Public Document Pack

ABERDEEN
CITY COUNCIL

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

Town House,
ABERDEEN 16 June 2015

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Committee Room 2 - Town House on **THURSDAY, 25 JUNE 2015 at 2.00 pm**.

RODERICK MACBEATH
SENIOR DEMOCRATIC SERVICES MANAGER

B U S I N E S S

1   <u>Determination of Exempt Business</u>

There are no exempt reports 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   <u>Referral</u>

2.1   <u>Transfer of Site, Langdykes Road - Referral from Finance, Policy and Resources Committee</u> (Pages 1 - 16)

3   <u>Minutes, Workplan and Decision Tracking Sheet</u>

3.1   <u>Minute of Previous Meeting of 11 May 2015</u> (Pages 17 - 26)

3.2   <u>Workplan</u> (Pages 27 - 38)

3.3   <u>Decision Tracking Sheet</u> (Pages 39 - 40)

Website Address: www.aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Karen Rennie, tel 01224 522723 or email karrennie@aberdeencity.gov.uk

This page is intentionally left blank

FINANCE, POLICY AND RESOURCES

ABERDEEN, 9 June 2015

In accordance with the decision made at the start of the meeting, the following item was considered with the press and public excluded.

TRANSFER OF SITE - LANGDYKES ROAD (REFERRAL FROM PROPERTY SUB COMMITTEE) - CHI/15/7571

26.   With reference to article 6 of the minute of meeting of the Property Sub Committee of 26 May 2015, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which advised that a site had now been identified as a suitable location for the proposed development of the Hydrogen Energy Station.

In terms of Standing Order 32(1) Councillor Finlayson as local ward member addressed the Committee.

The report recommended:-
that the Committee –
(a)   agree that following an initial assessment the chosen site Langdykes Road (option 4) is to be progressed for the project;
(b)   note the update regarding progress with the project including the fact that a planning application for the proposed development was approved at the Planning Committee on the 28th May 2015;
(c)   note that the site extends to 0.32 ha (0.79 acres) and forms part of a larger site held by HRA and approve the transfer of the site from the Housing Revenue Account to the General Fund;
(d)   note that following discussions with HRA the site is not earmarked for future development and HRA have no objections to the transfer, HRA would prefer to dispose of the whole site, we would recommend that the whole site is declared surplus, 0.32 ha (0.79 acres) is transferred to the General Fund with the remainder being marketed and proceeds of sale being lodged with HRA;
(e)   note that following consultation with local tenants / residents at the meeting of the Housing Performance and Budget Group on 23rd February, 2015 the group confirmed their support of the proposed transfer.

The Sub Committee resolved:-
(i)   to approve the recommendations; and
(ii)   to refer the report to the Audit, Risk and Scrutiny Committee in order for that Committee to carry out a comprehensive review of the process followed to identify a site on the south side of the city to ensure compliance with legal requirements and good practice.

This page is intentionally left blank

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy and Resources
DATE	09 June 2015
DIRECTOR	Pete Leonard
TITLE OF REPORT	Transfer of Site, Langdykes Road
REPORT NUMBER	CH1/15/7571
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to advise members that a site has now been identified as a suitable location for the proposed development of the Hydrogen energy station.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

1. agree that following an initial assessment the chosen site Langdykes Road (option 4) is to be progressed for the project.

2. note the update re progress with the project including the fact that a planning application for the proposed development was approved at the Planning Committee on the 28th May 2015.

3. note that the site extends to 0.32 ha (0.79 acres) and forms part of a larger site held by HRA and approve the transfer of the site from the Housing Revenue Account to the General Fund

4. note that following discussions with HRA the site is not earmarked for future development and HRA have no objections to the transfer, HRA would prefer to dispose of the whole site, we would recommend that the whole site is declared surplus, 0.32 ha (0.79 acres) is transferred to the General Fund with the remainder being marketed and proceeds of sale being lodged with HRA.

5. note that following consultation with local tenants / residents at the meeting of the Housing Performance and Budget Group on

23rd February the group confirmed their support of the proposed transfer.

3.   FINANCIAL IMPLICATIONS

In order to take forward the proposal outlined, the subjects at Langdykes Road, Cove currently held by the Housing Revenue Account are to be transferred to the General Fund. The transfer of the site has to reflect Market Value and will require the approval of Scottish Government.

Against this background the site has been inspected in order to provide an indicative Market Value of the site at £500,000 (Five Hundred Thousand Pounds Sterling).

It is important to note that the figure provided at this stage is a headline indicative figure and will be subject to downward adjustment as further information is available particularly in relation to site remediation costs, abnormal development factors and any potential planning restrictions.

Whilst a land transaction is normally capital, the council cannot borrow to fund the transfer of land internally from one account to another and therefore this will require to be met from the General Fund revenue budget. The Council has maintained a strong focus on using underspends on the revenue budget to fund its future capital investment programme and this transfer can be met from this source. The transfer will not affect any currently approved capital budget.

4.   OTHER IMPLICATIONS

There are no other significant implications in relation to the proposals, although continued legal, finance and land and property assets resources will be required to conclude the transaction.

A planning application has been approved for the proposed facility.

There is no impact on any PBB options relating to this Report.

As the proposed transfer is at Market Value there are no state Aid Implications.

5.   BACKGROUND/MAIN ISSUES

5.1   ACHES (Aberdeen City Hydrogen Energy Storage Project) is part of a wider Strategic Hydrogen Programme which was outlined at EPI Committee in November 2013.
http://councilcommittees/documents/g2897/Public%20reports%20pack%2012th-Nov-

2

In January 2012 full Council approved a strategic European hydrogen Transport Projects paper which recommended that there be a phased roll out of projects with a longer term view of developing a network of refuelling stations. The ACHES project will support delivery of this.

Two reports have subsequently been submitted to Committee:

On the 21st January 2014 the Enterprise Planning and Infrastructure Committee considered a report entitled Aberdeen Hydrogen Energy Storage.

The report recommended and the Committee approved that:-

i)   Aberdeen City Council would provide the requested match funding for the project of £1,136,500 which would allow the project to proceed
ii)   that the Hydrogen station would be built to the south of the City within close proximity to the AWPR
iii)   Aberdeen City Council would sign the Charter on High Velocity (the Charter is based on establishing A European Network of Clean Hydrogen Bus Centres of Excellence)

On the 4th September 2014, the Enterprise, Planning and Infrastructure Committee considered a further report entitled Aberdeen City Hydrogen Energy Project

The report recommended and the Committee approved:-

i)   the total estimated project costs of £1,894,130 and
ii)   noted the update in respect of the offer and acceptance of a grant from the European Regional development fund of

3

£757,630. (a copy of the application submitted to Scottish Government is attached at Appendix 2.)

5.2 **Site Options**

As part of the hydrogen fuel economy a second hydrogen filling station is required for the south side of the city. The purpose of the site is to provide a means of filling cars and is the contingency if Kittybrewster were to fail. When assessing sites the following criteria was used to define what was acceptable. These were:-

- Cannot be green belt, (unless it is current waste land)
- Good vehicle access, with 2 way working lanes
- Clear sight lines for junctions
- Site owned by ACC
- HV Electrical Cables available.

From the above, 8 sites were reviewed and are shown in appendix 3. These sites and comments are tabled below:-

Site	Comments
Option 1, Harness Road.	- Site is adjacent to Green belt - Land is not owned by Council - Minimal Traffic through Cove - High Purchase Cost - Preferred site until ownership was clarified
Option 2, Tullos Depot.	- Land owned by council - Main depot and issue with public, worker interaction - Access to site is good - Site on split level causing higher cost
Option 3, Burn Banks Village	- Site in green belt but waste land - Land owned by council - On slope meaning increased build cost - Increased traffic through Cove - Good road access
Option 4, Langdykes Raod	- Good road access - Near HV Cables - Not in green belt - Close to main highways - Economic build cost
Option 5, Old Football ground car park Langdkyes road/coast road	- Area not in green belt - Land owned by council - Increased traffic through Cove - Site directly in front of residential property - Road junctions will cause traffic issues
Option 6, back of	Land believed to be owned by council

4

Gateway industrial park	• Site is too far off main road connection causing increased traffic on rural road • Away from main city reducing the impact of the hydrogen strategy
Option 7, Loirston Close	• Area next to school and doctors' surgery • Site is restricted in space • Economic build cost • Increased traffic through Cove Road connection to main highway is poor
Option 8, Lorry Park, off Harness Road	• Land owned by council but leased and has legal and buy-out issues • Access to site is good • Site would not be optimised due to its size • Higher costs likely due to contaminated ground issues

Following an initial assessment the chosen site was Langdykes Road (option 4), the design works were carried out and a planning application was submitted for this site. Following a number of discussions with interested parties and the Community a ninth site has been highlighted off Souter Head Road. If this site had been included in the above review it would have been deemed to be the 2nd most suitable site in the area. The table below compares the suitability of the new site with the site recommended by officers for the works.

Options Appraisal

Option 4, Langdykes Road (recommended option) Site was chosen following assessment of all available sites using criteria set down above.	
Advantages	**Disadvantages**
• Site located on 2 way road • HV cables located next to site • Visual impact low based on topography of site • Not in green belt • Site in ACC ownership • Works can be completed by end of Aug 2015, to meet funding requirements • Will not affect Wellington Road improvements	• Site has been zoned for housing • Increased work to allow remainder of development to happen. • Potential noise from plant. • Minor increase in traffic on congested road (max 16 vehicle movements a day • Residential area within 100m • Area required for site was increased by 25m due to nearby road junction • Site requires transfer from Housing to Revenue budget

5

• At preplanning meeting the planner highlighted that there were no significant issue with the proposed site. • Minimal clearance work and ecological significance	

Option 9, Souter Head Road	
This site was not reviewed at the initial stage as it is in Green belt and has significant flora and fauna and therefore was discounted.	
Advantages	**Disadvantages**
• Site will have minimal impact on traffic congestion • Site away from residential areas. • Site is not designated for housing. • Visual impact less as the site is bounded by green space.	• Site is in green belt • Site is within the zone of Wellington road widening • Site will prevent green belt off set for Wellington road junction improvements • Site is part of green space network • Initial meeting with planning dept suggests that this site would not be favourable. • Site requires substantial clearance • Ecological survey will be required • Works cannot be completed by end of Aug 2015 and will therefore miss funding requirements • Revised layouts will be required at completion of Wellington road junction improvements. • Ownership has not been clarified • Potential noise from plant.

6

Additional Considerations

Option 4, Langdykes Road

- o Project works on this site currently out to tender
- o Site currently in for planning approval
- o 25% of the Hydrogenics contract has been paid to allow the purchase and design of Hydrogen Station

Option 9, Souter Head Road

- o Scheme would be delayed by 4 months if site was chosen as new design and planning permission will needed
- o Scheme may not advance as funding deadlines will be missed
- o If scheme doesn't progress 25% contract payment to Hydrogenics would not be recoverable

A copy of the Grant Acceptance is shown in Appendix A, it should be noted that the project should be completed by the 30th June 2015 with the finances being settled by 30th September 2015

Following a review of the risk assessment of the sites and the information provided above the Officers' preferred site is Langdykes Road. This site gives the City the opportunity to maximise further the hydrogen strategy, meet funding requirements and protect remaining green space.

6.   IMPACT

The Strategic Infrastructure Plan (SIP) of Aberdeen City Council, at pg32, discusses the Aberdeen Hydrogen Project. This plan includes the need for "additional refuelling infrastructure" and therefore this project will support implementation of the SIP.

In 2013 "A Hydrogen Economy for Aberdeen City" a framework strategy for hydrogen in the area was launched. This strategy outlines the vision of a low carbon economy with hydrogen playing a key role in this. The project supports implementation of this strategy through the provision of refuelling infrastructure which is identified within the strategy as a key requirement.

http://thezone/nmsruntime/saveasdialog.asp?IID=21820&sID=8218

The proposal is supported by 'Aberdeen – the Smarter City' which identifies a Smarter Environment as a High-level priority.

7

We will design and construct all new infrastructures to be energy efficient by maximising the use of low carbon technology and materials. We will use recycled materials where appropriate.

We will increase energy efficiency and introduce carbon reduction measures in our processes and our housing and non housing assets to reduce our carbon footprint, save money and to bring people out of fuel poverty.

We will manage waste effectively and in line with UK and European legislative requirements by maximising recycling and reducing waste to landfill, thereby reducing our costs and carbon footprint.

We will provide clean, safe and attractive streetscape and promote bio-diversity and nature conservation. We will encourage wider access to green space on our streets, parks and countryside.

7.   MANAGEMENT OF RISK

The project has a number of risks which will be managed through the normal risk management process. In particular the committee should note the following:

Risk	Comment/ Mitigation
Site Transfer not approved	If the site selected is not approved for transfer from the Housing Revenue Account the alternative site will require detailed layout work to be carried which will result in the project overrunning and losing the appropriate funding
Funding	Funding for the project has been provided however this will be lost if not spent in accordance with the project end date if the transfer is not approved the proposed refuelling station will either not be constructed or have to be fully funded by Aberdeen City Council.
Scottish Government Consent	Before the construction of the station commences Scottish Government Consent for the transfer of the site is required. If this is not forthcoming the project will be delayed. To mitigate this risk an application for Scottish Ministers Consent will be sent if this report is approved as soon as possible.

8

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

Debbie Wyllie,   Will Burnish
Estate Surveyor   Team Leader Flooding and Coastal
☝ dwyllie@aberdeencity.gov.uk   wburnish@aberdeencity.gov.uk
☎ 01224 52(3189)   01224 52

.

9

10
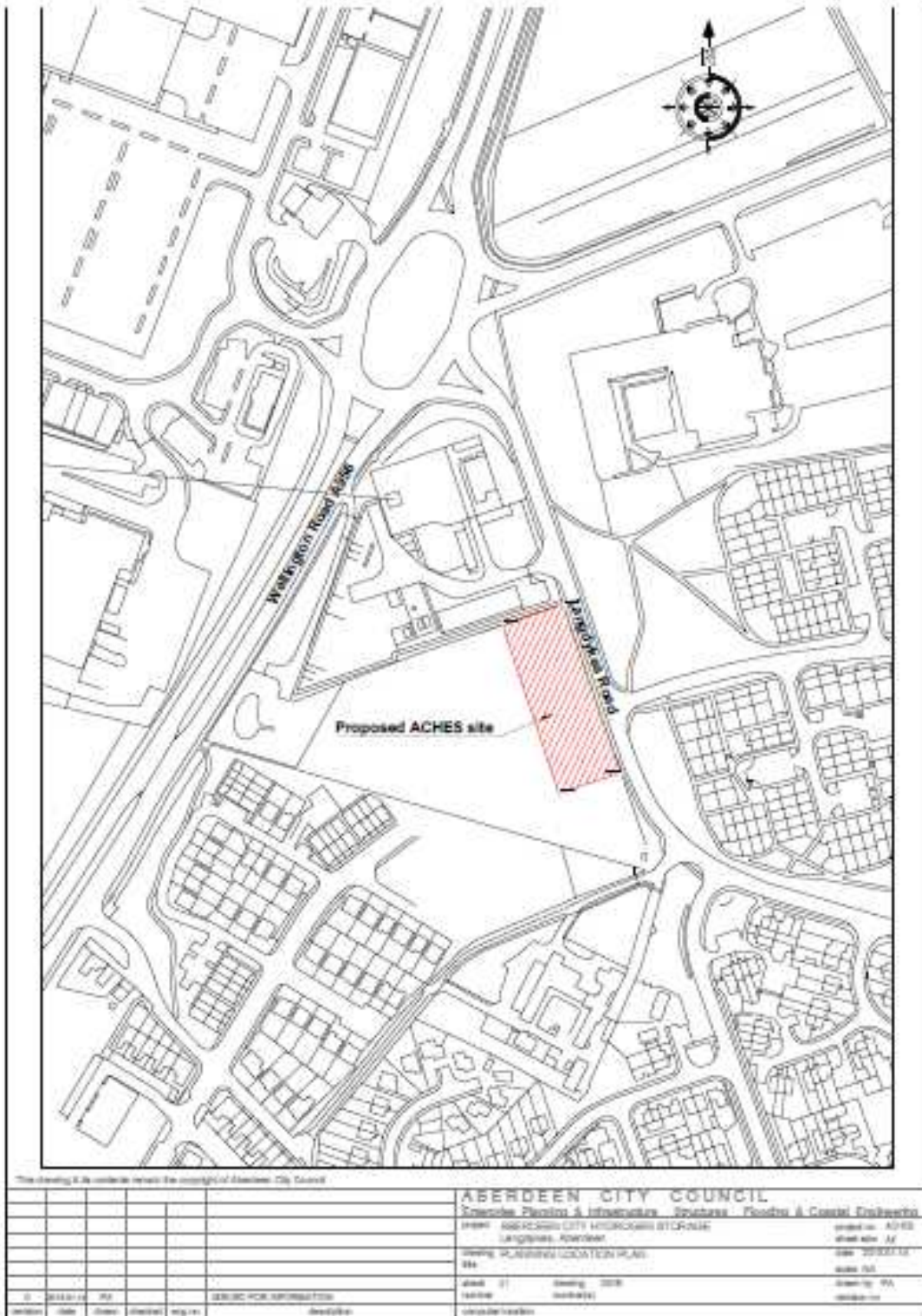
Appendix 1

Notification Of Change
Application Information

Title	Aberdeen City Hydrogen Energy Storage
Reference	LUPS/ERDF/2013/10/1/0070
Version Number	2
Status	Grant Accepted
Organisation	Aberdeen City Council
Programme	LUPS (ESEP) European Regional Development Fund
Fund Name	Competitiveness
IAB	ESEP
Area	Lowlands and Uplands Scotland
Application Type	European Regional Development Fund
Priority	Priority 1: Research and Innovation
Expenditure Type	Capital
Project Contact	Stuart Bews, 01224523773,stbews@aberdeencity.gov.uk

Notification Of Change

Description of Notification of Change	LUPS/ERDF/2013/10/1/0070 - Request to extend project end date
Status	Submitted
Sections required to be changed	Extending End Date of Project

Details of Changes Requested
Aberdeen City Council request to amend the physical and financial project end dates as outlined below;

Physical Project End Date - 30 June 2015

Financial Project End Date - 30 September 2015

There are no financial adjustments required, only changes to the end dates.

Justification for Change

Delays have been incurred at various stages of the project including;

> receiving the offer of grant letter
> developing the invitation to tender documentation

These issues are now resolved, a successful procurement excercise has resulted in a chosen contractor and there are clear timeframes for project delivery and payments.

Impact of Changes on Expenditure Forecast
There are no changes to the total expenditure forecast for this project. However, the dates of the payments would obviously be later than earlier forecast.
The chosen contractor has outlined project delivery milestones upon which payments will be made as per the payment schedule.
Following the invitation to Tender Aberdeen City Council has been able to ensure that the initial budget for this project is still accurate and there is no need to amend the expenditure forecast.

Certification Confirmed
Certifying Officer   Stuart Bews

EUROSYS - Notification Of Change for Application LUPS/ERDF/2013/10/1/0070

12

Agreed list of Sites. Jan 2015

13

This page is intentionally left blank

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 11 May 2015.   Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. <u>Present</u>:- Councillor , <u>Convener</u>; Councillor Yuill, <u>Vice-Convener</u>;   and Councillors Cameron, Cooney, Crockett, Donnelly, Jackie Dunbar, Graham, Greig, Lawrence, Malik,   Jean Morrison MBE, Nathan Morrison, Noble, Reynolds and Townson.

VALEDICTORY AND CONGRATULATIONS

1.   In recognition of former Convener, Callum McCaig's successful appointment as Member of Parliament for Aberdeen South, the Vice Convener wished him well in his new role. He further congratulated Councillor Jackie Dunbar on her appointment as Leader of the SNP.

MINUTE OF PREVIOUS MEETING OF 26 FEBRUARY 2015

2.   The Committee had before it the minute of its previous meeting of 26 February 2015.

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

WORKPLAN

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

The Committee resolved:-
to note the workplan.

DECISION TRACKING STATEMENT

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

The Committee resolved:-
(i)   to remove items 1 (Community Centre Internal Audit Report), 2 (Whistleblowing Policy) and 7 (Fleet Update);
(ii)   to note that updates in relation to item 3 (Elected Member Development) would be reported to this Committee at each cycle therefore could be removed;
(iii)   to otherwise note the decision tracking sheet.

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

MINUTE OF MEETING OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 28 NOVEMBER 2014

5.   The Committee had before it the minute of meeting of the Corporate Health and Safety Committee of 28 November 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 26 February 2015, 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.

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

INTERNAL AUDIT PROGRESS AND PERFORMANCE

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

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

AUDIT, RISK AND SCRUTINY COMMITTEE SELF EVALUATION - CG/15/057

8.   The Committee had before it a report by the Acting Director for Corporate Governance which presented the output from the 2015 self-evaluation exercise undertaken and outlined recommendations designed to further improve the effectiveness of the Committee.

The report recommended:
That the Committee -
(i)   note the output from the self-evaluation exercise;
(ii)   agree the recommended actions outlined in the report; and

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

(iii)   instruct officers to implement the agreed improvement actions and provide regular update reports to the Committee.

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

SYSTEM OF RISK MANAGEMENT - CG/15/53

9.   With reference to article 14 of the minute of it's previous meeting of 26 February, the Committee had before it a report by the Acting Director of Corporate Governance which presented details of a further component of the Council's System of Risk Management which focused specifically on the roles and responsibilities of staff.

The report recommended:
that the Committee note the further developments in the System of Risk Management.

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

COMMUNITIES, HOUSING AND INFRASTRUCTURE RISK REGISTER - CHI/15/139

10.   With reference to article 9 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the Service Risk Register.

The report recommended:
That the Committee -
(a)   approve the Communities, Housing and Infrastructure Service Risk Register;
(b)   note the risks contained within it and the mitigating actions that the service were taking to address these risks; and
(c)   note that the Service Risk Register would form an integral part of the Communities, Housing and Infrastructure Service Business Plan.

In relation to Complaint Handling System, Councillor Greig sought assurances that staff had access to full training, whereupon the Directorate Support Manager advised that training was available.

In relation to Health and Safety arrangements, Councillor Townson asked whether contractors were less disciplined to report injuries compared to Council employees and what controls and mitigating actions were being pursued to prevent and reduce non reporting, whereupon the Directorate Support Manager advised that he would liaise with colleagues and provide a response.

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

In relation to the Service Health and Safety Policy, Councillor Cameron enquired as to why it was under development when the Corporate Health and Safety Policy had been approved and issued, whereupon the Director of Communities, Housing and Infrastructure advised that various interventions had been put in place, with operational risks being managed and the Service Health and Safety Policy would reflect the interventions and risks.

Councillor Dunbar sought clarification on where the interventions and improvement to risks would be reported, whereupon the Director of Communities, Housing and Infrastructure advised that the Risk register and all other health and safety issues would be reported to the Corporate Health and Safety Committee.

The Committee resolved:-
(i)   in response to a question from Councillor Townson relating to the lack of awareness of injuries and whether contractors were less disciplined to report injuries compared to Council employees and what controls and mitigating actions were being pursued to prevent and reduce non reporting, to request the Directorate Support Manager to provide a response and circulate to the Committee for their information; and
(ii)   in response to a question from Councillor Dunbar relating to whether a further report would be submitted providing an update, to note that the Risk Register would be reported to the Corporate Health and Safety Committee; and
(iii)   to otherwise approve the recommendations contained in the report.

FLEET ASSET VERIFICATION

11.   The Committee had before it a report by PricewaterhouseCoopers which presented an audit on the asset verification of fleet, plant and equipment. The auditors advised that the Service had requested the audit to assist with the verification of fleet assets following the concerns raised by the Traffic Commissioner.

The Head of Public Infrastructure and Environment advised that the Traffic Commissioners Public Enquiry was due to be held on 12 May 2015 and that an update on their findings would be presented to the appropriate Committee.

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

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

CORPORATE LANDLORD RESPONSIBILITIES (ASSET MANAGEMENT)

12.   The Committee had before it a report by Pricewaterhouse Coopers which presented an audit into the design and operating effectiveness of the Council's corporate landlord controls for managing its property portfolio.

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

LIBRARY SERVICES SELF SERVICE MACHINES

13.   The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the Council's controls in place over the roll out of the service machines within libraries.

Councillor Graham sought clarification relating to the dates when the draft report was issued to management for comment, whereupon the auditors advised that there was an error and that the dates had been input into the wrong columns.

