

# Public Document Pack



To: Councillor McCaig, Convener; Councillor 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 30 April 2015

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Council Chamber - Town House on **MONDAY, 11 MAY 2015 at 2.00 pm.**

RODERICK MACBEATH  
SENIOR DEMOCRATIC SERVICES MANAGER

### **BUSINESS**

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 26 February 2015 (Pages 1 - 14)

2.2 Workplan (Pages 15 - 26)

2.3 Decision Tracking Statement (Pages 27 - 30)

2.4 Minute of Meeting of the Corporate Health and Safety Committee of 28 November 2014 (Pages 31 - 38)

### 3 Performance and Improvement

3.1 Elected Member Development - Report by Acting Director of Corporate Governance (Pages 39 - 40)

3.2 Internal Audit Progress and Performance - Report by PricewaterhouseCoopers (Pages 41 - 48)

3.3 Audit, Risk and Scrutiny Committee Self Evaluation - Report by the Acting Director of Corporate Governance (Pages 49 - 60)

### 4 Risk Management

4.1 System of Risk Management - Report by the Acting Director of Corporate Governance (Pages 61 - 68)

4.2 Communities, Housing and Infrastructure Risk Register - Report by the Director of Communities, Housing and Infrastructure (Pages 69 - 80)

### 5 Control Environment and Assurance Internal

5.1 Fleet Asset Verification - PWC (Pages 81 - 88)

5.2 Corporate Landlord Responsibilities (Asset Management) - PWC (Pages 89 - 106)

5.3 Library Services Self Service Machines - PWC (Pages 107 - 120)

5.4 Policy and Procedure Development - PWC (Pages 121 - 134)

5.5 Procurement in Construction - PWC (Pages 135 - 154)

5.6 Section 75 Planning - PWC (Pages 155 - 174)

### 6 Control Environment and Assurance - Audit Follow Up

6.1 Audit Recommendations Outstanding - PWC (Pages 175 - 196)

- 6.2 Fleet Services Update on Progress of Action Plan - Report by the Director of Communities, Housing and Infrastructure (Pages 197 - 204)
- 6.3 Whistleblowing Follow Up - Report by Acting Director of Corporate Governance (Pages 205 - 208)
- 7 Value for Money
  - 7.1 Audit Scotland Value for Money National Reviews - Report by the Acting Director of Corporate Governance (Pages 209 - 218)
- 8 Exempt Report
  - 8.1 Matters Under Investigation

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Should you require any further information about this agenda, please contact Karen Rennie, tel 01224 522723 or email [karrennie@aberdeency.gov.uk](mailto:karrennie@aberdeency.gov.uk)

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## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 26 February 2015. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor McCaig, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett, Donnelly, Jackie Dunbar, Graham, Greig, Kiddie (as substitute for Councillor May), Lawrence, Malik, Jean Morrison MBE, Nathan Morrison, Noble, Reynolds and Townson.

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=3490&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.

### DETERMINATION OF EXEMPT BUSINESS

1. Prior to consideration of the matters before it, the Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for article 30 so as to avoid disclosure of exempt information of the class described in paragraph 12.

### MINUTE OF PREVIOUS MEETING OF 20 NOVEMBER 2014

2. The Committee had before it the minute of its previous meeting of 20 November 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.

### DECISION TRACKING STATEMENT

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

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

26 February 2015

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

- (i) to remove items 3 (Social Care and Wellbeing Contracts Workplan), 5 (Complaints Handling Procedure), 6 (Progress of Committee Decisions), 7 (Data Protection Monitoring) and 10 (Corporate Health and Safety Committee – Reporting Arrangements); and
- (ii) to otherwise note the decision tracking sheet.

### **MINUTE OF MEETING THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 29 AUGUST 2014**

5. The Committee had before it the minute of meeting of the Corporate Health and Safety Committee of 29 August 2014.

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

to note the minute.

### **ELECTED MEMBER DEVELOPMENT - CG/14/095**

6. With reference to article 6 of the minute of its previous meeting of 20 November 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.

### **The report recommended:**

that the Committee note the content of the report.

Councillor Dunbar sought clarification as to whether the training would be offered to all Elected Members as previously discussed, whereupon the Community Planning and Corporate Performance Manager advised that the training would be offered to all Elected Members and that dates for this would be organised.

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

- (i) in relation to a question from Councillor Jackie Dunbar regarding training for all elected members, to note that the training would be implemented for all elected members and that dates would be organised and issued to those not previously trained; and
- (ii) to otherwise approve the recommendation contained in the report.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**DATA PROTECTION REPORTING - OCTOBER TO DECEMBER 2014 - CG/15/21**

7. With reference to article 10 of the minute of its previous meeting of 20 November 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an overview of (1) Subject Access Requests Statistics; (2) Data Breaches and Near Misses; (3) Data Protection Training; and (4) a general update for the period October to December 2014.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**TRANSFER OF INTERNAL AUDIT SERVICES - CG/15/23**

8. With reference to article 9 of the minute of its previous meeting of 20 November 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the arrangements to manage the transition to a shared Internal Audit Service with Aberdeenshire Council.

**The report recommended:**

that the Committee note the ongoing work to manage the transition from an outsourced internal audit service to a shared service between Aberdeen City and Aberdeenshire Councils.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**INTERNAL AUDIT PLAN 2015/16**

9. The Committee had before it a report by the Chief Internal Auditor which presented the Internal Audit Plan for 2015/16.

**The report recommended:**

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

**The Committee resolved:-**

to approve the recommendation contained in the report.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**INTERNAL AUDIT CHARTER**

**10.** The Committee had before it a report by the Chief Internal Auditor which sought approval for amending the Internal Audit Charter from 1 April 2015.

**The report recommended:**

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

**The Committee resolved:-**

to approve the recommendation contained in the report.

**INTERNAL AUDIT PROGRESS AND PERFORMANCE**

**11.** The Committee had before it a report by PricewaterhouseCoopers which presented the progress against the 2014/15 Audit Plan.

Councillor Dunbar sought clarification in relation to the audit for Car Parking as the report stated it was complete in September 2014 however some of the fields had not been marked as complete. PricewaterhouseCoopers advised that this was an error and that the report had been fully completed and had been presented to the Audit and Risk Committee on 23 September 2014.

**The Committee resolved:-**

- (i) in relation to a question from Councillor Jackie Dunbar regarding the audit on Car Parking, to note that there was an error in the report and that it had been completed and issued to the Audit and Risk Committee on 23 September 2014; and
- (ii) to otherwise note the content of the report.

**EXTERNAL AUDIT PLAN 2014/15**

**12.** The Committee had before it a report by the External Auditor which presented the External Audit Plan for 2014/15.

**The Committee resolved:-**

to approve the External Audit Plan for 2014/15.



**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**HEALTH AND SAFETY ASSURANCE**

**13.** The Committee had before it a report by the Acting Director of Corporate Governance which presented a holistic structured compliance assurance system to test the effectiveness of the organisations health and safety arrangements and sought approval for the Health and Safety Assurance Plan for 2015/16.

**The report recommended:**

That the Committee -

- (a) adopt the proposed holistic structured compliance assurance system; and
- (b) approve the Health and Safety Assurance Work Plan for 2015/16.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**SYSTEM OF RISK MANAGEMENT - CG/15/23**

**14.** The Committee had before it a report by the Acting Director of Corporate Governance which presented the Council's Risk Management Strategy which supported the further development of the System of Risk Management.

**The report recommended:**

That the Committee -

- (a) approve the Risk Management Strategy;
- (b) note the further developments in the System of Risk Management; and
- (c) instruct any other action as appropriate.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EDUCATION AND CHILDREN'S SERVICES RISK REGISTER - ECS/15/008**

**15.** With reference to article 9 of the minute of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Director of Education and Children's Services which presented the Service Risk Register.

**The report recommended:**

That the Committee -

- (a) approve the Service Risk Register for Education and Children's Services;
- (b) note the risks contained within it and the mitigating actions that the service are taking to address those risks; and

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

26 February 2015

- (c) note that the Service Risk Register would form an integral part of the Service Business Plan for the Service.

Councillor Cameron sought clarification in relation to the risks identified at section 5.5 in the report, whereupon the Transitional Director advised that there were two systems running at present and the risks had been identified to ensure that continuity remained whilst the new system was implemented on a phased basis.

Councillor Greig sought assurance that the risks identified for vulnerable children were being managed as a high priority within the Service and by the Corporate Management Team, wherein the Transitional Director advised that thematic groups had been set up to work on these risks alongside management.

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

- (i) to note the additional provided in relation to the questions from Councillors; and
- (ii) to otherwise approve the recommendations contained in the report.

### **ICT DISASTER RECOVERY**

16. The Committee had before it a report by PricewaterhouseCoopers which presented an audit of the ICT Disaster Recovery which focused on the policies and plans in place across ICT to address a disaster recovery incident.

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

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

### **ICT ASSET MANAGEMENT**

17. The Committee had before it a report by PricewaterhouseCoopers which presented an audit which assessed the maintenance of the ICT assets and how they aligned with the Council's corporate strategies.

Councillor Jackie Dunbar sought clarification in relation to ICT equipment for staff and who was responsible for advising ICT who it had been allocated to, wherein the IT Manager advised that managers ordered the equipment and they should then notify ICT who it had been allocated to.

Councillor Cooney sought clarification in relation to how often ICT undertook a stock check of their assets, wherein the IT Manager advised that the stock check were done on a monthly basis.

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

26 February 2015

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

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

### **CARE FIRST BUDGETARY CONTROL AND FORECASTING**

**18.** The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the processes and controls on place over the CareFirst System which is the system used for recording care provision within the Social Care and Wellbeing Service.

The auditors advised that the Service had requested a review into the CareFirst System to help identify areas for improvement.

Councillor Kiddie sought assurance that the issues were being addressed and enquired as to whether a report would be issued to this Committee or a Service Committee to ensure the issues are being addressed. The Transitional Director advised that (1) a report would be issued to the appropriate Committee or the Integration Board at a later date; (2) there were capacity issues within the Older People's Service; (3) the audit has helped to identify the correct level of staff to be inputting the data into the system to ensure the skill mix within the team are used appropriately; and (4) the issues were being taken seriously and that a short term working group had been established to work through the issues and to make the necessary improvements.

The Head of Finance advised that there was a project plan in place to move away from Care First to another system and that the first trial of the new system had been completed.

Councillor Cameron raised concerns in relation to the care packages not being updated in the System and that this required to be dealt with. The Transitional Director advised that there were capacity issues and each care Manager had to update the packages and the costs for the care package and that this was something that would be looked at by the short term working group.

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

- (i) in relation to concerns with the system, to request that a report be provided in the first instance to this Committee following the completion of the work by the Short Term Working Group; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

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

26 February 2015

### **DECLARATIONS OF INTEREST**

**Councillors Donnelly and Kiddie declared an interest in the subject matter of the following article by virtue of their position as Council appointed board members of Aberdeen Performing Arts and withdrew from the meeting during consideration of the item.**

**Councillor Jean Morrison, MBE declared an interest in the subject matter of the following article by virtue of her position as Council appointed board member of Aberdeen Heat and Power and withdrew from the meeting during consideration of the item.**

### **ARMS LENGTH EXTERNAL ORGANISATIONS TIER 2 REVIEW**

**19.** The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operation governance arrangements in place for the Tier 2 Arm's Length External Organisations: Aberdeen Performing Arts and Aberdeen Heat and Power.

Councillor Noble referred to the changes required to reflect the Following the Public Pound guidance and enquired as to whether this was on track. The Head of Finance advised that this work had already started and would be issued to the Service soon and consultation would commence with each of the ALEO'S.

Councillor Jackie Dunbar enquired as to when the Service Level Agreement was signed with Aberdeen Performing Arts. The Cultural Policy and Partnership Manager advised that it was signed in 2004 and that she was currently working with colleagues from Legal Services to get the Service Level Agreements updated. The Legal Manager advised that (1) each of the ALEO's required to have their own controls in place and that the Council required to be satisfied that they were operating within the governance arrangements in place; and (2) each ALEO would be reviewed and an update provided within two cycles on the current position.

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

- (i) to request officers to provide an update on the situation with the updated Service Level Agreements (SLAs) with each of the Arm's Length External Organisations (ALEOs) within two committee cycles;
- (ii) to note the content of the report and endorse the recommendations for improvement.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**CONTINUOUS CONTROLS - FINANCIAL CONTROLS PROGRAMME PHASE 1**

**20.** The Committee had before it a report by PricewaterhouseCoopers which presented an audit on continuous auditing of key financial controls to assess if they were operating effectively. The audit would be carried out and reported on a six monthly basis.

Councillor Jackie Dunbar sought clarification over the statement relating to all 25 of the bank reconciliations that were sampled did not take place in a timely manner. The Head of Finance advised that he was not aware of any issues and that he would liaise with staff and provide a response.

**The Committee resolved:-**

- (i) in response to a question from Councillor Jackie Dunbar relating to bank reconciliations not taking place in a timely manner, to note that the Head of Finance would liaise with staff and provide a response; and
- (ii) to note the content of the report and endorse the recommendations for improvement.

**SERVICE REVIEWS (CARE USERS)**

**21.** The Committee had before it a report by PricewaterhouseCoopers which presented an audit to assess compliance with policies and procedures in relation to scheduled service reviews for care users within the Adult and Older People Sector in terms of responsibilities and timeframes.

Councillor Kiddie sought assurance that all staff had been or were in the process of being trained to ensure the system was working as satisfactory as possible. The Transitional Director advised that she would undertake a review and ensure those requiring training received it.

The Transitional Director explained the process for carrying out a formal review and advised that people were assessed based on their needs.

Councillor Cooney requested information on the level of induction and continuing training for staff to develop their professional skills. The Transitional Director advised that (1) all employees would attend the Corporate Induction programme however this would be after the employee had started working; (2) that all new starts would be shown what to do and the processes explained to them from existing staff and managers; and (3) there was a wide ranging programme for development available to all staff.

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

26 February 2015

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

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

### **DECLARATIONS OF INTEREST**

**Councillors Cooney and Kiddie declared an interest in the following item of business due to their appointment as Trustees on the Aberdeen Internal Youth Festival and withdrew from the meeting during consideration of the item.**

### **ABERDEEN INTERNATIONAL YOUTH FESTIVAL - FOLLOWING THE PUBLIC POUND**

**22.** The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the funding provided to the Aberdeen Internal Youth Festival and its compliance with the Council's Funding External Bodies and Following the Public Pound Guidance. The term of reference for the audit was to look at the sub-processes of Governance Arrangements, Monitoring Arrangements and Payments.

The Internal Auditor advised that they were limited in the scope and that if the Committee wanted a more detailed audit carried out then they could request this.

Councillor Noble sought assurance that all of the recommendations identified for the end of the financial year would be completed. The Head of Finance advised that the Service Level Agreement was with Legal Services and that the other actions were being dealt with by the Finance team and would be completed on time.

Councillor Yuill requested that a more detailed review internal to the organisation be undertaken and that a report containing both financial and governance arrangements is presented to this Committee. The Head of Finance advised that he would liaise with the Chief Executive regarding her findings into the matter.

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

- (i) to note the content of the report and endorse the recommendations for improvement; and
- (ii) to request officers to submit a report on the governance and financial arrangements between the Council and the Aberdeen International Youth Festival at the earliest opportunity.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**FLEET UPDATE FOLLOWING THE PUBLIC INQUIRY ON 19 DECEMBER - CHI/15/135**

**23.** The Committee had before it a report by the Director of Communities, Housing and Infrastructure which (1) provided details of the Traffic Commissioners concerns which led to the Public Inquiry into the Council's Goods Vehicles Operator's Licence; and (2) provided an overview of the issues, other operational service issues associated with fleet management and the proposed and current measures put in place to deal with all of these.

**The report recommended:**

That the Committee -

- (a) note the content of the report;
- (b) instruct the Head of Public Infrastructure and Environment to bring a report to the next meeting of this Committee which provides details of the Fleet Services Action Plan that has been put in place to deal with service issues; and
- (c) instruct the Head of Public Infrastructure and Environment to update future meetings of the Communities, Housing and Infrastructure Committee of the progress made on the Fleet Services Action Plan.

The Head of Public Infrastructure and Environment provided assurance to the Committee that all issues identified within the Traffic Commissioners report were being investigated and actions were being put in place to address them.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**AUDIT FOLLOW UP**

**24.** The Committee had before it a report by PricewaterhouseCoopers which provided an update on the progress on implementing Internal Audit, External Audit and other investigations recommendations included within previously approved reports which were due for implementation prior to 31 December 2014.

The Committee were advised that there was an error in the report and that item 4 relating to the Aberdeen Western Peripheral Route had been completed.

**The report recommended:**

that Members consider the report and request actions or explanations where appropriate.

Members requested that Services ensure that all recommendations are actioned within the appropriate time.

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

26 February 2015

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

- (i) to note that item 4 (Aberdeen Western Peripheral Route) had been completed; and
- (ii) to otherwise note the content of the report and the revised target dates provided by officers.

### **FRAUD GOVERNANCE - SCOTTISH WELFARE FUND - CG/15/06**

**25.** With reference to article 14 of the minute of its meeting of 20 November 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided an update on the recommendations relating to the Scottish Welfare Fund.

### **The report recommended:**

that the Committee note the progress made in implementing the audit recommendations.

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

to approve the recommendation contained in the report.

### **TARGETED FOLLOW UP: MAJOR CAPITAL INVESTMENT IN COUNCILS**

**26.** The Committee had before it a report by the External Auditor which provided details of the targeted follow up on Major Capital Investment in Councils. The aim of the work was to assess to what extent councils had improved performance in managing their capital investment programmes.

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

to note the content of the report.

### **CORPORATE HEALTH AND SAFETY COMMITTEE REPORTING ARRANGEMENTS**

**27.** The Committee had before it by way of a remit, article 5 of the minute of meeting of the Local Government Employees Joint Consultative Committee which related to consideration as to whether Regional Trade Union Officials could attend the Corporate Health and Safety Committee.

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

- (i) to note the content of the minute remit; and
- (ii) to note that Regional Trade Union Officials could attend meetings of the Corporate Health and Safety Committee as and when required.



**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**ANNUAL ACCOUNTS 2014/15 - ACTION PLAN AND KEY DATES - REPORT BY THE ACTING DIRECTOR FOR CORPORATE GOVERNANCE**

28. The Committee had before it a report by the Acting Director of Corporate Governance which provided the key dates in relation to the 2014/15 Annual Accounts including the links to the plans and timetables of the Council's External Auditors.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - REPORT BY THE ACTING DIRECTOR FOR CORPORATE GOVERNANCE**

29. The Committee had before it a report by the Acting Director of Corporate Governance which presented a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed to be taken by the Council in response to those.

**The report recommended:**

That the Committee -

- (a) note the detail of the Audit Scotland's national 'value of money' studies published in 2014; and
- (b) note the detail of the report 'An overview of local government in Scotland' and gave consideration to officers comments made in respect of each of the priorities identified within the report.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EXEMPT INFORMATION**

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

**MATTERS UNDER INVESTIGATION**

30. The Community Planning and Corporate Performance Manager provided an update in relation to an internal investigation that was ongoing.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
26 February 2015

**The Committee resolved:-**  
to note the verbal update provided.

- **CALLUM MCCAIG, Convener**

**AUDIT, RISK and SCRUTINY COMMITTEE**

**WORKPLAN**

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>MAY 2015</b>				
<b>Performance and Improvement</b>				
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 (PWC)	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
4.	27/02/14 article 4	Audit and Risk Committee Self Evaluation	Annual report	Community Planning & Corporate Performance Manager
<b>Risk Management</b>				
5.	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
6.	26/02/15 article 14	Risk Register	Communities, Housing and Infrastructure	Performance and Risk Manager
<b>Control Environment and Assurance Internal (PWC)</b>				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
7.	27/02/14 Article 8	Fleet Asset Management	Internal Audit Plan agreed	Internal Audit
8.	27/02/14 article 8	Library Services	Internal Audit Plan agreed	Internal Audit
9.	27/02/14 article 8	Corporate Responsibilities (asset management)	Internal Audit Plan agreed	Internal Audit
10.	07/05/14 article 8	Policy and Procedure Development	Internal Audit Plan agreed	Internal Audit
11.	27/02/14 article 8	Procurement in Construction	Internal Audit Plan agreed	Internal Audit
12.	27/02/14 article 8	Section 75 Planning	Internal Audit Plan Agreed	Internal Audit
<b>Control Environment and Assurance External</b>				
13.	26/02/15 article 23	Fleet Update	To instruct the Head of Public Infrastructure and Environment to report to the next meeting to provide details of the Fleet Services Action Plan in place to deal with Service issues.	Head of Infrastructure and Environment
<b>Control Environment and Assurance - Audit Follow up</b>				
14.		Audit Outstanding (PWC)	Standing Item	Internal Audit
15.	20/11/14 article 21	Whistleblowing	Report back on any changes to the current Whistleblowing Policy	Legal Manager
<b>Value for Money</b>				
16.	27/02/14 article 20	Audit Scotland Value for Money National Reviews	Standing Item	Performance and Risk Manager
<b>Exempt Report</b>				
17.	N/A	Matters Under Investigation	Standing Item.	Director of Corporate Governance

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>JUNE 2015</b>				
<b>Performance and Improvement</b>				
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 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
4.		Data Protection Reporting – January to March 2015		Governance Support Officer
<b>Risk Management</b>				
5.	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
6.	27/02/14 article 6	Risk Register	Corporate Governance	Performance and Risk Manager
7.	26/02/15 article 14	Risk Register	Shadow Integration Joint Board	Performance and Risk Manager
8.		Best Value Audit		
<b>Control Environment and Assurance Internal</b>				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
9.	27/02/14 article 8	Control Assurance Mapping	Internal Audit Plan agreed	Internal Audit
10.	26/06/14 article 6	Continuous Controls – Financial Controls Programme	Internal Audit Plan agreed	Internal Audit
11.	27/02/14 article 8	Pension Fund Financial Controls	Internal Audit Plan agreed	Internal Audit
12.	27/02/14 article 8	Compliance with Public Records (Scotland) Act – Phase 2	Internal Audit Plan agreed	Internal Audit
13.	27/02/14 article 8	Community Planning Aberdeen Management (formally Information)	Internal Audit Plan agreed	Internal Audit
14.	27/02/14 Article 8	Roads	Internal Audit Plan agreed	Internal Audit
<b>Control Environment and Assurance Audit Follow up</b>				
15.		Audit Outstanding	Standing Item	Internal Audit
16.	26/02/15 article 19	Arm's Length External Organisations Tier 2 Review	To request officers to provide an update on the situation with the updated Service Level Agreements for each ALEO	Head of Legal and Democratic Services
17.	07/05/14 Article 5	Measures to Prevent and Detect Fraud	To request Officers to report to each meeting of the Committee on all ongoing fraud investigations. To request Officers to report at least annually on measures taken to prevent and detect fraud.	Head of Finance
<b>Finance</b>				
18.	26/02/15 Article 28	Unaudited Annual Accounts 2014/15		Head of Finance
<b>Exempt Report</b>				
19.	N/A	Matters Under Investigation	Standing Item	Director of Corporate Governance

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>SEPTEMBER 2015</b>				
<b>Performance and Improvement</b>				
1.	26/02/15 article 9	Internal Audit Progress and Performance		Internal Audit
2.	26/02/15 article 12	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting April to June 2015		Governance Support Officer
<b>Risk Management</b>				
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
5.	26/02/15 article 9	Cross Service Corporate Procedures and Policies	Internal Audit Plan agreed	Internal Auditor
6.	26/02/15 article 9	Cross Service Risk Registers	Internal Audit Plan agreed	Internal Auditor
7.	26/02/15 article 9	Cross Service Recruitment Procedures	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Commercial and Procurement Creditors System	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Finance Budget Setting Process	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Human Resources & Org Dev Payroll System	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Housing Rent Assessment	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Housing Rent Collection	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15	Adult Social Work/Integration	Internal Audit Plan agreed	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	article 9	Joint Board Social Work Tendering		
14.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Integration of Health and Social Care	Internal Audit Plan agreed (When required)	Internal Auditor
<b>Control Environment and Assurance – External</b>				
15.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
16.	26/02/15 article 9	Audit Outstanding	Standing Item	Internal Auditor
17.	26/02/15 article 22	Aberdeen International Youth Festival – Following the Public Pound	To request officers to submit a report on the governance and financial arrangements between the Council and the Aberdeen Internal Youth Festival at the earliest opportunity.	Head of Finance
<b>Finance</b>				
18.	26/02/15 Article 28	Annual Audited Accounts 2014/15		Head of Finance
<b>Value For Money</b>				
19.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
<b>Exempt Reports</b>				
20.		Matters Under Investigation	Standing Item	
<b>NOVEMBER 2015</b>				
<b>Performance and Improvement</b>				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.	26/02/15	External Audit Progress and Performance		External Audit



<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
3.		Data Protection Reporting July to September 2015		Governance Support Officer
<b>Risk Management</b>				
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
5.	26/02/15 article 9	Cross Service ALEO's	Internal Audit Plan agreed	Internal Auditor
6.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed	Internal Auditor
7.	26/02/15 article 9	Finance Council Tax	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Education & Children's Services Recruitment Procedures	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Housing Building Maintenance	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Housing Sheltered Housing	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Public Infrastructure & Environment Trade Waste	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Pension Fund Investment Strategy	Internal Audit Plan agreed	Internal Auditor
<b>Control Environment and Assurance – External</b>				
13.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
14.		Audit Outstanding	Standing Item	Internal Audit

