of capital investment set out in this report, this area is evolving. A Project Proposal Document has recently replaced the OBC and the Capital Review Group has replaced the CAG. More on governance is included in paragraphs 39 and 40.

To what extent are stakeholders consulted during development of the strategy?

27. A wide range of interested parties were consulted in the development of the SIP. Relevant stakeholders were invited to attend a Visualisation Day. This included leaders and representatives from all major sectors in Aberdeen including oil and gas, construction, transport and academia. The SIP incorporates the result of surveys, discussions and polls associated with the workshop.

To what extent does the council explore opportunities for joint working to improve the efficiency of its capital programme?

28. The council has a strategic aim to reduce the level of its borrowing and this may help to encourage collaboration with other organisations. Each OBC included a section for consideration of joint working. Examples of joint projects, shared resources and joint procurement include:
    - Aberdeen Western Peripheral Route project
    - Grampian Public Sector Strategic Property Asset Group
    - Central Purchasing Unit (CPU) shared with Aberdeenshire Council
    - Aberdeen Sports Village – joint venture with University of Aberdeen
    - Aberdeen Community Health & Care Village with NHS Grampian.

29. In addition, the council is working in partnership with industry and the private sector to progress other significant projects, for example the Aberdeen Hydrogen Project and the Marischal Square development.

Risks and Benefits Management

Does the council carry out appropriate early assessments of risk?

30. The council's Programme Management Office (PMO) has developed a standard process for managing all large projects. When a project is defined, an outline business case (OBC) is prepared. If the OBC is approved, assessments of risk and cost are revised when the full business case is prepared. To proceed, a full business case must demonstrate its strategic fit before it can be approved.

31. Improving the quality of business cases is recognised as an on-going process. The Project Management Toolkit adopted by the council requires business cases to be kept up-to-date and reassessed if there are significant changes. Each case requires consideration of benefits from the project, risks, time and costs associated with the project.

Are elected members provided with good quality information on capital project and programme risks?

32. Capital monitoring reports are presented regularly to service committees showing the overall progress and expenditure profile of each project. Routine reports are focused on actual expenditure and budget, and the expected profile of future expenditure.

33. From September 2014, a new report in the form of a performance 'dashboard' was introduced to assess the SIP's project progress. In addition, to recent milestones, the dashboard shows the status of a number of attributes in respect of each project in the SIP, for example timeline, risk, budget, resource, scope benefits and quality. The report is updated monthly and considered by the SIP programme manager and the corporate management team before being presented to the Finance, Policy and Resources Committee. The information is based on regular status reports from project managers compiled by the PMO and includes notes that

highlight risks and corrective action. This report should provide elected members with effective information on projects and risks.

To what extent does the council evaluate the overall performance of its capital investment programme?

34. Traditional capital outturn reports presented to members focus on financial aspects of capital investment. Both the council's Non Housing and HRA capital plans cover a 5 year period. However, the SIP provides wider measures against which performance can be monitored through the 'dashboard'. At this stage, the SIP is relatively new and therefore most projects are at an early stage in their delivery.

35. The 2013/14 general fund capital budget was £100.9m, but only £43.5m was spent. The slippage was due to delays in projects caused by a number of reasons including the unexpected withdrawal of partners who were to provide the site for new waste management facilities, delays caused by landowners electing to defer payment for land vested particularly in respect of the Western Peripheral Route, and technical problems identified in the initial delivery of hydrogen buses which postponed delivery of the reminder of the fleet. The scale of slippage might suggest that the council has more to do to improve the accuracy of estimates of time-scale and expenditure profile. Unrealistic estimates of timescale especially at an early stage in projects may give rise to over-ambitious targets and short term budget estimates that are too high.

36. Information provided to elected members has recently been developed to show delivery of projects against total budget and timeline rather than being restricted to annual in-year spending. This is a useful change which will maintain a focus on a whole project and its milestones and enable a better understanding of progress and linkages across the complete programme.

Are elected members provided with good quality information on the intended benefits of capital investment projects and programmes?

37. The SIP and individual business cases and other reports provide members with information on intended benefits analysed according to whether they are financial, quantitative (output, efficiency, etc.) or qualitative (customer satisfaction, compliance, etc.).