The Committee resolved:-
(i)   to note the error in relation to the target and actual dates for when the draft report was issued for management comment; and
(ii)   to otherwise note the content of the report and endorse the recommendations for improvement.

POLICY AND PROCEDURE DEVELOPMENT

14.   The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the Council's Policy and Procedure Controls specifically in the Finance and Human Resources sections of the organisation.

Councillor Graham sought clarification on whether there was one officer in the organisation who monitored all policies and procedures, whereupon the Chief Executive advised that the Business Manager within Corporate Governance would be doing this via a database system.

The Committee resolved:-
(i)   in response to a question from Councillor Graham relating to whether there was one person within Corporate Governance responsible for monitoring all policies and procedures, to note that the Business Manager for Corporate Governance would be monitoring all policies via a database system; and

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

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

PROCUREMENT IN CONSTRUCTION

15.   The Committee had before it a report by PricewaterhouseCoopers which presented an audit relating to the implementation of the 24 recommendations contained in the Review of Scottish Public Sector Procurement in Construction produced by the Scottish Government.

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

SECTION 75 PLANNING

16.   The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the Council's Section 75 Planning controls.

The Committee resolved:-
(i)   to note that the balance of funds from Section 75 Planning agreements would be reported to future meetings of the Communities, Housing and Infrastructure Committee; and
(ii)   to otherwise note the content of the report and endorse the recommendations for improvement.

DECLARATION OF INTEREST

Councillor Donnelly declared an interest in the subject matter of the following article by virtue of his position as Chair of Ferryhill Community Centre. He did not feel it necessary to withdraw from the meeting during consideration of the item.

AUDIT RECOMMENDATIONS OUTSTANDING

17.   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 28 February 2015.

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

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

Members expressed their dissatisfaction that some officers who had outstanding actions were not in attendance to respond to questions.

The Committee resolved:-
(i)   in relation to items 1 and 2 (Arm's Length Organisations) to note that significant work had been undertaken in this area and that the report to be discussed at the first Hub meeting would be circulated to members for their information;
(ii)   in relation to item 5 (Community Centres) to note the update provided and that a further report would be submitted to the Communities, Housing and Infrastructure Committee in September 2015 advising on those Community Centres that had not signed the Management Agreement and Lease;
(iii)   to note that any trends would be reported to future meetings of this Committee;
(iv)   to instruct all officers with outstanding audit recommendations to attend the Committee to respond to questions; and
(v)   to otherwise note the content of the report.

FLEET SERVICES UPDATE ON PROGRESS OF ACTION PLAN - CHI/15/160

18.   With reference to article 23 of the minute of its meeting of 26 February 2015, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented an overview of the work undertaken to address the outcomes of the Traffic Commissioner's Public Enquiry and to improve service delivery.

The report receommended:
That the Committee –
(a)   note the content of the report; and
(b)   instruct the Head of Public Infrastructure and Environment to update future meetings of the Communities, Housing and Infrastructure Committee on progress made on the Fleet Services Action Plan.

In response to a question from the Vice Convener as to whether a report would be submitted to Committee providing an update following the Traffic Commissioners Public Enquiry on 12 May 2015, the Chief Executive advised that she would provide a verbal update at the Council meeting on 13 May 2015.

The Committee resolved:-
(i)   to congratulate the Head of Public Infrastructure and Environment and his staff on the work undertaken to date to improve the Council's position in relation to Fleet Management;

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

(ii) to note that the Chief Executive would provide a verbal update would at Full Council on Wednesday 13 May 2015 following the Public Enquiry due to be heard on Tuesday 12 May 2015; and

(iii) to otherwise approve the recommendations contained in the report.

WHISTLEBLOWING FOLLOW UP - CG/15/56

19. With reference to article _ 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 any implications for the Council's Whistleblowing Policy arising from a recent Scottish Parliament Petition.

The report recommended:
That the Committee note that the recent Scottish Parliament petition regarding Whistleblowing procedures in local government does not impact upon the Council's current Whistleblowing policy.

The Committee resolved:-
to approve the recommendation.

AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - CG/15/058

20. 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 them.

The report recommended:
That the Committee –
(a) note the detail of the following reports
"Borrowing and Treasury Management"
"An Overview of Local Government in Scotland 2015"
"Update on Developing Financial Reporting"; and
(b) give consideration to officers comments made in respect of each of the priorities identified within the report.

The Committee resolved:-
(i) in relation to the report on Borrowing and Treasury Management, to note that following consideration by officers, a report would be submitted to this Committee then Finance, Policy and Resources Committee;

AUDIT, RISK AND SCRUTINY COMMITTEE
11 May 2015

(ii)   in relation to the report An Overview of Local Government in Scotland 2015, to note that the Skills Development Programme would include finance training for Councillors;

(iii)   in relation to the report An Overview of Local Government in Scotland 2015, to request the Finance team to provide a response to a question from Councillor Graham relating to the Aberdeen's percentage of the 8.5% reduction in Scottish Government funding;

(iv)   in relation to the report Update on Developing Financial Reporting, to note that any changes would be reported to the Finance, Policy and Resources Committee; and

(v)   to otherwise note the detail of the reports.

- **COUNCILLOR IAN YUILL, <u>Vice Convener.</u>**

This page is intentionally left blank

AUDIT, RISK and SCRUTINY COMMITTEE

WORKPLAN

25 JUNE 2015

Performance and Improvement

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
1.	27/02/14 article 4	Internal Audit Annual Report		Internal Audit
2.	26/02/15 article 12	External Audit Progress Report		External Audit
3.		Audit, Risk and Scrutiny Annual Report		Corporate Performance & Transformation Manager
4.		Data Protection Reporting – January to March 2015		Governance Support Officer

Risk Management

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
5.	27/02/14 article 6	Risk Register	Corporate Governance	Performance and Risk Manager

Control Environment and Assurance

Internal

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
6.	26/06/14 article 6	Continuous Controls – Financial Controls Programme	Internal Audit Plan agreed	Internal Audit
7.	27/02/14 article 8	Pension Fund Financial Controls	Internal Audit Plan agreed	Internal Audit
8.	27/02/14 article 8	Compliance with Public Records (Scotland) Act – Phase 2	Internal Audit Plan agreed	Internal Audit
9.	27/02/14	Management Information ICT	Internal Audit Plan agreed	Internal Audit

1

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	article 8			
10.	27/02/14 article 8	Roads Construction Consent	Internal Audit Plan agreed	Internal Audit
Control Environment and Assurance External				
11.	26/02/15 article 12	Review of ICT Services		External Audit
Control Environment and Assurance Audit Follow up				
12.		Fleet Management Governance		Internal Audit
13.	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
Financial Reporting				
14.	26/02/15 Article 28	Unaudited Annual Accounts 2014/15	To present the unaudited accounts.	Head of Finance
15.	26/02/15 article 12	External Audit Interim Report on 2014/15 Audit		External Audit
Value for Money				
16.	26/02/15 article 12	Local Scrutiny Plan/National Scrutiny Plan 2015/16		External Audit
Exempt Report				
17.	N/A	Matters Under Investigation	Standing Item	Director of Corporate Governance

29 SEPTEMBER 2015

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Performance and Improvement				
1.	11/05/15	Elected Member Development	Standing Item	Committee Officer
2.	26/02/15	Internal Audit Progress and		Internal Audit

3

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
3.	article 9	Performance		
	26/02/15 article 12	External Audit Progress Report		External Audit
4.		Data Protection Reporting April to June 2015		Governance Support Officer
Risk Management				
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
6.	26/02/15 article 14	Risk Register	Shadow Integration Joint Board	Performance and Risk Manager
Control Environment and Assurance – Internal				
7.	26/02/15 article 9	Cross Service Corporate Policies and Procedures	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Cross Service Risk Registers	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Cross Service Recruitment Procedures	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Commercial and Procurement Creditors System	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Finance Budget Setting Process	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Human Resources & Org Dev Payroll System	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15 article 9	Housing Rent Assessment	Internal Audit Plan agreed	Internal Auditor
14.	26/02/15 article 9	Housing Rent Collection	Internal Audit Plan agreed	Internal Auditor
15.	26/02/15 article 9	Adult Social Work/Integration Joint Board Social Work Tendering	Internal Audit Plan agreed	Internal Auditor
16.	26/02/15	Adult Social Work/Integrated Joint	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	article 9	Board Integration of Health and Social Care	(When required)	
17.	27/02/14 article 8	Control Assurance Mapping Outstanding from PWC	Internal Audit Plan agreed	Internal Audit
Control Environment and Assurance – External				
18.				
Control Environment and Assurance – Audit Follow Up				
19.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
20.	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
21.	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
Financial Reporting				
21.	26/02/15 article 28	Annual Audited Accounts 2014/15		Head of Finance
22.	26/02/15 article 12	Annual Report to Members and the Controller of Audit on the 2014/15 Audit - September committee		External Audit
Value For Money				
23.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Reports				
24.		Matters Under Investigation	Standing Item	

26 NOVEMBER 2015

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.	26/02/15	External Audit Progress Report		External Audit
3.		Data Protection Reporting July to September 2015		Governance Support Officer
Risk Management				
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
Control Environment and Assurance – Internal				
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

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Control Environment and Assurance – External				
13.				
Control Environment and Assurance – Audit Follow Up				
14.		Audit Recommendations Outstanding	Standing Item	Internal Audit
Financial Reporting				
15.				
Value for Money				
16.				
Exempt Report				
17.		Matters Under Investigation	Standing Item	
25 FEBRUARY 2016				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.		Internal Audit Plan 2016/17		Internal Auditor
3.	26/02/15	External Audit Progress Report		External Audit
4.	N/A – instruction of Director of CG	Feedback/ Evaluation of External Auditors		Corporate Performance & Transformation Manager
5.		Data Protection Reporting October to December 2015		Governance Support Officer
Risk Management				
6.	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
Control Environment and Assurance – Internal				
7.	26/02/15	Cross Service	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
8.	article 9	Time Sheets/Allowances	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Cross Service Following the Public Pound	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Cross Service Data Protection	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Finance Bank Reconciliations	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Finance VAT	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15 article 9	Education & Children's Services Academy Visits	Internal Audit Plan agreed	Internal Auditor
14.	26/02/15 article 9	Education & Children's Services Family and Community Support	Internal Audit Plan agreed	Internal Auditor
15.	26/02/15 article 9	Transportation Vehicles	Internal Audit Plan agreed	Internal Auditor
16.	26/02/15 article 9	Transportation Crematorium	Internal Audit Plan agreed	Internal Auditor
17.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Self Directed Support	Internal Audit Plan agreed	Internal Auditor
	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
Control Environment and Assurance – Audit Follow Up				
18.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Value for Money				
19.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
20.		Matters Under Investigation	Standing Item	

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
28 APRIL 2016				
Performance and Improvement				
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 January to March 2016		Governance Support Officer
Risk Management				
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
Control Environment and Assurance – Internal				
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

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Control Environment and Assurance – External				
12.				
Control Environment and Assurance – Audit Follow Up				
13.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Exempt Report				
14.		Matters Under Investigation	Standing Item	
27 JUNE 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
Risk Management				
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
Control Environment and Assurance – Internal – TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
5.				
6.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.		Unaudited Annual Accounts 2015/16	To present the unaudited accounts.	Head of Finance

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
10.		External Audit Interim Report on 2015/16 Audit		External Audit
Value for Money				
11.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
12.		Matters Under Investigation	Standing Item	
27 SEPTEMBER 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.		Data Protection Monitoring – April to June 201616		
Risk Management				
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
Control Environment and Assurance – Internal - TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
5.				
6.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.		Annual Audited Accounts 2015/16		Head of Finance
10.		Annual Report to Members and		External Audit

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
		the Controller of Audit on the 2016/16 Audit - September committee		
Value for Money				
11.				
Exempt Report				
12.		Matters Under Investigation	Standing Item	
24 NOVEMBER 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.		Data Protection Monitoring – July to September 2016		
Risk Management				
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
Control Environment and Assurance – Internal - TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
5.				
6.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.				
Value for Money				

12

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

AUDIT, RISK and SCRUTINY

DECISION TRACKING SHEET

25 June 2015

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

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
1.	Audit, Risk and Scrutiny 26 Feb 15 Article 18	**Care First Budgetary Control and Forecasting** (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	
2.	Audit, Risk and Scrutiny 26 Feb 15 Article 19	**Arm's Length External Organisations – Tier 2** (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	A report is on the agenda.
3.	Audit, Risk and Scrutiny 26 Feb 15 Article 22	**Aberdeen International Youth Festival – Following the Public Pound** (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.
4.	Audit, Risk and Scrutiny 11 May 15 article 20	**Audit Scotland Value for Money National Reviews** (i) in relation to the report on Borrowing and Treasury	Finance	S Whyte	

No.	Minute Reference	A R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
		Management, to note that following consideration by officers, a report would be submitted to this Committee then Finance, Policy and Resources Committee.			

CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 20 February 2015. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Councillor Graham Chairperson. City Council Representatives:- Councillors Cameron and Greig.

Trade Union Representatives:- Joe Craig (UNITE), Karen Davidson (UNISON), George Ferguson (UNISON), John Noble (UCATT), Steve Robb (UNITE), Sid Sandison (SSTA), Carole Thorpe (EIS) and Neil Watson (GMB) (as substitute for Mike Middleton).

Officers in attendance:- Angela Scott (Chief Executive), Ewan Sutherland (Director of Corporate Governance), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Leaver (Team Leader), Abigail Kelman (Health, Safety and Wellbeing Team), Euan Couperwhite (Head of Policy, Performance and Resources), Martin Allan (Business Manager), Bruce Findlater (Admin Officer), Michael Hearns (Directorate Support Manager), Andrew Jones (Service Manager (Assets / Finance)) (Education, Culture and Sport), Lesley Kirk (Directorate Support Manager), Carol Slessor (Team Manager), Mark Reilly (Head of Public Infrastructure and Environment) (for article 7) and Jacqui McKenzie (Customer Service Manager) (for article 5).

DETERMINATION OF EXEMPT BUSINESS

1.   Prior to consideration of the matters before it, the Committee resolved in terms of Section 50(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for article 23 so as to avoid disclosure of exempt information of the class described in paragraph 14.

APOLOGIES

2.   Apologies for absence were intimated on behalf of Mike Middleton, David Willis, and Kate Mackay.

MINUTE OF PREVIOUS MEETING OF 27 NOVEMBER 2014

3.   The Committee had before it the minute of its previous meeting of 27 November 2014.

The Committee resolved:-

to approve the minute subject to the following amendment on page 7, last paragraph, first sentence to read 'Sid Sandison stated that within schools there were two forms to be completed following an incident, one was a unique form to the school to be completed for all types of incidents and the other was the Corporate Incident Reporting Form. He suggested that at the time of completing the first form, not all staff were

reminded to complete the Corporate Incident Reporting Form which may affect the number of incidents reported corporately.'

COMMITTEE BUSINESS STATEMENT

4.   With reference to article 8 of the minute of meeting of 27 November 2014, the Committee had before it a statement of outstanding business prepared by the Clerk.

In relation to item 1 (School Security), the Health, Safety and Wellbeing Manager requested that the Service produce an action plan to ensure all aspects of security were being addressed whereupon, the Head of Policy, Performance and Resources stated that he would discuss the matter out with the meeting.

The Committee resolved:-
(i)   subject to the decisions at articles 5 (Marischal College Incident) and 6 (Vehicle Fire at Fleet Services, to remove items 2 and 4 from the statement; and
(ii)   to otherwise note the statement of outstanding business.

MARISCHAL COLLEGE INCIDENT - UPDATE REPORT

5.   With reference to article 7, resolution (ii) of the minute of its previous meeting of 27 November 2014 and article 6 of the minute of its meeting of 29 August 2014, the Committee had before it a report by the Customer Services Manager which provided an update on the actions taken in respect of each of the recommendations for improvement.

The report provided detailed information relating to each of the recommendations and the actions the Service had taken to address them. The report advised that additional health and safety measures had been planned an implemented within the Customer Service Centre which included (1) a Customer Service Centre Team Leader working group had been established to review health and safety considerations and to share knowledge on potential risks; (2) new members of staff in the Customer Service Team are provided with a comprehensive induction to health and safety arrangements; and (3) presentations to staff from Police Scotland Counter Terrorism Adviser had been arranged specifically focused on firearms and weapons attacks.

The Chairperson sought assurance that the improvements and training that had been put in place at the Customer Service Centre would be implemented across all of the Customer Access points, whereupon the Customer Service Manager advised that each of the Access points currently have their own procedures in place and that these would be reviewed and additional training provided.

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

TOWN HOUSE INJURY INVESTIGATION - REPORT BY HEALTH AND SAFETY TEAM

6.   The Committee had before it a report prepared by the Health, Safety and Wellbeing Team which provided details of an incident of assault to a member of staff on

Broad Street. The assailant was known to the employee through the course of their previous employment in the Customer Service Centre and there had been a history of near misses raised.

The report contained a list of recommendations to be taken into account for future incidents and advised that the findings would be shared across directorates. Following the incident various actions had been undertaken.

The Committee resolved:-
to note the content of the report and actions taken to date.

VEHICLE FIRE AT FLEET SERVICES - UPDATE

7.   With reference to article 10 of the minute of its meeting of 27 November 2014, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which provided an update on the progress made with implementing the recommendations for improvement.

The report advised that (1) the incident occurred when a vehicle waiting to be repaired was hit by another vehicle resulting in a damaged lock on the rear of the vehicle and the welding work introduced an ignition source and combustible materials contained in the back of the vehicle caught fire; (2) on 3rd October 2014, the Office of the Traffic Commissioner notified the Council that there would be a public enquiry into the Council's Goods Vehicle Operators Licence which had been called following the Commissioners concerns on perceived lack of progress with addressing concerns identified in an investigation on the 14 January 2014; (3) due to the concerns, Fleet Services have been placed under special measures and a full evaluation of health and safety compliance within the service was being undertaken in conjunction with the Health, Safety and Wellbeing Team; and (4) in relation to Hot Works procedures, the Service were working with officers to implement robust health and safety procedures for hot working.

The report contained details of the work undertaken to date and those still to be implemented.

Councillor Cameron enquired as to why Hot Works Permits weren't in place across the Council, wherein the Head of Public Infrastructure and Environment advised that Building Services had a Permit to work and this was being reviewed to roll it out across the Council. The Team Leader advised that there was a procedure in place within Fleet Services however it had not been followed at the time of the accident and that this was being reviewed to ensure what was in place was sufficient.

George Ferguson enquired as to whether training had been identified for staff wherein the Head of Public Infrastructure and Environment advised that a programme of training for all staff was being developed and would be implemented.

The Chairperson enquired as to whether he could attend the workshop at Kittybrewster so that he could meet the staff and see for himself the operations, wherein the Head of Public Infrastructure and Environment advised that he would arrange a meeting.

The report recommended:
That the Committee –
(a)   note the progress on implementing the actions; and
(b)   instructs the Head of Public Infrastructure and Environment to report back to the next Committee with a further update on the implementation of the revised procedure for Hot Works in Fleet Services.

The Committee resolved:-
(i)   to note that the Head of Public Infrastructure and Environment would arrange for the Chairperson to visit the workshop to meet staff and to see the work area; and
(ii)   to otherwise approve the recommendations contained in the report.

HEALTH AND SAFETY MANAGEMENT SYSTEM

8.   The Health, Safety and Wellbeing Manager advised that (1) a report was being submitted to the Audit, Risk and Scrutiny Committee on 26 February 2015 which was to present the Health and Safety Assurance Plan and the provide information on the assurance system to test the effectiveness of the organisations health and safety arrangements; and (2) that it was proposed that Health and Safety audits be carried out, the scope of which would be agreed with the Service and that recommendations for improvements would be issued with a timeline for completion.

The Committee resolved:-
to note the information provided.

CORPORATE HEALTH AND SAFETY REPORT - JULY TO SEPTEMBER 2014

9.   With reference to article 11 of the minute of its meeting of 29 August 2014, the Committee had before it a report by the Acting Director of Corporate Governance which provided details of the number and types of accidents, incidents and occurrences during the period July to September 2014.

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

Accidents, Incidents, Accident Rates and Sickness Absence
•   46 accidents to employees were reported of which 12 were reportable to the enforcing authority
•   61 accidents to third parties were reported of which 6 were reportable to the enforcing authority
•   the accident rate for the period was 1.13
•   123 incidents were reported during the period with the highest attributed to threatening or menacing behaviour (47)
•   there were 13701 calendar days lost for all sickness, 212 for industrial injury and 18 for mental wellbeing
•   the corporate sickness absence rate was 11.20 working days lost per employee

Health and Safety Training and Cancellations
•   202 employees attended health and safety training
•   302 employees completed elearning health and safety courses
•   there were 21 late cancellations or no shows which resulted in a total of £2457.20 being back charged to Services

Fire Risk Assessments
- 19 fire risk assessments were carried out
- a range of both positive and negative findings were reported to the premises responsible person and related directorate so that remedial action could be progressed and monitored via Service Management Committees

Health and Safety Policies and Guidance
- The Corporate Health and Safety Policy and Smoke Free at Work Policy have been reported to the Corporate Management Team and engagement with directorates had commenced.

The report recommended:
That the Committee refer the report to the Corporate Management Team –
(a)   to discuss and encourage review of statistics by Heads of Service with Service specific detail being discussed at Service Management Committees;
(b)   to support actions to reduce accidents and work related ill health in line with health and safety targets; and
(c)   to disseminate and take action on the health and safety information in the report.

The Chairperson requested an update in relation to the remedial action from the employee reportable accidents, wherein the Health, Safety and Wellbeing Manager advised that she would liaise with colleagues and provide a response at the next meeting.

The Committee resolved:-
(i)   to note that a response relating to the remedial actions from employee reportable accidents would be provided at the next meeting; and
(ii)   to otherwise approve the recommendations contained in the report.

CORPORATE HEALTH AND SAFETY REPORT - OCTOBER TO DECEMBER 2014

10.   With reference to the previous article, the Committee had before it a report by the Acting Director of Corporate Governance which provided details of the number and types of accidents, incidents and occurrences during the period October to December 2014.

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

Accidents, Incidents, Accident Rates and Sickness Absence
- 68 accidents to employees were reported of which none were reportable to the enforcing authority
- 118 accidents to third parties were reported of which 2 were reportable to the enforcing authority
- the accident rate for the period was 0
- 107 incidents were reported during the period with the highest attributed to threatening or menacing behaviour (41)
- there were 17742 calendar days lost for all sickness, 191.5 for industrial injury and 107 for mental wellbeing
- the corporate sickness absence rate was 11.30 working days lost per employee

Occupational Health and Wellbeing Events
- 6 to 10 October - EU-OSHA Healthy Workplaces Manage Stress which was to promote stress management techniques and create a greater awareness of metal wellbeing in the workplace
- Various dates in October – Free Employee Flu Vaccinations which was offered to prevent or minimise flu related absences to eligible staff
- 3 November to 21 November – Free Employee Health Checks which was offered to all staff and are a good indicator of general employee health as well as a way of providing a health intervention and information for employees who may be at risk
- The Council maintained the Healthy Working Lives bronze award

Health and Safety Training and Cancellations
- 654 employees attended health and safety training
- 231employees completed elearning health and safety courses
- There were 60 late cancellations or no shows which resulted in a total of £2731 being back charged to Services

Fire Risk Assessments and Health and Safety Audits
- 33 fire risk assessments were carried out
- a range of both positive and negative findings were reported to the premises responsible person and related directorate so that remedial action could be progressed and monitored via Service Management Committees
- 11 audits relating to 'control' were carried out
- a range of both positive and negative findings were identified

Health and Safety Policies and Guidance
- the Corporate Health and Safety Policy will be submitted to the next meeting of the Finance, Policy and Resources Committee for approval

The report recommended:
That the Committee refer the report to the Corporate Management Team –
(a) to discuss and encourage review of statistics by Heads of Service with Service specific detail being discussed at Service Management Committees;
(b) to support actions to reduce accidents and work related ill health in line with health and safety targets; and
(c) to disseminate and take action on the health and safety information in the report.

Sid Sandison enquired as to where the security breach occurred, wherein the Health, Safety and Wellbeing Manager advised that she would provide the details to the Committee.

John Noble advised that the test at the end of the Construction Skills Certification Scheme had not been completed by the majority of attendees and requested an update, wherein the Health, Safety and Wellbeing Manager advised that it was up to the Service to organise and that there were a few reasons why there has been a delay.