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>Value for Money</b>				
15.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
<b>Exempt Report</b>				
16.		Matters Under Investigation	Standing Item	
<b>FEBRUARY 2016 (Dependent on Council Decision)</b>				
<b>Performance and Improvement</b>				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
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 October to December 2015		Governance Support Officer
<b>Risk Management</b>				
5.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
6.	26/02/15 article 9	Cross Service Time Sheets/Allowances	Internal Audit Plan agreed	Internal Auditor
7.	26/02/15 article 9	Cross Service Following the Public Pound	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Cross Service Data Protection	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Finance Bank Reconciliations	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15	Finance	Internal Audit Plan agreed	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	article 9	VAT		
11.	26/02/15 article 9	Education & Children's Services Academy Visits	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Education & Children's Services Family and Community Support	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15 article 9	Transportation Vehicles	Internal Audit Plan agreed	Internal Auditor
14.	26/02/15 article 9	Transportation Crematorium	Internal Audit Plan agreed	Internal Auditor
15.	26/02/15 article 9	Adult Social Work/Integrated Joint Board	Internal Audit Plan agreed	Internal Auditor
16.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Self Directed Support Integration of Health and Social Care	Internal Audit Plan agreed (when required)	Internal Auditor
<b>Control Environment and Assurance – Audit Follow Up</b>				
17.	26/02/15 article 9	Audit Outstanding	Standing Item	Internal Auditor
<b>Value for Money</b>				
18.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance Manager
<b>Exempt Report</b>				
19.		Matters Under Investigation	Standing Item	
<b>APRIL 2016 (Dependent on Council Decision)</b>				
<b>Performance and Improvement</b>				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.	26/02/15	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting		Governance Support

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>Risk Management</b>				
		January to March 2015		Officer
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
5.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed	Internal Auditor
6.	26/02/15 article 9	Finance Budget Monitoring	Internal Audit Plan agreed	Internal Auditor
7.	26/02/15 article 9	Finance Benefits	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Education & Children's Services Teachers Payroll including Supply Teachers	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Education & Children's Services Out of Authority Placements	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Transportation Tendering Procedures	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Integration of Health and Social Care	Internal Audit Plan agreed (when required)	Internal Auditor
<b>Control Environment and Assurance – External</b>				
12.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
13.	26/02/15 article 9	Audit Outstanding	Standing Item	Internal Auditor
<b>Exempt Report</b>				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
14.		Matters Under Investigation	Standing Item	

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## AUDIT, RISK and SCRUTINY DECISION TRACKING SHEET

11 May 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.

<b>No.</b>	<b><u>Minute Reference</u></b>	<b><u>A,R&amp;S Committee Decision</u></b>	<b><u>Lead Officer(s)</u></b>	<b><u>Responsible Service</u></b>	<b><u>Decision or Update</u></b>
1.	Audit and Risk 26 June 14 Article 18	<b>Community Centre Internal Audit Report</b> (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	Communities, Housing and Infrastructure	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 ensure that any group hiring space within the centre also confirms their PVG position.  Compliance is monitored (as far as possible) through the Community Centre Compliance monitoring framework. A verbal update was provided to the Committee in February 2015.
2.	Audit, Risk and Scrutiny 20 Nov 14 Article 21	<b>Whistleblowing Policy</b> (i) to request Officers to report back to this Committee advising on any amendments to the Council's Whistleblowing Policy	K Donnelly	Legal and Democratic Services	<b>Recommend for removal</b> <b>A report is on the agenda</b>
3.	Audit, Risk and Scrutiny 26 Feb 15	<b>Elected Member Development</b> (i) in relation to a question from Councillor Jackie Dunbar regarding	M Murchie	Customer Service and Performance	Members outwith the Audit, Risk and Scrutiny Committee have been

<b>No.</b>	<b><u>Minute Reference</u></b>	<b><u>A,R&amp;S Committee Decision</u></b>	<b><u>Lead Officer(s)</u></b>	<b><u>Responsible Service</u></b>	<b><u>Decision or Update</u></b>
	Article 6	training for all elected members, to note that the training would be implemented for all elected members and that dates would be organised and issued to those not previously trained.	D Morrison	Human Resources and Org. Dev	offered training on module 1 – ‘The role of Audit and Risk’ and HR & OD are actively looking at dates to train them on the 3 remaining modules.
4.	Audit, Risk and Scrutiny 26 Feb 15 Article 18	<b>Care First Budgetary Control and Forecasting</b> (i) in relation to concerns with the system, to request that a report be provided in the first instance to this Committee following the completion of the work by the Short Term Working Group.	T Cowan	Health and Social Care Partnership	
5.	Audit, Risk and Scrutiny 26 Feb 15 Article 19	<b>Arm’s Length External Organisations – Tier 2</b> (i) to request officers to provide an update on the situation with the updated Service Level Agreements (SLAs) with each of the Arm’s Length External Organisations (ALEOs) within two committee cycles	K Donnelly	Legal and Democratic	Due by June Committee
6.	Audit, Risk and Scrutiny 26 Feb 15 Article 22	<b>Aberdeen International Youth Festival – Following the Public Pound</b> (ii) to request officers to submit a report on the governance and financial arrangements between the Council and the Aberdeen International Youth Festival at the earliest opportunity	S Whyte	Finance	Report will be submitted to Committee in September.
7.	Audit, Risk and Scrutiny 26 Feb 15 Article 23	<b>Fleet Update</b> to instruct the Head of Public Infrastructure and Environment to report to the next meeting to provide details of the Fleet Services Action Plan in place to deal with	M Reilly	Public Infrastructure and Environment	<b>A report is on the agenda</b>



<u>No.</u>	<u>Minute Reference</u>	<u>A,R&amp;S Committee Decision</u> Service issues.	<u>Lead Officer(s)</u>	<u>Responsible Service</u>	<u>Decision or Update</u>

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## CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 28 November 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 and Finlayson.

Trade Union Representatives:- Karen Davidson (UNISON), Steve Robb (UNITE), Sid Sandison (SSTA) and Carole Thorpe (EIS).

Officers in attendance:- Angela Scott (Chief Executive), Ciaran Monaghan (Head of Service) (Office of Chief Executive), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Leaver (Team Leader), Bruce Findlater (Admin Officer), Carol Fraser (Team Manager), Michael Hearn (Directorate Support Manager), Lesley Kirk (Directorate Support Manager), Carol Slessor (Team Manager), Pete Leonard (Director of Communities, Housing and Infrastructure), Paul Fleming (Head of Customer Service & Performance), Hugh Murdoch (Transportation Manager), Mark Reilly (Head of Public Infrastructure and Environment), John Quinn (Head of Land and Property Assets), Euan Couperwhite (Head of Policy, Performance and Resources), Andrew Jones (Service Manager (Assets / Finance)), Keith Michie (Contract Manager) and Angela Taylor (City Development Executive).

### DEPUTATION REQUEST

1. The Chairperson intimated that he had received a verbal request for a deputation from Mr Tommy Campbell, UNITE and Mr Steve Dillon, UCATT in relation to item 4.3 (Cairncry Court Contractor Safety Issue) on the agenda. He advised that the request had been submitted outwith the terms of Standing Order 10(1) and sought the Committee's views on whether to hear the deputation.

#### The Committee resolved:-

- (i) to suspend Standing Order 10(1); and
- (ii) to hear the deputation and take the report at item 4.3 as the first item of business.

### CAIRNCRY COURT CONTRACTOR SAFETY ISSUE

2. The Committee had before it a report which outlined an incident that had been reported by an employee relating to safety concerns at Cairncry Court whilst building works were being carried out. The report advised that staff from Building Services and the Health, Safety and Wellbeing Team carried out a site inspection and witnessed various safety issues. At the time of the inspection various contractors and building services employees were on site carrying out external cladding and window replacements led by the Principal Contractor, who was managed by Housing and Environment and replacement heating works being carried out by gas contractors, who were being managed by Enterprise, Planning and Infrastructure. It was noted that the

works were meant to be carried out at different stages however due to other issues all contractors were on site at the same time.

The report further advised that the safety failings raised were similar to those that the Principal Contractor had been sanctioned for previously and that there was little evidence to suggest that the issues had been rectified. A further health and safety action noticed was issued with a deadline for the next day. A further site visit was undertaken and improvements were in place. Site visits were undertaken to the other multi storeys part of the project where an additional safety issue was identified.

The report contained detailed information relating to the safety issues and made the following recommendations for improvement:

- (a) Improve management of contractors by (i) establishing a process to escalate and address safety concerns of ACC site and senior management; and (ii) to agree timescales for remedial action with contractors and check they are completed;
- (b) ACC should discuss with the Principal Contractor how they plan to improve control of site prior to the commencement of work and ongoing by (i) considering how the Principal Contractor will increase monitoring of site; and (ii) the Principal Contractor improving management of their contractors on site to prohibit unsafe working at height;
- (c) Improve control of contractors by ACC by (i) including site inspections as part of the ACC/Principal Contractor weekly meetings; and (ii) to include safety performance as part of weekly meetings;
- (d) Implement process to control Principal Contractors, other Contractors and ACC Building Services working on site; and
- (e) The above learning points require to be implemented across the organisation.

The Committee had circulated a paper prepared by the Service which presented a response to each of the recommendations.

The Committee heard from Mr Campbell and Mr Dillon who provided information relating to various health and safety issues on the Cairncry site which they had been notified of. They sought clarification from officers relating to when they became aware of the issues and requested that they receive copies of the incident logs and minutes of any meetings to assure them that processes had been put in place to address the issues.

**The Committee resolved:-**

- (i) to note the content of the report;
- (ii) to note that the Service had progressed the issue and measures were in place to prevent the issues happening again; and
- (iii) to instruct the Service to issue Mr Campbell and Mr Dillon with details of the meetings and incident logs as requested.

**HYDROGEN BUS PROJECT - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

3. With reference to article 7 of the minute of its meeting of 29 August 2014, the Committee had before it (1) a presentation from Mr Mills from BOC and the City Development Project Manager which provided the Committee with an understanding of the technical aspects of how the hydrogen depot worked; (2) a report by the Director

of Communities, Housing and Infrastructure which provided an update on the health and safety matters at the Kittybrewster depot in relation to the Hydrogen Bus Project; and (3) copies of the weekly bulletin issued in relation to the project.

The Committee asked various questions in relation to the technical aspects of the project mainly focused around the safety of the site and the mechanisms in place to shut down the system in the event of a fault.

The report advised that as part of the project, the Council were supporting two strategic European hydrogen transport projects, the first major element related to the introduction of ten hydrogen buses to the North-east of Scotland which would be fuelled using locally generated hydrogen and the second major element would be the creation of a hydrogen production facility to generate the hydrogen, both of which would be delivered in two phases over a four year period.

The report stated that following concerns raised by staff and trade union officials relating to the location of the temporary hydrogen supply and the lack of information being issued in relation to the hydrogen project activities, that the hydrogen supply had been relocated to a secure site and that a briefing session had been held for senior officials and trade union officials and that weekly bulletins were now being issued to senior officials and trade union officials for them to distribute to staff.

The report further advised that a Fleet Health and Safety Compliance Officer had been appointed and discussions were on-going to define the permanent role. The postholder would be liaising with the health and safety team to ensure the health and safety on site was being monitored and addressed.

The weekly bulletin issued to staff provides information on the project and outlines the key activities for the next few weeks.

**The Committee resolved:-**

- (i) to thank Mr Mills and Mr Win for their presentation; and
- (ii) to otherwise note the content of the report.

**REPORTING ARRANGEMENTS WITH AUDIT, RISK AND SCRUTINY COMMITTEE -  
REPORT BY THE ACTING DIRECTOR OF CORPORATE GOVERNANCE**

4. The Clerk advised that this item had been withdrawn from the agenda at the request of the Interim Director for Corporate Governance. The Audit, Risk and Scrutiny Committee discussed the report at their meeting on 20 November 2014 and as part of the discussions, the issue of whether the constitution should include reference to Regional Trade Union representatives attending this committee. The Audit, Risk and Scrutiny Committee agreed to refer the matter to the next meeting of the Local Government Employees Joint Consultative Committee for a decision to be taken.

The Chairperson requested members of this Committee to provide any comments or amendments on the amended constitution to the Clerk for inclusion prior to it being approved by this Committee and the Audit, Risk and Scrutiny Committee in the next cycle of meetings.

**The Committee resolved:-**

to note the information provided.

**APOLOGIES**

5. Apologies for absence were intimated on behalf of Councillor Donnelly, Ewan Sutherland, Joe Craig, George Ferguson, John Noble, David Willis and Kate Mackay.

**MINUTE OF PREVIOUS MEETING OF 29 AUGUST 2014**

6. The Committee had before it the minute of its previous meeting of 29 August 2014.

**The Committee resolved:-**

to approve the minute subject to the amendment at article 3, on page 2 to change the percentage for provision of appointments to 95%.

**MATTERS ARISING**

7. In relation to item 4 (Social Care and Wellbeing Report), resolution (i), Councillor Graham advised that he had not received a copy of the investigation report or the associated action plan associated with Marchburn Children's Home and requested that this be issued, whereupon the Team Manager advised that meetings had taken place with Councillors and Trade Unions on the matter and would ensure that the action plan was issued.

In relation to item 6 (Marischal College Incident), the Chairperson requested an update in relation to the incident, whereupon the Head of Service for Office of Chief Executive advised that he had been asked to provide an update to the Committee in relation to the incident and the progress of implementing the recommendations.

Councillor Graham sought clarification as to whether staff at other customer access points had received the same training and advice, whereupon the Head of Service advised that he would ensure all staff received the training.

Councillor Finlayson suggested that a queuing system or similar be introduced at the area where customers make first contact with an adviser as at times the person using the tablet was in demand.

The Chairperson requested that a full written report be submitted to the next meeting to highlight all improvements undertaken and to provide assurance to the Committee that all recommendations had been implemented.

**The Committee resolved:-**

- (i) in relation to Marchburn Children's Home, to note that the Service would ensure Councillor Graham received a copy of the report and action plan;
- (ii) in relation to the Marischal College incident, to instruct the Service to submit a detailed report to the next meeting of the Committee; and
- (iii) to otherwise note the information provided.

## **COMMITTEE BUSINESS STATEMENT**

8. With reference to article 3 of the minute of its meeting of 29 August 2014, the Committee had before it a statement of outstanding business prepared by the Clerk.

In relation to item 1 (School Security), the Service Manager advised that the an extensive analysis of the survey results would be undertaken and shared with the School Security Review Group to ensure that the work priorities identified were correct and that following that meeting a comprehensive report would be submitted to this Committee. He further advised that he was working with colleagues to ensure that risk assessment training was in place for all head teachers.

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

- (i) to note the update in relation to School Security and that a comprehensive report would be submitted to the next meeting of this Committee; and
- (ii) subject to the decision at article 10, to remove item 2 (Fire at Kittybrewster).

## **APPOINTMENT OF CHAIRPERSON AND VICE CHAIRPERSON**

9. The outgoing Chairperson advised that in terms of the constitution, the Committee were to appoint a Chairperson from within the Councillor membership and a Vice Chairperson from within the Trade Union representatives and called for nominations for the position of Chairperson. Councillor Cameron, seconded by Councillor Finlayson nominated Councillor Graham. There were no further nominations therefore Councillor Graham was appointed as Chairperson and took the Chair.

Councillor Graham thanked members for the opportunity and then called for nominations for the position of Vice Chairperson. Sid Sandison (SSTA), seconded by Carole Thorpe (EIS) nominated Mike Middleton (GMB). There were no further nominations therefore Mike Middleton was appointed as Vice Chairperson.

Mike Middleton thanked members for the appointment.

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

to appoint Councillor Graham as Chairperson and Mike Middleton as Vice Chairperson.

## **VEHICLE FIRE AT FLEET SERVICES, KITTYBREWSTER - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

10. With reference to article 5 of the minute of its meeting of 29 August 2014, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which provided an update on the actions agreed previously.

The report advised that the roads and fleet blacksmiths were to merge and be located at West Tullos so information was gathered from the blacksmiths which identified that a number of operating practices required to be risk assessed prior to the merger. As part of the new structure within Communities, Housing and Infrastructure, the new Head of Service initiated a wider review and update of working practices within Fleet which would be implemented in early 2015.

In response to a question from the Chairperson relating to whether all of the previous recommendations had been implemented, the Head of Public Infrastructure and Environment advised that as part of the ongoing review all of the recommendations would be considered and actions taken to address each of them.

The Chairperson requested that an interim report be submitted to the next meeting to provide an update in relation to the health and safety procedures within Fleet Operations.

**The report recommended:**

that the Committee note the progress on implementing the actions and instruct the Head of Public Infrastructure and Environment to report back to this Committee in two cycles time with an update of steps taken to address areas for improving management of risks and safety within Fleet Operations.

**The Committee resolved:-**

- (i) to note the progress on implementing the actions; and
- (ii) to instruct the Head of Public Infrastructure and Environment to submit an interim report to the next meeting of this Committee providing an update in relation to health and safety procedures within Fleet Operations.

**CORPORATE GOVERNANCE HEALTH AND SAFETY REPORT - REPORT BY THE ACTING DIRECTOR OF CORPORATE GOVERNANCE**

11. The Committee had before it the annual health and safety report for the Corporate Governance Service for the period 1 October 2013 to 30 September 2014 which included a Director's statement and the Service Health and Safety Action Plan.

The report advised that (1) there were 700 members of staff across the directorate; (2) the Service held regular health and safety meetings which were attended by trade union officials and management; and (3) the service offered flu vaccinations to groups of staff who had been identified by managers as requiring one as part of a business continuity risk assessment, whereby 25 employees received the vaccination.

The report contained the following statistical information:-

- there were 13 accidents, none of which were reportable
- there were 22 incidents reported which was an increase from the previous year and 20 of those were attributable to mainly verbal abuse to staff within the Customer Service and Performance team
- the scores relating to the individual elements of the health and safety matrix were: 100% for Accident and Incident Reporting and Workplace Inspections; 96% for First Aid and Risk Assessment
- 190 employees attended health and safety training
- the number of days lost per employee per month due to absence ranged from 9.8 days in May 2014 (highest) to 8.7 days in September 2014 (lowest)
- the overall score for compliance was 98%
- the short term number of days absent was approximately 3.5 days per employee
- the long term number of days absent was approximately 5 per employee



**The Committee resolved:-**

to note the content of the report.

**EDUCATION, CULTURE AND SPORT HEALTH AND SAFETY REPORT - REPORT BY THE DIRECTOR OF EDUCATION, CULTURE AND SPORT**

**12.** The Committee had before it the annual health and safety report for the Education, Culture and Sport Service for the period 1 October 2013 to 30 September 2014 which included the Service Health and Safety Action Plan.

The report contained the following statistical information:-

- there were 39 accidents to employees, of which 4 were reportable
- there were 188 accidents to third parties, of which 8 were reportable
- the employee accident frequency rate was 0.09 per 1000 employees
- there were 93 incidents with the majority of them being reported by Schools and Educational Establishments
- there were 446 reported incidents of violence against school staff, 177 were against teaching staff and 294 against support staff
- the total number of days lost due to absence was 9659 for teaching staff and 14396 for all other staff
- the average number of days lost due to absence per employee was 8
- 580 employees received the flu vaccination
- 764 employees attended health and safety training
- the service has been developing specific guidelines on responding to high risk behaviour and the use of de-escalation and physical restraint in schools and educational establishments
- the scores for the individual elements of the health and safety matrix for Communities, Culture and Sport were: 100% for Emergency Precautions in Place, Housekeeping and Cleaning, First Aid, Slips, trips and hazards, Machinery Plant and Equipment, Welfare and Accidents an Incidents Reporting, 95% for Environment and 75% for Risk Assessment
- the scores for the individual elements of the health and safety matrix for Schools and Educational Establishments were: 100% for Machinery Plant and Equipment, Welfare and Accidents an Incidents Reporting, 99% for Housekeeping and Cleaning, Environment, and First Aid, 96 % for Emergency Precautions in Place, 94% for Slips, trips and hazards and 91% for Risk Assessment
- 210 out of 234 workplace inspections had been completed

The report advised that a detailed survey of the current security arrangements within schools had been carried out in order to identify the schools most in need of improvements which would be prioritised over a three year period. Most primary schools across the estate had been fitted with locally controlled access systems which were located in the school admin office to ensure that any alarms could be dealt with throughout the school day. The current software of the system was due to be updated where necessary in early 2015.

Sid Sandison stated that he was aware that not all incidents were being reported properly as teachers were not being reminded to complete both forms. The Service responded by stating that all incidents had to be reported via YourHR and that they

were working with colleagues to get all information reported via one system. The Committee noted that there was still an issue with accessing the Zone and YourHr within schools.

The Health, Safety and Wellbeing Manager advised that the process was that all accidents and incidents were reported via Your Hr and that this needed to be promoted throughout the organisation via Senior Management. To enable all staff to have access to the system the ICT issues with accessing Your Hr needed to be addressed or at least that managers within schools had access to enable them to record all incidents using the corporate mechanism.

Sid Sandison also requested that Health Checks be offered to teachers outwith the school academic year to allow teachers to attend without having to get cover. The Health, Safety and Wellbeing Manager advised that she had a set period of time in which to use the appointments and that she would take this on board for future years.

**The Committee resolved:-**

- (i) to request that access to the Zone and Your Hr be resolved to ensure all incidents and accidents were recorded appropriately; and
- (ii) to otherwise note the content of the report.

**HEALTH AND SAFETY IMPROVEMENT PLAN - PAPER BY HEALTH, SAFETY AND WELLBEING MANAGER**

**13.** The Committee had before it the Corporate Health and Safety Improvement Plan for 2014 – 2016 prepared by the Health, Safety and Wellbeing Manager which outlined each of the improvement themes and associated tasks, measurements and responsible person for each of the improvements.

The Committee were asked to approve the improvement plan to enable officers to progress the improvement actions. At this stage in the meeting the Committee were not quorate, therefore those present agreed the improvement plan with the decision to be ratified at the next Committee meeting.

**The Committee resolved:-**

to approve the content of the improvement plan and ratify the decision at the next meeting.

**At this point in the meeting, the Committee were not quorate therefore all items from this point onwards were deferred until the next meeting.**

**DATE OF NEXT MEETING**

**14.** The Committee noted that their next meeting was scheduled for 20 February 2015.

**- GORDON GRAHAM, Chairperson**

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	11 May 2015
DIRECTOR	Ewan Sutherland (Acting)
TITLE OF REPORT	Development of Elected Members – Update
REPORT NUMBER:	CG/14/095

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### 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 26 February 2015.

### 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:

<b>Date</b>	<b>Event</b>	<b>Update</b>
<b>January 15</b>	Session 4 – an overview of the Audit and Risk Committee's responsibilities in terms of the financial reporting statements of Council – Finance Team to	1 member still to attend. The member has received a copy of the slides but not attended a 1-2-1.

lead.

- 5.2 At its meeting of 26 February 2015, members were advised that the training would be provided to all elected members and that a programme would be organised for those elected members still to be 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  
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(01224) 522723

***Aberdeen City Council***  
**Internal Audit Performance**  
**(March 2015 - May 2015)**

Audit and Risk Committee  
**11 May 2015**

# Contents

Section 1 – Introduction .....	1
Section 2 – Summary of progress against the 2014/15 plan.....	3

## **Statement of responsibility**

This report, which covers a summary of our internal audit progress compared with the approved 2014/15 internal audit plan, as at May 2014, has been prepared solely for Aberdeen City Council (ACC) in accordance with the terms and conditions set out in our engagement contract with ACC. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent. Internal audit work has been performed in accordance with Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000

# 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 (February 2015).

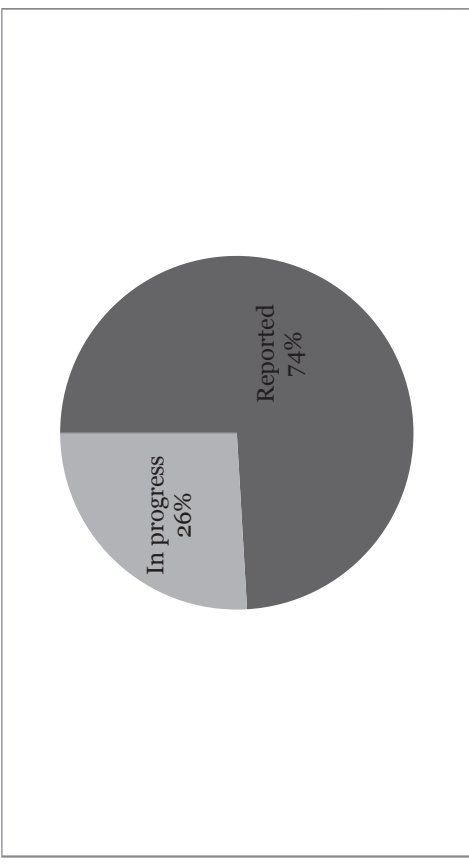
## Internal audit reviews for 2014/15

1.02 Since the last Audit and Risk Committee meeting we have finalised the following 6 reviews and agreed detailed action plans with management to address the recommendations made:

- Section 75 Planning (Community and Infrastructure);
- Corporate Landlord Responsibilities (Community and Infrastructure);
- Fleet Asset Verification (Community and Infrastructure);
- Library Services Self-Service Machines (Education and Children's Services);
- Policy and Procedures Development (Corporate Governance);
- Procurement in Construction (Cross Cutting); 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.



**Performance against KPIs**

1.05 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 6 completed reviews presented to this Audit and Risk Committee is as follows:

<b>KPI</b>	<b>Target</b>	<b>Actual</b>
Terms of reference agreed 4 weeks prior to fieldwork	95%	83%
Planned fieldwork start date	95%	100%
Fieldwork completion date	95%	67%
Issuing draft reports for management comments (2 weeks after fieldwork complete and a close out meeting held)	95%	83%
Receiving management comments (2 weeks after issuing draft report)	95%	50%
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%	100%

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
<b>Financial</b>						
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	✓	✓			Jun-15
<b>Compliance</b>						
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	Q4	✓				Jun-15

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

Audit Title	Proposed timing	Terms of reference agreed	Draft Report Issued	Management Response Received	Report Finalised	Report to Audit and Risk Committee
<b>Value for Money</b>						
Music Services	Q3	N/A	N/A	N/A	N/A	N/A
Transport contracts within Education and Social Work	Q2	✓	✓	✓	✓	Nov-14
<b>Other</b>						
Follow up	Q1	NA	✓	✓	✓	Jun-14
Follow up	Q2	NA	✓	✓	✓	Sep-14
Follow up	Q3	NA	✓	✓	✓	Nov-14
Follow up	Q4	NA	✓	✓	✓	Feb-15
<b>Internal Audit Reviews from 2013/14</b>						
Self-Directed Support	NA	✓	✓	✓	✓	Sep-14
Devolved School Management	NA	✓	✓	✓	✓	Nov-14

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit and Risk
DATE	11 <sup>th</sup> May 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Audit, Risk & Scrutiny Committee – Self-evaluation
REPORT NUMBER:	CG/15/057

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### 1. PURPOSE OF REPORT

The purpose of this report is to present the output from the 2015 self-evaluation exercise undertaken and to make recommendations designed to further improve the effectiveness of the Committee.