38. As post-project reporting is relatively new, and the benefits identification process is changing with improvements to project management practice, it is too early for good quality information on realised benefits of completed projects to be in place.

Governance Arrangements

Does the council have a clear and effective governance structure in place to support the capital investment programme?

39. The governance structure is clear and responsibilities are well defined but with the introduction of the SIP, it has been refreshed. Key groups include;
    - full council approves capital plans and service committees receive regular capital monitoring reports
    - the Property Sub-committee sets and monitors an asset management strategy for the Council, scrutinises performance of the strategy and undertakes overall management of the Council's property at the stage of acquisition or disposal
    - the Corporate Asset Group provided governance, oversight and a forum for coordinating the delivery of capital projects between services
    - the Programme Management Office (PMO) supports the management and implementation of all projects, including capital. Its main role is to provide consultancy and support to services rather than actually managing projects.

40. Since the introduction of the SIP, the Capital Project Monitoring Group has reviewed and carried out updates in respect of the plan. Responsibility for the review of the SIP and the capital plan will now be brought together under the Strategic Infrastructure and Capital Plan Review Group which is intended to ensure there is an appropriate level of scrutiny and involvement by corporate and service management teams.

Does the council have standard criteria for the content of business cases that reflects good practice?

41. Standard criteria for outline and full business cases are determined by the PMO. Templates are available which conform to the good practice identified in the national study and include intended aims and benefits, options appraisal, risk assessment and cost, time and scope targets. In addition, guidance notes have been prepared to support the development of business cases.

Does the council have clearly defined project milestones for monitoring and reporting on capital projects?

42. A standard project process has been developed by the PMO for use in all types and sizes of projects. The process clearly sets out four approval gateways. These are the outline business case, the full business case, the project initiation document and project closure. Projects with an approved project initiation document are included in the capital plan. As outlined earlier, performance against SIP milestones will be measured through the 'dashboard'.

Does the council have a policy to collect and retain information on capital projects, including time and cost information?

43. The policy for collecting and retaining information on capital projects continues to evolve as the requirements for monitoring SIP delivery are implemented and embedded and corporate records management practices are developed.

44. The Project Management Toolkit currently requires project documentation to be accessible, kept up-to-date and subject to change control and archiving.

Does the council have a policy to carry out Post Project Evaluations (PPEs) within six months of a project being completed?

45. To date, PPE has been largely restricted to summary reports prepared for the Corporate Asset Group. However, the council has taken steps to improve its evaluation of completed projects through the development of an end of project report (EPR) by the PMO which is designed to record benefits realisation, delivery, quality, follow-on actions and lessons learned. The purpose is to review the expected outcomes against the outcomes of the completed project. While this process has yet to be applied to a completed capital project, the PMO has routinely completed EPRs in respect of improvement projects.

Does the council provide training to elected members on capital issues?

46. The need for training is recognised and provided when necessary. CIPFA delivered training to members of the incoming council on capital planning and monitoring in 2011. Training on corporate asset management and capital planning was also offered as part of the Member Development Programme in 2014.

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LOCAL GOVERNMENT EMPLOYEES JOINT CONSULTATIVE COMMITTEE

ABERDEEN, 26 January 2014.

ATTENDANCE OF REGIONAL TRADE UNION REPRESENTATIVES AT CORPORATE HEALTH AND SAFETY COMMITTEE – REFERRAL FROM AUDIT, RISK AND SCRUTINY COMMITTEE

5. The Committee had before it a referral from the Audit, Risk and Scrutiny Committee of 20 November 2014, which requested that this Committee consider whether Regional Trade Union representatives should be permitted to attend the Corporate Health and Safety Committee, following which a report would then be submitted to the Audit, Risk and Scrutiny Committee advising of the recommendation.

During the discussion which followed, it was noted that there was differing views as to whether Regional Trade Union officials would attend meetings of the Corporate Health and Safety Committee, with some trade unions suggesting that local staff representatives were best placed to attend meetings. Sarah Duncan, UNISON Regional Officer intimated that there should not be a bar on Regional officials attending these meetings, and that they should be permitted to speak with the Committee's consent, having made a prior request to the chair. She also suggested that in other authorities, Regional officials would be ex officio members of such committees.