The Chief Executive sought clarification over the figures provided relating to sickness absence and stated that there appeared to be no improvement over the last 12 month period. She further requested information on how the Council compared to the industry average for sickness absence. The Health, Safety and Wellbeing Manager advised that the figures were provided to her from colleagues so she would seek clarification from them and would request the comparison figures. Sid Sandison stated that the

absence figures included part time staff with the absence recorded as full time and also weekends were included so this may account for the high absence figures.

The Committee resolved:-
(i)   to note that the Health, Safety and Wellbeing Manager would provide clarity in relation to the absence figures and would provide a comparison to the industry average for sickness absence; and
(ii)   to otherwise approve the recommendations contained in the report.

OCCUPATIONAL HEALTH REPORT - JULY TO SEPTEMBER 2014

11.   With reference to article 10 of the minute of its meeting of 29 August 2014, the Committee had before it a report prepared by Serco which outlined the activities of the Occupational Health Service for the period 1 July to 30 September 2014.

The report provided the following statistical information:
- 307 appointments had been delivered which included: 31 Audiometry Assessments, 56 Physiotherapy sessions, 19 Hand Arm Vibration Syndrome Assessments were carried out 17 at tier 3 and 2 at tier 4, 100 medicals comprising 2 Light Goods Vehicles, 41 School Crossing Patrollers and 57 Taxi Drivers and 101 referrals had been received
- 43 New Employee Questionnaires were completed
- There were 3 cases of 'Did Not Attend'
- 8 Hep B Vaccinations were carried out
- The highest diagnosis categories from the referrals were musculoskeletal (30) of which 4 were work related and Psychological (26) of which 18 were work related
- Of the 101 referrals, 38 were deemed fit for work and 29 were deemed fit with restrictions

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

OCCUPATIONAL HEALTH REPORT - OCTOBER TO DECEMBER 2014

12.   With reference to the previous article, the Committee had before it a report prepared by Serco which outlined the activities of the Occupational Health Service for the period 1 October to 31 December 2014.

The report provided the following statistical information:
- 330 appointments had been delivered which included: 68 Physiotherapy sessions, 3 Hand Arm Vibration Syndrome Assessments were carried out 2 at tier 3 and 1 at tier 4, 101 medicals comprising 9 Light Goods Vehicles and 92 Taxi Drivers and 158 referrals had been received
- 83 New Employee Questionnaires were completed
- There were 6 cases of 'Did Not Attend' and 13 cancelled appointments
- 13 Hep B Vaccinations were carried out
- The highest diagnosis categories from the referrals were musculoskeletal (57) of which 4 were work related and Psychological (39) of which 24 were work related
- Of the 158 referrals, 61 were deemed fit for work, 39 were deemed fit with restrictions and 34 were deemed temporarily unfit

The Chief Executive sought clarification relating to the number of employees off long term sick (81) and how many of those were deemed fit to work and had returned or if there was a plan for those employees to return to work. The Chairperson sought clarification on employees that had returned to work on different duties. The Health, Safety and Wellbeing Manager advised that she would liaise with Serco to gain the information.

Sid Sandison sought clarification relating to the Psychological figures and how the Council were performing against other Local Authorities and the industry average. The Health, Safety and Wellbeing Manager advised that Serco didn't currently provide benchmarking figures and that she would ask for these for future reports.

The Team Leader for the Health, Safety and Wellbeing Team advised that Services had plans in place to assist people back to work and systems in place to manage this and that the Service look at the suitability of lighter duties for each employee.

Joe Craig advised that sometimes the report from Serco conflicted with the report from the employees Doctor and that this should be investigated. The Health, Safety and Wellbeing Manager advised that she would discuss the individual cases directly with Joe out with the meeting.

The Health, Safety and Wellbeing Manager advised that she had requested Serco to provide feedback responses in future reports so that the Committee could monitor the service being provided.

The Committee resolved:-
(i)   to request the Health, Safety and Wellbeing Manager to liaise with Serco to gain additional information on whether there was a plan in place to get the 81 employees currently off on long term sick back to work;
(ii)   to request the Health, Safety and Wellbeing Manager to liaise with Serco to gain additional information on how many employees had returned to work on lighter duties;
(iii)   to note that feedback responses had been requested for future reports; and
(iv)   to otherwise note the content of the report.

EMPLOYEE ASSISTANCE PROGRAMME REPORT - JULY TO SEPTEMBER 2014

13.   With reference to article 9 of the minute of its meeting of 29 August 2014, the Committee had before it a report prepared by Time for Talking which presented the utilisation of the Employee Assistance Programme for the period 1 July to 30 September 2014.

The report advised that there had been 22 referrals during the period, of which 17 related to personal issues and 5 related to work issues. There had been 59 face to face counselling sessions, 19 telephone counselling sessions and 1 counselling session still to be arranged due to client commitments.

The Committee noted that the format of the report was not ideal as it split between pages and the information was not easy to read. The Clerk advised that she would try to amend the layout for future reports.

The Committee resolved:-
(i)   to request the Clerk to present the report in a different format for future meetings to make it easier to follow and understand; and
(ii)   to otherwise note the content of the report.

EMPLOYEE ASSISTANCE REPORT - OCTOBER TO DECEMBER 2014

14.   With reference to the previous article, the Committee had before it a report prepared by Time for Talking which presented the utilisation of the Employee Assistance Programme for the period 1 October to 31 December 2014.

The report advised that there had been 21 referrals during the period, of which 13 related to personal issues and 8 related to work issues. There had been 52 face to face counselling sessions, 21 telephone counselling sessions and 1 requesting information or advice.

Sid Sandison asked if there was any evidence that the service was beneficial to the employee wherein the Health, Safety and Wellbeing Manager advised that she receives the feedback during her quarterly meetings with Time for Talking and that the feedback from those who had provided it was positive. She further advised that it was important to receive all feedback so that if there was anything negative that it could be addressed.

The Chief Executive requested that the feedback information be included in future reports.

The Committee resolved:-
(i)   to request Time for Talking to provide the feedback responses in future reports; and
(ii)   to otherwise note the report.

HEALTH AND SAFETY IMPROVEMENT PLAN

15.   With reference to article 13 of the minute of its previous meeting of 28 November 2014, 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 Health, Safety and Wellbeing Manager specifically drew attention to items 3 and 4 which outlined the percentages for reducing the number of incidents and absences in the workplace.

The Chief Executive requested that the Improvement Plan be amended to contain more detail on what interventions would be put in place to meet the aim and the targets set. She also sought clarification on how each of the improvement areas would be monitored.

The Team Leader for the Health, Safety and Wellbeing Team advised that the Corporate Plan was fed down to each Service and their improvement plans would contain the additional detail. The Chief Executive stated that the Improvement Plan had to be discussed with each Service to ensure that the targets and actions were not

unrealistic. She further requested that the Improvement Plan be discussed by the Corporate Management Team to ensure the targets and actions were acceptable and manageable.

The Committee resolved:-
(i)   to instruct the Health, Safety and Wellbeing Manager to submit the Improvement Plan to the Corporate Management Team for discussion and approval; and
(ii)   to otherwise note the Improvement Plan.

DIRECTORATE HEALTH AND SAFETY IMPROVEMENT PLANS

16.   The Health, Safety and Wellbeing Manager advised that once agreement had been reached on the format and content of the Corporate Health and Safety Improvement Plan and this had been issued to Services to be included in their individual Improvement Plans, that at each Committee meeting, the Service Improvement Plans would be presented so that the Committee could monitor the improvements that had been identified.

The Committee resolved:-
to note the information provided.

FUTURE MEETING ARRANGEMENTS AND SERVICE REPORTING TIMETABLE 2015

17.   The Committee had before it the dates and service reporting timetable prepared by the Clerk. The Clerk advised that there were some changes to the one issued in the papers and that this would be amended and issued to all Services.

The Committee resolved:-
to note the reporting timetable.

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.

SCHOOL SECURITY

18.   The Committee had before it a report by the Director of Education and Children's Services which (1) presented an update on progress in developing a programme of security improvements for schools in Aberdeen City; and (2) presented a draft programme of works to be undertaken over the next five years.

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

The Health, Safety and Wellbeing Manager commended the Service of the amount of work that had been undertaken to date and requested that an action plan be

implemented to capture all aspects of health, safety and wellbeing for each of the schools.

The Committee resolved:-
(i)   to request the Service to complete an action plan to capture all information relating to school security so that all aspects of health, safety and wellbeing were being addressed; and
(ii)   to otherwise note the contents of the report.

-    **GORDON GRAHAM, Chairperson.**

This page is intentionally left blank

Internal Audit Annual Report 2014/2015

Aberdeen City Council

For year ended
31st March 2015

FINAL

Contents

Distribution List	
For action	Audit, Risk and Scrutiny Committee
For information	Director of Corporate Governance

This document has been prepared only for Aberdeen City Council and solely for the purpose and on the terms agreed with Aberdeen City Council under our engagement letter dated 4th October 2010.

1. *Executive summary*

Introduction

This report outlines the internal audit work we have carried out for the year ended 31st March 2015.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Audit, Risk and Scrutiny Committee agreed to a level of internal audit input of 563 days, of which 563 days were delivered.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Opinion

Our opinion is as follows:

Adequate and effective	**Improvement required**	Major improvement required	Unsatisfactory

There are weaknesses in the framework of governance, risk management and control which potentially put the achievement of organisational objectives at risk and there is non-compliance with controls that may put the achievement of organisational objectives at risk.

Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control. Please see our Summary of Findings in Section 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.

- Any follow up action taken in respect of audits from previous periods.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Commentary

The key factors that contributed to our opinion are summarised as follows:

Whilst we have identified that there are improvements required in the framework of governance, risk management and control, we are clear that Aberdeen City Council is making improvement and that there is a good culture focused on risk and governance within senior management.

We have noted, during the year, that the Audit, Risk and Scrutiny Committee functions well and has improved in its understanding of risk and in the challenge it gives to Council Officers on internal audit findings. Officers have also embraced a risk-based approach to internal audit and are focused on continuous improvement, particularly as they address a challenging management agenda.

We have conducted eight reviews that have identified findings considered as high risk, these were; Continuous Financial Controls, Car Parking and Bus Lane Enforcement, Corporate Landlord Responsibilities, ALEO Tier 2 Review, Compliance with Laws and Regulations, Service Reviews – Adult and Older People, Aberdeen International Youth Festival – Following the Public Pound and Fleet Management. The areas we have deemed high risk are not pervasive to the Council's operations but do pose significant risks, and improvements are required to ensure objectives in these areas are met. The key findings within these reports are summarised in Section 2.

We have also identified a number of areas of good practice within individual reviews. Where good practice has been identified this is reflected within the final individual internal audit reports.

Acknowledgement

We would like to take this opportunity to thank Aberdeen City Council staff, for their co-operation and assistance provided during the year.

2. *Summary of findings*

Our annual internal audit report is timed to inform the organisation's Annual Governance Statements.

A summary of key findings from our programme of internal audit work for the year is recorded in the table below:

Description	*Detail*
Overview We completed 27 internal audit reviews. This resulted in the identification of 17 high, 52 medium and 64 low risk findings to improve weaknesses in the design of controls and operating effectiveness.	All internal audit reviews have been completed in accordance with the approved Internal Audit Plan, subject to the amendments approved by the Audit, Risk and Scrutiny Committee, with the exception of the Assurance Mapping review that remains outstanding. As this review does not involve an assessment of existing controls, the fact that it remains outstanding does not impact on our ability to provide an annual opinion. Overall, our findings have allowed Officers to identify specific control weaknesses within their current systems and to address these to improve the efficiency and effectiveness of controls and processes.
Internal Control Issues During the course of our work we identified a number of weaknesses that we consider should be reported in your Annual Governance Statement.	• **Car Parking and Bus Lane Enforcement Review** – The review identified that a control that had been in operation prior to the reorganisation now does not operate. This finding related to the need to confirm that the amount collected by the parking machines was the amount eventually banked by the third party contractor that banks the cash. • **ALEO Tier 2 Review** – Our review noted two high risk findings. The first identifies a lack of consideration of the risks to the Council of the relationship with two of the Arm's Length Organisations. The second found a lack of adherence to the Council's 'Following the Public Pound' Guidance. • **Compliance with Laws and Regulations Review** – Our review identified that a significant number of reports by Council Officers did not have evidence of being properly submitted to the Head of Legal and Democratic Services prior to consideration by Council Committees. This was in breach of the Council's Standing Orders for Committee reports. • **Service Review – Adult and Older People** – We noted two high risk findings. These related to the inadequacy of the reviewing of care needs for vulnerable adults and older people. We found that non-performance of review was widespread and further noted that there were inconsistencies in the understanding of what constituted a review

	depending on the reviewer.
	• **Aberdeen International Youth Festival – Following the Public Pound** – We noted two high risk findings these relate to an inappropriate relationship between the Council and the arm's length organisation. The first relates to the level of involvement of ACC management in the governance of the Youth Festival and the second relates to the level of oversight of the funding of the Youth Council. This lack of oversight was due to the failure to submit financial reports.
	• **Fleet Management Governance** – We noted one high risk finding concerning the controls in operation over the Tranman fleet asset recording system. Our review highlighted significant concerns over the completeness and accuracy of the system as a result of failures in control around the acquisition and disposal of fleet assets and their recording on Tranman. This control failing was also noted as having an impact on the financial reporting of fixed assets in the Council's financial statements.
Follow up During the year we have undertaken follow up work on previously agreed actions.	We have followed up with management on the status of outstanding audit actions from internal audits completed in prior years. In total 112 actions were followed up on this year from prior year audit reports, of which 100 were identified as being implemented. Full details are included in **Section 4** of this report.
Good practice We also identified a number of areas where few weaknesses were identified and / or areas of good practice.	Throughout our work we have identified areas of good practice and these have been noted in the relevant reports.

3. Internal Audit work conducted

Introduction

The table below sets out the results of our internal audit work.

We also include a comparison between planned internal audit activity and actual activity.

Results of individual assignments

Review	Report classification	Number of findings			
		Critical	High	Medium	Low
Continuous Financial Controls Period 1 April 2014 to 30 September 2014	N/A	-	2	3	8
Continuous Financial Controls Period 1 October 2014 to 31 March 2015	N/A	-	3	8	8
Procurement Controls out with PECOS	Low	-	-	1	3
Car Parking and Bus Lane Enforcement	High	-	1	6	3
Pension Fund and Financial Controls and Pension Payroll	Medium	-	-	2	2
IT Disaster Recovery	Low	-	-	-	4
IT Security (Network and Perimeter)	Medium	-	-	2	1
IT Asset Management	Medium	-	-	2	2
Compliance with the Public Records (Scotland) Act – Phase 1	Low	-	-	1	-
Compliance with the Public Records (Scotland) Act – Phase 2	Medium	-	-	4	1
Management Information	Low	-	-	1	2
Procurement in Construction	Low	-	-	1	-
Corporate Landlord Responsibilities	Medium	-	1	1	1
Flooding and Coastal Risk Management	Medium	-	-	2	4
Corporate Policy and Procedures Development	Low	-	-	-	2
ALEO Tier 2 Review	High	-	2	3	-
Controls Assurance Mapping	N/A	-	-	-	-

Complaints Handling Process	**Medium**	-	-	2	3
Compliance with Laws and Regulations	**High**	-	1	3	-
Library Services (Self-Service Machines)	**Low**	-	-	-	3
Fraud Governance – Housing Tenancy and the Scottish Welfare Fund	**Low**	-	-	2	-
Service Reviews – Adult and Older People	**High**	-	2	1	-
Road Construction Consent	**Low**	-	-	-	4
CareFirst: Budgetary Controls and Forecasting	**Medium**	-	-	3	1
Section 75 Planning	**Medium**	-	-	2	3
Transport Contracts within Education and Social Care	**Low**	-	-	-	2
Parent Council Funds	**Low**	-	-	-	5
Aberdeen International Youth Festival – Following the Public Pound	**High**	-	2	1	2
Fleet Management Governance	**Medium**	-	1	1	-
Fleet Asset Verification	**N/A**	-	-	-	-
Devolved School Management	**N/A**	-	-	-	-
Total		-	17	52	64

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2014/15	2013/14	2012/13
Critical	↔	-	-	-
High	⬆	17	13	7
Medium	⬆	52	38	32
Low	⬇	64	68	26
Total	⬆	133	119	65

Implications for management

Overall there has been an increase in the number of findings, particularly in the number of high and medium risk findings. However, as noted in our commentary to the Executive Summary, we have been specifically requested by senior management, and the Audit, Risk and Scrutiny Committee, to focus our internal audit work on areas of greater risk to the Council. This has naturally led us to identifying more significant findings in areas where have made findings, given that these areas are of greater risk to the Council overall.

It is our view that management should work to implement the agreed actions that address the findings made in order to continue to strengthen the Council's internal controls in response to these significant risks.

Comparison of planned and actual activity

Audit Review	Budgeted days	Actual days
Continuous Financial Controls	75	75
Car Parking and Bus Lane Enforcement	12	12
School PTA Funds	12	12
Disaster Recovery	15	15
Security Review	20	20
Asset Management	15	15
Compliance with Public Records (Scotland) Act	20	20
Management Information	30	20
Procurement in Construction	15	15
Use of PECOS	25	25
New Schools Programme	25	-
Corporate Landlord Responsibilities	15	15
Flooding and Coastal Risk Management	10	10
Policy and Procedure Development	12	12
ALEO Review	25	25
Controls Assurance Mapping	20	40
Complaints Handling Process	12	12
Legal Services	15	15
Library Services	15	15
Fraud Governance within Housing and Environment	15	15
Service Reviews – Adult and Older People	15	15
Roads Construction	15	15
Care First Budgetary Control and Forecasting	20	20
Music Services	20	-
Taxi Contracts	20	20
Aberdeen International Youth Festival	-	10
Fleet Management	-	30
Section 75 Planning	-	20
Devolved School Management	-	10
Follow-up of Internal Audit Recommendations	25	25
Contingency Days	50	10
Total Budgeted Versus Actual	563	563

4. Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit plan, we followed up on all recommendations made in prior years to ascertain whether action had been taken. The table below summarises the follow up work performed.

Results of follow up work

Audit unit	Report Risk Rating	Number of agreed actions	Status of agreed actions			
			Implemented	Ongoing	Outstanding	Not yet due
2013/2014						
Fraud Governance Arrangements	Medium Risk	4	4	0	0	0
Pension payroll and pension fund financial controls	Low Risk	2	2	0	0	0
Staff Performance management	Medium Risk	4	4	0	0	0
Contract management - Social Care and Wellbeing	High Risk	3	2	0	1	0
Corporate travel arrangements	Medium Risk	5	5	0	0	0
Following the public pound	Medium Risk	5	5	0	0	0
European grant funding	Medium Risk	6	6	0	0	0
Fleet management	Low Risk	5	4	0	1	0
Regeneration	Medium Risk	3	3	0	0	0
Building Services – Phase 1	High Risk	9	9	0	0	0
Sport Aberdeen	High Risk	5	5	0	0	0
IT Third Party Management	Low Risk	2	2	0	0	0
IT -Project Nevis - tranche 1	Low Risk	3	3	0	0	0
Building Services – Phase 2 (Follow Up)	Low Risk	2	2	0	0	0
Community centres	High Risk	4	0	0	2	2
Stakeholder Engagement	Low Risk	4	2	0	0	2
Roads reinstatements by utility companies	Medium Risk	5	4	0	0	1
ICT Governance	Medium Risk	3	2	0	0	1
Aberdeen Western Peripheral Route	Low Risk	1	1	0	0	0
Sourcing and Management of Agency Staff	High Risk	5	5	0	0	0
Private Sector Housing	Medium Risk	6	6	0	0	0
Self-Directed Support	Medium Risk	4	4	0	0	0
2012/2013						

Arm's Length Organisations	High Risk	6	4	0	2	0
Homelessness Targets	Low Risk	3	3	0	0	0
Lone Workers Review	High Risk	8	8	0	0	0
2011/2012						
Capital and Repairs Management	High Risk	4	4	0	0	0
		112	100	0	6	6

Summary

We recommend that further work is conducted by Aberdeen City Council to ensure all previously agreed recommendations are implemented at the earliest opportunity.

Appendices

Page 66

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Aberdeen City Council is for the period 1st April 2014 to 31st March 2015. Historic evaluation of effectiveness may not be 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.

The specific time period for each individual internal audit is recorded within section3 of this report.

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

Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Type of opinion	*Indication of when this type of opinion may be given*
Adequate and effective	• Generally only low risk rated weaknesses found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Improvement required	• Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are *not pervasive* to the system of internal control; and • A *minority* of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that *in aggregate are pervasive* to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are *pervasive* to the system of internal control; and/or • *More than a minority* of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	   o Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	   o We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

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
Critical risk	40 points and over
High risk	16– 39 points
Medium risk	7– 15 points
Low risk	6 points or less

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance or • **Critical** monetary or financial statement impact ; or • **Critical** breach in laws and regulations that could result in material fines or consequences; or • **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance ; or • **Significant** monetary or financial statement impact ; or • **Significant** breach in laws and regulations resulting in significant fines and consequences; or • **Significant** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact; or • **Moderate** breach in laws and regulations resulting in fines and consequences ; or • **Moderate** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance; or • **Minor** monetary or financial statement impact; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 3: Performance of internal audit

Key Performance Indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Our performance against each KPI is shown in the table below. These highlight the focus of our work and the standard attained:

KPI	Target	Performance
Terms of reference agreed 4 weeks prior to fieldwork	95%	**72%**
Planned fieldwork start date	95%	**97%**
Fieldwork completion date	95%	**68%**
Issuing draft reports for management comments (2 weeks completion of field work)	95%	**82%**
Receiving management comments (2 weeks after issuing draft report)	95%	**51%**
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 the agreed timetable	100%	**97%**

Quality assurance and improvement programme

As part of our quality assurance and improvement programme we have agreed the above suite of KPIs as a mechanism to monitor our performance and identify areas for improvement. We also obtain feedback on an annual basis from the Audit, Risk and Scrutiny Committee in order to help us identify areas for further improvement. The Audit, Risk and Scrutiny Committee perform a formal assessment of the effectiveness of the Internal Audit function on an annual basis through which we can also measure our performance.

AUDIT SCOTLAND

External Audit Progress Update – 2014/15 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee

June 2015

Purpose of this report

1. This report aims to provide an update of progress with the external audit of the 2014/15 financial year. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update at each meeting. Our roles and responsibilities were set out in our 2014/15 annual audit plan which was considered by the Committee in February 2015. A significant element of our work relates to gathering the assurances required to support our opinion on the council's financial statements.

Summary of planned audit work for 2014/15

2. . For 2014/15, our planned work includes:

- an audit of the financial statements and provision of an opinion on whether:

    – they give a true and fair view of the financial position of Aberdeen City Council as at 31 March 2015 and its income and expenditure for the year then ended

    – the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

- an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee

- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This was developed following the Local Area Network's (LAN) consideration of new evidence in terms of its impact on existing risk assessments and identifying scrutiny activity for the council during 2015/16

1

- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including a review of: internal controls; the adequacy of internal audit; arrangements for Statutory Performance Indicators; national study follow-up work; and a review of the ICT environment

- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts

- review of National Fraud Initiative arrangements

Matters for Members' attention

3. We would highlight the following points for members' attention in considering the progress report:

- **Financial Statements**: The Local Authority Accounts (Scotland) Regulations 2014 requires local authority audit committees to meet by 30 September to consider whether to approve the audited annual accounts for signature. This is a change from previous requirements. In the past, we reported issues arising from the audit of the financial statements within an ISA260 Report – Communication to those charged with governance - by 30 September and concluded the audit with the publication of our Annual Report to Members and the Controller of Audit a month later. Our annual report was considered by the November meeting of the committee. From 2014/15 onwards, we will combine our annual report with the ISA260 and bring this report to the committee in September alongside the audited accounts. As previously advised, we have worked with the Head of Finance and his team to plan for the earlier completion of the audited accounts and our annual report.

- **Local Scrutiny Plan**: Each year a shared risk assessment is undertaken for each council by a local area network (LAN) which comprises representatives of all the scrutiny bodies who engage with a council. The aim of the shared risk assessment process is to develop a plan which focuses scrutiny activity where it is most needed. In addition to the LAN process, a national group of schedulers and planners bring together the inspection programmes approved by the respective scrutiny bodies. The outcome from both these strands of work are published within a council's Local Scrutiny Plan.

- In preparing the 2014/15 local scrutiny plan, the LAN concluded that Best Value activity would be appropriate in Winter 2014/15. The scope for the audit highlighted leadership and governance in light of the significant changes in leadership over the previous 18 months. Fieldwork for the Best Value audit took place in January and February 2015, and the report is scheduled for publication on 2 July 2015.