### 2. RECOMMENDATION(S)

that the Committee:–

- (a) note the output from the self-evaluation exercise;
- (b) agree to the recommended actions outlined in the report;
- (c) instruct officers to implement the agreed improvement actions and provide regular update reports to the Committee.

### 3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

### 4. OTHER IMPLICATIONS

Staff in democratic services, finance, customer service and performance and internal audit will support the establishment and implementation of agreed development actions.

### 5. BACKGROUND/MAIN ISSUES

The Committee undertook a self-evaluation during in 2014 to review the Committee's effectiveness; its compliance with commonly agreed standards; and to identify areas for improvement.

Officers and members of the Committee participated in this exercise, using CIPFA's 'A Toolkit for Local Authority Audit Committees'.

Officers completed the questions which are factual, whilst interviews were held with Members where the response required a degree of perception to be used. The self-evaluation exercise has now been repeated for 2015.

The summarised output from the exercise is attached.

Having reviewed the responses it is recommended that the Committee agree the following improvement actions:-

	<b>Recommended Action</b>
i.	<p><u>Clarity on Role re ALEOs and shared services</u></p> <p>During the self-evaluation process Members identified a need for the Committee to formally consider its role and relationship with scrutiny activities and forums for ALEOs; shared services (e.g. Health &amp; Social Care; and national bodies with responsibility in the City (e.g. Police Scotland)</p> <p><b>Recommendation</b> - Officers bring a report, or reports, to the Committee in early course advising on the Committee's role in scrutiny activity for those organisations identified above.</p>
ii.	<p><u>List for other committees</u></p> <p>Members felt that a formal and regular mechanism was required to advise Council committees of the scrutiny work undertaken which pertained to their areas of responsibility.</p> <p><b>Recommendation</b> - Officers report to the Committee proposing a mechanism for routinely reporting scrutiny activity to other Council committees.</p>
iii.	<p><u>Annual Report</u></p> <p><b>Recommendation</b> - Members agree that an Annual Report setting out the Committee's activity in 2014/15 be prepared and reported in draft to the Committee and then referred to Council.</p>
iv.	<p><u>Attendance</u></p> <p><b>Recommendation</b> - Officers continue to systematically ensure all appropriate officers attend the Committee as required.</p>
v.	<p><u>Annual Governance Statement</u></p> <p><b>Recommendation</b> - In line with both the self-evaluation model and feedback from Members, officers consider the reporting of the Annual Governance Statement to clarify that this</p>

	is separate from the Annual Accounts and to encourage the Committee's consideration of the Statement.
vi.	<u>Head of Internal Audit</u>  <b>Recommendation</b> - In the light of the Council's new arrangements for Internal Audit, Members were keen to request the Head of Internal Audit to arrange a session, in advance of the June 2015 Committee, to discuss the reporting needs of the Committee.

8. BACKGROUND PAPERS

'A Toolkit for Local Authority Audit Committees' - CIPFA

9. REPORT AUTHOR DETAILS

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[mmurchie@aberdeencity.gov.uk](mailto:mmurchie@aberdeencity.gov.uk)  
(01224) 522008

Question	Self-Evaluation Method & Evidence	Response	
Establishment, Operation & Duties Role & Remit		Comments 2015	Status
1. Does the committee have written terms of reference?	Officers		✓
2. Do the terms of reference cover the core functions of a committee as identified in the CIPFA guidance?	Officers	Yes. The core functions are described as:- <ul style="list-style-type: none"> <li>• Annual Governance Statement;</li> <li>• Internal Audit;</li> <li>• Risk Management</li> <li>• Assurance Frameworks and Assurance Planning</li> <li>• Value for Money and Best Value;</li> <li>• Countering Fraud and Corruption</li> <li>• External Audit;</li> <li>• Financial Reporting;</li> <li>• Partnership Governance.</li> </ul>	✓
3. Are the terms of reference approved by the council and reviewed periodically?	Officers	These are approved by Council and reviewed periodically, but not in line with an agreed timetable.	✓
4. Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Officer Input & Interviews with Committee Members	Members agreed that the Committee did have the membership, authority and resources to perform and role, but raised questions on how the Committee would be supported to undertake its remit with respect to the Council's relationship with ALEOs; with significant shared services and nationally based partners, such as	✓



		Police Scotland.	
5. Can the committee access other committees and full council as necessary?	Officer Input & Interviews with Committee Members	During discussions members agreed there was a need for items identified by the Audit, Risk & Scrutiny Committee to be routinely and systematically reported to appropriate committees.	✓
6. Does the authority's annual governance statement include a description of the committee's establishment and activities?	Officers	Yes. This was added in 2014.	✓
7. Does the committee periodically review its own effectiveness?	Officers	Yes, through this self-evaluation.	✓
8. Does the committee make a formal annual report on its work and performance during the year to full council?	Officers	No. It is recommended that an Annual Report is prepared for the year 2014/15.	X
<b>Membership, Induction &amp; Training</b>			
9. Has the membership of the committee been formally agreed and a quorum set?	Officers		✓
10. Is the chair independent of the executive function?	Officers		✓
11. Has the committee chair either previous knowledge of, or received appropriate training, on financial and risk management, accounting concepts and standards, and the regulatory regime?	Interview with Convenor and Vice Convenor	Training has been given and knowledge acquired. It is acknowledged that this is, and requires to be, a continual process.	✓
12. Are new committee members provided with an appropriate induction?	Officer Input & Interviews with Committee Members	Training for members of the Committee has been significantly increased and improved in the last year.	✓
13. Have all members' skills and experiences been assessed and training given for identified gaps?	Officer Input & Interviews with Committee Members	Organisational Development advise that 1-2-1 sessions have been made available for members. Members' feedback during this self-evaluation process was that take up has been slow.	X
14. Has each member declared his or her business interests?	Officer Input & Interviews with Committee	The Council's process for declaring interests and the advice of officers is consistent.	✓

	Members		
15. Are members sufficiently independent of the other key committees of the council?	Interviews with Committee Members	Members believe that recent training has reinforced the distinct role of members of the Committee and that behaviours reflect this.	✓
<b>Meetings</b>			
16. Does the committee meet regularly?	Officers		✓
17. Do the terms of reference set out the frequency of meetings?	Officers	No, but an 18 month schedule is reported to Council.	X
18. Does the committee calendar meet the authority's business needs, governance needs and the financial calendar?	Officer Input & Interviews with Committee Members	Yes. Greater planning was introduced during 2014 to ensure this is systematic.	✓
19. Are members attending meetings on a regular basis and if not, is appropriate action taken?	Officers	There have been 5 meetings and 1 special meeting. 1 councillor has had 3 absences. 4 with 2 absences and 6 with one.  Number of members absent from meetings over past year - 07/05/2014 – 3 (2 subs provided) 26/06/2014 – 1 (1 sub provided) 23/09/2014 – 4 (3 subs provided) 25/09/2014 – 6 (4 subs provided) 20/11/2014 – 2 (2 subs provided) 26/02/2015 – 1 (1 sub provided)	-
20. Are meetings free and open without political influences being displayed?	Interviews with Committee Members	Members reflected that there has been a reduction in adversarial behaviours and that the Committee acts more as a team.	✓

21. Does the Chief Financial Officer or deputy attend all meetings?	Officers		✓
22. Does the committee have the benefit of attendance of appropriate officers at its meetings?	Officer Input & Interviews with Committee Members	Mostly. Improvement has been evident during 2014/15, but members identified occasions when the appropriate officers had not been present.	-
<b>Internal Control</b>			
23. Does the committee consider the findings of the annual review of the effectiveness of the system of internal control including the review of the effectiveness of the system of internal audit?	Officers		✓
24. Does the committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Officers	Review, but approval is reserved to Council. In 2014/15 it was reported with the accounts. This is under review.	X
25. Does the committee consider how meaningful the Annual Governance Statement is?	Officer Input & Interviews with Committee Members	Members reflected that meaningful consideration had been given to the AGS, as part of the Annual Accounts, but there is some lack of clarity about these as separate documents.	-
26. Does the committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Officers	The Committee receives assurance through the statement of internal control and the individual audit reviews. However, a broad overview of the system of internal control and systematic review of each aspect of the system is pending the completion of an Assurance Map by PWC.	-
27. Has the committee considered how it integrates with other committees that may have responsibility for risk management?	Officer Input & Interviews with Committee Members	Yes. The system of risk management explores this and members have been trained on their role re risk management.	✓

28. Has the committee or the full council adopted managing the risk of fraud – actions to counter fraud and corruption?	Officers		✓
29. Does the committee ensure that actions to counter fraud and corruption are being implemented?	Officer Input & Interviews with Committee Members	There have been relatively recent audits on the arrangements for the detection and prevention of fraud and agreed recommendations are followed up. An action outstanding for officers to report annually on arrangements for the prevention and detection of fraud.	✓
30. Is the committee made aware of the role of risk management in the preparation of the annual internal audit plan?	Officers		✓
31. Does the committee review the authority's strategic risk register at least annually?	Officers		✓
32. Does the committee monitor how the authority assesses its risk?	Officer Input & Interviews with Committee Members	This is now more systematically reported through analysis of the system of risk management.	✓
33. Do the committee's terms of reference include oversight of the risk management process?	Officers		✓
<b>Financial Reporting &amp; Regulatory Matters</b>			
34. Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	Officers	The Committee's role is to "consider" the accounts. Approval is reserved for Council.	X
35. Does the committee consider specifically: <ul style="list-style-type: none"> <li>• the suitability of accounting policies and treatments</li> <li>• major judgements made</li> <li>• large write offs</li> <li>• changes in accounting treatment</li> <li>• the reasonableness of accounting estimates</li> <li>• the narrative aspects of reporting</li> </ul>	Officers	These are included within the annual accounts.	✓

36. Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Officers	Not specifically scheduled for that purpose, but the report to "those charged with governance" is included in the reporting schedule.	-
37. Does the committee review management's letter of representation?	Officers	This was done in 2014/15.	✓
38. Does the committee annually review the accounting policies of the authority?	Officers	Not explicitly, although these are referred to within reporting on the annual accounts and members have the opportunity to ask questions.	-
39. Does the committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Interviews with Committee Members	The Corporate Accounting Manager reports to the Committee advising of the arrangements for preparation of the accounts. In addition, training has been held for all Committee members during 2014/15.	✓
40. Does the committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Officer Input & Interviews with Committee Members	Nationally reports are now reported when published. The Information Bulletin exists for other issues. Whilst this is not actively used, members did not feel that significant issues were not being reported.	-
<b>Internal Audit</b>			
41. Does the committee approve annually and in detail the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Officers		✓
42. Does internal audit have an appropriate reporting line to the audit committee?	Officers		✓
43. Does the committee receive periodic reports from the internal audit service including an annual report from the head of internal audit?	Officers		✓

44. Are follow up audits by internal audit monitored by the committee and does the audit committee consider the adequacy of implementation of recommendations?	Officers	Follow up on agreed recommendations are undertaken and reported by Internal Audit.	✓
45. Does the committee hold periodic private discussions with the head of internal audit?	Officers	Yes, this was done for the first time during 2014/15.	✓
46. Is there appropriate co-operation between internal and external auditors?	Officers	Both the Head of Internal Audit and the lead auditor from External Audit reported that there was appropriate co-operation. As there are new arrangements for Internal Audit during 2014/15 this will be kept under review.	✓
47. Does the committee review the adequacy of internal audit staffing and other resources?	Officers	During 2014/15 the Committee receives performance metrics which cover aspects of the internal audit process. This will require to be reviewed for the new Internal Audit arrangements.	✓
48. Has the committee evaluated whether its internal audit service complies with the CIPFA code of practice for internal audit in local government in the UK?	Officers	The Committee has not formally considered this.	X
49. Are internal audit performance measures monitored by the audit committee?	Officers	Yes, from February 2014	✓
50. Has the audit committee considered the information it wishes to receive from internal audit?	Interviews with Committee Members	Members expressed a desire to meet in early course with the Head of Internal Audit to discuss the reporting needs of the Committee.	✓
<b>External Audit</b>			
51. Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Officers		✓
52. Does the committee hold private periodic discussions with the external auditor?	Officers	Scheduled for June 2015.	✓

53. Does the committee review the external auditor's annual report to those charged with governance?	Officers		✓
54. Does the committee ensure that officers are monitoring action taken to implement external audit recommendations?	Officers	During 2014/15 all recommendations were included within the follow up monitoring undertaken through Internal Audit.	✓
55. Are reports on the work of external audit and other inspection agencies presented to audit committee?	Officers	This was put in place during 2014/15.	✓
56. Does the committee assess the performance of external audit?	Officers	Performance reporting was requested in February 2014, and External Audit now report regularly on the status of their agreed annual plan.	-
57. Does the committee consider and approve the external audit fee?	Officers		✓
<b>Administration Agenda Management</b>			
58. Does the committee have a designated secretary from committee / member services?	Officers		✓
59. Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members?	Officers		✓
60. Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Officers	Agendas are now planned 3 cycles in advance. Outstanding issues remain in the business statement until discharged.	-
61. Are inputs for any other business formally requested in advance from committee members, relevant officers, internal and external audit?	Officers	There is no "Other Business" mechanism other than raising a motion. However, an informal session is now held at the conclusion of each Committee meeting for members and officers to raise any issues which are pertinent to the business of the committee.	-
<b>Papers</b>			
62. Do reports to the committee communicate relevant information at	Interviews with	Members were, on the whole, content	✓

the right frequency, time and in a format that is effective?	Committee Members	but there was some discussion on the length of some reports.	
63. Does the committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	Officers	Both internal and external audit have their own formats.	✓
<b>Actions Arising</b>			
64. Are minutes prepared and circulated promptly to the appropriate people?	Officers		✓
65. Is a report on matters arising made and minuted at the committee's next meeting?	Officers		✓
66. Do action points indicate who is to perform what and by when?	Officers	Whilst the minute does not always include dates, the Business Statement does.	✓



ABERDEEN CITY COUNCIL

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COMMITTEE	Audit and Risk
DATE	11 May 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	System of Risk Management
REPORT NUMBER:	CG/15/53
CHECKLIST RECEIVED	Yes

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1. PURPOSE OF REPORT

To present the Committee with details of a further component of the Council's System of Risk Management, which focuses specifically on the roles and responsibilities of our staff.

2. RECOMMENDATION(S)

The Committee are asked to:

- (i) Note the further developments in the System of Risk Management;

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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01224 522408

## 10. REPORT

### 10.1 The system of risk management

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

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

This report presents information to detail and support the development of the **staff** component.

### 10.2 Progress update on the System of Risk Management

To date, the Committee have received reports detailing four of the six components of the System of Risk Management.

### 10.2.1 Structure

A programme of service risk register preparation is well advanced, which will align risk identification, assessment and evaluation with the new corporate structure.

Three revised registers have now been reported to the Committee. The Corporate Governance Risk Register will be before the Committee at the June meeting. The content of these registers will inform the management of risk at the strategic level through clear linkages and accountabilities. The Strategic Risk Register and its management process will be reported to the Committee at a later meeting.

The Risk Manager will continue to work with services to ensure their risk registers properly reflect current and emerging risk and that the risks detailed within them are subject to dynamic ownership and effective control.

### 10.2.2 Skills

The middle managers training programme is underway and participants receive an overview of the management of both risk and opportunities. In addition to this, a risk management 'pit stop' is being developed. This approach allows officers to attend short informative sessions at convenient times where they can receive focused awareness / training in specific areas. The risk management pit stop will emphasise the skills required in risk identification, managing threats and enhancing opportunities. Sessions will be made available later in the year. Further training for managers is under consideration and details of developments will be reported to the Committee at subsequent meetings as this develops

### 10.2.3 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. These will be incorporated into the corporate and service performance dashboards to support active ownership and management of risks.

As the process of Integrating Health and Adult Social Care proceeds, the Integration Authority's risk management approach and the detail of risks facing the Partnership will be documented. It is planned to manage these risks using the NHS Datix system, to allow for a common approach across the three partnerships operating in the NHS Grampian area.

### 10.2.4 Strategy

The Committee approved the Risk Management Strategy at the February meeting. The Strategy has now been published and programmes of work are under way to implement key requirements in respect of Information Security and Management and the governance arrangements with regard to ALEOs. The Corporate Governance Service Improvement Plan details further improvements in the implementation of the Strategy to be included for the next annual review early in 2016. These are:

- “We will present the strategy together with the actions and measures detailed in this Improvement Plan.”
- “We will revise the strategy to include further clarity on certain issues including risk response and risk appetite.”.

Work is also in development to establish a common risk strategy for all three Health and Adult Care Partnerships operating in the NHS Grampian area.

### 10.3 **Staff**

The fifth component of the system of risk management, the focus of this report is the roles and responsibilities of staff involved in the various stages of the risk management process.

These are the people needed to implement the Risk Management Strategy, to identify emerging risks, assess risks, agree and implement mitigating actions and monitor and report risk management activities. It is clear therefore, that the staff component will be closely aligned with both **strategy** and **skills** in the System of Risk Management.

Although this element of the risk system is termed ‘staff,’ this report also draws in the role of elected members to reflect the highest level of corporate responsibility in the management of risk.

### 10.4 The acronym ‘RACI’ is used to summarise risk management roles and to clarify the nature of how those roles interact:

- Responsible
- Accountable
- Consulted
- Informed

Appendix 1 summarises the competencies required of the four key risk management roles and these are now detailed here:

### 10.5 **Responsible**

The key role in risk management, this role will typically include managers at second and third tiers where direct operational business management activity rests. The functions of staff engaged in risk management activity at these levels include:

- **Identify Risks** – understanding the Council’s strategic and operational environment and the risks which impact on it, identifying both threats and opportunities.
- **Assess Risks** - assessing the level of risk impacting on our priorities and stated outcomes.
- **Evaluate risks** – Identify Risk treatment options – establishing how we need to address risks – minimise the threats and enhance the opportunities.

- **Manage risks** – take active ownership of risks and oversee the implementation of mitigation plans.

#### 10.6 Accountable

Those accountable for the risk management of the Council are at the highest level of seniority (Directors) and are responsible for:

- **Developing** the risk management strategy.
- **Determining** the strategic risks which face the Council.
- **Taking ownership** for the four strategic risks: Capacity; Capability; Compliance and Harm.
- **Receiving assurance** that risks at the operational tiers are being properly managed and that risk owners are continuously analysing and aware of the operational environment and emerging risk.

#### 10.7 Consulted

This role reflects the corporate specialisms which frame many areas of risk. Officers in these roles will have expertise which responsible risk owners must draw on when assessing risk and constructing risk registers. These specialisms are:

- Health and Safety
- Financial Management
- Risk Management
- Business Continuity Planning
- Customer Engagement
- Workforce Planning
- Insurance

#### 10.8 Informed

Elected members need to be informed of the strength of the Council's risk management arrangements and that a proper consideration of risks and their potential impact on the Council's priorities and commitments has been taken. This role is carried out at the corporate level by the Audit Risk and Scrutiny Committee and at an operational level by service committees.

Members in this role will:

- **Scrutinise** activity through the normal committee reporting process. Committee reporting protocols require officers to detail the consideration of the management of risk so that members may be confident that recommendations reflect this assessment.
- **Challenge** officers where it is not clear that risk impacts and probabilities have been properly assessed.
- **Receive assurance** both corporately and at service level, that managers are actively implementing the Risk Management Strategy, specifically in identifying, assessing, evaluating and controlling risk.

#### 10.9 Competencies

The competencies required of the roles documented in this report have been classified as high, medium or low level, reflecting the different tiers of managerial accountability with regard to the management of risk. Appendix 1 provides more detail on the skills required.

Clearly training and skills development goes hand in hand with the staff component and further updates on these development will be provided to the Committee at future meetings.

The Corporate Governance Service Improvement Plan documents a number of risk management improvement actions in this area, covering training development for both officers and elected members. The Risk Manager will be taking forward these actions over the coming months.

#### 10.10 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:

<b>Committee Date</b>	<b>System component</b>	<b>Risk Register</b>
25 June 2015	Shared Values	Corporate Governance

## Appendix 1 Summary of Roles and Required Competencies

Role	High Level Competencies	Medium Level Competencies	Low Level Competencies
<b>Responsible</b> (Heads of Service, Service Managers and other officers with service delivery responsibilities)	Skills to evaluate the ACC context and corporate objectives and mapping external and internal risk contexts.	Business skills to understand internal and external contexts. Evaluating efficiency, effectiveness and performance of controls. Developing control improvements. Developing and designing reporting formats.	Influencing, negotiating, networking. Communicating (including to Service Management Teams and committees.) Developing and implementing risk responses. Aligning project, service and strategic risks.
<b>Accountable</b> (Directors)	Developing risk strategy and risk management policy. Building a culture of risk awareness aligned with other management activity.	Understanding the interdependencies of tiers of risks (strategic, operational, programme, project) Communicating high level risk status updates.	
<b>Consulted</b> (Specialists)	Specialist expertise in key risk management areas.	Facilitating the identification, assessment and evaluation of risks.	Technical skills including maintaining risk registers.
<b>Informed</b> (Elected Members)	Understanding the Council's system of risk management; the structures through which the risk strategy is implemented	Challenging where anomalies or gaps appear in risk reporting. Interpreting the effectiveness of risk control and mitigation.	

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	11 <sup>th</sup> May 2015
DIRECTOR	Pete Leonard
TITLE OF REPORT	Communities, Housing and Infrastructure Risk Register
REPORT NUMBER:	CHI/15/139
CHECKLIST RECEIVED	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 required the Service Risk Register for Communities, Housing and Infrastructure to be presented to the Committee in this cycle. The Service Risk register is attached at Appendix 1.

### 2. RECOMMENDATION(S)

The Committee are asked to:

- (i) approve the Service Risk Register for Communities, Housing and Infrastructure;
- (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 Communities, Housing and Infrastructure.

### 3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

However the Service Risk Register identifies the increasing demand pressures upon the service and the potential risks arising should action not be taken to act upon 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. Implications arising from the risks identified are addressed within the risk register itself.

#### 5. BACKGROUND/MAIN ISSUES

5.1 The Risk Register focuses on seven distinct areas of risk, business continuity planning, financial management, health and safety, workforce planning, customer engagement, staff engagement and on service priorities/major projects.

5.2 The wide range and consequent diversity of services provided by Communities, Housing and Infrastructure have necessitated that a high level generic approach be adopted in the compilation of the Risk Register.

It should be noted therefore that this document is supported and augmented by a series of more specific and detailed Risk Registers at an operational (and major project) level.

5.3 It is anticipated that appointments to senior posts within Communities, Housing and Infrastructure will commence in the coming weeks, allowing work on the new Business Plan for the Service and accompanying Improvement Action Plan to be undertaken over the course of the next few months.

Steps have also been taken to identify risks to the Council posed by Arms-Length External Organisations which will, in due course, be reflected in our Service Risk Register. For Communities, Housing and Infrastructure the impacting ALEOs are Aberdeen Power and Heat and Aberdeen Exhibition and Conference Centre.

5.4 These exercise will possibly result in refinement to operational risk registers. Should these operational risk registers require material adjustments to the Service Risk Register these will be intimated to Committee as appropriate.

5.5 Within the Register ownership of each Risk has nominally been assigned collectively to the Senior Management Team. However responsibility for ownership and accountability for each Risk will ultimately rest with each individual Head of Service for his or her area of Service.