The Committee resolved:-
to note that the Chairperson, in liaison with Councillor McCaig, Convener of Audit, Risk and Scrutiny would consider the views of the Committee and request that a report be submitted to the Audit, Risk and Scrutiny Committee for consideration.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	26 February 2015
ACTING DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Annual Accounts 2014/15 – Action Plan
REPORT NUMBER	CG/15/27

1. PURPOSE OF REPORT

The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2014/15 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.

2. RECOMMENDATION(S)

It is recommended that the Committee note the contents of this report.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report.

4. OTHER IMPLICATIONS

There is a statutory requirement for the Council to produce both draft and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. BACKGROUND

5.1 The Annual Accounts 2014/15 will summarise the Council's transactions for the period 1 April 2014 to 31 March 2015 and its financial position at the year end 31 March 2015. They will be prepared in accordance with the International Financial Reporting (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and in accordance with The Local Authority Accounts (Scotland) Regulations 2014, which came into force on 10 October 2014, replacing the 1985 regulations. There are changes between the 1985 and the 2014 regulations and the main one's are highlighted in the paragraphs below for information. There are no changes to either of the aforementioned Codes in 2014/15 which will have any significant impact on the Annual Accounts.

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5.2 There are a number of key dates and these are summarised as follows:-

31 March 2015	End of financial year 2014/15
March – Sept 2015	Information from Group Entities (including ALEO's)
17 June 2015	Public notice for Annual Accounts inspection period to be issued
25 June 2015	Audit, Risk & Scrutiny Committee to consider Draft Annual Accounts
30 June 2015	Statutory deadline for Proper Officer to sign Draft Annual Accounts, submit to the Auditor and publish on the website
1 – 21 July 2015	Public inspection period for Annual Accounts
30 July 2015	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
24 September 2015	Audit, Risk & Scrutiny Committee to consider and aim to approve audited Annual Accounts for signature
24/25 Sept 2015	Signing of audited Annual Accounts by Proper Officer, Chief Executive and Council Leader
25 September 2015	Deadline for submission of audited Annual Accounts to the Auditor
Early October 2015	Deadline for submission of the Audited WGA to the Scottish Government (date to be confirmed)
31 October 2015	Statutory deadline for publication on website of signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
18 December 2015	Deadline for submission of Audited Trust Accounts to OSCR

5.2.1 <u>31 March 2015</u>

Transactions relating to goods and services received or provided by the Council by 31 March 2015 should be recorded in the 2014/15 financial year.

To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, e-mails from the Head of Finance and meetings between accounting staff and budget holders.

5.2.2 <u>March – September 2015</u>

The Council is required to consider its interests in all types of entity and prepare Group Accounts which incorporate the material transactions and balances of those entities identified as subsidiaries, associates and joint ventures. A number of the entities included are also referred to as ALEO's (Arm's Length External Organisations). Throughout this period there are a number of deadlines for these entities to provide management accounts, draft financial statements with detailed working papers as necessary and audited Annual Accounts.

5.2.3 17 June 2015 and 1-21 July 2015

The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. In contrast to the previous 1985 Regulations there is now a latest date by which the public inspection can start (1 July) and therefore a latest date for issuing the public notice (17 June). There is no longer a requirement for approval from Audit Scotland prior to advertising and inspection of the accounts.

5.2.4 25 June 2015

The Audit, Risk & Scrutiny Committee will receive the Draft Annual Accounts 2014/15, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. In recent years this committee has received these accounts prior to submission to the auditor and this is seen as good practice. As the body charged with governance it allows you the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

5.2.4 30 June 2015

The Local Authority Accounts (Scotland) Regulations 2014 only requires the draft Annual Accounts to be signed by the Proper Officer (Head of Finance) prior to submission to the Auditor. Previously, the Chief Executive and Council Leader would have signed the Annual Governance Statement and Remuneration Report contained in the draft accounts. The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This has been in practice for a number of years and is therefore no change for the Council.