4. In agreeing our fee for the audit with the Head of Finance, we agreed to deliver the following outputs in relation to the 2014/15 audit. A number of the outputs are delivered around the conclusion of the audit of the financial statements in September. A summary of progress against our plans is set out below.

2

Progress of 2014/15 audit work – planned audit outputs

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
Governance	I			
Annual Audit Plan including agreement of our fee for the audit	26 February 2015	26 February 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 26 February 2015
Local Scrutiny Plan	30 April 2015	25 June 2015	Yes	On agenda for 25 June 2015 The committee meeting scheduled for 30 April was rescheduled to 11 May. As we were unable to attend the committee on the revised date, it was agreed with the Convener/Vice-Convener that the report would be delayed until June.
Interim report on 2014/15 audit – covers internal controls and a follow up of 2013/14 Interim Action Plan	25 June 2015	25 June 2015	Yes	On agenda for 25 June 2015
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	24 September 2015			
Independent auditor's report on the financial statements	24 September 2015			
Audit opinion on charitable trusts	24 September 2015			

3

Progress of 2014/15 audit work – returns

5. We are required to certify/submit the following returns but we do not routinely bring these matters to the committee:

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Financial Statements				
Audit opinion on Whole of Government Accounts (WGA)	30 September 2015			The audited WGA pack is submitted to the Scottish Government who transfers it to HM Treasury for upload to the system which brings together the consolidation of all UK local government accounts. The WGA pack is a series of spreadsheets completed by Finance using the council's group accounts and requires a detailed list of inter-public sector transactions and debtor and creditor balances to be identified which is used later in the consolidation process to eliminate corresponding balances.
Grants				
Education Maintenance Allowances	31 July 2015			
Criminal Justice Services Returns	30 September 2015			

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Housing Benefit and Council Tax Benefit Subsidy	30 November 2015		Ongoing	The first stage of testing 2014/15 benefit cases based on our HBCount methodology is nearing completion. Findings will be evaluated and any follow up work will be discussed and agreed with the Revenues team by the end of June for action over the summer.

During November, we will conduct the final tranche of benefit testing and pull together the results of all cases examined as part of our audit in order that the opinion can be given by 30 November 2015. |
| Non Domestic Rates Income return | January 2016 | | | |

Anne MacDonald, Senior Audit Manager

June 2015

5

This page is intentionally left blank

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	25th June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Audit, Risk & Scrutiny Committee – Annual Report
REPORT NUMBER:	CG/15/79

1. PURPOSE OF REPORT

The purpose of this report is to present the annual report of the Audit, Risk & Scrutiny Committee.

2. RECOMMENDATION(S)

that the Committee:–

(a)   Approve the annual report; and

(b)   Refer the report to the Council for their consideration.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

None.

5. BACKGROUND/MAIN ISSUES

During the Committee's self-evaluation exercise in 2014, Member's agreed that the Committee prepare an annual report of its activities and that this be referred to Council. This report attaches a draft of that annual report.

6. IMPACT

There is impact on the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

1

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report.

8. BACKGROUND PAPERS

"A Toolkit for Local Authority Audit Committees"   -   CIPFA
"Audit Committees: Practical Guidance for Local Authorities and Police"
- CIPFA (2013)

9. REPORT AUTHOR DETAILS

Martin Murchie, Office of Chief Executive
mmurchie@aberdeencity.gov.uk
(01224) 522008

2

Audit, Risk and Scrutiny Committee

Annual Report 2014/15

3

Introduction

I am pleased to present this year's Annual Report of the Audit, Risk & Scrutiny Committee. An annual report to Council is a useful way to develop understanding of the Committee's role and functions. The Committee is accountable to Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority. This report covers the work of the Audit, Risk & Scrutiny Committee during the period April 2014 – March 2015. In addition, to a summary of work undertaken, the report includes details of the Committee's membership, officer support to the Committee, and the results of a self-evaluation of the Committee's effectiveness. The report ends with a look forward to 2015/16 and the Committee would welcome any feedback from Members of the Council on the themes identified.

Jackie Dunbar
Convener
Audit, Risk & Scrutiny Committee

4

The role of the Audit, Risk & Scrutiny Committee

Cipfa (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

> *"...to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes."*[1]

In accordance with this, the role of the Committee is primarily concerned with assuring itself, and advising the Council as necessary, that the Council's policies are being implemented and has in place systems which provide adequate controls over the Council's resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Audit, Risk & Scrutiny Committee to be responsible for, or manage, the arrangements themselves.

Key to the role of the Committee is that it should be independent; have clear reporting lines and rights of access to other committees; and that its members should be properly trained to fulfil the role. The Orders of Reference for the Committee are listed below with a summary of work undertaken.

---

[1] CIPFA (2013) Audit Committees: Practical Guidance for Local Authorities and Police

5

1.   Risk Management

The Committee will:-

(a) receive an annual review of the risk management process, and an update every six months on the risk register and related action plans;

(b) approve the risk management strategy and implementation plan;

(c) monitor risk management and internal control arrangements; and

(d) commission and review annual assessments of the effectiveness of the risk management and control framework.

Summary of Activity

- Reviewed and approved a revised Risk Management Strategy;

- Reviewed and approved annual Statement of Internal Control, specifically for risk management;

- Reviewed reports on each aspect of the Council's "System of Risk Management", namely, **S**trategy; **S**tructure; **S**kills; **S**ystem; **S**hared Values; and **S**taff. In doing so, identified strengths, weaknesses and required improvement actions;

- Instigated reporting of reviews of critical incidents;

- Instigated regular reporting, to the Committee, of strategic and operational risk registers.

Outcomes

- The Committee is aware of the need to continuously strengthen risk management arrangements and its activity in the last 12 months has established a clearer and stronger strategic direction for risk management;

- Improvements have been identified and actions taken in all areas of the "System of Risk Management";

- There is increased transparency and focus on the effectiveness of risk registers and the management of risks;

- Through specific training, members of the Committee, are better able to challenge officers in the implementation of the Risk Management Strategy.

6

2. Internal Audit

The Committee is charged with responsibility for ensuring that there is an effective Internal Audit function. This to be achieved through the following:-

(a) the approval of the Internal Audit Annual Plan;

(b) the consideration of all reports issued by Internal Audit with the exception of those on the Pension Fund;

(c) responsibility for ensuring that there is an adequately resourced Internal Audit service; and

(d) the consideration of performance reports on Internal Audit activity.

Summary of Activity

- Approved a risk based Audit Plan 2014/15 and Internal Audit Charter;

- Reviewed the performance of Internal Audit, including the progress in completing the Audit Plan, at each meeting;

- Considered each internal audit report and management responses;

- Followed up on the implementation of all recommendations agreed following audit reviews;

- Considered an Annual Report by the Head of Internal Audit which included the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

- Considered and approved an option appraisal for the future delivery of internal audit service as a shared service with Aberdeenshire Council.

Outcomes

- Whilst a small number of reviews within the 2014/15 Audit Plan are carried forward into 2015/16, the Plan has been implemented, assurances given and, where required, further controls identified;

- Significant improvement has been seen during the year in the number of recommended actions implemented on time.

3. External Audit

To receive all reports prepared by the Council's External Auditor with the exception of those on the Pension Fund.

Summary of Activity

- Received and reviewed the Council's external auditor's (Audit Scotland) annual Audit Plan and assessment of significant audit risks.

- Instigated regular reports from the external auditor on progress in implementing the Audit Plan;

- Considered the Assurance & Improvement Plan for the Council from the Local Area Network;

- Considered a number of specific reports from the external auditor, as well as local impact reports from national initiatives;

- Considered the external auditor's ISA 260 report to those charged with governance; independent report on the financial statements*; and annual report to members and the Controller of Audit.

Outcomes

- Ensured the discharge of the Council's responsibilities with regard the external audit function; and

- Improved the Committee's review of external audit activity throughout the year.

The Committee determined that due to late submission, that a special meeting was required to consider the external auditor's communication of audit matters arising from the financial statements.

4. Accounts

To consider and approve the Council's Annual Report, Annual Accounts and Trading Services Annual Report and Accounts.

Summary of Activity

- Considered and approved the Statement of Accounts for the Council;

- Within the accounts, the Annual Governance Statement was specifically considered and approved.

Outcomes

- A full set of accounts were completed and signed off.

* The audited accounts formed part of the papers for the special meeting of the Committee referred to at 3. above.

8

5. Whistleblowing and Other Investigations

Summary of Activity

- The Committee gave consideration to a petition submitted to the Scottish Parliament on the operation of Whistleblowing Schemes in Scotland's public bodies;

- The Committee heard oral reports on a small number of investigations during 2014/15;

- No whistleblowing reports were received or considered.

6. Anti-Fraud

The approval of an anti-fraud policy and monitoring its implementation; and

(a) Commissioning investigations to secure value for money in the delivery of services.

(b) To oversee the processes by which services are exposed to competition and costs are let, where the Council itself is a bidder for the work.

Summary of Activity

- The Committee commissioned, considered and approved a review which recommended that:-
  - o the Head of Legal Services revise the Council's "Policy and strategic Response to Fraud, Bribery and Corruption";
  - o that the finalised policy should be formally communicated to staff and line management; and
  - o a paper summarising Fraud, Bribery, Corruption and Whistleblowing will submitted to the Audit Scrutiny and Risk Committee on an annual basis.

  The implementation of these recommendations is now being monitored.

- The Committee also reviewed the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund;

- No frauds were reported to the Committee during the year..

9

7. Legal Compliance

To review minuted actions from all main Committees with the exception of the Planning Development Management and Licensing Committees (or Regulatory Committee) to ensure compliance with legal requirements and good practice. The Committee will not prevent any decision being taken and will only review a decision.

Summary of Activity

- The Committee commissioned and considered, in November 2014, a review by internal audit on the Council's compliance with laws and regulations. It approved recommendations relating to the role of the Head of Legal and Democratic Services in reviewing committee reports; collaboration between legal Services and other Council services; training on compliance with laws and regulations; and reporting on fraud, bribery, corruption and whistleblowing.

Outcomes

- Compliance with the requirements to consult the Head of Legal and Democratic Services on all committee reports is now monitored by the Corporate Management Team and mitigates the risk of non-compliance with laws and regulations.

8. Health and Safety

Approve the Council's Health & Safety Policy, including its annual review and implementation.

Summary of Activity

- The Corporate Health and Safety Committee (CHSC) was designated as a Sub Committee of the Audit, Risk & Scrutiny Committee in August 2014;

- The minutes of each meeting of the CHSC are now submitted to the Committee for consideration;

- The Committee approved revisions to the constitution of the CHSC in September;

- Commissioned and considered a report establishing assurance reporting arrangements for health & safety.

10

9. Arm's Length External Organisations (ALEOs)

The Committee will ensure, through consideration of a quarterly report from the governance hub, that each tier 1 Arm's Length External Organisation has an effective system of risk management in place, covering strategy, structure, skills, system, staff and shared values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.

Summary of Activity

- The Committee has received officers' updates at each meeting on outstanding actions to establish effective ALEO governance arrangements;

- The Committee commissioned and considered a review from internal audit into the design and operation of governance arrangements in place for the Tier 2 ALEOs: Aberdeen Performing Arts and Aberdeen Heat and Power;

- The Committee considered a report by the external auditor which set out the follow up work being undertaken with all Councils in respect of the Accounts Commission's 2011 report 'Arm's Length External Organisations: Are you getting it right?'.

Outcomes

- The committee's remit was revised in order that there would be improved consideration of governance issues with respect to ALEOs. The Committee has not yet received full assurance that governance of ALEOs is effectively controlled. The Committee is aware of recent work undertaken to design and implemented an ALEO Governance Hub and is due to consider a further report on this in June 2015.

11

Membership of the Committee

The Audit, Risk & Scrutiny Committee is composed of 17 Members from across all parties. Members bring with them business experience of audit, risk management, health & safety, project management and relevant service and local governance knowledge. During the self-evaluation of the committee's effectiveness, Members and officers acknowledged the skills and knowledge of the Committee.

During 2014/15 significant improvements were made to the training offered to members of the committee. A new training package was designed and delivered to each member of the Committee. This included:-

- An overview of the role of the Committee and the member's role in this;
- The annual accounts process;
- Internal Audit;
- Risk Management.

This was very well received by Members and is being rolled out to all members of the Council.   Further, and ongoing, training specifically for members of the Committee is currently being developed.

Attendance:

Member	Total Expected Attendances	Total Attendances	Nominated Substitute Attended
Cllr McCaig Former Convener	6	6	N/A
Cllr Yuill Vice Convener	6	5	None
Cllr Adam, Lord Provost **(A&R May to Oct 2014)**	4	3	Cllr Taylor
Cllr Cameron	6	5	Cllr Cormie
Cllr Cooney	6	4	Cllr Allan (both)
Cllr Crockett **(AR&S Oct 14 onwards)**	2	2	N/A
Cllr Donnelly	6	6	N/A
Cllr Jackie Dunbar	6	4	Cllr Cormie (both)
Cllr Graham	6	5	Cllr Jean Morrison
Cllr Greig	6	6	N/A
Cllr Lawrence	6	4	Cllr Milne (1)
Cllr Malik	6	5	Cllr Young
Cllr May	6	3	Cllr Dickson (2) Cllr Kiddie
Cllr Jean Morrison **(AR&S Oct 14 onwards)**	2	2	N/A
Cllr Nathan Morrison	6	5	Cllr Young
Cllr Noble	6	6	N/A
Cllr Reynolds	6	4	None

12

| Cllr Townson **(AR&S Oct 14 onwards)** | 2 | 2 | N/A |

Officer support to the Committee

The Chief Executive

The Chief Executive has taken a very active role in the development and support of the Committee over the last 12 months. She regularly attends the Committee and ensures that the Committee is effectively supported.

The Section 95 Officer

Steve Whyte, provides key support to the Committee. Statute requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 95 Officer, with the support of his colleagues and external audit, has provided reports and training in relation to the Statement of Accounts, external audit activity and financial management. They have attended every Audit, Risk & Scrutiny Committee meeting and ensured that the Committee has received the information and advice that it needs to do its job effectively.

Chief Internal Auditor

During 2014/15, the Chief Internal Auditor role has been undertaken by David Brown of PricewaterhouseCoopers. David and his colleagues have attended each meeting of the Committee to present their reviews, answer members questions and provide advice in relation to scrutiny and the regulatory framework.

Lead Executive Support

The lead executive support role for the Committee has been performed during 2014/15 by Martin Murchie. As well as the general executive support, Martin was "client" officer for the contracted internal audit services; took responsibility for risk management; and facilitated the development of the Committee through the self-evaluation.

External Audit

Audit Scotland are the Council's appointed external auditors. The appointed auditor for the Council is Stephen Boyle and the local contact responsible for day to day management of the audit is Anne MacDonald. Their primary responsibility is to give their opinion on whether the Council's accounts give a true and fair view of the Council's financial transactions. Audit Scotland also deliver a targeted programme of risk based reviews and take the lead role in the Local Area Network, which determines the level and nature of external scrutiny which will be applied to the Council's services.

14

Attendance:

Officer	Total Expected Attendances	Total Attendances	Nominated Substitute Attended
Chief Executive	6	5	1
Steve Whyte	6	6	N/A
David Brown (PWC)	5	4	1
Anne Macdonald	6	6	N/A
Martin Murchie	6	6	N/A

15

Effectiveness review through self-evaluation

In April / May 2014, the Committee undertook a facilitated self-evaluation of the Committee's effectiveness in line with Cipfa's *"Audit Committees: Practical Guidance for Local Authorities and Police"*. This guidance includes a self-evaluation tool, which was used to assess the Committee's compliance with commonly agreed standards and to identify areas for improvement.

The Committee was found to have areas of strength, but a number of improvement actions were identified where the Committee considered best practice was not yet in place.

These improvement actions have been reported to each meeting of the Committee throughout the year and progress in their implementation monitored. The self-evaluation exercise has now been repeated for 2015. Members and officers are agreed that significant progress was made during the year and that the Committee is well placed to further improve its effectiveness.

The output from the most recent self-evaluation is included as Appendix A.

Next year's focus

The Audit, Risk & Scrutiny Committee will continue to review and challenge the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management throughout 2015/16.

Amongst the issues which are likely to receive particular focus are:-

- The operation of the new shared internal audit function with Aberdeenshire Council;
- The revised governance arrangements for the Council's Arm's Length External Organisations;
- Confirmation of scrutiny arrangements to be implemented with respect to integrated health and social care;
- A revised strategic risk register and operation of the system of risk management;
- The exercise of the Committee's new responsibilities for Health and Safety;
- A revised strategy for anti-fraud, bribery, corruption and whistleblowing;
- The outcomes of the recently completed follow-up Best Value Audit, led by Audit Scotland.

16

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:- • Annual Governance Statement; • Internal Audit; • Risk Management • Assurance Frameworks and Assurance Planning • Value for Money and Best Value; • Countering Fraud and Corruption • External Audit; • Financial Reporting; • Partnership Governance.	✓
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	✓

17

		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
Membership, Induction & Training			
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.	✓
Meetings			
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		✓

19

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.	-
Internal Control			
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		✓
Financial Reporting & Regulatory Matters			
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. *(This has now changed in 2015)*	X
35. Does the committee consider specifically: • the suitability of accounting policies and treatments • major judgements made • large write offs • changes in accounting treatment • the reasonableness of accounting estimates • the narrative aspects of reporting	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	Officers	The Committee meetings are scheduled for this purpose. The report to "those charged with governance" is included in	✓

		the audit?		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.	-
Internal Audit				
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.	✓

No.	Question	Source	Response	
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, but External audit give assurances on internal audit each year as part of their annual audit plan and annual audit report.	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.	✓
External Audit				
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	Planned for June 2015.	✓

23

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. In addition, Audit Scotland request councils to complete a questionnaire on the performance of the auditor every 2-3 years. This is brought together for all LG auditors and the outcome shared with each council.	-
57. Does the committee consider and approve the external audit fee?	Officers		✓
Administration Agenda Management			
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.		
Papers				
62. Do reports to the committee communicate relevant information at the right frequency, time and in a format that is effective?	Interviews with Committee Members	Members were, on the whole, content 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.		✓
Actions Arising				
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.		✓

Title of Report	Lead Officer	7th May 2014	26th Jun 2014	23rd Sept 2014	25th Sept 2014 (Special)	20th Nov 2015	26th Feb 2015
Risk Management							
Risk Management Strategy 2015	N Buck						✓
System of Risk Management (Skills)	N Buck	✓					
System of Risk Management (System)	N Buck		✓				
System of Risk Management (Structure)	N Buck				✓		
System of Risk Management (Strategy)	N Buck						✓
Forward Electronic Registration – Incident Report	N Buck				✓		
Risk Register – Social Care & Wellbeing	L Taylor					✓	
Risk Register – Education & Children's Services	G Gorman						✓
Internal Audit							
Supply & Delivery of Internal Audit Services	M Murchie			✓		✓	✓
Internal Audit Progress Report & Performance	D Brown	✓	✓	✓		✓	✓
Internal Audit Follow Up	D Brown	✓	✓	✓		✓	✓
Internal Audit Annual Report	D Brown		✓				
Internal Audit Plan 2015/16	D Hughes						✓
Internal Audit Charter	D Hughes						✓
ICT Third Party Management	D Brown	✓					
ICT – Project Nevis	D Brown / P Fleming	✓	✓				
ICT Governance	D Brown		✓				
ICT Security	D Brown		✓	✓			
ICT Disaster Recovery	D Brown						✓
ICT Asset Management	D Brown						✓
Regeneration	D Brown / P Leonard	✓	✓				
Continuous Financial Controls	D Brown		✓				✓
Road Reinstatement by Utility Contracts	D Brown		✓				
Aberdeen Western Peripheral Route	D Brown		✓				
Private Sector Housing	D Brown		✓				
Building Services – Phase 2 Follow Up	D Brown		✓				
Community Centres	D Brown		✓				
Stakeholder Engagement & Consultation	D Brown		✓				
Sourcing & Management of Agency Staff	D Brown		✓				

Item	Responsible						
Social Care & Wellbeing Contracts	L Taylor		✓				
Self Directed Support	D Brown			✓			
Complaints Handling Procedure	D Brown			✓			
Structures, Flooding & Coastal Risk Management	D Brown			✓			
School Councils	D Brown			✓			
Car Parking	D Brown			✓			
Compliance with Public Records Act	D Brown					✓	
Compliance with Laws & Regulations	D Brown					✓	
Fraud Governance - Housing Tenancy & Scottish Welfare Fund	D Brown / W Connell					✓	✓
Transport Contracts Within Education & Social Work	D Brown					✓	
Procurement Controls Outwith Pecos	D Brown					✓	
Devolved School Management – Phase 1	D Brown					✓	
Care First Budgetary Control Process	D Brown						✓
Care Users – Service Reviews	D Brown						✓
ALEO Tier 2 Review	D Brown						✓
Aberdeen International Youth Festival	D Brown						✓
External Audit (Non-Accounts)							
Assurance & Improvement Plan Update	S Boyle	✓	✓	✓			
External Audit Performance Indicators	A MacDonald		✓				
External Audit Progress & Performance	A MacDonald			✓		✓	✓
Arm's Length External Organisations – Targeted Follow Up	A MacDonald		✓				
Major Capital Investment in Councils	A MacDonald						✓
Other External Inspection & Regulation							
Information Commissioner – Follow Up	P Fleming	✓*	✓	✓		✓	
Office of the Surveillance Commissioner – Findings and Action Plan	F Smith			✓			
Transport Commissioner – Fleet Follow Up	M Riley						✓*
Annual Accounts							
Internal Controls Management Letter & Interim Report on the 2013/14 Audit	A MacDonald		✓				
Draft Statement of Accounts & Annual Governance Statement	J Belford		✓*				
Communication of Audit Matters to Those Charged with Governance in Terms of ISA 260	A MacDonald			✓*	✓		
Report on the 2013/14 Audit	S Boyle					✓	
Annual Accounts 2014/15 – Action Plan and Key Dates	J Belford						✓

		1	2	3	4	5	6	7
Audit Scotland – National Reports								
Managing Early Departures from the Scottish Public Sector	M Murchie	✓						
Welfare Reform Update	M Murchie	✓						
Maintaining Scotland's Roads	M Murchie	✓						
Housing in Scotland	M Murchie	✓						
Charging for Services: Are You Getting it Right?	M Murchie	✓						
Local Government Overview	M Murchie		✓					
Modern Apprenticeships	M Murchie		✓					
Procurement in Councils	M Murchie		✓					
Reshaping Care	M Murchie		✓					
Self Directed Support	M Murchie			✓				
School Education	M Murchie			✓				
National Fraud Initiative	M Murchie			✓				
Community Planning – Turning Ambition into Action	M Murchie							✓
Health & Safety								
Corporate Health & Safety Committee Reporting Arrangements	K Rennie						✓	✓
Minute of Meeting of the Corporate Health & Safety Committee of 29th August 2014	K Rennie							✓
Health & Safety Assurance	M Agnew							✓
Fraud, Corruption, Bribery and Whistleblowing								
Matters Under Investigation	M Murchie	✓						
Whistleblowing Policy – Scottish Parliament Petition	R MacBeath						✓	
Committee Development								
Elected Member Development	A McQuarrie / K Rennie	✓	✓	✓			✓	✓
Self-Evaluation of the Committee	M Murchie	✓	✓	✓			✓	✓
Other Reports								
Service & Corporate Induction	A McQuarrie		✓					
Data Protection Monitoring	F Smith				✓		✓	✓

* Late paper.

ABERDEEN CITY COUNCIL

COMMITTEE	AUDIT, RISK & SCRUTINY COMMITTEE
DATE	25TH JUNE 2015
INTERIM DIRECTOR	ANGELA SCOTT
TITLE OF REPORT	DATA PROTECTION REPORTING – JANUARY – MARCH 2015
REPORT NUMBER:	CG/15/82
CHECKLIST RECEIVED	YES

1. PURPOSE OF REPORT

    The purpose of this report is to provide an overview for quarter 4 (January – March 2015) to Committee of the following areas:

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

2. RECOMMENDATION(S)

    It is recommended that the Committee note the report.

3. FINANCIAL IMPLICATIONS

    There are no financial implications at this time.