#### 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.

## 7. MANAGEMENT OF RISK

The report details the strategic risks identified within Communities, Housing and Infrastructure 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

None

## 9. REPORT AUTHOR DETAILS

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APPENDIX 1

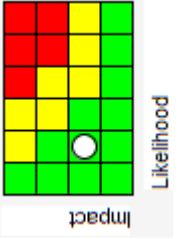
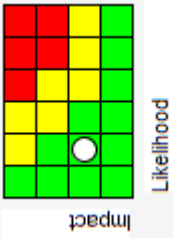
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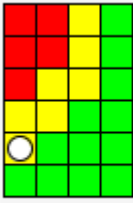
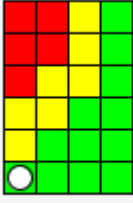
Report Type: Risks Report  
 Report Author: Kenny Easton  
 Generated on: 13 April 2015



Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI	Communities Housing and Infrastructure Risk Register						SMT
Risk Factors				Internal Controls			
				Mitigating Actions			

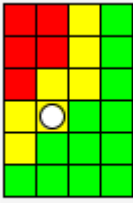
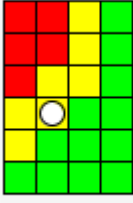
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI001	Risk that effective business continuity and disaster recovery arrangements are not in place	Identifies that breakdown in key systems and or functions may result in Customers/ Service users being unable to access Services	Potential harm/loss of life to public. Inability to meet statutory requirements. Inability to perform day to day service provision. Negative impact for customers. Reputational damage.				SMT
<b>Risk Factors</b>				<b>Mitigating Actions</b>			
<p>Council has statutory/ legislative duty to ensure provision of services to the public, potentially jeopardised by having inadequate disaster recovery planning and business continuity arrangements in place</p>				<p>Council has a Business Continuity Policy in place. Co-ordinating Role of Emergency Planning Manager Critical functions identified by CMT Effective and current business continuity plans in place On-going communication with staff to ensure staff awareness and appreciation of mitigation in place Continue to engage with and contribute to corporate business continuity planning process</p>			
<b>Internal Controls</b>							
<p>Internal arrangements in place to review all business continuity arrangements ensuring plans remain current and consistent approach and best practice adopted across the entire Communities, Housing and Infrastructure Service Close liaison with Emergency Planning Manager and compliance with Review and Testing Schedule</p>							

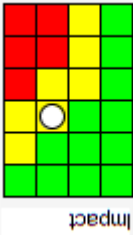
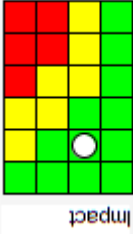
Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI002	Risk of poor financial management and financial decision making	Recognises the need for a robust system of financial management to be in place to ensure the Council can continue to meet its statutory obligations	Resources insufficiently funded potentially resulting in harm/loss of life to public. Inability to meet statutory requirements Reduced ability to fully deliver services and City, Council and directorate priorities Budget overspends/ underspends Reputational damage				SMT
<b>Risk Factors</b>				<b>Mitigating Actions</b>			
Continuing tight budget settlements pressurising service provision				<p><b>Internal Controls</b></p> <p>Robust budget setting process in place, clearly aligned to vision, aims and objectives of Council Adoption of evidence based approach to budget setting Regular monitoring of budgets – Revenue Account Housing Revenue Account, Capital Programme, Trading Account Regular Committee Reporting</p> <p>Input to budget process – service and growth options. Robust Performance Management at all levels Development of dashboard approach Head of Service briefings post Budget Day Finance updates/decision making at SMT Monthly meetings budget holder/finance partner Availability of tools such as Collaborative Planning/BOXI to assist</p>			

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By				
CHI003	Risk of poor or inadequate Health & Safety arrangements	Reflects the requirement for the adoption of a robust approach to Health and Safety in relation to all our activities and their potential impact on staff, contractors and 3 <sup>rd</sup> parties alike.	Injury to or possible death of member of public, contractor or employee Damage to property, plant or equipment Criminal prosecution as result of legislative breaches Reputational damage Financial loss Increased absence rates Increased absence rates				SMT				
<b>Risk Factors</b>				<b>Mitigating Actions</b>							
<p>Increase in work related injuries, Reduction in Accident/Incident reporting – increase in absences and incidence, Lack of robust monitoring and recording, Lack of awareness of injuries to staff, contractors, 3rd parties Ineffective Health &amp; Safety training for Managers/Staff Ineffective closure of Incidents</p>				<p><b>Internal Controls</b> Corporate Health &amp; Safety Policy in place Corporate Health &amp; Safety Improvement under development Corporate Health &amp; Safety Audit Plan agreed Corporate Health &amp; Safety Committee quarterly meetings Programme Health &amp; Safety training Regular circulars issued on updates by Health &amp; Safety team Legislative compliance (e.g. Fleet Management review, Legionella, Gas, Asbestos, CDM regulations) First Aiders, Fire Wardens identified Reporting Accidents/Incidents via YourHR, Tool Box Talks, Support of HR Business Partners in Absence Management, Schedule of Fire Risk Assessments in place, Occupational Health Provider</p>				<p>Service Health &amp; Safety Policy under development, Service Health &amp; Safety Improvement under development Service Health &amp; Safety quarterly meetings, Development of dashboard approach Reporting Accidents/Incidents via YourHR Minutes of local Health &amp; Safety meetings circulated to all staff Accidents/incidents reported to SMT monthly Regular liaison with HR Business Partners monitoring cases.</p>			



Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI004	Risk that effective work force planning is not developed and implemented	Acknowledges the importance of robust workforce planning in future proofing service planning and delivery	Inability to meet service standards due to recruitment issues, long term vacancies, appointment of less experienced or trained staff. Increased workload for experienced staff leading to job disaffection, poor morale levels Skills not matched to changing needs Staff trained at Council expense, subsequently leaving for private sector Staff shortages Reputational damage				SMT
<b>Risk Factors</b>							
<b>Internal Controls</b>							
<p>Inability to recruit and retain appropriate staff to key posts due to ability of private sector to pay more competitive rates</p> <p>HR Policies in place relating to Work Force Planning Performance Review and Development Staff development and training Retraining of staff Apprenticeship Schemes Ongoing liaison with HR Business Partners Use of metrics to develop understanding of workforce issues</p>							
<b>Mitigating Actions</b>							
<p>Workforce Planning key element of budget process Future planning and proofing Prioritisation Skills Audit Attendance of staff at local, national and international career fairs, Liaison with Further Education Centres, Oil and Gas Sectors Selling Aberdeen – the place Adoption of New Ways of Working Smarter Working Trade Union Liaison, Improved internal Communications – e-mag Provision of key worker accommodation</p>							

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI005	Risk of not effectively communicating and engaging with Customers (Stakeholders)	Recognises the need for effective dialogue between the Service and its Customers ensuring our aims and objectives continue to remain in line with the needs and expectations of our Customers	Low level customer satisfaction Mismatch in expectation levels Increased scrutiny by regulatory bodies. Reputational Damage Increased volume of complaints Resources diverted to address perceived service failures. Services fail to address customer needs				SMT
<b>Risk Factors</b>				<b>Mitigating Actions</b>			
<p>Inadequate engagement with customer base. Feedback from survey exercises not used to inform service design and delivery. Feedback from complaints handling not used to inform service improvements.</p>				<p>Corporate systems governing complaints handling Regular meetings with key stakeholder groups Involvement of stakeholders in strategy groups Performance information reported to Committee Training for front line staff Customer Feedback Surveying</p>			
<p>Inadequate engagement with customer base. Feedback from survey exercises not used to inform service design and delivery. Feedback from complaints handling not used to inform service improvements.</p>				<p>Training of staff in managing customer expectations. Further development Customer surveying. Customer experience improvements (Roads/Street Lighting "bridging gap in communications") Improved awareness and understanding of customer Regular reporting of complaints to SMT encouraging 'lessons learned' Development of dashboard approach Website development</p>			

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI006	Risk of not communicating and engaging effectively with Staff	Identifies the need for effective dialogue with our staff to ensure they remain engaged and committed to our aims and objectives, enhancing job satisfaction and a sense of pride in working for the organisation	Low staff morale , Staff feel disconnected, Higher absence rates, Difficulty in retaining staff, Engagement less experienced staff leading to poorer service delivery Failure to achieve goals due to lack of understanding				SMT
<b>Risk Factors</b>				<b>Mitigating Actions</b>			
Feedback from survey exercises not used to inform staff and service development.				1-2-1s, PR&D Team Meetings Management team meetings Quarterly e-mag, local newsletters Zone, Website developments Development of Action/Improvement Plan following Staff Survey findings Development Director's Blog Staff Briefings, Town Hall Meetings Long Service recognition			
<b>Internal Controls</b>							
Regular staff updates, e-mails, bulletins, Zone, Chief Executive's Blog Staff Surveys Employee Voice Involvement of front line staff in improvement process Full consultation with staff on any changes being made Re-alignment of services to ensure clear lines of accountability and responsibility Star Awards Counselling Service staff and family							

Code	Title	Risk Description	Potential Impact	Current Risk Matrix	Residual Risk Matrix	Approach	Ownership Managed By
CHI007	Failure to deliver Service commitments within the Business Plan including Major Projects	Acknowledges the need to ensure plans are properly scoped and costed, that progress is appropriately monitored to ensure the Council meets its aspirations and commitments	The Service/Council fails to deliver on its high level aims and objectives. Potential legal action Reputational Damage				SMT
<b>Risk Factors</b>							
Various specific to individual projects Political risks							
<b>Internal Controls</b>				<b>Mitigating Actions</b>			
Service: Operational risk registers in place Regular operational performance review – SMT, Committee, Projects: Individual Risk Register maintained for each project in SIP and Capital Programme Key and emerging risks highlighted monthly to SMT, CMT Admin Leaders Both: Public Performance Reporting				Service: Scoreboard shared Dashboard approach under development 1-2-1 Discussions Monthly reporting to SMT Service Improvement Plans Projects: Monthly reporting to SMT Regular meetings between SIP Programme Manager, Project Managers, Heads of Service Progress reported to Finance, Policy and Resources Committee			

# *Aberdeen City Council*

## Fleet Asset Verification

Report provided April 2015

Internal Audit  
Investigation 2014/15  
**April 2015**



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# *Table of Contents*

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1. Background and Scope	3
2. Findings	4
Appendix 1 – Terms of Reference	5

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This report has been prepared by PwC in accordance with our engagement letter dated 4<sup>th</sup> October 2010.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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# ***1. Background and Scope***

## ***Background***

The Council's fleet management arrangements were subject to a Traffic Commissioners public inquiry in September 2014. The Traffic Commissioner raised a number of concerns in respect of fleet including: discrepancies in fleet management records; maintenance contracts with 3rd parties; documentation around ownership of assets; inadequate maintenance including PMI records; and interval checking. Following the inquiry, Council Officers have further investigated the arising issues and have determined the need for a complete overhaul of fleet management arrangements.

A number of ongoing actions are in place in respect of the fleet service. Internal Audit has specifically been asked to consider the asset verification of the fleet, plant and equipment to confirm existence of the fleet items. The Council holds an estimated 1,500 items of fleet, plant and equipment, across multiple locations in Aberdeen, including three roads depots and one waste depot. All Service Managers have reviewed records of the relevant assets within their responsibility and have individually confirmed: the existence of the assets; the location where assets are held; assets no longer held; or assets held but not described/recorded accurately.

## ***Scope***

The overall scope of this review was to undertake an asset verification exercise by:

- Obtaining and reviewing lists of all fleet and plant and equipment, signed off as accurate by the service managers, which outline the location of the asset and the asset numbers/registration;
- Visiting the various locations fleet, plant and equipment are held and physically verifying the asset exists (we have not commented on the condition of the asset, the maintenance, the appropriateness of the assets location or considered any health and safety – the purpose of verification is only to confirm the asset exists); and
- Amending the master list to record all fleet, plant and equipment inspected by highlighting any exception noted. For example, different location, incorrect description or if the asset could not be physically verified.

The results of our asset verification, and the amended master lists, were provided to the Head of Public Infrastructure and Environment on 23 March 2015.

## 2. Findings

### *Results of asset verification*

The table below summarises the results of the asset verification exercise we performed in the period from 17 February to the 6 March 2015. The full results have been provided to the Head of Public Infrastructure and Environment.

Department	Total Assets	Untraced Assets	Extra Assets
Building maintenance	154	9	16
PTU vehicles	27	3	0
Waste	78	2	4
Roads service	394	125	53
Grounds	607	90	118
<b>Totals</b>	<b>1,260</b>	<b>229</b>	<b>191</b>

#### Definitions:

- *Total Assets* – total number of assets on the lists provided by the service managers.
- *Untraced Assets* – those assets on the lists provided but which could not be physically verified during our counts.
- *Extra Assets* – those assets physically verified but which were not recorded on the asset lists.



---

## 3. Recommendations

### *Immediate actions for management*

Based on the results of our asset verification we recommend that management undertake the following actions as an immediate priority:

- For those assets that could not be physically verified management should undertake an investigation to determine whether those assets are held by Aberdeen City Council or whether the assets have since been disposed of;
- Where assets have been disposed of this should be updated on Tranman (the Council's fleet asset management system) to ensure that the data held on fleet, plant and property is accurate and complete; and
- For those assets that were identified during the physical verification but not recorded on the asset lists, management should investigate as to whether these have subsequently been recorded on Tranman and, if not, Tranman should be updated to reflect these asset additions.

**Responsible Officer:** Mark Reilly (Head of Public Infrastructure and Environment)

### *Further actions for management*

In addition to the recommended actions above, management will have to address the underlying governance issues that have led to the current discrepancies in the fleet, plant and equipment asset data. We are currently working with management to review the governance arrangements in place and the results of that review should be incorporated into a longer-term strategy to ensure an effective governance arrangement for fleet, plant and equipment.

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# Appendix 1 – Terms of Reference

## ***Aberdeen City Council***

### ***Terms of Reference – Fleet management asset verification exercise***

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This review is being undertaken at the request of the Head of Public Infrastructure and Environment and the Chief Executive following a number of control failures within the Fleet Management Service.

#### **Background**

The Council's fleet management arrangements were subject to a Traffic Commissioners public inquiry in September 2014, reflecting an overall failing fleet service. The Traffic Commissioner raised a number of concerns in respect of fleet including: discrepancies in fleet management records; maintenance contracts with 3<sup>rd</sup> parties; documentation around ownership of assets; adequate maintenance including PMI records and interval checking. Following the inquiry, Council Officers have further investigated the arising issues and have determined the need for a complete overhaul of fleet management arrangements.

A number of ongoing actions are in place in respect of the fleet service. Internal Audit has specifically been asked to consider the asset verification of the fleet and plant and equipment to confirm existence. The Council holds circa 2000 items of fleet and plant and equipment, across approximately 16 to 20 locations in Aberdeen, including three roads depots and one waste depot. All Service Managers have reviewed records of the relevant assets within their responsibility and have individually confirmed: the existence of the assets; identifying where assets are held in a different location (on the basis they appear on another Service Managers list); assets no longer held; or held but not described/recorded accurately.

#### **Scope**

We will undertake an asset verification exercise by:

- Obtaining and reviewing lists of all fleet and plant and equipment, signed off as accurate by the service managers, which outline the location of the asset and asset numbers/registration;
- Visiting the various locations fleet and plant and equipment are held and physically verifying the asset exists (we will not comment on the condition of the asset; the maintenance; the appropriateness of the assets location or consider health and safety – the purpose of verification is only to confirm the asset exists)
- Amending the master list to record all fleet and plant and equipment inspected highlighting any exception noted for example: different location; incorrect description or asset could not be physically verified. This list will be provided to the Head of Public Infrastructure and Environment.

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## Limitations of scope

The scope of our review and limitations are outlined above.

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.

## Approach

Our audit approach for fleet and plant and equipment asset verification is as set out in scope.



In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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# Aberdeen City Council

## Corporate Landlord Responsibilities

	Target Dates per agreed Internal Audit Charter	Actual Dates	Red/Amber/Green and commentary where applicable
Terms of reference agreed 4 weeks prior to fieldwork	5 <sup>th</sup> January 2015	22 <sup>nd</sup> January 2015	<b>Amber</b> – Delayed due to Christmas and New Year break.
Planned fieldwork start date	2 <sup>nd</sup> February 2015	2 <sup>nd</sup> February 2015	<b>Green</b>
Fieldwork completion date	13 <sup>th</sup> February 2015	13 <sup>th</sup> February 2015	<b>Green</b>
Draft report issued for Management comment	6 <sup>th</sup> March 2015	7 <sup>th</sup> March 2015	<b>Green</b> - Target date adjusted for Chief Internal Auditor annual leave
Management Comments received	20 <sup>th</sup> March 2015	27 <sup>th</sup> April 2015	<b>Red</b> – Due to ongoing discussions between management and internal audit on agreed actions

.....

Report finalised	4 <sup>th</sup> May 2015	28 <sup>th</sup> April 2015	<b>Green</b>
Submitted to Audit and Risk Committee	11 <sup>th</sup> May 2015	11 <sup>th</sup> May 2015	<b>Green</b>



# Contents

<b>Section</b>	<b>Page</b>
1. Executive Summary	1
2. Background and scope	3
3. Detailed findings and recommendations	6
Appendix 1 – Agreed Terms of reference	12
Appendix 2 – Limitations and responsibilities	14

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# 1. Executive Summary

Report classification	Total number of findings				
	Critical	High	Medium	Low	Advisory
Medium	-	1	1	1	-
Control design	-	1	1	1	-
Operating effectiveness	-	-	-	-	-
Total	-	1	1	1	-

## Summary of findings

1.01 Aberdeen City Council is currently undertaking a ‘Smarter Working’ programme across all services to promote and develop better working practices and produce cost efficiencies. In alignment with the objectives of ‘Smarter Working’, there are current considerations to have a ‘corporate landlord’ function to provide a consistent approach to the management of the Council’s property portfolio from a senior management level. Having a consistent strategic approach for the management of such assets allows for the property portfolio to be fully optimised through improved utilisation.

1.02 For each of the properties held by the Council, there are statutory requirements that must be fulfilled to allow the properties to continue to be operational. These requirements cover electrical areas (circuit wiring testing, portable appliance testing), plant (boilers, lifts, refrigeration) and fire safety (alarms and firefighting equipment). Additionally there are requirements to test for legionella and conduct asbestos surveys.

1.03 The scope of our review was to assess how the Council currently manages its property portfolio. In the course of our review we have identified one high risk, one medium risk and one low risk finding.

### High Risk Finding

1.04 The ‘Corporate Landlord’ process is not being followed within the Council. Independent directorates are making autonomous decisions about property assets. Property is not currently being viewed as a corporate asset of the Council, with service areas potentially being reluctant to share assets to mitigate the risk of failing to meet their own programmes. The current structure in place is not in alignment with suggested practice outlined by the Chartered Institute of Public Finance and Accountancy (CIPFA). Information on property utilisation is only being held for office buildings and schools. This is in part a result of there being no defined measurements of utilisation for the other property assets and no property board that has the authority to make decisions based on any information



collected.

*Medium Risk Finding*

1.05

There is a lack of communication between Hard Facilities Management (HFM) and Building Services (BS) around who has responsibility for auditing and verifying that statutory compliance activities have been performed. Lack of oversight has the potential for non-statutory compliance and physical danger to those on site. All certifications of statutory compliance are intended to be stored on a shared network drive between HFM and BS. Currently there are no controls in place to ensure that Inspectors are keeping the drives up to date with the latest documentation. A rota exists for inspectors from BS to visit properties and ensure contractors are performing the work. At the moment however, there is no alignment between when inspectors are visiting properties and the schedule of the external contractors. Building services are only providing key performance indicators for work they have performed themselves. No summarised KPI's are being provided to HFM for external contractors that would allow them to assess the progress of statutory compliance.

**Management comments**

Whilst the Asset Management team had attempted to establish a 'Corporate Landlord' role in the Council, it is clear that the benefits and rationale behind the function needs to be communicated more clearly in order to progress further. This will help develop awareness, amongst other things, of statutory health and safety compliance and help ensure clear lines of responsibility are understood by all in the Council, with external contractors and with customers/tenants.

The Service is currently establishing the principles of the Corporate Landlord function, which will be communicated across the council in the next year.

# 2. Background and scope

## **Background**

2.01 Aberdeen City Council owns a wide portfolio of land and property assets for which it is responsible. Maximising the utilisation and ensuring the proper maintenance of its land and property assets are therefore critical to the Council in ensuring it is able to deliver services and best value for money to the public.

### **Strategic Asset Management**

#### *2.02 Role of the corporate landlord*

Formerly, a similar role of the proposed 'corporate landlord' function was held by the Corporate Asset Group. This was composed of members of staff at the head of service level. Due to the current restructuring programme, this group has been disbanded and no steering group is currently in place. At present, the management of property assets is being carried out by the relevant individual directorates.

#### *2.03 The current property portfolio*

At present, the Council holds 314 properties that are classed as operational. These properties can be grouped into 12 different categories based on their function and primary use. Information on these properties is held within the Council's information system called 'Uniform'. The system is independent from those used by the different lines of service and no interfacing of data takes place. For each property, Uniform holds information on: the physical area; the valuation; operational costs and the outcomes of condition surveys.

Properties within the portfolio are subject to revaluations over differing time periods dependent on the age and utility of the asset. It is intended that properties are, however, revalued within a five to ten year period. Properties are also subject to regular conditioning surveys which help in the process of evaluating where future investment should be placed.

### **Statutory Compliance**

#### *2.04 Responsibility for compliance*

Under the current structure of the Council, it is the responsibility of Hard Facilities Management (HFM) to ensure the compliance with statutory requirements for the repair and maintenance of properties. Nearly all of the work is however outsourced to the Council's Building Services (BS) function. Although Building Services is another function of the Council, they are treated as if they are external contractors. BS however, in turn, subcontract nearly all the work to third parties

with established contracts already being in place and they do not have the resources to carry out the work themselves. The work performed by BS on behalf of HFM is charged to the 'repairs and maintenance' budget. On a monthly basis, HFM hold meetings with building services to hold them accountable for ensuring that the statutory work is being performed.

#### 2.05 *Building Services Operations*

Building services manage the contractors and their compliance in two ways: firstly, by agreeing annual programmes so that all future works requirements are outlined and agreed for specific dates; and secondly, there are a team of inspectors who visit the council's property assets to ensure that the contractors have performed the work. Inspectors physically examine buildings and review completed log books of site visitors. The frequency of the visits to the differing buildings across the portfolio depends on their nature. A rota is currently in place that notifies when inspectors are expected to have visited specific buildings.

Responsibility for ensuring that the council retains all of the relevant documentation as evidence of complying with statutory requirements lies with Building Services. At present there is a shared central network drive where all resources are intended to be shared between HFM and BS. Within the shared drive there are property files where it is intended that all of the certifications are stored after they have been received. A central storage place ensures sharing of resources and allows for transparency across the separated service areas.

#### 2.06 *IT Structure*

There are currently two different IT systems that are being used to procure and process works related to statutory compliance or planned maintenance. Firstly, there is Confirm which is used by the HFM team and the service desk team. Secondly, there is the Total system (referred to internally as Consilium) which is used by the building services team for all the work they perform, including non-statutory jobs. For works that are contracted out to BS from HFM, the work order is interfaced from the Confirm System to the Consilium system. For works to be performed by external contractors and not BS, the order bypasses the Consilium system altogether. The invoices from external contractors are received by the service help desk within Confirm and processed via batch into efinancials. These systems are independent from the Uniform system used by the asset management team.

#### **Repairs, Maintenance and Capital Investment**

##### 2.07 *Capital Investment*

The current investment programme in place is called the conditions and suitability plan. This contains the proposed projects which are to be undertaken in the forthcoming year. The plan is submitted to the sub-property committee for approval. Oversight of the plan is undertaken by a capital review group who monitor the progress of the projects against projected spend and timescales.

##### 2.08 *Planned Maintenance and repairs*

Planned maintenance is the non-statutory work carried out by building services on behalf of Hard Facilities Management (HFM). This type of work relates to the upkeep of buildings to prevent degradation and potentially reduce future capital costs. A planned maintenance programme is currently produced on a yearly basis

by HFM who typically look to schedule maintenance in alignment with other works taking place in buildings at the same time.

### **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 design and operating effectiveness of the Council's corporate landlord controls.

# 3. Detailed findings and recommendations

## 3.01 No corporate oversight of property assets currently exists – Control design deficiency

### Finding

The Corporate Landlord process is not being followed within the Council. Individual directorates are making property asset decisions which are independent of the other services areas. The Council's budgeted 'premises costs' for 2015/16 are £60million, highlighting the need for the council to consider their current asset management practices.

At present there is a service-led approach to asset management with regards to the structure of personnel. For example, schools are approximately 55% of the council's property portfolio, based on floor area, and yet they have their own property management team who are autonomous from the Council's central asset management team. This highlights the lack of central oversight or decision making ability for all property assets can currently be undertaken. Property is not currently being viewed as a corporate asset of the Council, with service areas potentially being reluctant to share assets to mitigate the risk of failing to meet their own programmes.

Information on property utilisation is only currently being held for office buildings and schools. For office buildings, the information is readily available and is currently being used to monitor the progress of the 'smarter working' programme. Information on schools is also readily available as there are requirements to report this information to the Scottish government. This is primarily a result of having no defined utilisation indicators for other property assets and lack of central function to act on this information.

The Chartered Institute of Public Finance and Accountancy (CIPFA) suggest the use of a centralised management function for property assets. CIPFA advocate that such a function allows individual service areas to focus on their own service delivery, improves cost efficiencies and eliminates any duplication that exists across directorates. In areas of dispute over investment or utilisation, the Corporate Landlord function is determined to possess the authority to make the final decision in the best interests of the organisation as a whole.

### Risks

The Council is not able to provide the best value for money through inefficient utilisation of the property portfolio.

Lack of corporate authority prevents asset management decisions from benefiting the entire Council.

<b>Action plan</b>		
<b>Finding rating</b>	<b>Agreed action</b>	<b>Responsible person / title</b>
High	<p>(1) The Council will consider implementation of elements of suggested practice from CIPFA.</p> <p>(2) The Council will review the appropriateness of their internal structure.</p> <p>(3) For each property type, standard indicators of utilisation should be agreed to allow for benchmarking and evaluation of value for money.</p> <p>(4) Schedules of reporting on the agreed asset utilisation information should be arranged with the different service areas.</p>	<p>Pete Leonard (Director of Community and Infrastructure Services)</p> <p><b>Target date:</b> May 2016</p>

### 3.02 Insufficient oversight of statutory compliance exists – Control design deficiency

<p><b>Finding</b></p> <p>There is a lack of communication between Hard Facilities Management (HFM) and Building Services (BS) as to who is responsible for auditing and verifying that statutory compliance activities have been performed. Lack of oversight has the potential for non-statutory compliance and can be pinpointed to three main areas:</p> <p><b><u>Evidence of Compliance</u></b></p> <p>It is currently intended that all certifications that evidence the Council’s compliance with statutory requirements are held on a network drive which is shared between HFM and BS. At present, there are no controls in place to ensure that inspectors are uploading the required certificates to the shared drive for HFM to confirm compliance.</p> <p><b><u>Reporting on Key Performance Indicators</u></b></p> <p>Building services are only providing key performance indicators for work they have performed themselves. No KPI’s are being provided to HFM for external contractors that would allow them to assess the progress of building services in ensuring statutory compliance is being met. Although BS working papers are available on individual contractors, these are not suitable for the purpose of reporting to management.</p> <p><b><u>Misalignment of checks on third party performance of the statutory works</u></b></p> <p>Building services agree programmes of work with external contractors for upcoming months to ensure statutory compliance. Currently they have a rota for inspectors to visit properties and ensure this is happening. At the moment however, there is no alignment between when inspectors are visiting properties and the schedule of the external contractors.</p> <p>Certificates of completed works are typically received from contractors at least two months after the planned works has finished. Therefore well-timed inspections are vital to ensure statutory requirements are being performed in the correct time period.</p> <p><b>Risks</b></p> <p>Health and Safety risks for individuals using the Council’s property.</p> <p>Significant periods of time may pass between the expected completed date of the statutory work and the inspection by Building Services.</p> <p>No oversight over contractors could lead them to performing the work after the required statutory period.</p>
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<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Medium	<p>(1) HFM will gain access to the programme of works used operationally by BS and assign a team member to ensure that after the appropriate time period, certifications have been uploaded into the shared drive.</p> <p>HFM will hold BS accountable for certifications which are not stored correctly.</p> <p>(2) An agreed pro-forma report should be outlined which specifies the exact KPI's that HFM are intending to receive. This would include summary headline statistics for each supplier that enables appropriate oversight.</p> <p>This report should be produced for HFM before BS holds their monthly meetings with them.</p> <p>(3) External contractor work schedules will be integrated into the creation of inspector rota's to ensure timely visits are made.</p> <p>Records of inspector's confirmation of contractor compliance on site visits should be stored on the network drive which is shared with Hard Facilities Management.</p> <p><b>Responsible person / title</b>  Ian Cowling (Hard Facilities Management)/ Scott Mathieson (Building Services)</p> <p><b>Target date:</b>  May 2016</p>



## Complexity in the IT structure and incorrect cost allocation among centralised budgets – Control design deficiency

### Finding

The council's currently fragmented approach to asset management is reflected in the current IT structure. The asset management team use Uniform; Hard Facilities Management use Confirm; and Building services use Total (internally referred to as Consilium). The degree of integration across the systems differs. For Uniform, which essentially acts as a fixed asset register, there is no integration at all. Items such as service costs from work performed by the Council are manually input into the system.