5.2.5 24 September 2015

The Audit, Risk & Scrutiny Committee will receive the audited Annual Accounts for consideration. The Local Authority Accounts (Scotland) Regulations 2014 require that the committee aim to approve these accounts prior to their signature by the Proper Officer, Chief Executive and Council Leader having regard to any report made on the accounts and any advice given by the Proper Officer or the Auditor. The committee will also receive the external auditor's "Combined Annual Report and Report to Those Charged with Governance on the 2014/15 audit" for debate and consideration. This report sets out the auditor's finding and conclusions from all audit activity undertaken during the year, highlights the significant issues arising from the audit of the financial statements and informs Elected Members of the proposed audit opinion in advance of the accounts being certified.

5.2.6 31 October 2015

The Local Authority Accounts (Scotland) Regulations 2014 set out the requirements for publication of the audited Annual Accounts by 31 October,

including the signed accounts and audit certificate and all auditor reports relating to those signed accounts. In addition, the Council must publish the accounts of its subsidiaries either on its website or through a link to the relevant page on the company's website. All published documents have to be available for at least five years.

5.3 Audit Scotland's "Annual Audit Plan 2014/15" is also presented to this meeting and Elected Members should note that the Corporate Accounting Manager and his staff have already engaged with the external audit team as part of planning for the production of the accounts and the audit thereof. This engagement will continue throughout the accounts and audit processes. This will ensure that any issues arising with the accounts are highlighted and dealt with promptly and that information provided to the auditors is relevant, timely and of a suitable standard to enable them to carry out their work efficiently and effectively.

5.4 Local Authority Charities

There is a requirement for full compliance with the Charities Accounts (Scotland) Regulations 2006 which means that a full audit is required for all registered charities where the Council is the sole trustee irrespective of the size of the charity. The Accounts Commission has appointed the current auditor of the Council as the auditor of its relevant charities.

There are a number of statutory provisions in relation to record keeping and preparation of accounts for such charities as well as the duties of charity trustees in relation to accounting records. The Local Authority Accounts (Scotland) Regulations 2014 also make provision for such bodies in a number of areas.

Taken together this effectively means that separate accounts and audit opinions are required for charities and this is subject to the same requirements and timetable as detailed above for the Council's accounts.

6. IMPACT

The publication of the Annual Accounts demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	26th February 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Audit Scotland National Reports
REPORT NUMBER:	CG/15/22

1. PURPOSE OF REPORT

The purpose of this report is to present 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 these.

2. RECOMMENDATION(S)

that the Committee:–

(a) note the detail of the Audit Scotland's national "value for money" studies published in 2014; and

(b) note the detail of the report "An overview of local government in Scotland" and to give consideration to officers comments made in respect of each of the priorities identified within the report.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

Every national Audit Scotland review is likely to have implications for this Council. The nature of the implications will vary depending on the subject matter. Officers are required to assess these and report to committees.

5. BACKGROUND/MAIN ISSUES

Audit Scotland has an annual programme of national reviews it undertakes. Some of these are specific to individual councils and Community Panning Partnerships, others are intended for local government and other public sector bodies more broadly.

Officers review these national reports and, during 2014 this committee specifically considered summaries, together with this Council's reaction, on the following national reports:-

- Reshaping Care
- Modern Apprenticeships
- Local government Overview
- Procurement
- Self-directed Support
- School Education
- National Fraud Initiative

Since the last meeting of the Committee, the majority of national reports have had only indirect significance for Aberdeen City Council. These are:-

- South Ayrshire Council: Best Value Audit
- Argyll and Bute Council: the Audit of Best Value and Community Planning - Follow-up audit
- The City of Edinburgh Council: the Audit of Best Value and Community Planning - Follow-up report December 2014
- Orkney Community Planning Partnership
- West Lothian Community Planning Partnership
- Moray Community Planning Partnership
- 2013/14 audit of the Scottish Police Authority
- NHS in Scotland 2013/14
- Preparations for the implementation of the Scotland Act 2012

The one national report which is of more direct significance is **"Community Planning: Turning Ambition into Action"**. This report was written following initial pilot audits of 3 Community Planning Partnerships, including Aberdeen. The individual report on Community Planning Aberdeen has previously been considered by the Council and the Partnership.