4. OTHER IMPLICATIONS

    None

5. BACKGROUND/MAIN ISSUES

    a) Aberdeen City Council Subject Access Request Statistics

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

Party Requests received by the Council be recorded and reported to the appropriate Committee. As previously advised, these figures will be reported to the Audit & Risk Committee on a quarterly basis. The figures for the latest complete quarter, January – March 2015, are detailed below.

In the reporting quarter Aberdeen City Council received **60** Subject Access Requests and **8** requests from 3rd parties for personal data held by it.

By Service:

Service	Subject Access Requests	3rd Party Requests
Office of Chief Executive	**0**	**0**
Communities, Housing & Infrastructure	**3**	**6**
Corporate Governance	**7**	**0**
Education & Children's Services	**50**	**2**
TOTAL	**60**	**8**

In the quarter, **59** requests have been responded to. The requirement of the Data Protection Act is that requests are responded to within 40 days. **52** requests were responded to within 40 days in the reporting quarter, some **91%** of requests responded to.

The Council can charge a fee, maximum of £10, prior to responding to a Subject Access Request. In the reporting period fees were charged in respect of **6** requests.

b) Data Breaches and Near Misses

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

In the reporting quarter the following breaches occurred:

By Service:

Service	Number of Breaches
Office of Chief Executive	0

Communities, Housing & Infrastructure	1
Corporate Governance	1
Education & Children's Services	4
TOTAL	**6**

By Breach Type:

Type of Breach	Number of Breaches
Human Error	3
Unauthorised Disclosure	3
Unauthorised Access	0
Loss	0
Theft	0
Other	0
TOTAL	**6**

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

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

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

There has been one determination by the ICO of outstanding breach investigations during the reporting period. This determination was that regulatory action was not necessary and one recommendation was made. This recommendation related to the need to ensure that, in any future mass mailing campaign, sufficient testing is undertaken to

account for human error. An update on the Zone detailing this requirement was published on 5th May 2015.

Proposals for options for the recording and reporting of Data Protection Near Misses are to be discussed with Service Information Management Liaison Officers (IMLO's) in late June and thereafter a confirmed process for this will be introduced.

c) <u>Data Protection Training</u>

As previously reported to Committee, a review of induction Data Protection has been undertaken. Data Protection induction training is mandatory for all staff and the content of the training has been substantially redesigned in order to focus on the responsibilities and expectations for individual staff members rather than on the detail statutory requirements of the Data Protection Act.

Following the conclusion of this review, the revised training package will now require to be formatted into both on-line and hard copy learning materials. It is envisaged that this will be completed by the end of the Summer period and thereafter that the revised training will be available for staff in the early Autumn of 2015.

As previously reported to Committee, a further aspect which requires to be implemented is a process for monitoring completion of the Induction Training give it is a mandatory requirement for all staff. It has not yet been possible to seek the views of CMT on options for doing so, but this will be progressed once the Head of Legal & Democratic Services is in post.

d) <u>Complaints about Data Handling</u>

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

The process for handling complaints is two-fold. At the first stage, when the complaint is raised with the Council, the organisation will seek to respond to the complainant and resolve the concern. This may be by providing information relating to the manner in which personal data has been processed or by identifying and rectifying any weakness.

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

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

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

Further, in the reporting period, there have been no notifications from the ICO that any complaints about Aberdeen City Council had been received in its office.

6.   IMPACT

None

7.   MANAGEMENT OF RISK

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

8.   BACKGROUND PAPERS

None

9.   REPORT AUTHOR DETAILS

Fiona Smith, Governance Support Officer

E-mail: fismith@aberdeencity.gov.uk
Telephone: 01224 522516

This page is intentionally left blank

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25 June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Corporate Governance Risk Register
REPORT NUMBER:	CG/15/80
CHECKLIST RECEIVED	Yes

1.   PURPOSE OF REPORT

To present the Committee with a register of risks with potential to impact the operation of the functions and services carried out by the Corporate Governance Service.

2.   RECOMMENDATION(S)

The Committee are asked to:

(i)   Note the content of the Corporate Governance Risk Register and the status of controls and mitigation in place to manage risks. (Appendix 1)
(ii)   Note that the content of the register will be kept under regular review by the service's Senior Management Team.
(iii)   Note that the Risk Register will be reported twice each year to the Finance Policy and Resources Committee as part of the regular service performance reporting process.

3.   FINANCIAL IMPLICATIONS

There are no specific financial implications arising from the report. However, the proper identification, assessment and management of risks impacting our operations reduces both the likelihood of financial loss occurring and the impact of reducing resources on the delivery of essential services to communities.

4.   OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5.   BACKGROUND/MAIN ISSUES

The Committee resolved on 23 September 2014 to receive at successive meetings risk registers reflecting the identification and assessment of operational risks impacting services across the new Council structure. The Corporate Governance Risk Register is the last in the current series of reports to be presented to the Committee in support of that resolution.

The Corporate Governance service directs a broad range of strategic functions including finance, legal and democratic, I.T. procurement and human resources, on behalf of the Council. The directorate also manages a number of essential services to our citizens and communities including customer services, the Regional Communications Centre and the delivery of the revenues and benefits services.

A comprehensive engagement and consultation process has taken place with senior managers across Corporate Governance in order to effectively identify and capture the breadth of risks with potential to impact those functions and services.

6.   IMPACT

Corporate – Risk Registers form an important component of the system of risk management, notably in the structure of the system. 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. The various components of the system are regularly reported to the Committee with details of current practice and planned improvements.

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 on a quarterly basis, along with a biannual service risk register update. In addition, the Audit, Risk and Scrutiny Committee will receive service risk registers on a rolling cycle, as part of the Council's overall risk management assurance framework. The Strategic Risk Register represents the highest level of assessment of risk to the Council and will be reported to the Committee annually.

7.   MANAGEMENT OF RISK

The report details information on the Corporate Governance Service's risk profile.

8.   BACKGROUND PAPERS

2

None

9.   REPORT AUTHOR DETAILS

Neil Buck
Performance and Risk Manager
nebuck@aberdeencity.gov.uk
01224 522408
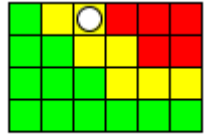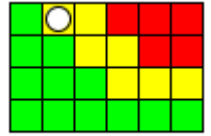
10.   REPORT

10.1   The Risk Management Strategy which was approved by the Committee in February, requires that all services prepare and maintain a register of operational risks which identify both threats and opportunities with the potential to present and impact on the management of functions and delivery of services. Each identified risk will include a description, named owner, and an evaluation of causes, impact and likelihood of occurrence. Risks are managed through the application of controls and mitigation which are designed to bring threats to a tolerable level and in the case of opportunity risks, to enhance the likelihood and impact of occurrence.

10.2   The risks contained in the appended register have been identified and assessed through analysis of the service's functions, services and dependencies. Some risks detail the potential impacts of threats which could arise in any area of the Directorate such as workforce planning, health and safety, or business continuity. Other risks reflect specific threats to the effectiveness of our business, including the delivery of certain IT functions.

10.3   The component teams of Corporate Governance will maintain registers of risks which reflect operations at lower levels of business than those reflected in the appended service risk register.   These risks will be subject to a similar review regime at the team level. Where a risk at this level appears to be developing and a threat may be realised, managers may escalate such risks to the service register where a higher level of control can be authorised. Similarly, when threats recede as part of this process, the risk may be de-escalated to the team level.

10.4   The register is a dynamic document and will be subject to regular review. As risks become controlled, they will be removed from the active review regime and new or emerging risks will be added, to ensure the service continues to monitor the operational environment and identify and manage risks to our success.

Corporate Governance Operational Risk Register
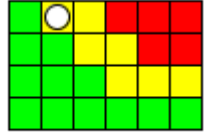
Title	Current Risk Profile
Corporate Governance Operational Risk Profile	

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
The absence of a statutory duty to hold Business Continuity Plans compromises the quality and reliability of the Plans and the testing of them.		Inadequate disaster recovery planning and business continuity arrangements across the range of Corporate Governance business critical functions. Business Continuity Plans are not tested regularly or subject to timely review	The Service suffers a breakdown in key systems (IT, Financial, HR, Legal and Commercial and Procurement. Potential for serious harm / loss of life to members of the community. Inability to collect income or make required payments. Litigation. Prosecution. Reputational damage		
Drivers					
Business Continuity Management is not given sufficient priority across the directorate's management structure in service and post incident or disruption planning.					
Description	The Council is bound by legislation and in its role as a corporate body as a public service provider. Effective disaster recovery and business continuity arrangements are essential to ensure business as usual is possible at the earliest point following a critical incident			Low	Very Low
Internal Controls	Internal audit arrangements covering business continuity planning. BCPs are now in place regarding all of the Directorate's critical functions.			Very serious	Very serious
Mitigating Actions	The Council has a Business Continuity Policy document. This also contains a template to assist Services to produce Business Continuity Plans for critical functions. Critical functions have been agreed by CMT based on one or more of the following criteria being met. Functions which have a significant impact on: 1. Human welfare or the environment 2. The finances of the Council 3. The Council's statutory obligations 4. The Council's reputation 5. The Council's ability to respond to emergencies Rigorous testing regime to support continuing fit for purpose. Non-critical BCPs to be reported to Committee and review regime for critical BCPs to be devised.				
Assigned To	Martin Allan	**Latest Note Date**	20 May 2015	**Latest Note**	Risk re-scoped and incorporated into revised CG Operational Risk Register 20/05/15.

5

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Absence of effectively maintained and managed Contracts Register		Absence of effectively maintained contracts register. Contract expirations not properly managed. Poor contractor relationship management. Poor contract management skills. Absence of effective health surveillance scrutiny.	Costs become prohibitive. Emergency sourcing of additional support required. Inability to support essential services. Censure by regulatory bodies. Reduced pool of tenderers.		
Drivers					
Insufficient resources are directed at the preparation and maintenance of a contracts register. Failure to understand the significance for effective contracts management.					
Description	Significant proportion of the service's resources are bound up in contractual activity. The service and Council are at risk of exposure to financial loss, legal challenge and reputational damage.			Significant	Very Low
Internal Controls	Contract Register regularly updated. Standing Orders for Contracts & Procurement in place with defined authorisation levels.			Very serious	Very serious
Mitigating Actions	Contracts Register being updated for completion 15/16. Updated Procurement Standing Orders, Guidance Documents and Templates, which will include contract management procedures. Additional training for all identified staff involved in Procurement at any level within Services. (PACE, Procurement Achieving Commercial Excellence – programme of work to introduce a hybrid Business Model for Procurement).				
Assigned To	Craig Innes	**Latest Note Date**	21 May 2015	**Latest Note**	Risk identified for Operational Risk Register May 2015.

6
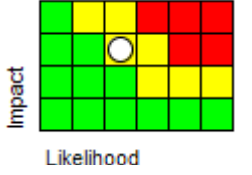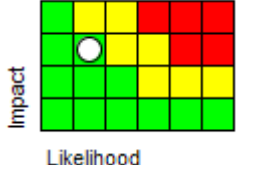
Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that financial stewardship is not robust or organisational transformation and innovation is hindered by finance capability.		Skills deficit. Workforce attrition. Inability to support transformational change. The Finance Service does not innovate or adapt to the needs of new organisational requirements. Skills sets do not meet new requirements. Organisational resistance to transformation.	The service and organisation does not meet legislative and stewardship requirements and customer needs. The ability of the service to meet its objectives is negatively impacted.	Impact / Likelihood	Impact / Likelihood
Drivers					
Inadequate controls or systems to enable finance to meet stewardship requirements and be responsive to external change impacting the organisation.					
Description	Service failures can lead to inability to provide core services and to carry out key functions. The Council is undergoing a programme of transformational change. Finance needs to provide services adequate to support those changes.			Low	Very Low
Internal Controls	Internal audit of key financial systems.			Serious	Serious
Mitigating Actions	Reinforce performance management and resource management. Implement workforce planning requirements for core finance functions.				
Assigned To	Steve Whyte	**Latest Note Date**	28 May 2015	**Latest Note**	Residual risk added in as very low - serious per J Hashmi which means the risk has reached residual status..

7
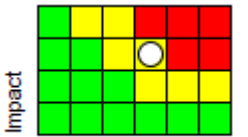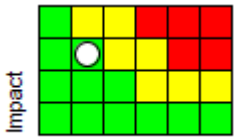
Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that essential overnight system back-up arrangements are unsuccessful.		Poor internal and external ICT processes. Driver: No back up is available or tested.	Systems failure	 Impact / Likelihood	 Impact / Likelihood
Drivers					
Lack of understanding or appreciation of the cost of back up failure. Insufficient resources applied to securing and testing fit for purpose back up arrangements.					
Description	Serious impact on the delivery of services and core functions if failure occurs.			Very Low	Almost Impossible
Internal Controls	Robust back-up monitoring arrangements Ad-hoc test recovery of systems			Very serious	Very serious
Mitigating Actions	Full audit of backup arrangements for all systems. Annual test restore of critical systems. Test recoveries of specific Novell storage.				
Assigned To	Sandra Massey	**Latest Note Date**	10 Mar 2015	**Latest Note**	Mitigating actions reviewed with risk owner 6/3/15

8

Title	Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk of major business IT systems failure **Drivers** Absence of a Council wide IT strategy and supporting governance resources and expertise to manage the full life cycle of IT systems.	Virus attack - inadequate protection in terms of firewall and other barriers to the internal systems. Systems are unsupported. Systems are no longer fit for purpose. Risk of systems failure and communication network failure due to power fluctuations. Loss of data due to inadequate backup facility or procedure. poorly trained, poorly skilled IT staff that lack sufficient knowledge. Poor IT management practices and lack of proper processes for storage and and back up of data in all areas of business. Lack of facilities and keeping IT systems in poor environments.	Poor customer experience. Poor staff experience. Poor use of resources. Customers are unable to access the customer service centre. Staff may not get paid on time. The Council is unable to complete its financial duties or manage its budget. Suppliers may not get paid. The Council is unable to manage its contracts and suppliers. The Council is unable to manage its workforce.		
Description	Corporate Governance business systems are critical to the provision of services and the performance of statutory functions.		Low	Very Low
Internal Controls	Robust and customer-led governance structures. Adoption of an enterprise approach to the whole IT eco-system. A full contracts register with a forward plan of contract expiry and renewal. Business continuity plans and disaster recovering. Customer-led business systems reviews. Adoption of best practice security controls. Training and development for all staff in IT operations.		Very serious	Very serious
Mitigating Actions	Understanding the customer needs and reviewing these systematically. Ensure total cost of ownership. Sound contract and supplier management. Best practice change controls. Best practice life cycle management.			
Assigned To	Simon Haston	**Latest Note Date**	10 Mar 2015	**Latest Note**	Risk scoped to replace previous systems failure risk around poor security and operational arrangements.

9

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that software licensing agreements are infringed		Driver: No resources or controls are in place to manage software.	Financial implications Poor relationship with providers Legal challenge		
Drivers		Poor or inadequate monitoring of license agreements. Single point of failure re "Software Librarian".			
Failure to appreciate the necessity for software management controls to prevent exposure to legal challenge and financial penalty.					
Description	Monitoring software licensing compliance offers protection for continuing effective service delivery.			Very Low	Almost Impossible
Internal Controls	Robust monitoring of licensing arrangements. Good liaison with software providers. Dedicated role of Software Librarian to ensure accurate record keeping of software licences.			Serious	Serious
Mitigating Actions	Desktop Lockdown controls to block unauthorised downloading of unlicensed software. Integrate purchasing records with licencing records within Asset Register. Review of licenses being undertaken as laptops built for Smarter Working. ICT Management to review contingency for single point of failure. Procurement of the integrated service management tool.				
Assigned To	Sandra Massey	**Latest Note Date**	04 Jul 2014	**Latest Note**	Software Librarian in post. This mitigating action moved to internal control.

10

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that transition to new data centre leads to failure of Council systems.		Resources not available at the tight time to manage transition effectively.	Operational timescales for successor datacentre implementation are impacted negatively.		
Drivers					
No resources or programme management approaches are adopted.					
Description	Risk refers to the transition ATOS provision to new datacentre provision following the end of the ATOS contract.			Low	Almost Impossible
Internal Controls	ATOS have allocated a transition manager and issued a draft exit plan for ACC review and approval by end of June.			Very serious	Very serious
Mitigating Actions	A Business Case to resource transition has been issued for consultation with the final date for response 28/5/15. Following assimilation of the response this will now be progressed.				
Assigned To	Simon Haston	**Latest Note Date**	28 May 2015	**Latest Note**	Risk mitigating actions , controls and notes updated 28/5/15.

Title	Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that workforce planning, recruitment, retention, training and development do not support the improvement agenda	Inadequate arrangements for linking workforce planning to business need. Knowledge capture processes not in place or implemented. Recruitment processes inadequate in terms of skills match. Training approaches not matched to business need. Poor employee development opportunities.	Poor service delivery standards. Inability to retain key staff. Excessive use of agency / consultancy resources. Council not seen as employer of first choice.	Impact / Likelihood	Impact / Likelihood

Drivers				
Poor workforce planning leaves the service exposed to under-resourced delivery arrangements and inability to forward plan.				

Description	Workforce planning impacts directly across the service with notable dependencies in Customer Services Operations, IT, Finance (inc Revenues and Benefits), Legal & Democratic Services, Human Resources and Commercial and Procurement.	Low	Very Low
Internal Controls	PBB Workforce Stream; Workforce Planning Strategy. Service Workforce Plans	Serious	Serious
Mitigating Actions	Effective implementation of the Workforce Plan across all parts of the Service.		

Assigned To	Ewan Sutherland	**Latest Note Date**	21 May 2015	**Latest Note**	Risk included in operational risk register May 2015.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk that Health, Safety and Wellbeing incidents including cases of ill health, are not recorded, reported, reviewed and monitored and that areas for improvement are not identified and implemented.		Incidents and work related ill health are not reported. Identified improvements resulting from lessons learned are not identified and implemented. The electronic accident / incident / absence recording and reporting system is not comprehensively used. Realistic targets are not set. Actions to prevent a reoccurrence are not implemented. Compliance is not monitored. The 'Plan, Do, Check, Act' approach based on known and potential significant risk is not adopted.	Non – compliance with HSE legislation / guidance, initiatives and corporate Health and Safety policy. Increased costs to the organisation relating to employee absence. Criminal prosecution resulting in fines or imprisonment. Reputational damage. Compensation claims Attendance levels impacting service delivery.		
Drivers					
Failure to conduct post incident evaluations and to embed incident and health surveillance results in inability to develop improvements and minimise risk exposure.					
Description	To improve the health, Safety and Wellbeing culture, it is important that available recording, reporting and monitoring mechanisms are enforced and that post incident activity includes lessons learnt and effective improvements.			Significant	Very Low
Internal Controls	Audit of H&S processes effectiveness - management assurance.			Serious	Serious
Mitigating Actions	Investigation of all accidents and incidents, recording, reporting, reviewing and learning lessons. Review of related risk assessments. Discuss findings and identified improvements at Corporate Health and Safety Committee. Use of and further development of of electronic reporting and recording accident system to assist in analysis and ability to access days lost and related costs. H&S trends highlighted at Directorate H&S Group and at SMT. Processes and compliance monitored through audits and management assurance. Implementation of Maximising Attendance Improvement Plan for Corporate Governance including implementation of target reduction, evidenced through performance indicators. Creating a Directorate that is 'H&S risk intelligent.'				
Assigned To	Mary Agnew	**Latest Note Date**	29 May 2015	**Latest Note**	Risk re-scoped in discussion with risk owner.

13

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
Risk of the Council losing its representation within National Collective Bargaining arrangements through the SLGP not being able to secure an agreement with COSLA on these arrangements.		Negotiations between the SLGP and COSLA over the cost of participation in collective bargaining are not successful.	The Council experiences loss of influence in national collective bargaining, leading to exposure to potentially disadvantageous terms in national pay awards.	Impact / Likelihood	Impact / Likelihood
Drivers					
Poor negotiation between the SLGP and COSLA exposes the Council to high cost or loss of influence in collective bargaining.					
Description	The Council ended its membership of COSLA on 31 March 2015. The risk reflects that that we are currently bound contractually in collective bargaining and require to ensure the new arrangements through the SLGP retain a negotiating place in national collective bargaining so that the Council's position is safeguarded as far as possible.			Significant	Very Low
Internal Controls				Serious	Serious
Mitigating Actions	Proceed through SLGP to negotiate a cost-effective solution.				
Assigned To	Ewan Sutherland	**Latest Note Date**	10 Jun 2015	**Latest Note**	Risk scoped in discussion with HR Manager.

14

www.pwc.co.uk

Aberdeen City Council

Continuous Financial Controls Report

Period 1 October 2014 to 31 March 2015

Table of Contents

1. Introduction

Purpose of this report

This report summarises the work that Internal Audit has undertaken on continuous financial auditing for the six months to 31 March 2015. This work has been undertaken as part of the 2014/15 Internal Audit programme approved by the Audit, Risk and Scrutiny Committee in February 2014.

Background to continuous auditing and monitoring

Continuous auditing is the process of ongoing testing of key financial controls to assess whether they are operating effectively, and to flag areas and report transactions that appear to circumvent control parameters. We use a combination of manual testing and computer aided audit techniques (CAATs) to extract data from the IT system and to validate that controls are operating as designed.

Therefore, continuous auditing provides regular and timely controls assurance over the Council's core financial systems and informs our consideration of the adequacy and effectiveness of these systems within our Internal Audit Annual Report, which links to your annual governance statement within the financial statements. Our testing over financial controls is undertaken on a six monthly basis, allowing for the identification and reporting of trends over a longer period of time, and provides the following key benefits:

- It provides management with assurance over the operation of key controls on a regular basis throughout the year;
- CAATs allow testing of 100% of the population rather than relying on a sample (where controls are automated);
- Control weaknesses can be addressed during the year rather than after the year end; and
- The administrative burden on management is reduced in areas where there is sufficient evidence that key controls are operating effectively, when compared with a full internal audit systems review.

Scope

Continuous auditing has been adopted for nine of the Council's financial systems this year. The systems are:

- Fixed Assets;
- Accounts Receivable;
- Non Domestic Rates (NDR);
- Payroll;
- Treasury Management;
- Cash;
- Accounts Payable;
- Council Tax; and
- Housing Benefits.

The controls we have tested have been identified through discussion with relevant staff from each system, the performance of walkthroughs, and through comparison against Audit Scotland (external audit) best practice control matrices. All controls have been identified using a risk based approach.

CAATs work

To date we have designed and refined five and seven CAATs tests within Accounts Receivable and Accounts Payable respectively with the assistance of our data assurance specialists. The results of these are included within this report. There are certain areas, such as cash and fixed assets, where the controls in place are predominantly manual and so CAATs cannot be used.

2. *Overall summary*

Set out below is the summary per system, taking into account the number and extent of exceptions we found during testing and the number and severity of control design improvements identified. The criteria that have been used to rate each system are detailed in Appendix 1.

Period 1: 1 April 2014 to 30 September 2014 (reported to the Audit, Risk and Scrutiny Committee in February 2015)
Period 2: 1 October 2014 to 31 March 2015 (as reported in this report)

Table 1: Summary of Period 1 and Period 2 rating and direction of travel

System	Rating to 30 September 2014 (Red, Amber, Green)	Rating to 31 March 2015 (Red, Amber, Green)	Direction of Travel/Trend (↘←→↑)
Fixed Assets	Green	Red	→
Accounts Receivable	Red	Amber	←
NDR	Amber	Green	←
Payroll	Green	Amber	→
Treasury Management	Green	Green	←→
Cash	Green	Green	←→
Accounts Payable	Green	Amber	→
Council Tax	Green	Green	←→
Housing Benefits	Green	Green	←→

Period 2 results (1 October 2014 to 31 March 2015)

The results of our Period 2 testing are summarised below. A detailed breakdown of results is documented in **Section 3**.

Table 2: Period 2 results

System	Number of controls tested	Number of controls where operational exceptions were found	Number of controls where design exceptions were found
Fixed Assets	12	3	2
Accounts Receivable	13	4	1
NDR	6	2	0
Payroll	9	3	0
Treasury Management	15	1	1
Cash	5	0	0
Accounts Payable	13	2	0
Council Tax	10	0	0
Housing Benefits	10	0	0
Total	**93**	**15**	**4**

A percentage breakdown of control exceptions against the total number of controls tested is provided on the next page.

Diagram 1: Period 2 results

Legend:
- No. of controls tested
- No. of controls with operational exceptions
- No. of controls with design exceptions

Comparison of Period 1 results with Period 2

The charts and table below show the results for period 2 and period 1 for comparison. As can be seen from the diagrams, the proportion of control exceptions has risen from 11% to 16% from period 1 to period 2.