Between Consilium and Confirm, interfacing of data has been set up to allow the different departments to use different systems. There is however problems with this interfacing process which can be best described below by understanding the business processes.

At present, it is intended that all work orders for buildings are raised through Confirm. The correct budgets that the order should be charged to are added to the order.

If building services are to use an external contractor to perform the work on their behalf, they raise a paper order from Confirm and this is sent to the supplier. When the work is completed, an invoice is received by the service desk staff who process this into Confirm against the original order and add it to a batch for processing into eFinancials. This whole process is error free because it bypasses Consilium, and Confirm processes the costs against the correct budgets.

If building services, however, perform the work themselves, the order is interfaced from Confirm into Consilium. The problem, however, is that the budget codes raised with the order on Confirm are not being interfaced into Consilium. Therefore when the work is completed, Building Services don't know which costs should be allocated against which budget when they are batched in eFinancials. The current approach is to charge all of the costs against the 'Repairs and Maintenance' budget. A member of the Hard Facilities Management team then has to manually sit through all of the transactions to identify which costs should be allocated to different budgets.

Additionally, as a result of finalised costs being interfaced from Consilium to eFinancials directly, the information on the Confirm system is not accurate as this still holds the estimated costs as opposed to the actual costs from the completed job.

### Risks

Inconsistent data is held across all of the systems.

Inaccurate budgets may make it difficult to monitor spending.

Increased difficulty in providing oversight of the property portfolio due to the segregation of information systems.

<b>Action plan</b>		
<b>Finding rating</b>	<b>Agreed action</b>	<b>Responsible person / title</b>
Low	<p>(1) The Council should perform an assessment on whether they could achieve their asset management goals across a smaller number of systems.</p> <p>(2) The Council should consider developing an interfacing process from Consilium to Confirm before finalised costs are batched into eFinancials. This would prevent incorrect cost allocation to budgets.</p>	John Quinn (Head of Land and Property Assets)
		<b>Target date:</b>
		May 2016

# Appendix 1 – Agreed Terms of reference

## Background

Aberdeen City Council owns a wide portfolio of land and property assets for which it is responsible. Maximising the utilisation and ensuring the proper maintenance of its land and property assets are therefore critical to the Council in ensuring it is able to deliver services and best value for money to the public. Adopting a ‘corporate landlord’ approach is intended to give the Council the necessary overview, at a senior management level, of the land and property assets it owns, how they are utilised and how they are maintained. The Council must also ensure that it is properly discharging its statutory duties as a landlord and complying with all relevant laws and regulations.

## Scope

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### Sub-process

### Control Objective

Statutory Compliance

- Responsibility for ensuring the Council discharges its statutory duties as a landlord are assigned appropriately.
- Complete and accurate records are maintained to evidence the Council has discharged its statutory duties as a landlord. These records are accessible and can be used to facilitate management reporting.
- Statutory duties are fulfilled in a timely manner and monitoring exists to identify where exceptions occur.
- Management report on performance in meeting statutory requirements and take action when deficiencies are identified.

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Corporate Assets and Strategic Asset Management

- Roles and responsibilities for managing the Council’s land and property assets are clearly defined.
  - A strategic group (board/committee) oversees and challenges asset management decisions.
  - Complete and accurate records are maintained of all land and property assets owned by the Council, including comprehensive asset management data. These records are accessible and can be used to facilitate management reporting.
  - The Council has a corporate view of how each of its land and property assets is being
-

utilised and a plan for how best to utilise those assets.

- Asset utilisation is monitored and updated on an ongoing basis.
- Decisions on asset utilisation are taken at a corporate level with service and stakeholder input.

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#### Repairs, Maintenance and Capital Investment

- A corporate maintenance and investment strategy is in place and performance in achieving the strategy objectives monitored and reported on appropriately.
  - Planned maintenance and investment programmes that help achieve the strategy are in place and these are proactively monitored by management.
  - Centralised budgets, which are appropriately prioritised, exist, with performance against budget reviewed and monitored on an ongoing basis.
- 

#### Limitations of scope

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

- 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 monitoring compliance with laws and regulations
- 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 2 – Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken a review of Corporate Landlord Responsibilities, 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 Corporate Landlord Responsibilities is as at February 2015. 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.

In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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# Aberdeen City Council

## Library Services (Self-service machines)

Internal Audit Report  
2014/2015 for Aberdeen  
City Council

April 2015

Internal Audit KPIs	Target Dates	Actual Dates	Red/Amber/Green	Commentary where applicable
Terms or reference agreed 4 weeks prior to fieldwork	06.10.2014	02.03.2015	Green	
Planned fieldwork start date	02.03.2015	02.03.2015	Green	
Fieldwork completion date	13.03.2015	13.03.2015	Green	
Draft report issued for Management comment	07.04.2015	30.03.2015	Amber	Delayed due to annual leave of IA manager.
Management Comments received	21.04.2015	20.04.2015	Green	
Report finalised	28.04.2015	24.04.2015	Green	
Submitted to Audit and Risk Committee	June 2015	June 2015	Green	

# Contents

<b>Section</b>	<b>Page</b>
1. Executive Summary	1
2. Background and scope	3
3. Detailed findings and recommendations	4
Appendix 1 – Agreed Terms of reference	7
Appendix 2 – Limitations and responsibilities	10

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Internal audit work will be performed in accordance with Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Internal Audit report for Aberdeen City Council

PwC

Contents



# 1. Executive Summary

Report classification	Total number of findings				
	Critical	High	Medium	Low	Advisory
Low Risk	-	-	-	3	-
Operating effectiveness	-	-	-	-	-
<b>Total</b>	-	-	-	<b>3</b>	-

## Summary of findings

- 1.01 The self-service machines within Aberdeen City Council Library and Information Services were initially installed in 2012 with two pilot machines in Aberdeen Central Library, and a further eight for community libraries over the following year. The scope of our review was to assess the key controls in place over the roll out of these self-service machines. In the course of our review we have identified areas of good practice as outlined in paragraph 1.02 below; however, we have also highlighted three low risk findings concerning areas of weakness in the processes and controls.
- 1.02 Areas of good practice identified in the roll out of the project included:
- Staff training was provided on how to use the new machines as they were introduced, with the installation engineer carrying out basic training and the Library and Services Team then following up with further advanced training. Training materials were also made available to staff to use as required.
  - Feedback was collected from stakeholders with feedback forms being freely available alongside the machines for customers and staff to complete. Staff could also formally record issues through the fault logs.
- 1.03 The three low risk findings concerned the failure to fully engage stakeholders during the initiation of the project; no evidence of a post implementation review; and a lack of clarity in the initial business case as to how the benefits of the project would be measured.

**Management Comments**

We agree that the findings on the initial implementation of self-service are fair. We are also pleased to see examples of good practice included in the report. We have already identified areas for improvement and have put in place various mechanisms and tools to refine the process, which was demonstrated recently when a review of the self – issue machines led to a recent upgrade to RFID capability in 2014. This was managed through a more robust process, addressing many of the weaknesses identified in the initial implementation process.

## 2. Background and scope

### Background

2.01 The self-service machines were introduced to ten locations throughout 2012 and 2013 in a bid to seek a more efficient way of using Library and Information Services resources by Aberdeen City Council. The scope of this audit was to review the design and operating effectiveness of the key controls in place over the roll out of self-service machines within Library and Information Services.

### 2.02 Sub-Process

#### *Project Management and Implementation*

2.03 The project was supported by the wider Library and Information Services through the approval of the project, this was evident in its selection from the various 'Revenue Growth Bid' options, along with the initial business case that outlined the proposed benefits of the project. Aberdeen Central Library was chosen to pilot the project with two initial self-service machines bought, later eight other sites across Aberdeen were chosen based on variables such as footfall. Library staff were given training by the external engineer who installed the self-service machines at each site, as well as additional training from the Library Systems Team in order to make sure staff were competent in using the machines.

#### *Post Implementation Review*

2.04 The Library Systems Team collates and distributes a monthly KPI document that shows the level of use of self-service machines at each site. This, combined with feedback obtained from both staff and customers at all sites, contributed to the proposal of the RFID upgrade. The RFID upgrade has since followed and was intended to address issues identified through the stakeholder feedback process.

### Scope and limitations of scope

2.05 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 controls in the areas contained within this Terms of Reference. Our work was undertaken using a sample based approach.

# 3. Detailed findings and recommendations

## 3.01 Stakeholders were not considered prior to the project being implemented – Control Design

<b>Findings</b>	
<p>Aberdeen City Council Library Services Team did not engage with either library users or staff prior to the roll out of the self-service machines to obtain their views on the proposed project. The project was one of several options to reduce costs of the libraries and this option was chosen by the Education, Culture and Sport Department as the one to pursue.</p> <p>By not engaging key stakeholders, such as customers and staff, in the project initiation process, there is a risk that the proposed project may not achieve its objectives. Engagement with key stakeholders in any project is critical to achieving 'buy-in' and ensuring that the project will actually deliver benefits for those that it impacts.</p>	
<b>Risks</b>	
<p>The project outcomes or benefits are not aligned to the needs of key stakeholders impacting the overall success of the project.</p>	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	For future projects, key stakeholders should be identified and engaged with at the initiation phase when developing the initial business case. The business case should consider the impact of the project and its proposed outcomes on key stakeholder groups.
<b>Responsible person / title</b>	
Library and Services Team	
<b>Target date:</b>	
N/A	

### 3.02 A Post Implementation Review was not completed – Control Design

<b>Finding</b>	
<p>The Library Systems Team analysed the usage data and feedback collected throughout the roll out of the project and could use this to measure the success of the project in relation to its set objectives and benefits. This information would have been sufficient to produce a Post Implementation Review (PIR), however no such PIR was produced following the initial roll out of the self-service machines. Performing a PIR is considered good practice following the completion of any project as it can help in improving performance and sharing lessons learned for future projects.</p> <p>A review has since been produced for the subsequent RFID upgrade. This review has been rolled together into the same document as the initial business case for the RFID upgrade, a practice which should be avoided as it means the original Initial Business Case for the roll out of the self-service machines no longer exists.</p>	
<b>Risks</b>	
<p>The outcomes of the project are not captured and therefore it is not possible to determine whether the project deliver on the initial business case. Key lessons learned and performance improvement are not captured and therefore not considered for future projects.</p>	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	For future projects a Post Implementation Review will be produced within a reasonable time frame after the project completion. It will be used to evaluate the outcomes of the project and to capture performance improvements and lessons learned.
<b>Responsible person / title</b>	
Library Services Team	
<b>Target date:</b>	
N/A	

### 3.03 No baseline measurement in place

<b>Finding</b>	
<p>The objectives stated in the initial business case detailed the benefits to be achieved from the project, but how those benefits were to be measured was unclear. As a result, when the project was complete, the Library and Service Team were uncertain of how to measure the benefits in order to distinguish the level of success attained by the project. This was due to a combination two factors:</p> <ul style="list-style-type: none"> <li>• Data for the period before the project began, which could have been used as a baseline measurement for the final project results, was not collected. It was therefore not possible to effectively measure whether some of the proposed efficiency benefits had accrued from the roll out of the self-service machines; and</li> <li>• The Project Manager left the Library and Services Team midway through the project without properly documenting the processes that had been, and were still to be, carried out leaving a lack of clarity in how the benefits of the project were to be measured.</li> </ul>	
<b>Risks</b>	
Where benefits are not measurable it is not possible to determine whether the project achieved its objectives and therefore delivered value for money.	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	<p>For future projects, project objectives will be SMART (specific, measurable, achievable, realistic and timely) and the initial business case will include a section that clearly documents roles, responsibilities and the monitoring processes that will be applied to the project.</p> <p>Throughout the project, results to be measured will be documented to a standard that would allow others to clearly understand work completed to date for continuity.</p>
<b>Responsible person / title</b>	
Library and Services Team	
<b>Target date:</b>	
N/A	

# Appendix 1 – Agreed Terms of reference

## Background

Aberdeen City Council continues to seek more efficient ways of working and using technology to streamline processes, and reduce the burden on existing resources within Library and Information Services. To assist with this, self-service machines were introduced across 10 locations between April and December 2012.

Self-service machines facilitate the issue and return of books and other items, and can be used to pay fines and other charges. Whilst benefits of introducing the machines include a reduction in staffing costs, the Council's other aims included:

- Freeing staff from routine and time consuming tasks, allowing them to spend more time engaging fully with customers;
- Minimising queues;
- Offering more privacy for transactions to customers;
- Making libraries more attractive to young people; and
- Creating more space as they reduce the need for large counters.

Customers at libraries with self-service machines still have the option of taking their books to the library counter and being served by a member of staff.

The project was led by the Library Systems Team and involved staff consultation and training, as well as the development of FAQs and guidance for users. Since the roll out, usage has been monitored, faults logged and regular meetings held with staff to deal with any issues raised. A review at the end of the first 12 months of operation instigated an investigation into the possibility of introducing Radio Frequency Identification (RFID) to streamline the process further. Funding was secured and RFID was implemented in 2014.

## Scope

We will review the design and operating effectiveness of the key controls in place over the roll out of self-service machines within Library and Information Services. The sub-processes included in this review are:

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### Sub-process

#### Objectives

Project management and implementation

- The project was supported by the wider Library and Information Services development plan and service level objectives;
- The expected benefits and outcomes of the project were outlined in the initial objectives and business case;
- Roles and responsibilities for the management and delivery of the project were assigned and understood;
- A detailed project plan (including project deliverables and deadlines) was in place and implemented as expected;
- There was a clear methodology for selecting which sites were to be included; and
- Staff were provided with appropriate training and support during implementation.

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Post implementation review

- Management have in place a clear mechanism for determining whether benefits have been achieved post implementation;
- The monitoring of realisation of benefits can be supported by relevant evidence and appropriate data collection methods; and
- Management have in place a clear process for monitoring usage and appropriate action is taken to resolve issues identified;
- Feedback has been gathered from staff and users. Feedback has been used to inform future phases of the development.

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### Limitations of scope

The scope of our review is outlined above and 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 the project.
- 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 2 – Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken a review of Self-service machines within Library and Information Services, 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 Self-service machines within Library and Information Services is as at 13 March 2015. 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.

In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information (Scotland) Act 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Aberdeen City Council and solely for the purpose and on the terms agreed with Aberdeen City Council in our agreement dated 4 October 2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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# Aberdeen City Council

## Corporate Policy and Procedure Development

Internal Audit Report  
2014/2015 for Aberdeen  
City Council

**April 2015**

	Target Dates per agreed Internal Audit Charter	Actual Dates	Red/Amber/Green and commentary where applicable
Terms of reference agreed 4 weeks prior to fieldwork	19 <sup>th</sup> January 2015	21 <sup>st</sup> January 2015	Amber
Planned fieldwork start date	16 <sup>th</sup> February 2015	16 <sup>th</sup> February 2015	Green
Fieldwork completion date	27 <sup>th</sup> February 2015	27 <sup>th</sup> February 2015	Green
Draft report issued for Management comment	6 <sup>th</sup> March 2015	12 <sup>th</sup> March 2015	Amber
Management Comments received	26 <sup>th</sup> March 2015	17 <sup>th</sup> April 2015	Amber – delayed due to Easter Holidays
Report finalised	24 <sup>th</sup> April 2015	24 <sup>th</sup> April 2015	Green
Submitted to Audit and Risk Committee	11 <sup>th</sup> May 2015	11 <sup>th</sup> May 2015	Green

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	1
2. Background and scope	3
3. Detailed findings and recommendations	5
Appendix 1 – Agreed Terms of reference	8
Appendix 2 – Limitations and responsibilities	10

This report has been prepared solely for Aberdeen City Council in accordance with the terms and conditions set out in our engagement letter dated 4 October 2010. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Internal audit work will be performed in accordance with Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

**Internal Audit report for Aberdeen City Council**

PwC

Contents

# 1. Executive summary

Report classification	Total number of findings				
	Critical	High	Medium	Low	Advisory
Low risk	-	-	-	1	-
	-	-	-	1	-
Total	-	-	-	2	-

## Summary of findings

Policies and procedures, implemented within an organisation, establish official ways of carrying out tasks. They unequivocally set out the organisations views on particular matters. Policies translate the strategy and mission of the organisation into working practices by acting as a guide to decision makers. Best practice policy and procedure development involves: consistent writing standards; separation of those who create and review policies; documentation version controls; sufficient management of information; appropriate consultations and approvals, and proper communication to end users. This review within Aberdeen City Council has focussed on the finance and HR departments where the above elements have been assessed using walkthroughs of policies and procedures that have been developed over the year.

1.01

### Low risk findings

Currently there is a central database containing administrative information on HR policies and procedures. For example, information on the last review date of a policy or procedure can only be found by opening the document and looking for the date. There is a need for improved management of information to ensure staff are aware of: which policies are to be reviewed; the latest version which should be reflected on 'the Zone' and reasons for the last review. Centralised information will provide senior management with a snapshot of the overall picture which will allow for improved oversight.

1.02

One of the superseded financial policies on risk management had not been removed from 'the Zone'. The operational replacement of superseded documentation is carried out by the IT team after instruction from finance. In this instance, it appears that the finance team have simply not communicated to IT that this policy requires removal.

**Management Comment**

The audit report accurately reflects the process followed with regard to HR policy and guidance development and review. The audit findings confirm that the process is being followed. The action from the audit, comprising the compilation of a database to track policy and guidance development and review is noted that its rating is 'low'. Overall this report endorses the existing arrangements.

For finding 3.02 a process has now been implemented to address this action.



## 2. Background and scope

### Background

#### 2.01 *Responsibility for development of new or existing policy, procedures and guidance*

Within Human Resources (HR), development of new or existing policies is the responsibility of the Policy and Performance team. Policies that fall into the scope of this team mainly relate to employment regulation and corporate governance. Examples of these include: codes of conduct; disability; equality and diversity; grievance; and joiners and leavers.

On the Finance side, development of new or existing policies is delegated to a Finance team member upon identification of the need. There is no single person who has been designated with having the sole responsibility for this task. This is in response to the irregularity of development that is required in practice. Typical areas of policy that fall under the scope of the team include: Financial regulations, management and control; money laundering, and responses to fraud, bribery and corruption.

#### 2.02 *HR development process*

To ensure that the Policy and Performance team are aware of policies and procedures that need to be created or amended, they rely on keeping their knowledge up to date through news sources and publications from the Chartered Institute of Personnel Development (CIPD). Ongoing communication with Trade Unions ensures that any future matters are brought into their consideration and knowledge. Additionally, for any guidance that is released, feedback is received from service managers on areas that should be clarified or developed further.

There has been a relatively recent change in strategic approach to the type of policies and guidance released. Formerly, relatively strict procedures were in place for handling different circumstances and issues. Emphasis has now been placed on a models and frameworks approach which allows individuals more flexibility in their actions or responses. Having framework policies containing only minimal detail provides additional protection for the Council through reducing the scope for an inadvertent management omission resulting in non-compliance, with all the detail being contained in accompanying guidance notes.

Depending on whether guidance or a policy is being produced, the path of development differs slightly. Initially, benchmarking and researching of what is required is performed and an initial draft is compiled before a review is completed by the HR manager. The draft is then circulated to the HR business partner teams, the Human Resource Service Centre and any other relevant parties for comment. For both policies and guidance, the final draft must first be submitted for approval to the Corporate Governance Senior Management Team. Policies also require further approval from the Corporate Management Team (CMT), whereas guidance is released to directors for comment. Once this stage has passed, both are submitted to the Trade Unions for consultation or comments. There is also involvement and consultation with internal stakeholders such as the end users where required. When larger policy changes are required, for example, managers from across the organisation may be asked to participate in research activities such as focus groups, to elicit views on how an existing policy is operating. Once finalised versions are agreed, there must be an 'equality and human rights impact assessment' produced for both. At this point, guidance is publicised and

implemented in practice. Policies require one further stage of approval by the relevant council committee and must be accompanied by a report explaining the background and details for consideration. Communication of newly implemented policies and guidance is achieved using a combination of: cascading the details by e-mail to managers/employees across services; placing a message on the Council's internal website (called 'The Zone') and through providing briefings or training. To track the entire process of all development work, the Policy and Performance team currently have a work schedule in place showing the current reviews. The intention is to develop this further into a 'master workplan' that lists all the forthcoming jobs and the delegation within the team, which will take the form of a database.

### 2.03

#### *Finance development process*

Identification of the requirement for new Finance policies and procedures is a collective responsibility of the Finance team. Considering this, the team carry out two tasks to ensure completeness of their knowledge of all regulatory policies. Firstly, they consult the guidance provided to them by the Chartered Institute of Public Finance and Accounting (CIPFA). There is ongoing communication between these two parties, with CIPFA also publishing best practice guidance. Secondly, benchmarking checks are performed against other Council's to ensure Aberdeen City Council's finance policies and procedures are in line with other local authorities.

The delegated member of the Finance team performs the task before an initial review is performed by a senior Finance team member. At this stage, it may be required that the policy or procedure is distributed to the legal or human resource teams. The document is then updated and reviewed based on the feedback and comments received. After this, the document is presented to the CMT for comment. Further amendments are made at this stage if necessary before consideration and approval is made by the relevant appropriate committee (e.g. Finance, Policy and Resources Committee). After the policy has been approved, communication of the new policy is achieved by use of the Council's internal website (called 'The Zone') and direct communication with budget holders who are often the ones that are most affected by any changes in Finance policy and procedure.

## **Scope and limitations of scope**

### 2.04

The detailed scope of this review is set out in Appendix 2. We have undertaken a review of the design and operating effectiveness of the Council's Policy and Procedure controls.

# 3. Detailed findings and recommendations

## 3.01 HR management of information – Control design deficiency

### Finding

Currently there is no central database containing administrative information on HR policies and procedures. However this is currently being developed. For example, information on the last review date of a policy or procedure can only be found by opening the document and looking for the date. Some policies are intended to be reviewed after certain periods of time and ensuring that this has been completed is therefore a time consuming task. Due to the decentralised nature of the information, it also creates difficulty in regard to identifying the latest version of a document and reasons for prior review.

Tracking policy development and reviews has been carried out using a standalone document. There is a need for a more sophisticated central progress tracker which details the stage of the work and planned completion dates. This can allow for enhanced workload management, sufficient senior management oversight and a snapshot reference guide of progress.

### Risks

- Overreliance on a few individuals holding knowledge about policies and procedures;
- The Council may be unaware of the last time that policies were reviewed or updated;
- The Council may not be aware of whether the latest version of the documentation is the same one as on ‘the Zone’;
- No oversight can be provided by senior management as no information overview exists; and
- There is potential for development of policies or procedures to not be completed to timescales due to insufficient tracking of progress.

<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	<p>A central database of all policies and procedures will be developed.  It is recommended that the database should at least contain information on:</p> <ul style="list-style-type: none"> <li>• Type (e.g. policy or guidance);</li> <li>• Last review date;</li> <li>• Reason for last review;</li> <li>• Current version number/date;</li> <li>• Planned completion dates;</li> <li>• Current assignee of the work; and</li> <li>• Details on the progress of the development or review.</li> </ul>
	<p><b>Responsible person / title</b></p> <p>Jeff Capstick (Human Resource Manager)  Keith Tennant (Team Leader, Policy and Performance)</p> <p><b>Target date:</b></p> <p>30 August 2015</p>

### 3.02 Removal of superseded policies – Operational Deficiency

<b>Finding</b>	
We found that one finance policy ('Risk Strategy') sitting within the Corporate Policy and procedure development section of 'the Zone' was not removed after it was superseded in 2013. The operational replacement of superseded documentation is carried out by the IT team after instruction from finance. In this instance, it appears that the finance team have simply not communicated to IT that this policy requires removal.	
<b>Risks</b>	
Council staff may be following outdated policy and procedure due to old information not being removed.	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	The Finance team will perform routine checks to ensure that the intended communication of finance policy and procedure on the Council's internal website is complete and up to date.
	<b>Responsible person / title</b> Sandra Buthlay (Accounting Manager)
	<b>Target date:</b> Implemented

# Appendix 1 – Agreed Terms of reference

## Background

Aberdeen City Council has over 8000 employees working across the organisation and in performing their roles and responsibilities staff must comply with a wide variety of corporate policies and procedures. Therefore developing appropriate policies and procedures, and ensuring these are monitored and communicated effectively to staff, is important to the Council in ensuring that staff are aware of their roles and responsibilities.