The key findings of this report are:-

"Since the publication of the Statement of Ambition, there is a strong sense of renewed energy nationally and locally to improving community planning. Community planning continues to become more of a shared enterprise, with more active participation by partners and evidence of more shared ownership of the priorities in Single Outcome Agreements (SOAs). Although aspects of community planning are

improving, leadership, scrutiny and challenge are still inconsistent. There is little evidence that CPP boards are yet demonstrating the levels of leadership and challenge set out in the Statement of Ambition.

The Scottish Government and the National Community Planning Group (NCPG) have taken steps to promote the importance of community planning across government and in partner organisations. The National Community Planning Group is now starting to focus its activity on the areas where national leadership is most needed. It recently issued a set of key principles that are intended to set out an ambitious but realistic improvement agenda for community planning that draws on the practical experience of implementing the Statement of Ambition by CPPs. It now needs to set out what this refocused approach to community planning means for the Statement of Ambition, its expectation of CPPs and how success in implementing these principles will be assessed. Alongside that, the Scottish Government needs to demonstrate a more systematic approach to implementing its outcomes approach by clarifying the links between longer-term outcomes, its priorities and performance measures across all policy areas.

Many CPPs are still not clear about what they are expected to achieve and the added value that can be brought through working in partnership. Although SOAs have improved, many still do not set out the specific improvements CPPs are aiming to achieve. They also lack a focus on how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups in Scotland. This reflects a wider ambiguity both nationally and locally about the extent to which the focus of community planning should be on local needs or about delivering national priorities. CPPs need to use local data to help set relevant, targeted priorities for improvement that will address inequalities within specific communities.

CPPs are starting to better understand what resources they have available to deliver their SOA. They have begun to identify how partners use their resources, such as money and staff, in particular priority areas or specific communities. But discussions about targeting these resources at their priorities and shifting them towards preventative activity are still in the early stages. CPPs do not yet know what a strategic approach to prevention will look like, and in many areas the evidence base for this is underdeveloped. The current pace and scale of activity is contributing to an improved focus on prevention but is unlikely to deliver the radical change in the design and delivery of public services called for by the Christie Commission.

At present, there is no coherent national framework for assessing the performance and pace of improvement of CPPs. This means that there is no overall picture of how individual CPPs are performing and what progress is being made towards the effective implementation of the Statement of Ambition. The Scottish Government is now starting to use existing performance management and accountability arrangements to monitor the contribution of public bodies to community planning. But it is not yet consistently holding central government bodies or the NHS to account for their performance within CPPs.

The Statement of Ambition places community planning at the core of public service reform, but many CPPs are not clear about what their specific role in these programmes should be. While some CPPs have a good overview of public service

reform in their area, CPP oversight of and engagement with some important aspects of reform, such as the integration of health and social care services and national reform programmes such as the Early Years Collaborative, remains underdeveloped. Scottish Government guidance is not clear enough about the specific role that CPPs should play in the implementation of public service reforms.

Community Planning Partnerships should:

- strengthen the effectiveness of the leadership, challenge and scrutiny role at CPP board level
- streamline local partnership working arrangements and ensure they are aligned with local improvement priorities
- ensure that local community planning arrangements are clear about who is responsible for:
  - agreeing the priorities of the CPP and SOA
  - allocating resources and coordinating activity
  - implementing activity
  - scrutinising performance and holding partners and others to account for their performance
- work with the new health and social care integration joint boards to develop services that meet the needs of local people and support SOA priorities
- set clearer improvement priorities focused on how they will add most value as a partnership, when updating their SOA
- use local data on the differing needs of their communities to set relevant, targeted priorities for improvement
- start to align and shift partners' resources toward agreed prevention and improvement priorities."

Community Planning Aberdeen is currently taking forward related and specific actions resulting from the audit of the City's Partnership. Regular reports on this are submitted to Council. The national report summarized above has been considered by Council officers and partners and is due to be submitted to the next Community Planning Aberdeen Board.

6. IMPACT

The Audit Scotland report states that the impact of governance in local authorities is a key determinant of its effectiveness. Members and officers have a responsibility to ensure good governance positively impacts on the performance of Aberdeen City Council.

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report. The actions and recommendations contained in the report are a response to identified risks and are designed to mitigate these.

8. BACKGROUND PAPERS

Audit Scotland reports

1. *Community Planning: Turning Ambition into Action*

9. REPORT AUTHOR DETAILS

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