Diagram 2: Comparison of P1 and P2

Period 1 results

11%

89%

- Percentage of controls with no exceptions
- Percentage of controls with exceptions

Period 2 results

16%

84%

- Percentage of controls with no exceptions
- Percentage of controls with exceptions

Table 3: Comparison of P1 and P2

System	Number of controls tested		Number of controls where exceptions were found	
	P1	P2	P1	P2
Fixed Assets	14	12	1	5
Accounts receivable	13	13	6	5
NDR	6	6	2	2
Payroll	9	9	0	3
Treasury Management	15	15	2	2
Cash	5	5	1	0
Accounts Payable	13	13	0	2
Council Tax	10	10	1	0
Housing Benefits	10	10	1	0
Total	95	93	14	19

Management Comments

Management notes that there continues to be an effective financial control environment overall and that testing is identifying a small numbers of exceptions that are generally at the lower end of the risk scale. It is recognised that improvements can be made and there are a number of recommended control design improvements that are highlighted in the report. These will be implemented by the relevant officers in the timescales detailed

3. System summaries

Fixed Assets

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Acquisitions and capital projects				
FA1	A capital programme is drawn up at the beginning of each financial year and budgets are allocated to each budget holder in respect of defined projects approved via the bid process. The capital programme is formally approved by the Corporate Management Team (CMT) and Finance, Policy and Resources Committee (FPR).	N/A	0	
FA2	A rolling 5 year replacement report is submitted to and approved by Council. The Council assess the level of funding to be allocated to fleet management for this 5 year period.	N/A	0	
FA3	Capital purchases are made through the PECOS procurement system. Purchase authorisation limits are set for purchasers within the system with automated routing to appropriate approvers within the Council's scheme of delegation.	0	0	

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
FA4	Capitalisation threshold is in place for all asset categories of £6k. On a monthly basis, capital accountants run a report of all purchases out of the revenue budget (and therefore have not been coded as capital expenditure within the ledger), which exceed £6k and capitalise any necessary transactions through a manual journal.	0	0	
FA5	On a monthly basis, capital accountants download all general ledger entries to capital accounts and perform a review to ensure that all transactions are coded correctly. The capital accountants will then manually enter the assets on to the Fixed Asset Register, allocating the class of assets and a defined useful life.	0	0	
Depreciation				
FA6	Useful life for Property, Plant and Equipment is identified, reviewed and approved on an ongoing basis.	0	N/A	Control operates annually in April; therefore it had not operated at the time of our Phase Two fieldwork. This control was tested with no exceptions during our Phase One work.
FA7	All assets are automatically depreciated through the FAR system (AIRS) in accordance with the predetermined useful lives.	0	0	
Disposals				

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
FA8	Disposals of property with a value >£250k must be approved by the Head of Finance, Head of Legal and FPR Property Subcommittee. Property disposals <£250k are approved by the Head of Asset Management.	0	1	**Finding Rating:** Low In 1 out of 2 disposals sampled, the correct authorisation per the Schedule of Authority had not been obtained by the Head of Finance. This concerned the sale of Balgownie Primary School for £1.4m in February 2015. The risk is somewhat mitigated however as the sale was approved by the Head of Asset Management, the Head of Legal and the Property Sub-Committee.
FA9	Disposals of vehicles are made through auction. The Fleet Manager must approve all vehicle disposals.	N/A	1	**Finding Rating:** High In our 'Fleet Asset Verification' report to the Audit, Risk and Scrutiny Committee on 11 May 2015, we reported the results of our physical verification of the Council's fleet assets. This process identified 229 assets that were recorded on Tranman but that could not be physically verified. Our further investigations with fleet management have identified significant failings in the control around recording of the acquisition and disposal of fleet assets in the Council's fleet management systems. As a result we have concluded that controls are not designed or operating effectively for vehicle disposals. However, it is noted, as of the last Audit, Risk and Scrutiny Committee, that management are focused on this area and are implementing new controls over the Tranman system to address the issues identified.

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
FA10	Disposal forms for property are completed and authorised by the Head of Finance and Head of Legal and approved by the FPR. Disposals are updated on the FAR when the Finance department are notified of the disposal after committee approval has taken place.	0	1	**Finding Rating:** Low See exception at FA8.
FA11	Disposal forms are sent from the Fleet Department to the Finance Team who update the FAR.	1	1	**Finding Rating:** High See exception at FA9.
Adjustments & period end close				
FA12	Vehicles are serviced on an ongoing basis to ensure they are still working and in good order. The fleet management system (Transman) is updated with details of vehicle services.	1	1	**Finding Rating:** High See exception at FA9.
FA13	Land and buildings are revalued on a rolling five year basis in accordance with the relevant regulations. Revalued assets are updated in the FAR.	0	N/A	Control operates annually in April; therefore it had not operated at the time of our Phase Two fieldwork. This control was tested with no exceptions during our Phase One work.

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
FA14	The value of assets per the AIRS system is reconciled to eFinancials on an annual basis as part of the annual accounts preparation process.	0	N/A	Control operates annually in April; therefore it had not operated at the time of our Phase Two fieldwork. This control was tested with no exceptions during our Phase One work.
Total		1	5	

Acco unts Receivable

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Process-wide considerations				
AR1	There is a Financial Regulations Handbook which has the statutory obligations detailed. In addition there is an Income Service Manual that details day-to-day processing activities for accounts receivable	0	0	New control tested in 6 months to 31 March 2014
Order Processing				
AR2	Only the debtors team can set up new customers on the system and this is not individuals who process invoices. Details are passed to the team on Customer Invoice Control (CIC) forms from the individual departments.	3	2	**Finding Rating:** Low From a sample of 45 tested, three instances were identified where a Customer Invoice Control form could not be found to evidence that authorisation had been given to create a new customer on the system.
Cash Receipts				
AR3	Unidentified receipts are posted to a dedicated suspense account which is regularly examined and cleared.	1	1	**Finding Rating:** Medium Unidentified receipts are not being regularly examined in order to clear customer invoices.
Bad debts				

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
AR4	Disputed customer balances are monitored monthly and followed-up with Services to identify status of balance.	24	29	**Finding Rating:** Medium From a sample of 45 tested, 29 instances were identified where no evidence was available to verify whether disputed customer balances had been followed-up with the relevant Service.
AR5	Debt recovery procedures are in place: the system automatically issues reminder letters after 35 days of debt being due and a final notice after 14 days of the first date. After a further 7 days, debt is transferred to the Sheriff Officer.	35	45	**Finding Rating:** Medium In relation to debt recovery procedures: • For 34 out of 45 tested the reminder letter was issued late (after 31 days); • For 19 out of 45 tested the final notice was issued late (after 17); and • For 45 out of 45 tested the debt had been sent to the Sheriff Officer late. It was noted that due to a systems issue there was a large backlog of invoices and as a result the weekly reminders were not run as normal.
AR6	The Head of Finance approves all write offs on a quarterly basis.	0	0	
Adjustments and period end close				
AR7	Services complete a Credit Note Authorisation (CNA) form that is approved by a service line manager. An authorised signatory list details who can approve credit notes.	4	2	**Finding Rating:** Low For 2 from a sample of 25 credit notes tested, the Credit Note Authorisation form could not be found to evidence approval by a service line manager for the credit note to be issued.

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
				The authorised signatory list for credit note approval is in the process of being updated as a number of signatories are no longer applicable.
AR8	The accounts receivable sub-ledger is reconciled to the general ledger every month.	0	0	
	Total	**67**	**80**	

Accounts Receivable – CAATs

Control Reference	Title	Description	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
AR CAAT 1	Credit limits non zero	All users with a non zero credit limit. It is expected that each of these people is in the service income team or within pensions	0	0	
AR CAAT 2	GL authoriser not in user table	A list of users who have transactions in the Sales Ledger but no entry in the User tables	0	0	
AR CAAT 3	Invoice > limit	A list of credit memos that were authorised by somebody where the total value exceeds their authoriser limit.	0	0	
AR CAAT 4	Credit > Limit	A list of invoices that were authorised by somebody where the total value exceeds their authoriser limit.	0	0	
AR CAAT 5	Self-Authorised Credit Notes	An extract of users who have raised self-authorised credit notes on the system	0	0	
	Total		0	0	

NDR

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Valuation				
NDR1	Reconciliations take place on a weekly basis between the Grampian Joint Valuation Board valuation roll and the NDR system, which agrees both number of properties and rateable value. These are signed as reviewed by a department manager.	0	0	
Billing				
NDR2	Bills are calculated automatically according to each property's rateable value and any discounts/reliefs applied.	0	0	
Collection				
NDR3	Arrears letters are automatically sent by the Northgate system in accordance with a pre-defined calendar. The letters are extracted from the system in a file which is spot checked by the Team Leader. The file is then sent to Aberdeenshire Council who print the letters. The letters are once again checked prior to being sent to businesses by the NDR Team.	0	0	
Monitoring and adjustments				

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
NDR4	Write offs and refunds will not be processed until the relevant form has been completed by a member of the team and approved by another member of the team.	2	1	**Risk Rating:** Low For 1 out of 20 refunds tested it was identified that the refund had been actioned and approved by the same person.
Standing Data Maintenance				
NDR 5	General NDR policies and procedures surrounding NDR processes and associated legislation are available to all staff via Robohelp.	0	0	
NDR 6	Access to the NDR system is restricted to select members of staff by way of password protection. All users except a team of 5 and the Systems and Billing Manager have read only access. Passwords are prompted to be changed every 90 days.	4	3	**Risk Rating:** Low 3 users were identified with access to the Northgate system that no longer require access. However, all three users were identified as having not logged in to their accounts in the last six months.
	Total	5	4	

Payroll

Control Reference	Control	Exceptions from six months to 30 September 2015	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Time Recording				
PR1	Services provide an approved Excel spreadsheet of employee timesheets to payroll for manual entry.	0	0	
Payroll Calculations				
PR2	All salaries greater than £4.5k are investigated as part of exception reporting performed	0	0	
PR 3	Monthly staff monitoring reports are distributed to budget holders for review.	0	3	**Risk Rating:** Low For 3 out of 25 tested, evidence could not provided to verify that monthly staff monitoring reports had been distributed to budget holders for review.
Standing Data Maintenance				
PR4	Procedures are documented which detail day to day operation of the payroll system and roles and responsibilities.	0	0	
PR5	New starts require a notification of appointment form to be completed and authorised by HR prior to being input into the Payroll system	0	3	**Risk Rating:** Medium For 3 out of 25 new employees tested, the notification of appointment form had not been authorised by HR prior to the employee being input into the Payroll system.

Control Reference	Control	Exceptions from six months to 30 September 2015	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
PR6	Leavers require a notification of termination form to be completed and authorised by HR prior to being input into the Payroll system	0	4	**Risk Rating:** Low For 4 out of 25 tested, the notification of termination form could not be found to verify that a leaver had been properly authorised by HR before being removed from the Payroll system.
PR7	Changes to bank details processed by the Payroll team are only actioned on receipt of written notification from employees.	0	0	
Adjustments and period end close				
PR8	Access to the payroll system is restricted to appropriate staff. Management review access on a quarterly basis for appropriateness.	0	0	
PR9	Reconciliations are performed between the payrun, to payroll totals and the general ledger.	0	0	
	Total	0	10	

Treasury Management

Control Reference	Control	Exceptions from six months to 31 March 2014	Exceptions from six months to 30 September 2014	Notes on exceptions and areas not applicable
Process Wide Considerations				
TR1	A Treasury Management Manual has been prepared to provide a comprehensive guide to all aspects of the duties involved in Treasury Management for ACC.	0	0	
TR2	Staff receive treasury training and refresher training on a regular basis.	0	0	
Investment Transactions				
TR3	Treasury review the weekly credit ratings produced by Capita. These are then used to update the approved list of deposit takers.	0	0	
TR4	The Finance, Policy and Resources Committee (FPR) approve all changes to the deposit takers list and the investment limits for each counterparty.	0	0	
TR5	There is a clear segregation of duties between officers responsible for dealing, recording and receiving confirmation of transactions	0	1	**Risk Rating:** Medium See Control TR13.
TR6	Interest Rates and Bank Balances sheets (DRIBB) are completed daily and authorised	0	0	
TR7	The investment system (PSTM) is configured so that investment deposits cannot exceed the limits set by the FPR on the counterparty list.	0	0	

TR8	0	0	All dealer receipts of new borrowings are retained and cannot exceed Prudential Code limits as set annually. In addition, all external loan providers are issued with an ACC letter signed as authorised.
TR9	0	0	PSTM calculates repayments and interest. The Treasury Officer sense checks all calculations before payment.
TR10	0	0	A register maintained to account for all fixed term loans. This is produced electronically to show the principal amount of loan, interest rate, interest payment date as well as the fee payable to the broker for arranging the loan (1/10th% of the loan amount and period – prorated if less than 12 months).
TR11	0	0	All changes to borrower bank details must be accompanied by a signed letterhead from the external party.
TR12	0	0	All payments require authorisation by someone separate from who raises the payment within the online banking system.
TR13	2	6	**Risk Rating:** Medium For 2 out of 20 posting slips for payment tested, evidence could not be obtained of appropriate authorisation signature. All ledger posting slips for payment are prepared and authorised prior to input into the ledger.
TR14	0	0	All broker payments are authorised by the Chief Accountant prior to payment and agreed to broker statements.
Adjustments and period end close			
TR15	0	0	A monthly reconciliation is completed when all ledger entries for the period have been posted (should be 7 days after the end of each period). The Treasury Officer produces a report covering interest payments and expenses, loans (long and short term) through use of an analyser report writing tool for information downloaded from efinancials. The Treasury Officer submits the report to the Chief Accountant who checks a sample of entries on the report against supporting spreadsheet records.

Total	6	2	

Cash

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
C1	There are a number of documents in place containing procedural guidance for cash. These are available within a shared file on the system and are reviewed and updated regularly.	0	0	
C2	The bank reconciliation team are responsible for maintaining the cash book. There is a separate cashier office who is responsible for handling cash.	0	0	
C3	Most bank accounts are reconciled on a monthly basis after month end. Reconciliations are reviewed and signed off by a more senior team member. The general account is now reconciled on a daily basis. The current plan is to move all bank accounts to daily reconciliations.	25	0	
C4	Unallocated payments are reviewed in to attempt to clear transactions. The bank rec team also have responsibility for the debtor's suspense account.	0	0	
C5	Access to online banking is restricted by username and password and a security fob. Access to the Bank Rec system is restricted by username and password. Access to the Icon system (income transactions) is restricted by username and password.	0	0	
	Total	**25**	**0**	

Accounts Payable

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Ordering				
AP1	Purchase orders with new vendors require review and approval from management and update to the vendor master file by Procurement.	0	2	**Risk Rating:** Medium For 2 out of 25 tested, the review and approval by management could not be evidenced prior to the vendor being created in the vendor master file.
AP2	AP forensics software is used to scan the payments file for duplicate payments and fraud indicators. Items flagged by the software are stopped from payment until investigated.	0	0	
AP3	The release of cheques for printing and signing or release of electronic funds is carried out by individuals separate from those who give approval for invoices.	0	0	
AP4	Access to process disbursements is segregated from vendor maintenance, purchasing, goods receipts, and accounts payable. The disbursement approval functions and the disbursement preparation functions are segregated. The recording of cash disbursements is segregated from the general ledger function.	0	0	

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
Standing Data Maintenance				
AP6	On a weekly basis, a member of the Accounts Payable team runs a report showing all changes to standing data. A sample is then selected from these changes (typically a sample of 5) and traced to some form of backup. This team member then performs a general overall check for reasonableness of all changes.	0	2	**Risk Rating:** Medium For 2 weeks out of a sample tested of 5, evidence could not be provided to verify that the weekly audit review had been performed of changes to Accounts Payable standing data.
	Total	2	4	

Accounts Payable – CAATs

Control Reference	Title	Description	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
AP CAAT 1	GL authoriser not in user table	A list of users who have transactions in the Purchase Ledger but no entry in the User tables	0	0	
AP CAAT 2	Credit limits > limit	A list of credit purchases that were authorised by somebody where the total value exceeds their authoriser limit.	0	0	
AP CAAT 3	Purchase Invoices > Limit	A list of purchase invoices that were authorised by somebody where the total value exceeds their authoriser limit.	0	0	
AP CAAT 4	Suppliers with No bank details	A list of suppliers that do not have any details.	0	0	
AP CAAT 5	Suppliers with the same bank details as Employees	A list of suppliers and employees with matching bank details	0	0	
AP CAAT 6	Employees that have Duplicate Bank Accounts in the system	A list of duplicate bank details in the system.	0	0	
AP CAAT 7	Suppliers with Duplicate entries	A list of suppliers with duplicate entries in the supplier table (based on the account number and sort code). The risk here is duplicate payments.	0	0	
		Total	0	0	

Council Tax

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
CT1	Weekly assessor reports are received and information is updated into the Council Tax system manually. Reports are signed once updated and stored within the department.	5	0	
CT2	A bi-annual reconciliation is performed between a full listing of properties and bands received from the assessor and a report run from the Academy system. Any variances are flagged and investigated.	0	0	
CT3	The Academy system automatically calculates council tax bills based on information within the system.

System parameters entered at the start of each year, are independently checked and are in line with decisions taken by the Council. | 0 | 0 | |
CT4	Capability to make changes to system parameters is restricted to the appropriate people.	0	0	
CT5	Discounts are calculated automatically based on system parameters within Academy.	0	0	
CT6	Discounts are only awarded following review of relevant supporting documentation (i.e. Evidence of student matriculation)	0	0	

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
CT7	The Academy system automatically generates a letter if payments are overdue. Reminder letters and final reminder letters are also automatically generated.	0	0	
CT8	Council tax procedures are contained within a central document library (Robohelp). Robohelp is updated regularly in line with statutory regulations.	N/A	0	
CT9	Refunds must be authorised by the team leader prior to being processed.	0	0	
CT10	The Head of Finance must approve write-offs of £10,000 and over. An annual report is submitted to the Finance and Resources Committee indicating the totals written off.	0	0	
	Total	**5**	**0**	

Housing Benefits

Control Reference	Control	Exceptions from six months to 30 September 2014	Exceptions from six months to 31 March 2015	Notes on exceptions and areas not applicable
HB1	Awards are processed only on receipt of a properly completed claim form signed by the claimant with appropriate supporting documentation and, in the case of income support cases, support from the Benefits Agency.	0	0	
HB2	Claimant's tenancy details are verified against housing records (local authority tenants) or tenancy agreements (private sector tenants).	0	0	
HB3	The rent allowance elements of the benefit system are regularly reconciled with the rent accounting system for council tenants.	0	0	
HB4	The rent rebate elements of the benefit system are regularly reconciled with the rent accounting system for council tenants.	0	0	
HB5	Rent allowance payment runs are examined for reasonableness of amounts and correct ledger coding, and are authorised by a senior officer	0	0	
HB7	Adequate security exists over payments made by cheque and the circumstances behind lost, stolen, or uncashed cheques are followed up.	0	0	
HB8	A formal policy exists to cover approach to recovering overpayments and the Council has instituted procedures for its implementation.	0	0	
HB8	Procedures exist to ensure the correct classification of overpayments between LA error, claimant error, fraudulent, other error, and technical.	0	0	
HB9	Overpayments to be written off or listed as non-recoverable must be authorised by the team leader.	0	0	
HB10	Issues of fraud are passed to the fraud investigation team. The decision to investigate the fraud or not is noted within the system as is the outcome.	4	0	
	Total	4	0	

4. Control design improvements identified

We have noted below where the design of controls could be improved to further enhance the control environment or to improve efficiency.

Accounts Receivable

1. Unidentified receipts are not being reviewed to clear customer invoices – Medium Risk

Matters arising
There continues to be no control in place to ensure unidentified cash receipts are allocated to invoices.

Risk
Where receipts are not matched to invoices there is a risk that the Council does not have full visibility over the amounts owed to the Council by debtors.

Recommendation
- Finance should review the unidentified cash receipts to allocate these to unpaid invoices in the Accounts Receivable system.
- A control should be implemented to regularly review unallocated payments and to match these to outstanding debtors accounts.

Responsible Officer:
Billing and Collection Manager

Target Date:
June 2015

NDR

1. User access to Northgate is not being regularly reviewed – Low Risk

Matters arising

Our review of user access to Northgate identified three active user accounts that no longer required access to the system. All three accounts had been identified as having not logged in in the last six months. This is systematic of the fact that there is no review taking place to check whether users who have been granted access to this system still require that access.

Risk

Inappropriate access to systems can undermine segregation of duties controls and exposes the Council to the risk of fraud or error where users have access that is not commensurate with their job role and responsibilities.

Recommendation

- A quarterly review of user access to Northgate should be implemented with the Systems and Billing Manager signing off access as appropriate.

Responsible Officer:	**Target Date:**
Systems and Billing Manager	September 2015

Appendix 1: Assessment criteria

Priority ratings used for the control design improvements.

Critical	Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to: The efficient and effective use of resources The safeguarding of assets The preparation of reliable financial and operational information Compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
Medium	Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Ratings used for assessing each system:

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk/Green	6 points or less
Medium risk/Amber	7– 15 points
High risk/Red	16– 39 points
Critical risk/Red	40 points and over

Page 161

Appendix 2: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Continuous Financial Controls, subject to the limitations outlined below.

Internal control

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

Future periods

Our assessment of Continuous Financial Controls is for the period 1 October 2014 to 31 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.

disclose fraud, defalcations or other irregularities which may exist.

Responsibilities of management and internal auditors

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

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

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

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.

This page is intentionally left blank

Aberdeen City Council

Pension Fund Financial Controls and Pension Payroll

Internal Audit KPI Targets	Target dates	Actual dates	Red/Amber/ Green	Commentary where applicable
Terms or reference agreed 4 weeks prior to fieldwork			Green	
Planned fieldwork start date	16 December 2014	16 December 2014	Green	
Fieldwork completion date	16 January 2015	3 April 2015	Red	Significant delays in completing CAATs testing
Issuing draft reports for management comments	17 April 2015	17 April 2015	Green	
Receiving management comments	1 May 2015	3 May 2015	Green	
Issuing finalised reports	8 May 2015	8 May 2015	Green	
Final reports presented to the Pensions Committee	15 June 2015	15 June 2015	Green	

Internal Audit Report – Final

2014/2015 for Aberdeen City Council

May 2015

Contents

Page 166

1. Executive Summary

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

Summary of findings

1.01 The scope of our review was to consider the design and operating effectiveness of the key controls in relation to the pension payroll, as well as the operating effectiveness of the key financial controls in relation to the pension fund, at the North East of Scotland Pension Fund and Transport Fund. Our testing covered each of the key sub-processes, and involved an assessment of the design and operating effectiveness of the key controls that help achieve the control objectives as set out in the agreed terms of reference.

1.02 In general our review identified a sound system of control; however, there were areas for improvement identified in how some key controls operated, particularly around ensuring evidence of proper authorisation and review by senior pension officers. From our review of the controls implemented by the North East of Scotland Pension Fund and Transport Fund we have identified the following two medium risk findings:

- In one instance, from a sample of 45 tested, no evidence was retained of a senior pension officer authorisation for payment of the balance of pension for a deceased member. We also found that in two out of four months tested, no evidence was retained to verify that a senior pension officer had reviewed the payment checklist and completed the payment reconciliations. In all cases a senior pension officer should be authorising and reviewing payments to mitigate against the risk of fraud or error; and

- From a sample of 45 tested, we identified one case where no evidence had been retained to verify a request for a change in a member's bank details. We also found one instance where a member's change of address had not been properly evidenced. Ensuring proper control over changes in member's details is important to preventing fraud or error.

1

Management comment

Policies and Procedure will continued to be reviewed throughout 2015 to ensure proper controls are in place.

2. Background and scope

Background

2.01 The North East of Scotland Pension Fund (NESPF) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations. There are 13 Scheduled bodies including Aberdeen City Council, Scottish Water, Aberdeenshire Council and The Moray Council and 41 admitted bodies.

2.02 Aberdeen City Council has delegated responsibility for the administration of the Pension Funds to the Pensions Committee, which is responsible for benefits administration and investment management. The Committee consists of nine City Council elected members. All members have equal voting rights. There is also a Joint Investment Advisory Committee (JIAC), which has responsibility for monitoring the investment management of the Pension Fund and making recommendations to the Pensions Committee on the appointment, retention and termination of investment management contracts.