## Scope

We will review the design and operating effectiveness of the key controls in place to develop and communicate policy and procedures. The scope of our review will focus on corporate policies and procedures for the following sample of services: Human Resources and Organisational Development and Finance. The sub-processes included in this review are:

<b>Sub-process</b>	<b>Control Objective</b>
New policies and procedures	<ul style="list-style-type: none"> <li>• Responsibility for developing new policy and procedures is assigned appropriately.</li> <li>• Laws or regulations requiring new policy and procedures are identified.</li> <li>• New policy and procedures are developed in a timely manner when the need is identified.</li> <li>• Key stakeholders, internal and external, are consulted on new policy and procedures and their feedback considered in the development process.</li> </ul>
Maintenance of policies and procedures	<ul style="list-style-type: none"> <li>• Responsibility for developing new policy and procedures is assigned appropriately.</li> <li>• Laws or regulations requiring changes in existing policy and procedures are identified.</li> <li>• Changes in existing policy and procedures are made in a timely manner when the need is identified.</li> <li>• Key stakeholders, internal and external, are consulted on changes in policy and procedures and their feedback considered in the amendment process.</li> </ul>
Approval and communication of policies and procedures	<ul style="list-style-type: none"> <li>• New or revised policies and procedures are reviewed and approved by management and relevant Council committees.</li> <li>• New or revised policies and procedures are communicated to all affected staff and stakeholders in a timely manner.</li> </ul>

### **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 policy and procedure development.
- 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 2 – Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken a review of policy and procedure development, 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 policy and procedure development is as at February 2015. 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

## Procurement in Construction

Internal Audit Report  
2014/2015 for Aberdeen  
City Council  
**April 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	10 November 2014	12 August 2014	Green
Planned fieldwork start date	08 December 2014	08 December 2014	Green
Fieldwork completion date	19 December 2014	02 February 2015	Red - Due to delays in receiving information.
Draft report issued for Management comment	09 February 2014	17 March 2015	Red – Internal auditor delayed in reporting as result of delays in fieldwork completion.
Management Comments received	31 March 2015	27 April 2015	Red – Delay in receiving comment from management
Report finalised	4 May 2015	28 April 2015	Green
Submitted to Audit and Risk Committee	11 May 2015	11 May 2015	Green

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive Summary	1
2. Background and scope	3
3. Detailed findings and recommendations	4
4. Outstanding recommendations	5
Appendix 1 – Agreed Terms of reference	12
Appendix 2 – Scottish Government recommendations	13
Appendix 3 – Limitations and responsibilities	16

This report has been prepared solely for Aberdeen City Council in accordance with the terms and conditions set out in our engagement letter 4 October 2010. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Internal audit work will be performed in accordance with Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

**Internal Audit report for Aberdeen City Council**

PwC

Contents

# 1. Executive Summary

Report classification	Total number of findings				
	Critical	High	Medium	Low	Advisory
Low risk	-	-	1	-	-
	-	-	-	-	-
Total	-	-	1	-	-

## Summary of findings

1.01 The Scottish Government published a 'Review of Scottish Public Sector Procurement in Construction' in October 2013 detailing 24 recommendations that it would expect to see in place regarding procurement in construction, on or before March 2015, within all Scottish Local Authorities (see Appendix 3 for a list of the recommendations). In order to provide assurance over the current status of the implementation of these recommendations by Aberdeen City Council, we have performed a review of the progress for implementation of each of the 24 recommendations.

1.02 From our review we have identified 16 of the 24 recommendations as being implemented at the time of our audit fieldwork, leaving eight recommendations outstanding for implementation. The details of those Scottish Government recommendations we identified as outstanding are in Section 4 of this report.

1.03 We have made one medium risk finding regarding the lack of an action plan and ownership for implementation of the eight recommendations that are overdue or due at 31 March 2015 at the time of our review. In addition there is no one at the Council who has been assigned overall responsibility for the implementation of the Scottish Government's recommendations or for monitoring the progress in implementing them. Without an action plan and clear ownership for implementation there is a risk that the Council will not implement the recommendations made in the Scottish Government's review and therefore not be aligned with good practice for public sector procurement in construction.

**Management comments**

An action plan, with corresponding target dates and responsibilities, has been developed to capture the information required and ensure this is used to positively embrace the local supply market as well as identify potential cross party collaborative opportunities. A structured approach to Category management with regular communication between the relevant service managers and the category manager will ensure the collation of the necessary information but also provide a natural platform for the identification and development of both supplier engagement opportunities and collaborative ventures, all during a very exciting and varied time for construction within Aberdeen City Council.

# 2. Background and scope

## Background

### Overview

2.01 The Scottish public sector construction industry is made up of c. 31,000 businesses and has annual expenditure of around £4 billion. To ensure value for money and promote the sustainability and development of small and medium sized enterprises, the Scottish Government conducted the “Scottish Public Sector Procurement in Construction” review in October 2013. The review had identified 24 recommendations for Local Authorities along with proposed implementation measures with a timeline for implementation over the period from March 2014 to March 2015.

### Council Responsibilities

2.02 It is the Council’s responsibility to ensure that the Scottish Government’s report is made available to all relevant members of staff, and that the appropriate member of staff has been implementing the recommendations as set out in the aforementioned report, within the expected timeframe.

2.03 The Scottish Government’s review was discussed with various personnel from across a range of departments involved in procurement in construction throughout Aberdeen City Council to get comfort over the progress of implementation of these recommendations. The departments consulted included Communities, Regeneration and Housing Investment, Planning and Sustainable Development, Infrastructure and Assets, and Building Services. Note that the Council has recently undergone a restructure and that these departments may no longer exist or may exist in a different capacity.

## Scope and limitations of scope

2.04 The detailed scope of this review is set out in the agreed terms of reference in Appendix 2.

2.05 We have undertaken the review of recommendations by:

- Meeting with key individuals to understand if recommendations have been implemented;
- Obtaining evidence to verify that recommendations have been implemented as discussed; and
- Considering action plans for recommendations which are not yet due.

# 3. Detailed findings and recommendations

## 3.01 Implementation of outstanding findings – Control design

Finding	
<p>Eight of the 24 recommendations made by the Scottish Government were not implemented at the time of our review and were either overdue or not on track for implementation before the deadline. The recommendations identified as outstanding are detailed in Section 4.</p> <p>The Council currently has no action plan for how it will implement those eight recommendations identified as outstanding. There is also no single person or group at the Council that has been assigned ownership for implementing the recommendations contained in the Scottish Government's report, or for monitoring and reporting on progress in implementing. The result is a lack of clarity among Council Officers as to who is responsible for the implementation of the recommendations in the report and to the timeline for implementing the eight outstanding recommendations.</p>	
Risk	
<p>There is a risk that the Council will not be able to demonstrate that it has in place a plan to implement the recommendations made in the Scottish Government's report.</p>	
Action plan	
Finding rating	Agreed action
Medium	<ul style="list-style-type: none"> <li>• Responsibility for implementation of the outstanding recommendations will be assigned to an appropriate project group or Council Officer.</li> <li>• An action plan will be developed that sets out the timescale and proposed actions for implementation of the eight outstanding recommendations identified in Section 4 of this report.</li> </ul>
<p><b>Responsible person / title</b></p> <p>Pete Leonard (Director of Community and Infrastructure Development)            Craig Innes (Head of Procurement)</p> <p><b>Target date:</b></p> <p>Implemented</p>	



# 4. Outstanding recommendations

## 4.01 5.3 Annual rolling pipeline plan

### Scottish Government Recommendation

Each public body should publish annually a rolling pipeline plan of anticipated spending on construction, setting out detailed known information on timescales for pre and post-contract award including any planned phasing, the anticipated approach to market, the status of required consents, the funding model being used and whether formally approved by their governing body. These pipeline plans should be collated and held centrally, and should initially contain all anticipated work above a value of £4 million over the next two years, with a clear plan put in place to extend this to cover at least work worth £2 million or more, and a timeframe of at least three years.

*Deadline: 31 March 2015*

### Finding

Departments within the Council have their own five year rolling construction budgets where possible; currently, play and green areas are only given a yearly budget and therefore cannot provide a rolling pipeline; however, they do keep a wish list for future projects. Whilst each department keeps track of their budgets, there is not presently a centralised plan covering all construction projects within the Council, whether in progress or future. Management would be happy to share such a collated plan with any Local Authority for collaboration opportunities more frequently than once annually.

Each Department should collaborate internally and feed up all their current and intended projects to the Head of Procurement. The centrally held collated plan should be updated regularly and visible to any person involved in the procurement in construction process.

*Status: not yet due*

## 4.02 5.4 and 5.5 Collaboration

<p><b>Scottish Government Recommendation</b></p> <p>Public sector bodies involved in construction projects should be able to demonstrate that sufficient linkages are made between them. This should include consideration of appropriate opportunities for collaboration and for synergies with other programmes of work in the planning phase of all infrastructures spend; and</p> <p>Regional co-ordination of infrastructure spend should be considered by councils across Scotland.</p> <p><i>Deadline: ongoing</i></p>
<p><b>Finding</b></p> <p>Whilst some departments have the opportunity to use collaborative systems such as Nestrans or Scotland-Excel, not all are finding information on projects occurring within other Local Authorities as easy to come by and, as such, make one-departmental decisions more often.</p> <p>Each Department should collaborate internally with each other first and foremost so that the Council is fully aware of its internal Procurement in Construction opportunities.</p> <p>Then, the Council should implement guidance, that is easily available, that sets out various means of sharing information amongst public sector bodies in order to promote collaboration and / or synergies wherever possible.</p> <p><i>Status: ongoing</i></p>

## 4.03 7.2 PCA framework

### Scottish Government Recommendation

The existing PCA framework should be developed to ensure that it adequately assesses, reports on and helps to improve organisations' ability to procure publicly funded construction. Those carrying out the assessments should be suitably qualified to do so and all organisations procuring construction projects with public funding should undergo procurement capability assessments.

*Deadline: in time for the 2015 round of assessments*

### Finding

It was noted that none of the persons interviewed were aware of a PCA framework or indeed what it should consist of. The Council should consider implementing a PCA framework as a matter of priority.

*Status: not yet due*

## 4.04 7.3 Forums

### Scottish Government Recommendation

If not already established, public sector procuring authorities should work together to develop forums with locally-operating construction firms which would meet on a regular basis and include economic development teams and construction procurement staff to discuss the pipeline of work, issues and opportunities, with a view to building greater understanding, transparency and improved processes and practice.

*Deadline: by Autumn 2014*

### Finding

At present there are no such forums made available to construction firms by the Council. Once set up, the Council should ensure that locally operating construction firms are aware of all future dates and times, and know that they are welcome and encouraged to attend.

Measurement of these should be built into Procurement Capability Assessments.

*Status: overdue*

## 4.05 7.3 PCS Tender

### Scottish Government Recommendation

The use of Public Contracts Scotland (PCS) Tender should be mandatory for creating ITTs, using standard question sets as the basis, and submitting tender returns – whether individual contracts or frameworks.

*Deadline: by Summer 2014*

### Finding

None of the persons interviewed were aware of PCS Tender; if it is currently being used for the tender process, there is confusion over the system name. Training may be necessary to make certain that employees are using the system correctly.

*Status: overdue*

## 4.06 9.5 Tracking all spending

<b>Scottish Government Recommendation</b>	
Action should be taken to ensure robust systems are in place to track all spending on construction by public authorities such that a complete analysis of annual public sector construction spends in Scotland can be easily available.	
Capability of systems <i>Deadline: before 31 March 2014 to allow the spend for 2014-15 to be captured</i>	
Submit detail of spend <i>Deadline: to be gathered initially for the year ending 31 March 2015</i>	
<b>Finding</b>	
Currently Departments separately monitor their budgets against actual spends; however this is held internally and there is no information collated or analysed centrally within the Council.	
Capability of systems <i>Status: overdue</i>	
Submit detail of spend <i>Status: not yet due</i>	

## 4.07 9.5 Sectorial records

### Scottish Government Recommendation

Sectorial records of project overrun costs, including what they were estimated to cost at business plan and contract award stages and actual cost on completion, should be developed and maintained so as to provide meaningful benchmark figures for the public sector in Scotland. These records should also record timescales and quality measures to enable a true assessment of performance delivery to be made.

Specifying costs and how they are recorded  
*Deadline: 30 September 2014*

Submit benchmark information in standard agreed format  
*Deadline: commencing 31 March 2015*

### Finding

Currently there is no evidence that Sectorial records are kept within the Council.

Specifying costs and how they are recorded  
*Status: overdue*

Submit benchmark information in standard agreed format  
*Status: not yet due*

# Appendix 1 – Agreed Terms of reference

This review is being undertaken as part of the 2014/2015 internal audit plan approved by the Audit and Risk Committee in February 2014.

## ***Background***

The Scottish public sector construction industry is made up of c. 31,000 businesses and has annual expenditure of around £4 billion. To ensure value for money and promote the sustainability and development of small and medium sized enterprises, the Scottish Government conducted the “Scottish Public Sector Procurement in Construction” review in October 2013.

The review has identified 24 recommendations for Local Authorities to implement.

## ***Scope***

We will assess the Council’s compliance with the Local Authority recommendations. Where recommendations have been implemented we will seek evidence to independently verify this. Where recommendations are not yet due, we will assess management’s action plans to meet the deadline stated. Recommendations included within the scope of this review are noted in Appendix A.

## ***Limitations of scope***

The scope of our review is outlined above. 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:

- Meet with key individuals to understand if recommendations have been implemented.
- Obtain evidence to verify that recommendations have been implemented as discussed.
- Review action plans for recommendations which are not yet due.



# Appendix 2 – Scottish Government recommendations

Section	Recommendation
5.3	<p>Each public body should publish annually a rolling pipeline plan of anticipated spending on construction, setting out detailed known information on timescales for pre and post-contract award including any planned phasing, the anticipated approach to market, the status of required consents, the funding model being used and whether formally approved by their governing body. These pipeline plans should be collated and held centrally, and should initially contain all anticipated work above a value of £4 million over the next two years, with a clear plan put in place to extend this to cover at least work worth £2 million or more, and a timeframe of at least three years.</p>
5.4	<p>Public sector bodies involved in construction projects should be able to demonstrate that sufficient linkages are made between them. This should include consideration of appropriate opportunities for collaboration and for synergies with other programmes of work in the planning phase of all infrastructures spend.</p>
5.5	<p>Regional co-ordination of infrastructure spend should be considered by councils across Scotland.</p>
5.6	<p>Current Scottish Government Affordable Housing Supply programme arrangements provide for an enhanced role for local authorities in programme planning and prioritisation. Alongside the Scottish Government, local authorities should therefore play a key role in helping to inform and influence procurement choices and delivery of local authority and RSL affordable housing supply in their areas as well as looking more widely at potential synergies with neighbouring authorities.</p>
6.2	<p>Design and whole life costing should be afforded appropriate priority in any construction procurement process. A comprehensive business case and procurement strategy focusing on desired outcomes and whole-life costs should be developed. This will require the earliest possible engagement between clients, users, designers and contractors.</p>
6.3	<p>Guidance on best practice in the use of framework agreements should always be followed, in particular in allowing opportunities for SMEs to participate.</p> <p>When used inappropriately, Wide frameworks and frameworks negotiated by regional purchasing bodies elsewhere in the UK can have the effect of preventing SMEs from participating in public procurement. Guidance should be developed and implemented on the appropriate use of such frameworks. This guidance should pay particular heed to the value of growing local economies.</p>
6.7	<p>Thorough consideration of options must be applied to contract selection as part of the pre-commercial stage.</p>

	<p>Any variations to standard forms of contract should be kept to a minimum and used only when absolutely necessary to take account of the particular circumstances of the project. We also recommend that any such amendments should be clearly highlighted within contract documentation so that client and contractor are clear on the variations being imposed to the standard terms.</p>
6.8	<p>All public bodies should adopt a maximum 30 day payment term to their suppliers, as detailed in Scottish Procurement Policy Note 08/2009, and this should form the target against which performance in meeting payment terms is monitored as part of procurement capability assessments (unless shorter targets have already been adopted by the organisation in question).</p> <p>Public sector clients need to ensure that there is a clear understanding between those involved in pre-contract award stage and those involved in delivery on the public sector requirement for fair payment. Contractual terms between client and main contractor should consistently outline fair payment terms for supply chain participants. Clients should ensure that appropriate resources are allocated to contract management and enforcement of terms and conditions of contract.</p>
7.2	<p>Public sector bodies involved in construction procurement must have access to the right mix of professional procurement and construction expertise to ensure that infrastructure is procured effectively. It may not be appropriate for each organisation to retain this expertise on a permanent basis. It may instead be achieved through collaboration with other bodies – either on a project-by-project, or a longer-term basis.</p> <p>The existing PCA framework should be developed to ensure that it adequately assesses, reports on and helps to improve organisations’ ability to procure publicly funded construction. Those carrying out the assessments should be suitably qualified to do so and all organisations procuring construction projects with public funding should undergo procurement capability assessments.</p> <p>Public bodies should rightly seek to re-assure themselves of the competence and skills of bidders. This, however, should be done through asking for appropriate experience – as indeed is Scottish Government policy - rather than necessarily asking for exact experience of similar project delivery within a short number of years (for example “supply three examples of community halls which you have built in the last five years”).</p> <p>The ability of a company to deliver a contract should not solely be measured by the use of turnover thresholds. Where annual turnover is part of financial criteria it should be limited to no more than two times the annual contract value as outlined in the EU commission’s proposal. Further guidance should be developed on other valid and proportionate methods for assessing financial strength and risk.</p> <p>To the extent possible within the full scope of the law, including as may be amended by the new EU Procurement Directive and Procurement Reform Bill, contracting authorities should take the prior performance and behaviour of bidders into account when awarding contracts. Guidance which ensures compliance with legislation should be developed.</p> <p>Contracting authorities should always make feedback available to both successful and unsuccessful bidders at PQQ and ITT stage. Feedback should be timely, and a model of good practice building on existing sources, such as ‘the Scottish Suppliers’ Charter, and legislative requirements, should be developed.</p> <p>If not already established, public sector procuring authorities should work together to develop forums with locally-operating construction firms which would meet on a regular basis and include economic development teams and construction procurement staff to discuss the pipeline of work, issues and opportunities, with a view to building greater understanding, transparency and improved processes and practice.</p>
7.3	

	<p>The use of Quick Quote should become the norm for works contracts worth less than £500,000, and public bodies should consider using Quick Quote for awarding construction-related contracts worth less than the proposed thresholds in the Procurement Reform Bill (£2 million for works and £50,000 for supplies and services).</p>
7.3	<p>When using Quick Quote, public bodies should be able to demonstrate a clear audit trail to contract award, to ensure transparency and accountability.</p>
	<p>The use of PCS Tender should be mandatory for creating ITTs, using standard question sets as the basis, and submitting tender returns – whether individual contracts or frameworks.</p>
8.2	<p>The requirement that contracting authorities should have a clear strategic understanding of what they want community benefits to deliver through their public procurement for the sustainability of the Scottish and local economy and the community within which the project is being delivered. The public body should set out its strategic objective and ask the contractor to set out in its tender how it will meet that objective.</p>
	<p>Action should be taken to ensure robust systems are in place to track all spending on construction by public authorities such that a complete analysis of annual public sector construction spends in Scotland can be easily available.</p>
9.5	<p>Sectorial records of project overrun costs, including what they were estimated to cost at business plan and contract award stages and actual cost on completion, should be developed and maintained so as to provide meaningful benchmark figures for the public sector in Scotland. These records should also record timescales and quality measures to enable a true assessment of performance delivery to be made.</p>

# Appendix 3 – Limitations and responsibilities

## Limitations inherent to the internal auditor’s work

We have undertaken a review of the current status of implementation of the Scottish Government’s “Scottish Public Sector Procurement in Construction” recommendations at Aberdeen City Council, 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 Procurement in Construction is as at 31 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.

In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Aberdeen City Council and solely for the purpose and on the terms agreed with Aberdeen City Council in our agreement dated 4 October 2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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# Aberdeen City Council

## Section 75 Planning

	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	N/A	27 <sup>th</sup> January 2015	<b>Green</b> – Replacement review for music services
Planned fieldwork start date	2 <sup>nd</sup> February 2015	2 <sup>nd</sup> February 2015	<b>Green</b>
Fieldwork completion date	13 <sup>th</sup> February 2015	16 <sup>th</sup> March 2015	<b>Red</b> – Samples provided late due to ACC IT issues and close out meeting not possible until March.
Draft report issued for Management comment	23 <sup>rd</sup> March 2015	9 <sup>th</sup> April 2015	<b>Red</b> – Delayed due to IA manager annual leave
Management Comments received	23 <sup>rd</sup> April 2015	20 <sup>th</sup> April 2015	<b>Green</b>
Report finalised	30 <sup>th</sup> April 2015	28 <sup>th</sup> April 2015	<b>Green</b>

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Submitted to Audit and Risk Committee	11 <sup>th</sup> May 2015	11 <sup>th</sup> May 2015	<b>Green</b>
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# Contents

<b>Section</b>	<b>Page</b>
1. Executive Summary	1
2. Background and scope	3
3. Detailed findings and recommendations	5
Appendix 1 – Basis of our classifications	11
Appendix 2 – Agreed Terms of reference	13
Appendix 3 – Limitations and responsibilities	16

This report has been prepared solely for Aberdeen City Council in accordance with the terms and conditions set out in our engagement letter 4 October 2010. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Internal audit work will be performed in accordance with Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

**Internal Audit report for Aberdeen City Council**

PwC

Contents

# 1. Executive Summary

Report classification	Total number of findings				
	Critical	High	Medium	Low	Advisory
Medium risk	-	-	2	2	-
	-	-	-	1	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>

## Summary of findings

- 1.01 Section 75 Planning agreements are agreements between a property developer and the Council to agree obligations, usually payment of money, to mitigate the impact of a development on Council services. These agreements are usually a prerequisite to planning permission. We have looked at Section 75 Planning agreements with regard to controls in place over the negotiation of the agreements and the controls for the collection and spending of the resulting funds from April 1<sup>st</sup> 2014 to 1st February 2015.
- 1.02 We have made two medium risk findings as a result of our review and three low risk findings. The two medium findings are summarised below :
- The Council budgets for some large developments, for example schools, include as yet unpaid developer funds. The receipt of developer funds is however inherently uncertain, as there is a risk that Section 75 obligations can be amended if a developer makes a successful Section 42 application to the Scottish Ministers. This risk relating to the uncertainty in the funding is not documented in any of the Council's risk registers. It is therefore unclear as to how this risk will be mitigated for those projects that include developer contributions in their budgets. These total £2.38m of funding in the 2015 budget.
  - The system that registers building completions, and therefore is used to identify when obligations for developer contributions are to be paid, records completions by ward. However, Section 75 agreements are recorded by developer, not by ward, creating a difficulty when trying to identify agreements that are due for payment. Currently there is no control to reconcile this data creating a risk that payments due from developers are missed.
- 1.03 Generally the process for the management of Section 75 agreements was good. The department having an awareness of most of the issues we have noted. There are

a number of points of good practise that we have noted during our review. These include the integration of the Section 75 agreements process in to the Local Development plan and the alignment of policies with the Scottish Government Circular 3/2012 on 'Planning Obligations and Good Neighbour Agreements'. Other examples of good practice include the existence of a central database to record all Section 75 documents and the appointment of a single responsible officer to run the Section 75 process.

**Management comments**

The audit of S75 agreements has been helpful in confirming the processes and procedures recently put in place to ensure the effective management of developer contributions. As stated by the auditors, we are aware of the issues highlighted in the audit findings and have already identified actions to resolve them.

## 2. Background and scope

### **Background**

#### **Negotiation**

- 2.01 The Council sets out the criteria it uses to assess the requirement for the Section 75 Contribution for a development in the Local Development Plan (LDP) and its supplementary materials. These set out the Councils policies in line with the ‘Scottish Government’s Circular 3/2012: Planning Obligations and Good Neighbour Agreements’. This is approved by the Communities, Housing and Infrastructure Committee to ensure that the policy is compliant with their strategy. It is also reviewed by the Scottish Government for compliance with relevant rules including the Circular.
- 2.02 The process of negotiating a Section 75 agreement begins when the Council receives an inquiry or a formal application for planning permission. This leads to the Directorate Support team being notified and they approach all key contacts nominated by each service to get an estimate of the cost of mitigation for that service. This is then compiled in to a ‘wish list’ of the amount of mitigation the Council will be seeking. There is a requirement to do this in a proscribed time limit to comply with regulations. The limit is 14 days for a small development, typically building of a single dwelling, and 28 days for a large one, e.g. the building of large estates.
- 2.03 This is then passed to the negotiation team within Aberdeenshire Council. This team is run as shared service by Aberdeenshire on behalf of themselves and Aberdeen City Council. They use a formula as set out in the LDP to calculate the obligations and then negotiate with the developers for the contributions. They then come back to the Council and ensure all the areas of the Council seeking funds are happy with the amount they have. If the areas seeking funds are not, an agreement is sought between them and if no agreement can be reached then this has to be approved by the Finance, Policy and Resources Committee.

#### **Documentation**

- 2.04 Once these contributions are agreed then an appropriate document is drawn up for smaller developments this is likely to be a voluntary planning agreement. However, for larger developments this requires a Section 75 agreement and this will be drafted with the help of ACC’s legal department.
- 2.05 These are then added to a database of all contributions as pending along with all the information about the allowed usage of these funds. A case file is also opened against the planning reference number and this is used to store the agreement and any other documentation relating to the agreement. This database is used to run reports monitoring the status of all Section 75 agreements and to track them to ensure the contributions are spent once paid.

#### **Budgeting and spending of contributions**

- 2.06 When ACC is paid by the developer a pro-forma is sent to the relevant departments detailing the amounts of money available and the uses it can be put towards. This has to be returned, completed, to the Planning and Monitoring officer before the money can be released. This pro-forma is reviewed to ensure compliance with the terms of the Section 75 agreement. A finance allocation code is allocated to allow the money to be transferred to the service's budget to offset the cost of the work done.
- 2.07 Until this happens the money is kept in a separate bank account and is accounted for in a separate mini-ledger. This completely segregates these contributions and ensures that money can only be spent when an allocation code is issued. Generally this money is therefore not accounted for in budgets until it is received, however for large long term projects such as schools a funding line is put in to the capital budget to record the financing of the project.
- 2.08 The presumption is not to budget for the money prior to receipt as once developers have planning permission they only have to pay the money when they reach a set stage in the construction process, and this progress can be uncertain. This means that there is no guarantee as to when and if this money will come in, as developers are under no obligation to use planning permission. However, some of the large contributions towards significant capital projects are budgeted ahead of receipt of the funds. This is done through the Council's capital budgeting procedures and is listed as one of the funding sources.

#### **Amendment of agreements**

- 2.09 There is also a risk that the developers could seek an amendment to the Section 75 if they believe that a change in the economics of the project means that the contribution they would have to pay would make the project no longer financially viable. This has never happened in Aberdeen to date, however Aberdeenshire has recently received one such application and Aberdeen is alert to the possibility that they might receive such an application.
- 2.10 If an application for an amendment to a Section 75 agreement was received it would be treated as a new planning application and would require the Aberdeenshire negotiations team to renegotiate the contribution. This would then have to go back to the planning committee to reapprove the planning permission and the new agreement.

#### **Monitoring**

- 2.11 To ensure that the money is spent in the allotted time the Planning and Monitoring officer meets with the key contact in each sector on a quarterly basis to go through the Section 75 money attributed to those sectors and currently uncommitted. This is to give key contacts an idea of how much money they need to spend and when. They then discuss projects that this money could be spent on in the relevant areas.

#### **Scope and limitations of scope**

- 2.12 The detailed scope of this review is set out in Appendix 2. We have undertaken a review of the design and operating effectiveness of the Council's Section 75 Planning controls. Our work was undertaken using a sample based approach.