Compliance with Regulations

2.03 We assessed the key procedures in place at the NESPF for ensuring compliance with the terms of all relevant regulations, including The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations. Our review identified the key controls operated by NESPF including: quarterly compliance monitoring; and that compliance with all relevant laws and regulations is required to be reported as part of the pension fund's annual report. The pension manager is required to report to the JIAC and Pension Committee on any compliance failures that are identified in these quarterly reviews.

2.04 The NESPF has an investment strategy and this strategy has been approved by the JIAC and Pensions Committee. The funds invested in by the NESPF are also approved by the JIAC and Pensions Committee. The pensions manager is responsible for collating reports from the fund managers to monitor their adherence to the investment strategy. On a quarterly basis the pensions manager reports to the JIAC and Pensions Committee on the current status of each fund manager, and how they are performing against the investment strategy.

Amendments to Standing Data

2.05 We reviewed the design of the key controls in place for amending standing data: this included the controls for new starts, leavers, retirees, death of members or pensioners, and changing bank and address details.

2.06 New members of the pension scheme are notified to the NESPF by their employer through submission of the relevant form; white sheets or PEN1 forms are received from the employer for all new members other than employers using iConnect or Employer Services. No new member can be enrolled in the pension scheme without the NESPF having received this form or PEN1 enrolment form except when an employer uses iConnect/ES in which new members are uploaded online.

Page 169

2.07 When a member leaves the pension scheme the employer will submit a cessation notice to the NESPF. No member is removed from the scheme without receipt of this notification. Any calculations required to determine the extent of any refunds due to the leaver or to determine the leavers deferred pension benefits must be approved by two separate pensions or senior pension officers.

2.08 The pension system is configured to identify when a member has reached retirement age. No pension payments are made until the NESPF has received a PEN6 cessation notice from the employer confirming that the employee has retired and is eligible to receive their pension. When a member is eligible for early retirement further information must be gathered before making any pension payments; this can depend on the nature of the reason for early retirement. For example, if the early retirement is for ill health a doctor's letter must be obtained.

2.09 When notice is received that a pensioner has passed away they are automatically 'closed' in the system to prevent any further pension payments through the pension payroll. On receipt of notification of a pensioner's death the NESPF will look to obtain a death certificate to verify the death.

2.10 Changes and amendments to bank details and addresses are only made by the NESPF through a signed letter that includes their pension reference number/NI number, or online through MyPension, which notifies the Pension Department via email of the change, or via a report from the Bank informing of the change made by a member. Once any changes are made the NESPF will send a letter to the member confirming the change to verify that the details have been changed correctly.

2.11 Requests for a change to an address for both pensioners, widowers and non-pensioners must be made by either a signed letter, email or call quoting a pension reference number, National Insurance number, or previous address if sent by member, or when an employer changes address details via Employer Services or iConnect. No changes should be made where the member or employer does not provide some form of evidence.

2.12 New members must opt to transfer in their existing pension to the NESPF within 12 months of joining. The exception to this rule is members who are transferring in from another NESPF administered scheme, for example a member who moved employment from Aberdeenshire Council to Aberdeen City Council. Only members who were previously a member of another Public Sector Transfer Club pension scheme may transfer in their pension to the NESPF.

2.13 When a member opts to transfer out of the NESPF scheme to a new pension scheme they must provide a signed transfer out request detailing the new scheme they wish to join. The pension officers will perform a check of the new scheme and confirm that it is HMRC registered but there is no obligation on the NESPF to prevent members joining non-HMRC registered schemes, although they will as a courtesy notify members if they have concerns regarding the validity of the new scheme.

Annual Benefits Notices and Calculations

2.14 With the use of Computer Assisted Audit Techniques we re-performed the monthly pension calculations and lump sums which are automatically calculated by the pension system. Using this method we were able to test the full population of 21,597 calculations since 1 October 2013. The results of this test are shown overleaf:

4

	Count	Percentage
Calculations agreed as accurate through use of CAATs	20,236	93.7%
Items not following standard calculation due to additional instructions for sharing arrangements or overpayments	23	0.1%
Items where the person has an early redemption date against their pension and so does not follow the standard calculation	1,338	6.2%
Total	**21,597**	**100%**

2.15 As can be seen from the table above we were able to agree the accuracy of 99.9% of pension calculations through the use of CAATs. We sample tested calculations from the remaining 0.1% and found no exceptions.

Pension Payments

2.16 NESPF has had to develop new processes and controls in the context of the available staffing resources. There are no dedicated pension payroll staff and the processing of pension payroll has been brought within the scope of the senior pension officers. Management are aware of the risk this creates around a lack of segregation of duties, and therefore controls have been developed in order to mitigate this risk, with the requirement for double review and sign-off of pension payroll processing and payment.

2.17 Immediate Payments (IMM) is now used for all other payments related to pensions not covered by the monthly payroll run, which includes transfers out, lump sums, balance of pensions and refunds. Senior Pensions Officers run a report from the system which generates all payments needing to be paid for the specified period, these reports are run bi-weekly. Segregation of duties exists between the senior pensions officer generating the report and the senior pensions officer authorising the payment.

2.18 The NESPF policy, in line with pension regulations, is for contributions to be received from members by the 19th of the month. We reviewed documentation to ensure that processes were in place to monitor the receipt of contributions and to follow-up when contributions are consistently not received in line with policy and regulations.

2.19 Monthly analytical checks are performed by the pension accounting team that involves comparing data on the pension contributions and pension payroll. The pension accounting team will analyse the contributions received from each employer on a monthly basis. Where variances are identified between the actual amount received and the amount expected to be received, these are logged and assessed for reasonableness and if material investigated by the pension accounting team with the relevant employer.

Use of Third Parties

2.20   The NESPF utilises third parties for managing the assets of the pension fund. These third parties are required to provide annual SAS 70 or ISAE 3402 reports to provide assurance concerning the effectiveness of their control environment. The pensions manager will receive and review these reports and will communicate any findings to the JIAC at the appropriate quarterly meeting. In the event that a serious issue is ever identified the pensions manager can call for an emergency meeting of the JIAC to present the findings.

Scope and limitations of scope

2.21   The detailed scope of this review is set out in the Terms of Reference (within Appendix 2).

3. Detailed findings and recommendations

3.01 Payment and reconciliations – Control operation

Finding
For Cessation Notices, any calculations required for deferred leavers or refunds are made by the system and checked by a senior pension officer. As per the Pension Administration Strategy 2013, the target to process, refund and issue payment is 10 days. However, in one instance from a sample of 45 tested, we identified a refund calculation and authorisation of payment that had not been processed and was still outstanding, with the cessation notice being received from the member over three months prior to the date of our testing.

Our review further identified one case, from a sample of 45 tested, where authorisation by a senior pension officer for payment of the balance of pension for a deceased member could not be evidenced. All such payments should be authorised by a senior pension officer prior to payment. We also identified missing documentation for two months out of four selected for testing where reconciliations between the BACS payment, the amount per the payroll report and the amount per the system, could not be evidenced as the documents had not been scanned on to the system. As a result we could not find evidence that a senior pension officer authorisation and check had been performed for those months. |

Risks
There is a risk that payments could be incorrect or that fraud or error may occur in the process without proper checks due.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	• Management will reiterate to senior pension officers the importance of following procedure and ensuring that appropriate checks have been performed for all payments. Management will also ensure that reconciliations are performed and that the monthly pension checklists are completed.	Pensions Manager
	• Management will aim to process refunds in line with PAS2013 performance targets and communicate targets to employees.	**Target date:**
	• Management will ensure better control is held around the provision of documentation.	Immediate implementation of actions agreed while all policies and procedures will continue to be reviewed.

3.02   Changes in member details – Control operation

Finding

In one instance, from a sample of 45 tested, we found no evidence of any correspondence received from either the employer, or member, notifying of a need for a change in bank details. Changes to bank details must be made by a member either through a signed letter or email that includes their pension reference number or National Insurance number, online through MyPension, or following a report from the bank informing of the change made by the member. No changes should be made other than through the processes above.

We also identified one instance, from a sample of 45 tested, where a member's request for a change of address was made through a telephone call. Changes to address should follow a similar process to a change in bank details; however, in this instance there was no further evidence to support the member's request other than a log of the date and time of the call.

Risks

Improper procedures around changes in member details, such as bank details and addresses, increase the risk of members becoming the victims of fraud.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	• Management will ensure better control around holding sufficient documentation for evidence will be carried out, especially around areas of the system containing sensitive information such as bank details.	Pensions Manager
	• Management agreed when a member sends a request to change their address via a telephone call, that the member will be required to provide further evidence to verify the veracity of their request.	**Target date:** Immediate implementation of actions agreed while all policies and procedures will continue to be reviewed.

3.03   Statutory notices for new members – control operation

Finding

White sheets or PEN1 forms are received from the employer for all new members other than employers using iConnect or Employer Services. From a sample of 45 tested we found four cases where there was no evidence of a statutory notice being sent to members. Regardless of the method chosen to enrol members into the pension scheme, a statutory notice should be automatically generated and sent to the member.

Risks

There is a risk that member data may be incomplete or inaccurate, and that proper policies and procedures may not have been followed.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Management will ensure evidence of statutory notices being sent to all members is retained for each member and adequate documentation is held for audit purposes.	Pensions Manager
		Target date:
		Immediate implementation of actions agreed while all policies and procedures will continue to be reviewed.

3.04   Third party controls report review - control operation

Finding

On an annual basis the Pensions Manager is required to review the controls reports issued by third party fund managers and custodians of the pension fund. The Pensions Manager must then report to the Pensions Committee on any issues identified in those reports. In our review, for the 10 reports received in 2014, we found one instance where the controls report received from the third party had not been reviewed and reported on to the Pensions Committee.

Risks

There is a risk that any issues identified in the third party reports would not be identified on a timely basis. Control failures at third parties (i.e. fund managers or pension custodians) could result in losses of data or financial loss for the pension fund in turn resulting in regulatory non-compliance issues.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	The Pensions Manager will ensure that review and sign off of all third party reports is performed annually and any issues reported to the Pensions Committee on a timely basis.	Pensions Manager
		Target date:
		Immediate implementation of actions agreed while all policies and procedures will continue to be reviewed.

Appendix 1 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance; or • **Critical** monetary or financial statement impact; or • **Critical** breach in laws and regulations that could result in material fines or consequences; *or* • **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance; or • **Significant** monetary or financial statement impact ; or • **Significant** breach in laws and regulations resulting in significant fines and consequences ; *or* • **Significant** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact; or • **Moderate** breach in laws and regulations resulting in fines and consequences; or • **Moderate** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance; or • **Minor** monetary or financial statement impact; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

13

Appendix 2 – Terms of reference

Aberdeen City Council

Terms of Reference – Pension Fund Financial Controls and Pension Payroll

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

Background

The North East of Scotland Pension Fund and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations. There are 13 scheduled bodies including ACC, Scottish Water, Aberdeenshire Council and The Moray Council.

Aberdeen City Council has delegated strategic responsibility for the administration of the Pension Funds to the Pensions Committee, who are responsible for benefits administration and investment management. The Committee consists of 9 City Council elected members, including at least one from each of the major political parties. All members have equal voting rights. There is also a Joint Investment Advisory Committee (JIAC). The JIAC have responsibility for monitoring the investment management of the Pension Fund and making recommendations to the Pensions Committee on the appointment, retention and termination of investment management contracts.

Scope

The overall scope of this review will be to consider the design and operating effectiveness of the key controls in relation to the pension payroll as well as the operating effectiveness of the key controls in relation to the pension fund. The sub-processes and related control objectives included in this review are:

14

Compliance with Regulations	- Procedures are in place for complying with the terms of all relevant regulations, including The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations. - An investment strategy exists at a fund level and only assets in line with this strategy are invested in.
Amendments to Standing Data	- Appropriate procedures are implemented in order that amendments to standing data, such as new starts, leavers, retirees and death of pensioners are recorded timeously and accurately. This includes leaver notifications, death certificates and pension enrolment forms. - All transfers in have a valid transfer pack to ensure all relevant information has been obtained. - Procedures exist to ensure transfers out are to valid schemes. - Appropriate procedures are implemented in order that amendments such as bank details and addresses are appropriately authorised as complete and accurate.
Annual Benefit Notices and Calculations	- Monthly pension calculations and lump sums are calculated accurately (this will be tested through the use of Computer Assisted Audit Techniques). - Annual benefit notices are accurate and are distributed to existing active members on a timely basis.
Pension Payments	- Pension payments are only made to those members of the pension scheme entitled to receive such benefits and that payments made at point of retirement. - Appropriate controls are in place so that pension payments are complete and accurate. - Appropriate checks are in place to ensure contributions are paid to the scheme by 19th of the following calendar month in line with pension regulations. - Monthly analytical checks are performed to identify any unusual trends and these are acted upon.
Use of third parties	The Council has assurance over the control environment operating at third parties such as pension custodians through obtaining and reviewing SAS 70 and ISAE 3402 controls reports.

Page 181

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the key controls in place through discussions with key personnel, and review of supporting governance documentation

- Identify the key risks of the pension fund financial controls and payroll

- 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

- Use computer assisted audit techniques (CAATs) to test the accuracy of pension calculations.

Limitations of scope

The scope of our work is outlined above. Our review will be conducted on a sample basis. We will not assess the governance arrangements in place around the pension funds.

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.

Appendix 3 – Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the Pension Fund Financial Controls and Pension Payroll.

Internal control

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

Future periods

Our assessment of controls relating to the Pension Fund Financial Controls and Pension Payroll is at April 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.

Aberdeen City Council

Compliance with the Public Records (Scotland) Act – Phase 2

	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	08 July 2014	24 July 2014	**Red** – Due to annual leave
Planned fieldwork start date	30 March 2015	30 March 2015	**Green**
Fieldwork completion date	03 April 2015	03 April 2015	**Green**
Draft report issued for Management comment	17 April 2015	14 May 2015	**Red** – Internal auditor on study leave
Management Comments received	28 May 2015	28 May 2015	**Green**
Report finalised	04 June 2015	04 June 2015	**Green**
Submitted to Audit, Risk and Scrutiny Committee	25 June 2015	25 June 2015	**Green**

Contents

Internal Audit report for Aberdeen City Council

1. Executive Summary

Report classification

Medium Risk

Total number of findings — Section 3 →

	Critical	High	Medium	Low	Advisory
Control design	-	-	4	1	1
Operating effectiveness	-	-	-	-	-
Total	**-**	**-**	**4**	**1**	**1**

Summary of findings

1.01 The Public Records (Scotland) Act 2011 (the Act) requires Local Authorities to prepare and implement a Records Management Plan (RMP) that sets out proper arrangements for the management of records. We issued a report to the Audit, Risk and Scrutiny Committee, 'Compliance with the Public Records (Scotland) Act – Phase 1', on 20th November 2014 that set out several recommendations for management to implement to ensure Aberdeen City Council's (the Council) submitted RMP would be in compliance with the Keeper of the Records of Scotland's 14 element 'model plan'. The Council submitted its final RMP to the Keeper on 23 January 2015.

1.02 The initial scope of Phase Two of our review of the Council's compliance with the Act was to assess the design of the programme of controls testing to be implemented to help ensure the Council's on-going compliance and providing recommendations where improvements could be made. However, at the date scheduled for the fieldwork for our Phase Two review in March 2015, a programme of controls testing had not yet been completed or implemented, limiting our ability to perform the review in line with the scope agreed with management in July 2014.

1.03 Our approach for our Phase Two review therefore, was to assess the progress made to date on implementing the RMP, which is being achieved through an element of a wider improvement programme under the Council's the Information Management Strategy (IMS), and to highlight areas of weakness. We

interviewed key members of staff from the seven domains of information management outlines in the Council's IMS, and we reviewed key documents that evidence the progress made to date including the draft Information Management Strategy Risk Register. Since our Phase One review the Council has submitted its RMP to the Keeper. The Keeper assessed 12 of the 14 elements of the Council's RMP as 'Green', meaning "the Keeper agrees this element of an authority's plan". The two remaining elements were assessed as 'Amber', meaning "the Keeper agrees this element of an authority's plan as an improvement model. This means that he is convinced of the authority's commitment to closing a gap in provision. He will request that he is updated as work on this element progresses."

1.04 We have noted four medium risk and one low risk finding concerning the current progress in implementing the Council's RMP. The four medium risk findings are summarised as follows:

- Management stated that progress has been delayed in rolling out the Information and Records Lifecycle Management project (which will implement the Council's Business Classification Scheme and Retention Schedule), in part due to difficulties in recruiting suitable staff to the Information Management Adviser roles referred to in the RMP. Those responsible for the implementation of the RMP also highlighted the significant complexity involved in managing the wider IMS improvement programme across the Council. We found that the formal strategic plan setting the direction, actions and timescales for implementing the wider IMS improvement programme across the Council's Business Clarification Scheme and Retention Schedule, a series of pilot implementations are being considered and criteria for selecting participants is under development. In relation to the Information and Records Lifecycle Management project (which will implement the Council's Business Clarification Scheme and Retention Schedule, a series of pilot implementations are being considered and criteria for selecting participants is under development.

- 'Critical' and 'key' information management systems have not been consistently defined. Having a clear definition, consistently applied across the Council, is important to ensuring that information assets are properly managed in compliance with the RMP.

- Business continuity planning is not currently aligned to the requirements of the RMP submitted to the Keeper. We have identified areas for improvement in how Business Impact Analyses are prepared by Services and a lack of monitoring and reporting on compliance with review and test schedules for the Council's business continuity plans.

- Information Management related policies and procedures do not sufficiently detail how the Council ensures that access to information and data is appropriately removed for those employees who leave or move roles within the organisation. Physical controls have also not been implemented to restrict the ability of staff to save data outside of secure network drives, for example, preventing staff saving data to local hard drives or to portable devices such as memory sticks.

Management comments

This second phase of internal audit for 2014/2015 has provided management with the assurance that the Council's Information Management Strategy and improvement programme development underway remains aligned to providing the framework for governance of managing information across the Council. This form of internal review will be welcomed in the future to ensure the Council continue to develop and implement the required controls that support and inform the Council's use of information to deliver strategic objectives, and realise benefits for improving staff and customer experience.

3

2. Background and scope

Background

2.01 Aberdeen City Council submitted their final Records Management Plan (RMP) to the Keeper of the Records of Scotland on 5th December 2014. The Keeper approved the RMP and provided an Assessment Report on 23 January 2015. The Keeper assessed 12 of the 14 elements of ACC's RMP as 'Green', meaning 'The Keeper agrees this element of [the] authority's plan'. It assessed the remaining two elements as 'Amber', meaning 'The Keeper agrees this element of [the] authority's plan as an improvement model. This means that he is convinced of the authority's commitment to closing a gap in provision. He will request that he is updated as work on this element progresses.' These two elements were element '4. Business Classification' and '5. Retention Schedule'.

2.02 The Information Management Strategy (IMS) has been developed to provide the framework for governance of information management across the Council. Successful implementation of the IMS is therefore key to ACC fulfilling the elements of its RMP in practice. The Information Management Team is developing an IMS Risk Register, which was in draft form at the time of our review.

2.03 The IMS Risk Register identifies risks to good information management and security and aligns these risks with the seven domains for information management that are identified in the strategy and in the RMP. These are:

- Business Continuity & Disaster Planning;

- Culture, Training & Communications;

- Information & Records Lifecycle Management;

- Information Preservation;

- Knowledge, Reuse & Performance;

- Risk & Governance; and

- Technical & Physical Systems Management.

2.04 The risk register aims will be the means by which the IMS improvement work as a whole will be driven and will be also be used to inform the assurance measures to be developed by each domain, which will form part of the improvement programme required by element '13. Assessment and review' of the RMP. The leads of

4

each domain will be responsible for developing and monitoring assurance measures for the risks associated with their domain, with the Senior Information Risk Officer (SIRO) holding overall accountability for the progress of the improvement programme.

2.05 The Information Management Team is preparing to roll-out the Information and Records Lifecycle Management improvement project (under the IMS improvement programme), initially to a pilot of three services, where they will test and refine the process for implementing the Business Classification Scheme and Records Retention and Disposal Schedule, these being the two elements identified by the Keeper for improvement. A budget for three Information Management Adviser posts has been approved, and two of these posts have now been recruited to. These roles will entail working with the pilot services to roll out the Business Classification Scheme and Records Retention Schedule by identifying the service's records and information systems, creating a file plan in line with Business Classification Schedule, and ultimately developing an Information Asset Register for the Council, in line with the broader aims of the IM strategy.

Scope and limitations of scope

2.06 The detailed scope of this review is set out in Appendix 2 in the Terms of Reference. Our initial scope was to 'assess the design of the programme of controls testing, providing recommendations where improvements could be made'. However, at the agreed date of our fieldwork for Phase Two it was made clear by management that a programme of controls testing had not yet been completed or implemented, limiting our ability to complete the work in line with the scope agreed with management.

3. Detailed findings and recommendations

3.01 IMS implementation strategy and finalisation of IMS Risk Register – Control Design

Finding

IMS implementation strategy:

We have found that the formalisation of the strategy for the implementation of the IMS improvement programme as a whole across the Council is still on-going. The rationale for which services are to be selected for the Information and Records Lifecycle Management (IRLM) pilot implementation is also still being considered. The Records Manager is considering the first services to be included in the pilot as Children and Education, and either Housing or Planning, however no final decision had been made on those services that will be included in the pilot at the time of our review.

We recommend that the decision, on pilots, should be taken at senior level in the organisation with input of the leads of each service, based on a consistent and supported rationale for why each service has been selected. We would recommend the approach should include at least the following considerations:

- **Risk:** To consider the magnitude and likelihood of serious information security breaches in each service.

- **Cost and efficiency:** To consider the current cost of information management to services; for example, services with large volumes of paper records will incur high costs of storing their records, and services which could be using multiple IT systems could find cost and efficiency savings if information is being unnecessarily duplicated.

  There may be further efficiencies to be found where Services may be collecting and storing information that is already held by other Services within the Council and information sharing protocols are not in place.

- **User and staff experience:** To consider in which services better information management would have the greatest impact on user or staff experience of that service.

Information Management Strategy (IMS) Risk Register:

Management have not yet finalised and approved the IMS IMS Risk Register. The IMS Risk Register is a key document in managing and monitoring information management risk across the organisation, and provides the basis for assurance measures and progress monitoring so that risks can continually be addressed, and improvement opportunities identified. It will also provide a point of reference for the Information Management Advisers when rolling out the IRLM project pilot to services to ensure all information risks for that service are identified and that there is plan for how these will be

addressed.

The final risk register should also incorporate a system of risk scores, based on the magnitude versus likelihood of each risk identified to enable management to prioritise addressing risks and considering whether other risks can be accepted rather than mitigated.

Risks

- There is a risk that the wider IMS improvement programme is rolled out to services without first identifying all of the information risks within that service, resulting in missing assurance measures to monitor all information risks. This will inhibit the wider IMS improvement programme from achieving best practice and efficiencies in information management within each service, and increase the risk of information security breaches occurring.

- There is a risk that the Council will miss the opportunity to prioritise services where the roll-out of the wider IMS improvement programme could have the most immediate impact in terms of mitigating the risk of information security breaches, creating cost and efficiency savings, and improving user or staff experience.

- There is a risk that the roll-out of the wider IMS improvement programme is delayed, which will delay benefits being achieved for services.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Management will finalise the formalisation of the plan for the wider IMS improvement programme, and agree the plan with the Corporate Management Team. The following actions will be prioritised: - Finalise the Information Management Systems Risk Register; - Formally select the services to be included in the IRLM project pilot implementation; and - Identify the Information Asset Owners, Information Asset Administrators and Information and Information Management Liaison Officers within at least the three pilot services.	Records Manager **Target date:** 30 September 2015

3.02 Identifying and maintaining business critical and key information assets – Control Design

Finding
We found that there is a lack of a clear, consistent definition of what constitutes 'critical' and 'key' applications and information.
While IT maintain a list of 'critical' and 'key' applications, it is not clear that consistent and appropriate criteria has been applied in identifying these applications. This is also not joined up with business continuity to ensure consistency in what is being identified as 'critical' rather than 'key' to each service.
There is also no formal monitoring and engagement with services to ensure that the list of applications is complete and up to date.
Identifying the business critical and key information management systems (including both electronic and hard copy systems) in each service is essential for the Information Management Team as they work with services to roll-out the Business Classification Scheme and in developing an Information Asset Register for each service. This is also an essential part of developing appropriate and relevant business continuity plans for each service.