# 3. Detailed findings and recommendations

## 3.01 No clear ownership of the risk of non-payment of Section 75 obligations – Control design

Finding		
	<p>There is currently no clear ownership of the risk of non-payment of Section 75 obligations and the impact of their non-payment on capital budgets. Developers may ask for amendments to be made to their obligations due to changes in the economics of a development through a Section 42 application to the Scottish Ministers. If this application was accepted it could result in the amount of developer funds available being reduced. This creates a risk of a deficit in capital funding where these contributions have been added to the budget for a project.</p> <p>We could not find a departmental or project risk register in which the risk that developer contributions are not paid is recorded, nor documentation of what mitigation is in place to protect against this risk. Currently it is unclear whether this risk lies with the sector budget holders or with capital finance. The only risk recorded is a generic funding risk with the mitigation being to request further funding from Finance. The current value of budgeted developer contributions is £2.38m.</p>	
Risks		
	Changes in developer obligations may impact on the Council’s capital budgets and ability to deliver capital projects.	
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	<p>It should be established where the risk of non-payment of Section 75 developer contributions sits within the organisation and a risk should be placed in the corresponding risk register.</p> <p>This should then be regularly reviewed to ensure an appropriate level of mitigation is in place.</p>	Steve Whyte (Head of Finance)

**Target date:**

30-Jun-15

### 3.02 No control to identify Section 75 agreements due for payment – Control design

<b>Finding</b>	
<p>Currently lists of Section 75 agreements are maintained by the Planning and Monitoring Officer. Planning are supposed to update these lists when they are notified of building completions that ‘trigger’ the payments by the developers agreed in the Section 75’s. However, we have found no effective control to do this as planning do not have a system that identifies ‘trigger’ points as they are reached. This is because the data recorded by planning is recorded by ward area, not by developer, and therefore it is difficult to match the two datasets together to identify when payments are due. In discussion with management they believe this may result in payments due from developers being missed. It is not possible to quantify whether payments have not been received as there has been no reconciliation performed to reconcile the two datasets.</p>	
<b>Risks</b>	
<p>There is a risk that as developers do not pay until requested that payments would be significantly delayed or may not be paid as a result of the inability to identify when payments are due.</p>	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Medium	The team at ACC are currently having discussions to establish if a new IT system could be brought in to allow the completion of Section 75’s to be registered automatically. In the interim, a reconciliation will be performed to reconcile outstanding Section 75 agreements to completions for the period.
<b>Responsible person / title</b>	
David Marshall (Planning and Monitoring Officer)	
<b>Target date:</b>	
March 2016	



### 3.03 No management monitoring of unspent funds received from Section 75 agreements – Control design

<b>Finding</b>	
<p>There is no reporting to management of unspent funds from Section 75 agreements. This means that there is no review by management of the progress made towards spending outstanding funds. As Section 75 agreements can include requirements to spend any developer contribution within a specified timeframe, without review there is a risk that the unspent funds will not be expended in the required timelines.</p> <p>The Section 75 team are aware of this and have proposed to set up a report to be circulated to the Heads of Services' of the affected departments for their review.</p>	
<b>Risks</b>	
<p>There is a risk that if this is not reviewed regularly and formally then Section 75 funds may not be spent in the time frame required by the agreement.</p>	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	<p>Management will develop a 'reversed ageing report' showing total uncommitted funds against the time left to spend those funds. The report will be circulated for management review amongst relevant Heads of Service.</p> <p>David Marshall (Planning and Monitoring Officer)</p>
<b>Responsible person / title</b>	
<p><b>Target date:</b></p> <p>30 June 2015</p>	

### 3.04 Uncertainty as to who occupies key roles in process – operating deficiency

<b>Finding</b>	
We have sampled two of the areas that should have Departmental main points of Contact and found that in Education there are currently three people being copied in to emails regarding Section 75 agreements. This has been noted because it could lead to confusion about who is to respond. On enquiry with the Section 75 team it was highlighted that the points of contact in each service for Section 75 planning have not been fixed following reorganisations. This has led to emails requesting information being copied to large numbers of people and a lack of clarity as to who should be dealing with the Section 75 issues in each sector.	
<b>Risks</b>	
There is a risk that the lack of a clear key contact leads to confusion and delay in agreeing the amounts required from the Section 75 agreements at the negotiation stage. There is also a risk that if the person attending the quarterly meetings is not the key contact for that department they may not be able to ensure that the money is committed to projects at the appropriate times.	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	Heads of Service will appoint an appropriate 'point of contact' for their service with responsibility for responding to requests regarding Section 75 agreements.
	<b>Responsible person / title</b> Margret Bochel (Head of Planning and Sustainable Development)
	<b>Target date:</b> September 2015

### 3.05 The Service Level Agreement with Aberdeenshire Council for the shared service is unsigned – Control operation

<b>Finding</b>	
At the time of our audit the Service Level Agreement with Aberdeenshire Council had not been finalised or signed by either party. The lack of a signed agreement means that there is no formal contract in place between Aberdeen City Council and Aberdeenshire Council to govern the work of the shared service negotiations team. This agreement is still outstanding since the establishment of the shared service centre with Aberdeenshire Council in May 2013.	
<b>Risks</b>	
There is a risk that if the service level agreement is not signed that there is no formal agreement to prevent misunderstanding as to the nature and scope of the service provided by Aberdeenshire Council.	
<b>Action plan</b>	
<b>Finding rating</b>	<b>Agreed action</b>
Low	The Service Level Agreement with Aberdeenshire Council for the shared service negotiations team supporting Section 75 planning will be finalised at the earliest possible opportunity.
	<b>Responsible person / title</b>
	Margaret Bochel (Head of Planning and Sustainable Development)
	<b>Target date:</b>
	September 2015 (Dependent on response from Aberdeenshire Council)

# Appendix 1 – Basis of our classifications

## Individual finding ratings

Assessment rationale	
Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact ; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences ; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## 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 2 – Agreed Terms of reference

## Background

Section 75 of the Town and Country Planning (Scotland) Act 1997 (‘the 1997 Act’) gives planning authorities the ability to enter into planning obligations with developers and landowners to restrict or regulate the development or use of land. Agreements between the land owner and the planning authority under Section 75 are entered voluntarily and can include positive obligations, such as developer contributions.

Aberdeen City Council, in line with other Planning Authorities in Scotland, operates a system of developer contributions in relation to Infrastructure and Affordable Housing requirements resulting from certain planning applications. These contributions must be utilised by the Council within a set timeframe and can include conditions to be met by the Council before the money can be used. There is a shared Section 75 Planning team that works for both Aberdeen City Council and Aberdeenshire Council to manage of Section 75 Planning for both local authorities.

## Scope

We will review the design and operating effectiveness of the key controls in place over Section 75 Planning arrangements. Our review however, does not include an assessment of whether the Council actually has, or has not, complied with the legislation. The sub-processes included in this review are:

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## Sub-process

Compliance with Section 75 legislation and guidance

## Control objectives

- National policy and guidance as contained in the Scottish Government’s Circular 3/2012: Planning Obligations and Good Neighbour Agreements is incorporated into the Local Development Plan and associated supplementary guidance.
- The Section 75 Planning team have a process in place for managing Section 75 Planning obligations.
- Roles and responsibilities are clearly defined within this process and key decision makers identified.
- Internal guidance/procedures are updated to reflect the most recent Government guidance and policies on Section 75 Planning.

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Communication of Section 75 Planning obligations

- Obligations agreed with developers and landowners are communicated to the relevant project team and incorporated into capital finance planning.
- Amendments to capital finance planning as a result of Section 75 Planning obligations are approved by the appropriate Council committee.

Monitoring of Section 75 Planning obligations

- A responsible officer has been charged with ensuring compliance with Section 75 planning obligations
- Compliance is proactively monitored, and reported to management, with action taken to address areas of non-compliance.
- Records of developer contributions made in respect of Section 75 Planning obligations are complete and accurate.
- The timeframes for utilising funds deposited as developer contributions are recorded and proactively monitored.
- Any conditions related to the utilisation of funds are recorded and progress to meeting these conditions is regularly reviewed.

### **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 monitoring compliance with laws and regulations
- 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 3 – Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken a review of Section 75 Planning, 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 Section 75 Planning is as at February 2015. 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.

In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Aberdeen City Council and solely for the purpose and on the terms agreed with Aberdeen City Council in our agreement dated 4 October 2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit and Risk Committee
DATE	11 <sup>th</sup> May 2015
OWNER OF PAPER	David Brown, Chief Internal Auditor
TITLE OF REPORT	Implementation of recommendations relating to Internal Audit, External Audit and other investigations 1 <sup>st</sup> January 2015 to 28 <sup>th</sup> February 2015.

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### 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 28<sup>th</sup> February 2015.

### 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

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## 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 28<sup>th</sup> February 2015.
- 1.02 The total due at 28<sup>th</sup> February 2015 includes those recommendations that were open as of our last report at 31<sup>st</sup> December 2014 and those due to be implemented in the period between the 1<sup>st</sup> January 2015 and 28<sup>th</sup> February 2015.
- 1.03 The 'open' recommendations are all those recommendations with an original target implementation date prior to 28<sup>th</sup> February 2015. 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 28 <sup>th</sup> Feb	Closed	Open
Self-Directed Support Arrangements	Sep-14	3	3	0
Arm's Length Organisations	Apr-13	3	1	2
Contract management arrangements within Social Care & Wellbeing	Jan-14	1	0	1
Fleet Management	Feb-14	1	0	1
Key Invoicing Controls within the Building Services Department	Jul-13	1	1	0
Car Parking and Bus Lane Enforcement	Sep-14	8	8	0
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	3	0
Private Sector Housing	Jun-14	5	5	0
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	3	1	2
ICT Governance	May-14	1	1	0
Service review	Feb -15	1	0	1
<b>Total</b>		<b>41</b>	<b>26</b>	<b>15</b>
<b>Percentage of Total</b>			<b>63%</b>	<b>37%</b>

- 1.04 Analysis of revised target dates against original action due dates for open recommendations:

Revised Target Dates	Number of Open Recommendations
Between 2-6 months after original due date	8
Between 7-12 months after original due date	4
Between 13-17 months after original due date	3

## 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.

<b>Title</b>	<b>Date Issued</b>	<b>Total Due</b>	<b>Closed</b>	<b>Open</b>
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	10	1
Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) report	Apr-14	5	0	5
<b>Total</b>		<b>39</b>	<b>30</b>	<b>9</b>
<b>Percentage of Total</b>			<b>77%</b>	<b>23%</b>

## 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	<p><b>Risk Rating: High</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• Financial Performance and Going Concern;</li> <li>• Performance against KPIs;</li> <li>• Contractual Performance; and</li> <li>• Consideration of management of individual ALEO corporate risks.</li> </ul> <p>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.</p>	<p>Corporate Accounting Manager</p> <p>30-Sep-13</p>	<p>Work has been on-going through officers in Corporate Governance to agree a scrutiny data set for ALEOs. Once agreed, this will form the basis of scrutiny at meetings of the ALEO governance hub, to be held twice a year and to include representation from these organisations, as well as from officers within key Corporate Governance areas, such as Legal, Finance, HR, Performance and Risk, as well as the services which have established ALEOs to deliver Council services originally within their remit. This will facilitate appropriate scrutiny in all the required areas, and will encourage a dialogue between the Council and ALEOs which is constructive, transparent and flexible.</p> <p>A programme of reporting will be established, detailed minutes will be produced from each governance hub meeting and submitted to the Shareholder Scrutiny Group, and a mechanism for on-going feedback on the process established, as well as a clear remit for the hub, shared with all ALEOs to ensure that there is complete clarity on the purpose of the meetings. This will ensure that the Council, through the SSG, receives a regular statement of assurance on each ALEO's system of risk management, the extent to which each ALEO is meeting its own strategic objectives and those of the SOA, (Cont.)</p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
					<p>and the extent and effectiveness of each ALEO's risk management framework, financial monitoring arrangements, etc. This will link clearly to the terms of the operating agreements in place, and any requirement to review and revise these will be flagged during the scrutiny process.</p> <p>Meetings have taken place with Bon Accord Care, Aberdeen Sports Village and Sport Aberdeen who have indicated their commitment to this process. There will also be discussion with AECC Ltd, APA and AHP. It is expected that the first hub meeting will take place in June, thereafter December, and repeated every six months.</p> <p><b>Revised Target Date:</b> 30-Jun-2015</p>
2	Arm's Length Organisation	Apr-13	<p><b>Risk Rating: Medium</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	<p>Director of Corporate Governance</p> <p>31-Dec-13</p>	<p>The Audit, Risk and Scrutiny Committee at its meeting on 26th February 2015 instructed officers to review arrangements (including the management of risk) on ALEOs and report the detail back to the Committee in June 2015.</p> <p><b>Revised Target Date:</b> 30-Jun-2015</p>



Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
3	Contract Management Arrangements within Social Care & Wellbeing	Jan-14	<p><b>Risk Rating: High</b></p> <p>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.</p>	<p>Social Care &amp; Wellbeing Service Manager</p> <p>31-Jan-14</p>	<p>The Commissioning and Contracts team have now transferred to Commercial and Procurement Services. The team are adopting the already well established protocols within the Procurement Team for ensuring that there is an ongoing rolling programme for contract renewal.</p> <p>Internal audit have agreed to review the current arrangements with a view to closing this finding before the June audit committee.</p> <p><b>Revised Target Date: 25-Jun-15</b></p>
4	Fleet Management	Feb-14	<p><b>Risk Rating: Low</b></p> <p>Licence information should be input directly into Tranman and set-up to be regularly checked with DVLA. This will provide give greater comfort that infractions will be highlighted early and allow FM to monitor that driver qualifications are suitable for their role.</p>	<p>Fleet Manager</p> <p>30-Jun-14</p>	<p>A prototype has been presented to the Fleet management transformation group and a full version is now being developed. The current time frame for this is for the system to be in operation by the end of May.</p> <p><b>Revised Target Date: 31-May-15</b></p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
5	Community Centres	Apr-14	<p><b>Risk Rating: Medium</b></p> <p>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.</p>	<p>Service Manager, Sport and Communities</p> <p>31-Dec-14</p>	<p>A paper was considered by the Communities, Housing and Infrastructure Committee on 18 March 2015. Amongst other things, the report included the following recommendation:</p> <p>"[I]nstruct officers to withhold payment of the Development Grant to Community Centre Associations who had not signed up to the Management Agreement and lease / licence to occupy by 31 March 2015. In the event that these Associations formally entered into the new agreement by 30 June 2015 and completed the signing of the agreements by 30 September 2015, the Development Grant would then be processed, backdated to 1 April 2015."</p> <p>The committee did not approve this recommendation, but resolved "to request a progress report in September on the outstanding centres which had not yet signed up to the Management Agreement and Lease."</p> <p><b>Revised Target Date: 30-Sept-2015</b></p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
6	Community Centres	Apr-14	<p><b>Risk Rating: Medium</b></p> <p>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.</p>	<p>Service Manager, Sport and Communities</p> <p>31-Oct-14</p>	<p>Work is ongoing to roll out "health checks" which seek to ensure that Management Committees are complying with the Management Agreement, Lease and appropriate legislation. Where there are significant gaps with compliance, the Development Grant is not processed until standards are met. A report on progress is currently being prepared for consideration by the Communities, Housing and Infrastructure committee in May.</p> <p><b>Revised Target Date: 31-May-15</b></p>
7	Complaints Handling	Sep-14	<p><b>Risk Rating: Medium</b></p> <p>Officers responsible for investigating and responding to complaints should be provided with access to Covalent.</p> <p>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.</p> <p>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.</p>	<p>Performance and Risk Manager</p> <p>31-Dec-14</p>	<p>Two of the SPSO training sessions have been carried out (40 key officers attended) with a third scheduled for 26<sup>th</sup> March (a further 20 key officers will attend).</p> <p><b>Revised Target Date: 26-Mar-15</b></p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
8	Complaints Handling	Sep-14	<p><b>Risk Rating: Low</b></p> <p>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.</p> <p>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.</p>	<p>Performance and Risk Manager</p> <p>31-Dec-14</p>	<p>The content and format of the training is currently under development and dates are to be scheduled.</p> <p><b>Revised Target Date:</b> 31-Dec-15</p>
9	Compliance with Laws and Regulations	Nov-14	<p><b>Risk Rating: High</b></p> <p>The Council's draft 'Policy and strategic Response to Fraud, Bribery and Corruption' should be updated to include the above points prior to finalisation.</p> <p>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).</p>	<p>Director of Corporate Governance</p> <p>Head of Legal and Democratic Services</p> <p>31-Dec-14</p>	<p>Officers are to submit the revised policy to the Corporate Management Team in May 2015, following which the Policy will be submitted to Committee for approval.</p> <p><b>Revised date:</b> 31-June-15</p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
10	Compliance with Laws and Regulations	Nov-14	<p><b>Risk Rating: Medium</b></p> <p><input type="checkbox"/> The Council's draft "Policy and strategic Response to Fraud, Bribery and Corruption" should be updated to include the above points prior to finalisation.</p> <p><input type="checkbox"/> 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 Finance and the Head of Legal and Democratic Services (the Monitoring Officer).</p>	<p>Head of Legal Services</p> <p>Corporate accounting Manager</p> <p>31-Dec-14</p>	<p>The corporate project management process has been amended to make it mandatory for all projects that require legal support (or other support service participation) to consult with legal services before the project's initial proposal is approved, and that legal services are satisfied and supportive of the nature of the proposal. Subsequent to this, when the project reaches the business case stage, legal services should also be consulted before the business case is approved. Gate Reviews have been put in place to ensure these consultations have taken place. The Head of Legal &amp; Democratic Services is also a member of the Review Group and is therefore has full view of all capital projects and their progress.</p> <p><b>Revised date:</b> Closed</p> <p><i>Internal audit have requested further documentation to verify that the action is closed.</i></p>
11	Flooding and Coastal Risk Management	Sep-14	<p><b>Risk Rating: Medium</b></p> <p>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.</p> <p>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.</p>	<p>Structures, Flooding and Coastal Engineering Manager</p> <p>31-Dec-14</p>	<p>ACC have lobbied SEPA and the Scottish Government for representation on SAIFF groups. ACC is now awaiting a response and an invite.</p> <p><b>Revised Target Date:</b> 30-June-15</p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
12	Flooding and Coastal Risk Management	Sep-14	<p><b>Risk Rating: Medium</b></p> <p>a) Guidance should be prepared to define in what circumstances a flood incident should be reported to the Structures, Flooding and Coastal Engineering team.</p> <p>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).</p> <p>c) Management should consider how they can progress and contribute to national discussions regarding ambiguity of responsibilities.</p>	<p>Roads Manager</p> <p>Structures, Flooding and Coastal Engineering Manager</p> <p>31-Dec-14</p>	<p>a) All incidents of flooding are recorded at the West Tullos Depot, Currently details of all flooding incidents are forwarded to the Flooding Team.</p> <p>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.</p> <p>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.</p> <p><b>Revised Target Date: 30-Jun-15</b></p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
13	Fraud Governance – Housing Tenancy and Scottish Social Welfare Fund	Nov-14	<p><b>Risk Rating: Medium</b></p> <p>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.</p> <p>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.</p> <p>A formal policy document will be developed that clearly explains the Council's approach to tackling potential housing tenancy fraud. (ADVISORY ONLY)</p>	<p>Housing Access Manager</p> <p>Housing Manager</p> <p>30-Nov-14</p>	<p>A draft risk assessment has been prepared by the Corporate Fraud Team in conjunction with housing management, based on the National Intelligence model. This is scheduled to be implemented by the deadline.</p> <p>Our Housing Policy Development Officer is tasked to draft a formal policy document after an initial period of operating the integrated service, to ensure it is cognisant of the emergent activity levels and practices.</p> <p>Prior to implementation of the integrated fraud reporting service all Housing Officers will be briefed to prepare them for working to the new processes and to emphasise the importance of audit checks and consistent recording of the same.</p> <p>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.</p> <p><b>Revised Target Date:</b> 30-Apr-15</p>

Item No.	Report Title	Report Issued Date	Recommendation and Risk Rating of Finding	Responsible Officer and Action Due Date	Responsible Officer Update
14	Fraud Governance – Housing Tenancy and Scottish Social Welfare Fund	Nov-14	<p><b>Risk Rating: Medium</b></p> <p>Housing Officers will be reminded of their responsibility for timely and consistent documentation in evidencing proper fraud prevention checks have been performed at the start of a new tenancy.</p> <p>Current fraud prevention and detection controls will be reviewed to identify where new controls could be implemented. This will be performed in conjunction with the recommendations in finding 3.01 and will take account of the risk to the Council of housing tenancy fraud, and an assessment of the available resource within Housing and Environment to manage new controls. Reference will be made to good practice adopted by other Local Authorities in determining appropriate controls to implement.</p>	<p>Housing Access Manager</p> <p>Housing Manager</p> <p>30-Nov-14</p>	<p>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.</p> <p><b>Revised Target Date: 30-Jun-15</b></p>
15	Service Reviews – Adult and Older People	Feb-15	<p><b>Risk Rating: High</b></p> <p>The definition, requirements and timeliness of a review under the Care Management Standards should be re-communicated to Care Workers via team meetings.</p>	<p>Head of Adult Services</p> <p>28-Feb-15</p>	<p>Given the current work ongoing for the integration of health and social care, further time is require to complete this action to allow time for revisiting the standards to ensure they meet the needs of the Service moving forward post-integration.</p> <p><b>Revised Target Date: 30-Jun-15</b></p>



## Appendix B

# Status of outstanding recommendations relating to External Audit and other investigations

Recommendation	Agreed action, date and owner	Update	Lead Officer
<b>UK Information Commissioner's Office (ICO) Audit of the Council's Data Protection Arrangements</b>			
<p>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.</p>	<p>ACC note this recommendation and will consider what training is available and assess the need and appropriateness of same.</p> <p>OWNER: SIRO</p> <p>TIMESCALE: Training will be undertaken within 12 months of the date the Audit report is published.</p>	<p>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.</p> <p>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.</p> <p>The timescale for completion of this action is therefore extended to within 18 months of the publication of the Audit report.</p>	<p>Dorothy Morrison / Fiona Smith</p>
<p>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.</p>	<p>ACC will undertake an options appraisal to assess whether it will adopt a Protective Marking Scheme.</p> <p>OWNER: SIRO</p> <p>TIMESCALE: within 8 months of the Audit report being published.</p>	<p>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.</p> <p>IMGAG has decided to trial the ACC version of the new Government Classification Scheme (GCS) within SC&amp;W.</p> <p>Update 24/10/14: A Joint Inspection of Children's Services has delayed the introduction into SC&amp;W.</p> <p>Update 09/03/15: The trial in SC&amp;W has completed and the draft information Security Classification scheme has now been built into CareFirst. The draft was reviewed again and further updates were made to the document and it will be sent out all Services for review later in March.</p>	<p>Steve Skidmore</p>

<p>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.</p>	<p>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.</p> <p>OWNER: SIRO</p> <p>TIMESCALE: within 8 months of the Audit report being published.</p>	<p>See Update C4</p>	<p>Steve Skidmore</p>
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**Audit Scotland Interim Report (2013/14)**

<p>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.</p> <p>Risk: There may a reputational risk to the council if records are incomplete</p>	<p>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).</p>	<p>Employee Code of Conduct – Waiting on launch of Policy documents by finance.</p>	<p>Jane MacEachran</p>
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**Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) Report**

<p>1. Amend the RIPSA protocol and procedures document to address the issues discussed in the Inspection Report.</p> <p>a) Review the OSC Code of Practice to identify all areas in which the Aberdeen City Council procedures require reviewed.</p> <p>b) Review and amend the Aberdeen City Council protocol and procedures document.</p>	<p>TIMESCALE: a) By end September 2014, b) By end December 2014</p>	<p><u>Prior Update:</u></p> <p>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.</p> <p><u>Update for audit committee on 11<sup>th</sup> May</u></p> <p>There are a number of aspects, which have been pushed back slightly. This is due to the Office of the Surveillance Commissioner publishing a revised Code of Practice in March 2015 and a number of new pieces of legislation which took effect at the same time. These developments have caused us to have to review some of the work we had already done and we want to ensure that we capture the most up-to-date legislation and guidance in the revised documents.</p> <p><b>Revised date for reporting to Committee is June 2015</b></p>	<p>Fiona Smith</p> <p>Karen Donnelly</p>
<p>2(a) Audit of Council staff to identify those who hold either an investigative or enforcement function.</p> <p>Desktop audit to be sent to all Head of Service / 3rd Tier Managers</p>	<p>TIMESCALE: Issued by mid-September 2014 for return by mid-October 2014</p>	<p><u>Prior Update:</u></p> <p>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.</p> <p><u>Update for audit committee on 11<sup>th</sup> May</u></p> <p>There are a number of aspects, which have been pushed back slightly. This is due to the Office of the Surveillance Commissioner publishing a revised Code of Practice in March 2015 and a number of new pieces of legislation which took effect at the same time. These developments have caused us to have to review some of the work we had already done and we want to ensure that we capture the most up-to-date legislation and guidance in the revised documents.</p> <p><b>Revised date for completion is end of April 2015</b></p>	<p>Fiona Smith</p> <p>RIPSA Working Group</p>

<p>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.</p> <p>a) Three tier training programme to be developed: -Awareness Raising -Operational Users -Authorising Officers</p> <p>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.</p> <p>c) Training programme rolled out.</p>	<p>TIMESCALE: a) By end October 2014, b) By end October 2014, c) November 2014 onwards</p>	<p><u>Prior Update:</u></p> <p>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</p> <p><u>Update for audit committee on 11th May</u></p> <p>There are a number of aspects, which have been pushed back slightly. This is due to the Office of the Surveillance Commissioner publishing a revised Code of Practice in March 2015 and a number of new pieces of legislation which took effect at the same time. These developments have caused us to have to review some of the work we had already done and we want to ensure that we capture the most up-to-date legislation and guidance in the revised documents.</p> <p><b>a) Revised date for completion is end of April 2015</b></p> <p><b>b) Revised date for completion is end of May 2015</b></p> <p><b>c) Revised date for completion is end of June 2015</b></p>	<p>Fiona Smith</p> <p>Karen Donnelly</p> <p>RIPSA Working Group</p>
<p>3(a) Authorisations should always address in full the activity authorised, where and how.</p> <p>a) Guidance for authorised officers to be reviewed and amended where required.</p> <p>b) Refresher training for Authorising Officers referred to at 2(b) above to cover this requirement.</p>	<p>TIMESCALE: a) By mid-September 2014, b) October 2014</p>	<p><u>Prior Update:</u></p> <p>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.</p> <p><u>Update for audit committee on 11th May</u></p> <p>There are a number of aspects, which have been pushed back slightly. This is due to the Office of the Surveillance Commissioner publishing a revised Code of Practice in March 2015 and a number of new pieces of legislation which took effect at the same time. These developments have caused us to have to review some of the work we had already done and we want to ensure that we capture the most up-to-date legislation and guidance in the revised documents.</p> <p><b>Revised date for completion is end of May 2015.</b></p>	<p>Fiona Smith</p> <p>Karen Donnelly</p> <p>RIPSA Working Group</p>

<p>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.</p> <p>a) Guidance note to be prepared for Solicitors in Commercial &amp; Advice Team who review authorisations regarding areas for monitoring.</p> <p>b) Requirements on Authorising Officers regarding review and cancellation of authorisations to be covered in refresher training.</p>	<p>TIMESCALE: a) By end September 2014, b) October 2014</p>	<p><u>Prior Update:</u></p> <p>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.</p> <p><u>Update for audit committee on 11th May</u></p> <p>There are a number of aspects, which have been pushed back slightly. This is due to the Office of the Surveillance Commissioner publishing a revised Code of Practice in March 2015 and a number of new pieces of legislation which took effect at the same time. These developments have caused us to have to review some of the work we had already done and we want to ensure that we capture the most up-to-date legislation and guidance in the revised documents.</p> <p><b>Revised date for completion is end of May 2015.</b></p>	<p>Fiona Smith</p> <p>Karen Donnelly</p>
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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	11 May 2015
DIRECTOR	Pete Leonard, Director
TITLE OF REPORT	Update on Progress of Action Plan for Fleet
REPORT NUMBER	CHI/15/160
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

Following on from the Traffic Commissioner's public inquiry into the Council's Goods Vehicles Operators Licence in December 2014, this report provides an overview of the work undertaken to address the outcomes of the inquiry and to improve service delivery.

### 2. RECOMMENDATION(S)

That the committee;

- i. note the contents of the report.
- ii. instruct the Head of Public Infrastructure and Environment to update future meetings of the Communities, Housing and Infrastructure Committee of progress made on the Fleet Services Action Plan.

### 3. FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report. It is the case, however, that costs will result from the actions taken to make Fleet Services and the council compliant with current legislation and regulations; and to ensure that the council is operating within the conditions and terms of its "Goods Vehicle Operating Licence".

### 4. OTHER IMPLICATIONS

There are clear implications for the Council's management of risk in relation to public and employee safety; management of vehicles, plant and equipment; and business continuity. If suitable progress is not made to manage the operation of the fleet, there may be prosecutions and fines to be paid. Sanctions open to the Traffic Commissioner include warnings; the reduction in the number of vehicles that can be operated or the number of operating centres through to revoking the license in its entirety.

## 5. BACKGROUND/MAIN ISSUES

A report, CHI/15/135 on “Fleet update following the Public Inquiry on 19 December 2014”, was presented to the Audit, Risk and Scrutiny committee held on the 26 February 2015. The committee instructed the Head of Public Infrastructure and Environment to update future meetings of the Communities, Housing and Infrastructure Committee of the progress made on the Fleet Services Action Plan.

### 5.1 Context

The Office of the Traffic Commissioner is responsible for the regulation and licensing of heavy goods vehicles, by the Driver and Vehicle Standards Agency (DVSA).

In July 2013, the Commissioner issued Aberdeen City Council with a warning letter relating to the maintenance of its fleet. This was followed in January 2014 by an investigation and the identification of a number of problems relating to the service.

Little progress was made by the service during 2014 to improve the way in which it operated and to address the problems identified. The Corporate Management Team was not aware of the involvement of the Commissioner or of the requirement for the Council to improve compliance in order to meet the conditions of its operator’s licence.

On 1 October 2014, the management of the Council’s fleet moved under the responsibility of Mark Reilly, Head of Public Infrastructure and Environment and became a part of the new Communities, Housing and Infrastructure Directorate.

On the 3 October 2014, the Council received notification from the Commissioner that due to ongoing concerns and a perceived lack of progress a public inquiry would be held into the Council’s Goods Vehicle Operator’s Licence. The Inquiry was to include consideration of the arrangements for safety inspections; vehicle maintenance; annual test history; prohibitions; and the role of the official nominated as transport manager on the licence and the support given to him to undertake his duties.

At this time, Angela Scott placed the Fleet Service into special measures under the direction of Mark Reilly; instructed a complete root and branch review of the service and that officers implement whatever is necessary to improve service compliance, delivery and performance.

### 5.2 The Public Inquiry

At a public inquiry there are a number of options open to the Traffic Commissioner which range from further warnings through to revoking the

licence in its entirety. Other sanctions include the reduction in the number of vehicles that can be operated or the number of operating centres.

The Chief Executive, Director of Communities Housing and Infrastructure, Head of Public Infrastructure and Environment and the Fleet Manager attended the Inquiry held on 19 December 2014 in Aberdeen.

The outcome of the Inquiry was as follows:

- The Council was given until the end of January 2015 to put in place effective procedures to address the concerns identified by the previous investigations. After which time the Council would be subject to two unannounced visits by the “Drivers and Vehicles Standards Agency” (DVSA) to inspect vehicles and records; to ensure that the Council vehicles are roadworthy and that effective systems have been put in place to ensure compliance with the licence.
- The Commissioner reduced the number of vehicles\*1 on the licence from 124 vehicles to 111 vehicles. The Commissioner stated that if vehicles were stopped by DVSA and/or the Police vehicles and faults were found or drivers in breach of legislation then the licence would be at risk. The Commissioner also stated that any MOT failure would also put the licence at risk.
- The Council was instructed to attend a future hearing with the Traffic Commissioner on 12 May 2015 to present further evidence to demonstrate that vehicles are being maintained to ensure road worthiness and that effective measures are in place to meet the requirements of the licence.

*\*1 Vehicles listed on “the licence” are those which need a goods vehicle operator’s licence. This is where a business uses goods vehicles above a certain weight. You need a licence to carry goods in a lorry, van or other vehicle with a gross plated weight (the maximum weight that the vehicle can have at any one time) of over 3,500 kilograms (kg).*

### 5.3 Progress Update – 3 April 2015

A detailed action plan is now in place detailing the specific work being undertaken to improve the efficiency and effectiveness of the service. The action plan is being governed by Mark Reilly as Project Sponsor. The information in this section, provides an a summary of the actions completed to date.

5.3.1 An external Team of consultants has been appointed to manage the Fleet Service in the interim period and with the following remit:

- To resolve the problems relating to compliance with the Council’s Goods Vehicle Operators Licence
- To operationally manage and control the systems and processes relating to compliance
- To develop and implement quality management procedures, processes and systems which meet ISO 9001:2008

- To design and deliver a plan for wider service transformation of the fleet service

5.3.2 In the absence of the Fleet Manager, two of the consultants alongside Mark Reilly have been added to the Council's Operators Licence. It is intended that a third consultant will be added to the Council's Operators Licence.

5.3.3 A root and branch review of the service has been completed to analyse the cause of the issues and to identify remedial action both in the short and longer term.

5.3.4 All procedures and policies have been reviewed to ensure that the council is compliant with its Operator's Licence; that the procedures are fit for purpose; and to ensure appropriate checks and audits systems are put in place to ensure that compliance is being met.

The following is in place:

- Compliant vehicle records
- Compliant vehicle maintenance and inspection records – 10% monthly audits with any issues identified addressed straight away
- Compliant driver walk round check records – 10% checks by supervisors – this is where we are seeing the biggest improvement because this picks up any repairs needed before there is a bigger problem
- Compliant external maintenance provider agreements / contracts
- Compliant procedures for tyre and wheel management – big improvements in this area as part of workshop superintendent audit
- Health and safety risk assessments – 15 completed between workshop and the yard now with consultation with trade unions
- Compliant operating centres (depots named on the "Operators Licence" from which heavy goods vehicles operate).
- Procedure for the management of hired vehicles
- Procedure for the management of the Operators Licence and reporting changes

It will be necessary to review these procedures to ensure that they are working effectively and to identify current and future training requirements.

In addition, by the end of April the following will also be in place:

- Compliant driver management records
  - Compliant procedures for ensuring that loads are secure. This may require the purchase of new equipment or minor adaptation of some the vehicles.
- 5.3.5 An internal audit was commissioned and is nearing completion. The purpose of the audit is to 1) identify and check all vehicles, plant and equipment owned by the Council 2) to recommend a corporate governance structure to ensure effective management of Fleet compliance.
- 5.3.6 Work is underway in developing a quality management system for the service which meets ISO 9001 criteria. This involves identifying, reviewing and recording all current processes and procedures. The review will involve the staff and also assess the need for change.
- 5.3.7 The “Tranman” fleet management IT system has been substantially developed and its use as a tool optimized across the service with the following key developments:
- Touch screens linked to the system have been installed in the workshop and are now being used by the mechanics to access, record and manage work.
  - The MOT and servicing schedule for O Licence vehicles has now been locked down to be compliant with regulatory timescales.
  - The invoicing procedure has been improved decreasing the time it takes to invoice customers for work completed.
- 5.3.8 As part of the wider service transformation work, progress is being made in developing a customer led robust procurement system for the purchasing and disposal of all vehicles, plant and equipment. Within this, work has been undertaken to review current orders against service requirements and a contract is being put in place for the disposal of end of life vehicles. Working with internal customers, this approach will ensure the delivery of the right specification of fleet, plant and equipment at the right time and prior to orders being placed.
- 5.3.9 A “Drivers handbook” has been prepared for goods vehicles alongside a training matrix. Members of the project team will now cross check actual training completed against this matrix and action where required. The “Drivers handbook” is to be distributed to all
- 5.3.10 Phase 1 alterations for the fleet shed have been scheduled for late May/early June. This will involve general improvements to working conditions including within the garage space painting; flooring; improving lighting; and herringbone parking arrangement. Further larger scale improvements are currently being defined in-line with service transformation planning.

#### 5.4 What next?

A compliant, effective and efficient Fleet Services is business critical and the transformation from its current service delivery standards must be a priority for Aberdeen City Council.

It should be noted that whilst significant improvements have been made across the fleet service since October 2014, a substantial amount of work is still required to bring the service up to the desired standard and to maximize the potential opportunities on offer to the greatest extent.

A wider service transformation plan for post May 2015 is currently being developed and will be reported to the Communities, Housing and Infrastructure Committee along with progress in general at the next committee meeting.

#### 6. IMPACT

Successful implementation and delivery of a robust vehicle management and health and safety management system will reduce risk to the council and ensure compliance with the council's "Goods Vehicle Operator's Licence".

A corporate approach to all processes undertaken in terms of inputs and outputs is required. A sustained and systemic approach covering the Plan, Do, Check and Act will be the core elements of managing compliance.

The level of success will be dependent on the attitudes and behaviours of the employees within the council.

To improve a proactive positive vehicle management and health and safety culture will require effort from all levels within the council by visibly displaying and enforcing positive core behaviours; and challenging unsafe behaviour in a timely way.

#### 7. MANAGEMENT OF RISK

There are clear risks associated with the maintenance of the council's vehicles, plant and equipment and in how the council manages its drivers and operators. These are:

- a) Risks to business continuity in relation to not meeting the conditions and requirements of the Councils "Goods Vehicle Operators Licence" which could result in the licence being revoked and the Road Maintenance and Waste Collection operational services having to be procured from the private sector.
- b) Increased risks to public and staff through failure to safely maintain vehicles, plant and equipment; and also the failure to ensure the effective management of drivers and operators. The measures that

have been put in place and those being developed to improve the existing fleet and operational services will mitigate these risks.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit Risk & Scrutiny
DATE	11 <sup>th</sup> May 2015
DIRECTOR	Interim Director of Corporate Governance
TITLE OF REPORT	Whistleblowing
REPORT NUMBER	CG/15/56
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

To report back to Members on any implications for the Council's Whistleblowing Policy arising from a recent Scottish Parliament Petition on the same subject matter.

### 2. RECOMMENDATION(S)

That the Committee notes the fact that the recent Scottish Parliament petition regarding Whistleblowing procedures in local government does not impact upon the Council's current Whistleblowing policy.

### 3. FINANCIAL IMPLICATIONS

There are none.

### 4. OTHER IMPLICATIONS

As this decision is being reported for information, there are no direct implications.

### 5. BACKGROUND/MAIN ISSUES

- 5.1 Members received a report on 20<sup>th</sup> November 2014, which highlighted a petition recently considered by the Scottish Parliament's Petitions Committee regarding whistleblowing in local government. The petition was submitted on behalf of the campaign group, Kids Not Suits and called on the Scottish Government to support the introduction of staff whistle-blower hotlines to report mismanagement in Scottish local authorities, with reports overseen by Elected Members. The Scottish Parliament Petitions Committee noted that Audit Scotland and the Accounts Commission had not identified any weakness in relation to whistleblowing which would require to be raised in an annual report. It

also noted that the petition was largely about policies which were a matter for councillors. It therefore closed the petition.

- 5.2 At the meeting on 20<sup>th</sup> November, Committee resolved to note the contents of the report and the outcome of the Scottish Parliament's Petitions Committee deliberations. Members also requested that Officers to report back to Committee advising on any amendments to the Council's Whistleblowing Policy.
- 5.3 The petition submitted to the Scottish Parliament on behalf of Kids not Suits argued that local authority whistleblowing schemes should be operated by contracted third parties and should report directly to elected members as opposed to officers. It is asserted within the Petition that this would avoid wasteful expenditure, victimisation and cover-ups.
- 5.4 Over the last 2 years, the Council has received a total of 2 potential protected disclosures; the first was investigated by 2 separate external parties, both of whom found there to be no substance to the allegations made under the disclosure. The second was withdrawn by the complainant.

At present, one Scottish council is in the pilot phase of operating an external helpline to deal with protected disclosures. Reported results from the first six months (1<sup>st</sup> August 2014 to 31<sup>st</sup> January 2015) indicate the following –

#### **Usage**

Major/significant qualifying disclosures	2
Minor/operational qualifying disclosures	7
Non qualifying disclosures	2

#### **Cost**

Provision of confidential reporting hotline	- £11,797.50
August 2014: major investigations	- £10,144.45
September 2014: major investigations	- £5,539.25
October 2014: major investigations	- £2,258.15
November 2014: major investigations	- £5,925.00
December 2014: major investigations	- £5,105.15
January 2015: major investigations	- £5,070.00

The report is silent as to whether the use of an external hotline has increased the reported frequency of protected disclosures.

Officers have assessed the Council's current Whistleblowing Policy and are of the view that it remains fit for purpose and does not require immediate amendment in light of the petition submitted to the Scottish Parliament on behalf of Kids not Suits.

In terms of assurance, then the current policy is overseen by the Monitoring Officer which provides a degree of assurance in terms of probity and challenge as this is a statutory position with certain legal

responsibilities. As with all policies, it will be subject to regular review to ensure that it remains fit for purpose. In addition, Members have direct oversight of the process insofar as the outcomes of investigations are reported to this Committee. Further, the Monitoring Officer is responsible for reporting the number and progress of all whistleblowing concerns to Committee.

This Council receives a relatively low number of potential protected disclosures and it is questionable whether the costs associated with an external helpline would be proportionate in the circumstances. Further, it is worth pointing out that there is no evidence to suggest that the low number of potential public interests disclosures is due to a lack of confidence in the Council's current policy and procedure. There have been no complaints or campaigning on the part of the trades unions to have the policy changed or for potential public interest disclosures to be made to a contracted third party.

#### 6. IMPACT

As the recommendation is to note the Report, there is no impact arising therefrom.

#### 7. MANAGEMENT OF RISK

Whilst this Report recommends no action, whistleblowing is of itself a strand of the Council's risk management strategy and the policy & procedure should be the subject of regular review in order to ensure that it remains fit for purpose and addresses known/foreseeable risks.

#### 8. BACKGROUND PAPERS

Reports of the Scottish Parliament Public Petitions Committee of 29 October, 2013 and 14 January, 18 March and 3 June, 2014 on Petition PE1488 on Whistleblowing in Local Government submitted by Pete Gregson on behalf of the campaign group, Kids Not Suits.

Report to Audit, Risk and Scrutiny Committee (CG/14/145) 20<sup>th</sup> November 2014

Aberdeen City Council Whistleblowing Policy & Procedure

#### 9. REPORT AUTHOR DETAILS

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	11 <sup>th</sup> May 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Audit Scotland National Reports
REPORT NUMBER:	CG/15/058

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### 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 reports:-

- “Borrowing and Treasury Management”
- “An Overview of Local Government in Scotland 2015”
- “Update on Developing Financial Reporting”

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 Planning Partnerships, others are intended for local government and other public sector bodies more broadly.

Since the last meeting there have been a number of reports with direct significance for Aberdeen City Council.

- “Borrowing and Treasury Management”
- “An Overview of Local Government in Scotland 2015”
- “Update on Developing Financial Reporting”

The key findings of this report are:-

### A. Borrowing and Treasury Management

#### **Key messages**

1. *Councils have total debt of £14.8 billion of which £12.1 billion, 82%, is from borrowing. Debt commits councils to charges over the long term. There are different types of debt with different features and varying degrees of risk.*
2. *Borrowing is a key source of finance for councils to invest in vital public services. Overall borrowing has remained at around £12 billion for the last three years, with total assets of £39 billion. Councils have developed borrowing strategies to suit their own local priorities and needs, in response to the flexibility introduced by the Prudential Code in 2004. Seventeen councils have increased their borrowing levels, in real terms, over the last ten years.*
3. *Councils are following the general principles of the relevant codes of practice in demonstrating short-term affordability, but they are not always highlighting the strategic importance of borrowing and treasury management or clearly analysing and reporting the longterm affordability and sustainability of their borrowing. Councils need to develop detailed analysis to support borrowing decisions and to demonstrate they represent best value for the council.*
4. *Treasury management is a professionally run function in councils with appropriately qualified officers. Succession planning, ongoing training and the availability of appropriate professional qualifications are important. Councils have started to integrate their treasury management and capital investment functions which is a positive step.*
5. *Councils need to improve scrutiny of borrowing and treasury management. This is a complex and technical subject and officers need to provide wider training and support to councillors, and also*

*provide clearer, more accessible reports. The current governance structures in some councils could be improved to support more effective scrutiny.*

### **Recommendations**

*These recommendations focus on the evidence gathered and our findings on borrowing within councils. We suggest councils consider the wider relevance of these to total debt.*

#### **Council officers should:**

- *use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include:*
  - *links to capital investment plans and corporate objectives*
  - *all borrowing and other debt*
  - *prudential indicators as a core part of the strategy*
  - *a clear assessment of the affordability and the impact on revenue budgets both in the short and long term*
- *create more detailed and longer-term borrowing and treasury management analysis as informed by the council's financial strategy. It should include:– scenario planning to show the potential impact of different budget scenarios, income generation plans, and changes in external factors such as interest rates– analysis of capital financing options to compare affordability and sustainability between different debt and borrowing options– the use of indicators over a longer period than the minimum three years set by the Prudential Cod*
- *share strategies with other councils to help inform good practice, and exchange of ideas*
- *carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers*
- *review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.*

#### **Officer Response:-**

The Borrowing and Treasury Management report by Audit Scotland presents key findings in a number of areas and makes a number of recommendations for council officers.

It is important that officers take the time to fully consider the report and its recommendations and thereafter work to update current processes and/or develop new processes and reporting mechanisms to ensure the recommendations of the report are implemented. Reports will be presented to

council committees as appropriate for consideration and/or approval as necessary in due course.

## B. An Overview of Local Government in Scotland 2015

### **Key messages**

1. Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms (allowing for inflation) to £10.3 billion. At the same time, demand for council services has increased, largely due to population changes.
2. Many councils are now reporting gaps between their income and the cost of providing services. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances. However, there is limited evidence of longer-term financial planning, which is critical in providing that understanding.
3. Councils have managed the financial pressures well so far. Available performance information indicates that services have been improved or maintained. Public performance reporting is getting better but councillors need better financial and service information to help them set budgets and scrutinise performance. All councils prepared their annual accounts on time and met the required accounting standards.
4. Almost all councils have reduced staff numbers to help make savings but this is not sustainable. Councils are considering ways of delivering services more efficiently and need to get better at using local data and involving service users and local communities in developing options to improve services and help save money. They must implement planned changes quickly to achieve their required savings.
5. Councils need to ensure that the way they manage and control their work keeps pace with the quickly changing circumstances in which they operate. There can be no compromise on the importance of good governance, particularly where there are significant changes in personnel and systems. Not all councils systematically review governance when, for example, they change staff, management or political structures, or develop new ways of financing and delivering services. Community planning and health and social care integration require an ongoing focus on governance in partnership working, where the responsibility for good governance is shared and depends on a culture of trust.



## **Recommendations**

Audit Scotland make a number of recommendations intended to help councillors. With the support of council officers, councillors should assess the position in their council and, where they decide action is required, ensure the recommendations are implemented successfully.

### **Councillors should:**

- assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance;
- ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and up-to-date performance data and making good use of benchmarking. Performance information should also be clearly reported to the public to help them understand their council's performance;
- ensure that councils, when developing their priorities, use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be targeted towards agreed priorities, including those designed to prevent or reduce service demand in future;
- ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change;
- ensure that their council has financial plans covering the short term (1-2 years), medium term (3-5 years) and longer term (5-10 years). These plans should set out the council's financial commitments, identify any challenges with the affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period;
- review their council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the council;
- ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that

the council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.

**Officer Response:-**

This report has only recently been published and has not yet been considered by CMT. Prior to this it can be noted that with respect to Audit Scotland's recommendations:-

- member training, in particular, with respect to scrutiny has been significantly increased and improved in the last 12 months. This is reflected in the self-evaluation undertaken for this Committee;
- Audit Scotland have undertaken a review of councils' public performance reporting arrangements and noted improvement in Aberdeen City Council's. National benchmarking activity is ongoing through the Local Government Benchmarking Forum;
- This Council is positively identified within Audit Scotland's report for its long term financial management. The Council is also piloting a further improvement through an Outcome Based Budgeting approach which does take account of socio-economic data;
- The Council has undertaken long term financial planning as well as a workforce planning;
- This Committee has self-identified the need for clarity in terms of governance and scrutiny with respect to alternative models for delivery of services (ALEOs, shared arrangements).

## C. Update on Developing Financial Reporting

### **Conclusion by Audit Scotland**

*The case for comprehensive, transparent, reliable and timely reporting of public finances, as part of a strong fiscal framework, has never been stronger. It supports fiscal transparency and is essential for a clear understanding of financial opportunities and risks. This in turn informs decisions about how public money is used to deliver services. Fiscal transparency is increasingly important because of the continuing changes to Scotland's public finances. The Smith Commission agreement has far-reaching consequences for public finances in Scotland, and further underlines the need for strong financial reporting.*

*The Scottish Government, and the Scottish public sector generally, have a good record of financial management and reporting. The Scottish Government has continued to improve and develop its reporting framework since we reported in July 2013. We welcome the Scottish Government's plans to further develop its financial reporting.*

*The Scotland Act 2012, and the changes anticipated to flow from the Smith Commission Agreement, mean the Scottish Government will be responsible for generating more of its revenue, and will have more responsibilities in terms of spending. The Scottish Government's budget will become more dependent on Scotland's economic performance. The amount the Scottish Government raises through taxation and spends on welfare will be affected by its policy decisions. This means that the Scottish Government will have more control over, and responsibility for, its finances. It has recognised the need to further develop its budget documents and annual accounts to reflect these new responsibilities.*

*The Smith Commission agreed that the Scottish Parliament should 'seek to expand and strengthen the independent scrutiny of Scotland's public finances in recognition of the additional variability and uncertainty that further tax and spending devolution will introduce into the budgeting process'. An important part of this will be scrutiny of economic forecasts and the increasing link between economic activity and Scottish Government revenues and spending. This report highlights that transparent financial reporting of the public finances in Scotland is also an essential component of an updated fiscal framework for Scotland. As the Scottish Parliament seeks to expand and strengthen scrutiny, it will be critical that this is underpinned by comprehensive and reliable financial information. This will lay the foundations for sustainable public finances and help the Scottish Government make policy decisions that are affordable in the long term. It will improve scrutiny, giving the Scottish Parliament and taxpayers the tools required to understand the Scottish public sector's finances and Scottish Government policy decisions. Developing a good fiscal reporting framework is fundamental to ensuring appropriate accountability in Scotland as more powers are devolved.*

*The Scottish Government now needs to set out details of how it proposes to further improve and enhance its financial reporting in this changing financial environment. We are committed to playing our part in helping Scotland develop a high-quality fiscal framework that reflects the Scottish Parliament's growing financial autonomy and the opportunities and challenges of the future. We will continue to monitor progress and report publicly as the Scottish Government develops its plans and as the new financial powers are introduced. We also continue to support the independent scrutiny of Scotland's public finances through all of our work.*

**Officer Response:-**

The Update on Developing Financial Reporting report by Audit Scotland provides current context in relation to Scotland's public finances and particularly the introduction of new powers under the Scotland Act 2012 and the further devolution of powers proposed by The Smith Commission.

The report makes clear the case for comprehensive, transparent, reliable and timely reporting of public finances, as part of a strong fiscal framework, and that this has never been stronger. It supports fiscal transparency and is essential for a clear understanding of financial opportunities and risks. This in turn informs decisions about how public money is used to deliver services. Fiscal transparency is increasingly important because of the continuing changes to Scotland's public finances. The Smith Commission agreement has far-reaching consequences for public finances in Scotland, and further underlines the need for strong financial reporting.

Aberdeen City Council will contribute to any information required by the Scottish Government and follow the principles of transparent financial reporting, including robust delivery of the annual accounts and other public performance reporting requirements.

## 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

- “Borrowing and Treasury Management”
- “An Overview of Local Government in Scotland 2015”
- “Update on Developing Financial Reporting”

## 9. REPORT AUTHOR DETAILS

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