Risks
• There is a risk that applications critical to Council Services' operations are not identified and classified as such, resulting in a lack of appropriate controls around information stored within these applications, including business continuity measures and controls relating to information security.
• There is a risk that applications that are not in fact 'critical' are inappropriately classified as 'critical', resulting in inefficient use of resources to develop business continuity plans for these applications, which are not necessary.
• There is a risk that without a complete list of key applications used across services, the Council will miss opportunities to identify potential cost and efficiency savings by eliminating unnecessary applications and unnecessary duplication of data across multiple applications.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Management will develop a clear definition of what constitutes 'critical' and 'key' information asset systems and ensure this definition is applied consistently across the whole Council. Management will work with the Services to develop an Information Asset Register for the Council that documents: • The location, status and criticality of key information management systems; and • The owners of key information management systems.	Records Manager **Target date:** 30 September 2015

3.03 Business continuity planning – Control Design

Finding

Business Continuity forms element 10 of the RMP, recognising that this is an integral part of good information management.

We performed a review of Business Continuity – Business Impact Analysis (BIA) Arrangements as part of the 2012/13 internal audit plan. This resulted in a high risk report. Amongst other issues, the report noted a lack of consistent engagement with business continuity across the organisation, resulting in some services having poorly documented or non-existent business continuity plans.

Since Phase One of our review of the Compliance with the Public Records (Scotland) Act, we found the Emergency Planning Team now have templates for BCP test exercises that it provides to services, and maintains a review and test schedule for each service with a BCP.

While element 10 of the RMP has been agreed and rated 'Green' by the Keeper's assessment report, we have found that in practice there are still actions to be taken to address the weaknesses previously identified by us in the Council's business continuity planning process, and to ensure that business continuity is fit for purpose across the organisation to align with good practice in information management.

In particular the following issues have been identified from the perspective of information management:

- Current arrangements rely on each service completing its own BIA template, which includes identifying business critical documents and systems.

  The completed BIA template then forms the business continuity plan for a service, where instead we would expect the Emergency Planning Unit to use the information provided in the template to perform a robust risk based analysis to formulate business continuity strategies and plans for that service.

- There does not appear to be a consistent definition or criteria applied in identifying 'business critical' information and applications (see finding 3.02 above).

- There is currently no formal system of monitoring and reporting on compliance with existing BCPs and compliance with the review and test schedule.

Risks

- There is a risk that information and systems that are critical to services continuing in the event of a disaster or emergency are not identified due to a lack of a clear definition of 'business critical' information and systems and a lack of robust review of the information provided in the BIA template. This could result in services being unable to access or recover critical information in such an event where plans are not sufficient to mitigate the risks.

- There is a risk that where there are business continuity plans in place these are not adequate or appropriate as these are not tested and updated on a periodic basis.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Management will re-evaluate the role of the Emergency Planning Unit (EPU) in business continuity planning and ensure that for each Service, the EPU performs a robust risk analysis of the Business Impact Analysis (BIA) to help Services develop appropriate business continuity plans.	Emergency Planning Manager
	Management will implement a formal process for reviewing and testing business continuity plans across the Council to ensure they continue to capture all critical business applications and systems and that those responsible for implementation of these plans are aware of their responsibilities in the event of a business continuity incident.	**Target date:** 30 September 2015

3.04 Information management related policies and procedures

Finding

We have noted the following in relation to current information management related policies and procedures:

- We have reviewed five separate IT policies and procedure documents which are available for staff regarding IT security and data management. Much of the guidance, for example relating to portable devices, is repeated across all the documents reviewed.

- Some of these documents have not been recently updated, for example the ICT Good Practice Guidelines have not been reviewed since April 2013.

- During our inquiries the Information Security Officer identified the following control gaps:

  - There is not a robust procedure to ensure leavers or staff who change job roles have their access to all systems and network drives removed or appropriately amended; and

  - There are no controls to prevent staff from saving electronic data onto local drives rather than on the network, or from saving data onto portable devices that are not encrypted, which could include personal mobile devices such as mobile phones and tablets.

Risks

- There is a risk that staff will be unable to find the most up to date or relevant guidance to follow on IT security resulting in non-compliance with those policies.

- There is an increased risk of data breaches occurring when there are missing controls.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	Management will review the current policies and procedure documents for IT and ensure that these are updated to reflect the new information management strategy.	Information Security Officer
	Management will review the processes and procedures in place for managing user access to information systems to ensure these are appropriate to mitigate the risks of unauthorised access to data.	**Target date:**
	Management will review controls over electronic data to identify actions that can be taken to restrict the ability of users to bypass controls over the storage of Council data on non-Council devices.	30 September 2015

3.05 Data protection

Finding

From reviewing the Council's current Data Protection policy it was noted that it does not clearly cover internal information sharing within the Council. Such information sharing can sometimes be necessary or create efficiencies; however, it could equally be in breach of data protection laws similar to the sharing of information externally.

The Information Management Team are aware that some Services have information sharing protocols with each other; however, this is not always the case and could result in information being shared inappropriately within the Council, or result in missed opportunities where it would be appropriate and more efficient for services to share information.

The Council's current Data Protection policy is in the process of being updated, with the aim of the new policy being approved at Committee in May or June 2015. The existing policy had not been updated since April 2012, and we welcome the Council's pro-active steps to bring the policy into line with current good practice guidance and the aim to make a document that is more accessible for staff. In line with refreshing the policy and procedures, we understand that a new set of data protection training is also being designed.

It was noted in Phase One of our review that the Council does not currently keep a register of the information shared with external parties. We recommend that such a register is developed and regularly monitored.

Risks

- There is a risk that the Council fails to fully comply with data protection legislation, and is not aligned with good practice in this area, if the data protection policy is not regularly reviewed and updated.

- There is a risk that information is being shared internally in breach of the Council's data protection responsibilities, or that opportunities for efficiency in the sharing of data internally is being missed.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Management will develop a Register of Information Sharing Protocols as a resource for staff to consult for clarity on the circumstances and types of information that can and cannot be shared internally.	Information Governance Officer
	Management will finalise updating the Council's Data Protection policy with consideration given to the possibility of streamlining the existing Data Protection procedures. Management will ensure the new policy is subject to regular, ongoing, review for compliance with current legislation and alignment with good practice.	**Target date:** 30 September 2015

3.06 Information management in supplier contracts – Advisory

Finding

As the Council implements its new information management strategy it should consider how this impacts on its relationship with suppliers and third parties who handle Council data. Suppliers who handle Council information should be expected to meet the same standards on information management as required by the RMP and IM Strategy and supporting policies.

It is recommended that procurement should review existing procurement policies and procedures to ensure these adequately refer to the IM Strategy or advise on appropriate reference to information management standards to be included in supplier contracts. A standard wording, to be included in all contracts, could be developed and included within the Corporate Procurement Policy.

The Council should also considering reviewing existing contracts with suppliers, and updating where required, to ensure there is adequate reference in these contracts on the supplier's responsibilities when handling or accessing Council data, particularly contracts within higher risk areas e.g. social care, education, and IT contracts where third parties may have access to personal data on employees and service users.

Action plan

Finding rating	Recommendation	Responsible person / title
Advisory	Management are advised to review procurement policies and procedures and mode contract language to ensure that those engaging with the Council are contractually obligated to comply with the Council's information management standards.	Head of Procurement
		Target date:
		30 September 2015

Appendix 1 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance; or • **Critical** monetary or financial statement impact; or • **Critical** breach in laws and regulations that could result in material fines or consequences; *or* • **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance; or • **Significant** monetary or financial statement impact ; or • **Significant** breach in laws and regulations resulting in significant fines and consequences ; *or* • **Significant** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact; or • **Moderate** breach in laws and regulations resulting in fines and consequences; or • **Moderate** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance; or • **Minor** monetary or financial statement impact; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2 – Agreed Terms of reference

Background

The Public Records (Scotland) Act 2011 requires Local Authorities to prepare and implement a records management plan (RMP) which sets out proper arrangements for the management of records. Aberdeen City Council is required to submit the plan to the Keeper of the Records of Scotland in November 2014.

A model plan which includes 14 elements has been developed by the "Keeper" to illustrate best practice. The Council is required to include all 14 elements within the submission or confirm that the element is not applicable, providing an explanation for the omission. The 14 elements, included within the model plan, are as follows:

- Senior management responsibility
- Records manager responsibility
- Records management policy statement
- Business classification
- Retention schedules
- Destruction arrangements
- Archiving and transfer arrangements
- Information security
- Data protection
- Business continuity and vital records
- Audit trail
- Competency framework for records management staff
- Assessment and review
- Shared information

As per the "assessment and review" element it is required that the operating effectiveness of the plan is assessed after implementation. To ensure this can be achieved management must develop an appropriate programme of controls testing.

In preparation for completing of the RMP, a business plan has been produced by the Records Manager.

Scope

Internal Audit's review of the Public Records (Scotland) Act will consist of two phases of fieldwork. Both phases will be reported to Audit and Risk Committee in December 2014.

Phase	Objectives	Period	Days allocated
I	Review the RMP Business Plan to ensure: a) "Completed" tasks meet best practice (as detailed within the Keeper of the Records of Scotland Model Plan) and there is evidence to support that tasks have been completed as described. b) "Un-completed" tasks have an action plan in place, timescales are appropriate and the intended actions meet best practice (as detailed within the Keeper of the Records of Scotland Model Plan)	05 August – 11 August 2014	5
II	Assess the design of the programme of controls testing, providing recommendations where improvements could be made.	TBC	5

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:

- Obtain an understanding of the procedures in place through discussion with key personnel and review of documentation.

- Identify the key risks in respect of compliance with the Public Records (Scotland) Act.

- Review the Council's RMP Business Plan against best practice guidance (model plan).

- Evaluate the design of controls in place to assess compliance with the RMP.

Appendix 3 – Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Compliance with the Public Records (Scotland) Act, 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 Compliance with the Public Records (Scotland) Act is as at April 2015 (Phase 2). 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.

This page is intentionally left blank

Aberdeen City Council

ICT Management Information and Performance Reporting

Internal Audit KPIs	Target Dates	Actual Dates	Red/Amber/Green	Commentary where applicable
Terms or reference agreed 4 weeks prior to fieldwork	26/03/2015	20/03/2015	Green	
Planned fieldwork start date	23/04/2015	23/04/2015	Green	
Fieldwork completion date	04/05/0215	04/05/2015	Green	
Draft report issued for Management comment	18/05/2015	03/06/2015	Red	Internal auditor on study leave.
Management Comments received	12/06/2015	11/06/2015	Green	
Report finalised	15/06/2015	11/06/2015	Green	
Submitted to Audit and Risk Committee	25/06/2015	25/06/2015	Green	

pwc

Contents

Internal Audit report for Aberdeen City Council

PwC

Contents

1. Executive summary

Report classification	Total number of findings		Section 3 →		
		Critical	High	Medium	Low	Advisory
Low Risk	Control design	-	-	1	2	-
	Operating effectiveness	-	-	-	-	-
	Total	**-**	**-**	**1**	**2**	**-**

Summary of findings

1.01 Management information and reporting is critical in facilitating robust and well-informed decision making. This is particularly important within ICT since, as a service, it supports many of the Council's activities and will have a direct or indirect effect on many of the organisation's Strategic objectives. In light of the recent restructuring of the ICT department at Aberdeen City Council we have reviewed the current processes and controls in place to ensure relevant information is available to management in order to evaluate the success of its implementation and the ultimate impact on the end-customer's needs. The overall objective of the review was to examine the existing ICT management information requirements, the systems' capabilities to collect and analyse relevant data, and review the design and operating effectiveness of controls in place to ensure the integrity of that data.

1.02 In the course of our review we have made one medium risk finding:

- IT performance reporting is focused on operational metrics but these do not articulate fully how well the IT department is performing, or how efficient and effective ICT is in supporting the Services of the Council to achieve their strategic objectives. There is a risk that the Council therefore does not have oversight of how a significant failure in its IT applications and infrastructure would impact on its ability to support key areas of service delivery.

1.03 We have also made two further low risk findings:

- Reporting lines within IT are informal and unclear, and it was identified that there was a need for a management committee within ICT responsible for monitoring performance and relevant KPIs.
- The data collected for management reporting reporting relies on significant manual intervention and there is a lack of control around how the accuracy and completeness of that data is ensured. It was noted through conversations that this occurs throughout the Council and is not only limited to ICT. The

ability to ensure the data used in management information is complete and accurate is a growing risk that is being considered by other organisations and improving controls in this area would align the Council with good practice in this area.

Management Comments

IT and Transformation have embarked on an IT Service Improvement plan which will use performance measurement and reporting to measure improvements in its delivery of the IT Service to its customers. Feedback from this Internal Audit review, and its suggested measures will be used to help shape the improvement plan.

2. Background and scope

Background

2.01 ICT management have identified the need to better understand the current management information available within the service to enable better decision making and monitoring against strategic targets. High quality management information is critical to enabling effective decision making at a senior management level and to facilitate a strong system of corporate governance. Therefore having strong controls over the management information and reporting process is vital if management are to be able to rely on the completeness, accuracy and relevance of the information available to them when making decisions.

2.02 The main IT reporting requirements can be split into two broad categories: Customer Support and Infrastructure.

Customer Support

2.03 The customer facing role of the ICT department is facilitated through the ICT service desk. This is managed by the Service Desk Co-Ordinator alongside the Account Managers. The Account Managers are responsible for being the link between ICT and the Customer departments to which ICT deliver a service.

2.04 When customers require support from ICT (e.g. to resolve a technical problem or to acquire new ICT assets) their first point of contact is through the ICT helpdesk. Calls are raised either via the telephone or electronically through the helpdesk application (Zeacom). The calls are routed to the appropriate first line analyst who will attempt to resolve their query immediately or log a request with the appropriate technical team. The ICT service desk attempt to resolve all calls in line with the defined prior levels and targets outlined in the service level agreements (SLA's).

2.05 Management are able to track performance of the service desk using the QSM application which facilitates real-time data analysis. This can be used to provide a high-level overview of overall performance at any given point in time, or facilitate more detailed analysis, for instance to determine trends and identify sources of delays in service desk delivery.

2.06 It was noted that there are weekly IT manager meetings that include a discussion of the ICT service desk performance. The service desk co-ordinator reports on the overall performance of the helpdesk in respect to the number of requests currently open and the number of requests fixed during the period. However, it was noted that additional metrics can be reported on an ad-hoc basis in order to facilitate further problem resolution. In response to this meeting, individuals can be assigned action points to investigate and resolve.

Infrastructure

2.07 The ICT department follow an ICT Asset Plan which was last updated in 2013; this is currently in the process of being updated and is due to be published in September 2015. The Council currently outsource their data centre management to a third party supplier, ATOS. It was noted that this arrangement is due to terminate at the end of 2015; therefore plans are being drawn up to bring the data centre facility back in-house under a partnership agreement with

Aberdeenshire Council. Currently the ICT team receive monthly performance reports from ATOS and attend monthly management meetings to discuss performance. Through a review of the monthly performance report it was noted that the key performance indictors reported include metrics on ATOS service punctuality, service usage, server availability and security related incidents.

2.08   It was found that ACC's ICT department proactively monitors server performance in-house, which demonstrates evidence of good practice and limits the dependence on ATOS to identify the risk of business disruption due to poor server performance. This is facilitated through a number of monitoring tools including Statseeker which is used to monitor the performance of the Council's Corporate Servers. This continually monitors the server uptime and capacity performance. Where incidents are logged an automated email is sent to the appropriate individuals within the ICT department to initiate responsive action.

Corporate Reporting – Performance Dashboard

2.09   As part of the Corporate Governance reporting measures, the Council maintain a Performance Dashboard which is accessible by all Council staff through the staff intranet. In respect to ICT it was noted that four performance measures are reported on a monthly basis, this includes; helpdesk call resolution against SLA priority levels; number of helpdesk calls resolved; cost per workstation; and server uptime analysis. Call resolution by SLA priority type is included in the Corporate Governance Performance Reporting presented to the Finance, Policy and Resources Committee.

Scope & Limitation of Scope

2.10   The agreed scope has been agreed in the Terms of Reference attached in Appendix 2. The agreed scope includes the following:

- An assessment of the key management information required for the ICT decision making process which enables the ICT service to meet its strategic targets;

- A high level review of the current system capability, existing tools and mechanisms to understand whether the key management information can be delivered in a timely manner, to the quality required; and

- A review of the design and operating effectiveness of the key controls in place to ensure that high quality, reliable and standardised information is provided to ICT management.

2.11   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.

2.12   The limitations of scope are outlined within the Terms of Reference attached in Appendix 2.

4

3. Detailed findings and recommendations

3.01 IT performance reporting – control design

Findings

Current IT performance reporting is not service delivery focused and has not been mapped to the key applications and servers that support Council services. As a result the information being reported may not be relevant to the actual needs of the organisation or tailored to identify where ICT is underperforming in its service delivery. A review of the various services of the Council and a mapping between the ICT services that support each of these services would be beneficial. This would align the applications, servers and other resources used to support the Council's services.

The current performance reporting in ICT is focused primarily on operational metrics and does not capture all of the key performance indicators (KPIs) we would expect to see within the department. While operational metrics are important to know, they do not articulate how well the ICT department is actually performing in supporting the various Services within the Council. Effective KPIs should provide management with information that provides the basis for making decisions, for example: what is IT's efficiency and effectiveness rate for processing IT changes? Or what is the labour utilisation incurred for reacting to incidents and problems?

At present there is no formal reporting of agent utilisation rate; therefore it would be difficult for the ICT management to justify an increase in the level of staffing resources in response to changing demand for ICT support services. It was also found that there has been no customer satisfaction survey or formal feedback collected from customers. This has been attributed to lack of resources to facilitate this key task. At present, the main link between the customers and the ICT department is through the Account Managers who gather and report back anecdotal feedback. It is recognised that the ICT department is in the progress of piloting a telephone feedback process. A potential option to explore would to be to implement an automated electronic customer feedback survey which is system generated once an IT helpdesk call is closed.

We have noted that operational changes to the service desk support function have attempted to seek closure of a greater number of calls on initial contact with the first level analysts. Previously, their primary role was to log calls and escalate to the appropriate handler for resolution. First time resolution by first level analysts should result in greater cost efficiencies; however, this may be offset by longer call times and waiting times before calls are answered. It was noted that these metrics are available and monitored on an ad-hoc basis by the service desk co-ordinator. Whilst these are considered to be key metrics that are reported to management, there would be benefit communicating a simplified metric to show overall service desk performance over time.

In reference to the scope of this review, provided below are some examples of KPIs we have observed at other organisations:

- Change efficiency rate – how efficient are we at handling changes?

- Change labour workforce utilisation – how much available labour capacity was used to handle and coordinate changes?

- Request fulfilment on-time delivery rate – how successful are we at fulfilling requests on time?

- Request fulfilment first call rate – how successful are we at fulfilling requests on time?

- Incident customer impact ratio – how many incidents do we resolve before they impact customers?
- Security access incident rate – how many security incidents did we experience within our infrastructure?
- Overall customer satisfaction rate – how do customers perceive the quality of the service we are delivering?
- SLA coverage ratio – what percent of the services we deliver have formally been agreed to?
- Availability resilience index – how resilient is our infrastructure towards protecting services?
- Call agent utilisation – do we have enough Resources to handle calls?

These KPIs are provided as just some examples of good practice we have observed at other organisations for monitoring IT performance. In developing any suite of KPIs, ICT management should work with stakeholders across the Council to determine those KPIs most relevant to the organisation and its objectives.

Risks

There is a risk that management are not utilising the most relevant information to facilitate strategic decision making.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	• ICT management will engage with stakeholders across the organisation to identify the key applications and servers that support Council services. • Working with stakeholders ICT management will develop a suite of key performance indicators (KPIs) designed to provide relevant management information that is tailored to the needs of the Council. These metrics will be focused on evaluating performance and aligned to the strategic objectives of the organisation.	Head of IT and Transformation **Target date:** March 2016

3.02   Data quality and utilisation – control design

Finding

The key reporting mechanism for Corporate Governance and strategic level decision making is through the Performance Dashboard, which is presented to the Finance, Policy and Resources Committee. This is the main source of management information, which is reviewed by senior management, including the Chief Executive of the Council.

The data is currently collated into the Covalent tool through a manual process. With any manual process there is a greater risk of incomplete or inaccurate data being input and as a consequence being relied upon for management information and decision-making purposes. We have identified that there is a lack of control around how management get comfort that the data being input into Covalent is complete and accurate. It was identified that the Council does not maintain a data dictionary or code book, therefore there is a lack of ability to identify gaps in the data collected, or to conversely determine whether data being stored is required.

It has been acknowledged that the Council has recently explored the potential of creating a centralised data warehouse, which could be used alongside a data analysis and reporting tool such as SharePoint to automate the performance reporting process. This will remove the need to manually transpose data into the reporting tool and provide a greater level of data insight which can be reported in a user-friendly manner.

Risks

There is a heightened risk that data used for ICT corporate reporting purposes is incomplete and/or inaccurate due to the manual nature of reporting and lack of control.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	A Master Data Management strategy will be developed on behalf of the Council which incorporates all aspects of good practice in data management.	Head of IT and Transformation
		Target date:
		March 2016

3.03 Creation of a ICT management group – control design

Finding

During the course of our review it was found that there were numerous ICT group meetings that collected and analysed various detailed performance measures specific to their area of responsibility. Nevertheless, it was considered that reporting upwards through lines of management was often on an ad-hoc basis lacking the formality required to provide a higher-level picture of the performance of the ICT department over time.

Establishing an ICT management group with overall responsibility for monitoring KPIs relevant to the performance of ICT (see finding 3.01) would align Aberdeen City Council with good practice in other organisations.

Risks

There is a risk that information reported to senior manager does not provide a true representation of the ICT department's performance.

Action plan

Finding rating	Agreed action	Responsible person / title
	An ICT management group will be established led by the Head of IT and Transformation. The group will be responsible for monitoring KPIs established for measuring the performance of ICT at the Council.	Head of IT and Transformation
Low		
		Target date:
		June 2015

Appendix 1 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • *Critical* impact on operational performance; or • *Critical* monetary or financial statement impact; or • *Critical* breach in laws and regulations that could result in material fines or consequences; *or* • *Critical* impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • *Significant* impact on operational performance; or • *Significant* monetary or financial statement impact ; or • *Significant* breach in laws and regulations resulting in significant fines and consequences ; *or* • *Significant* impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • *Moderate* impact on operational performance; or • *Moderate* monetary or financial statement impact; or • *Moderate* breach in laws and regulations resulting in fines and consequences; or • *Moderate* impact on the reputation or brand of the organisation.
Low	A finding that could have a: • *Minor* impact on the organisation's operational performance; or • *Minor* monetary or financial statement impact; or • *Minor* breach in laws and regulations with limited consequences; or • *Minor* impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2 – Agreed Terms of reference

Background

ICT management have identified the need to better understand the current management information available within the service to enable better decision making and monitoring against strategic targets.

High quality management information is critical to enabling effective decision making at a senior management level. Therefore having strong controls over the management information process is vital if management are to be able to rely on the completeness, accuracy and relevance of the information available to them when making decisions.

Scope

The scope of our review will be to obtain an understanding of what gaps management believe exist between the existing reporting available and the reporting required for decision making in ICT. We will work with ICT management to:

- Agree the key management information that management believe are necessary to aid decision making and drive the ICT service to meet its strategic targets;
- Perform a high level review of the current system capability, existing tools and mechanism to understand whether they key management information can be delivered in a timely manner, to the quality required and
- Review the design and operating effectiveness of the key controls in place to ensure that quality, reliable and standardised information is provided to ICT management.

Limitations of scope

The scope of our review is outlined above. This will be undertaken on a sample basis. It should be noted that whilst our work will consider the arrangements Aberdeen City Council has in place; it does not constitute assurance around the accuracy of any data within the systems.

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 management information and performance reporting
- 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 Management Information and Performance Reporting, 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 Management Information and Performance Reporting is as at 31 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.

Aberdeen City Council

Roads Construction Consent

Internal Audit KPI Targets	Target dates	Actual dates	Red/Amber/ Green	Commentary where applicable
Terms or reference agreed 4 weeks prior to fieldwork	16 February 2015	12 March 2015	**Red**	Delay in agreeing on scope
Planned fieldwork start date	16 March 2015	16 March 2015	**Green**	
Fieldwork completion date	27 March 2015	27 March 2015	**Green**	
Issuing draft reports for management comments	17 April 2015	17 April 2015	**Green**	Target date adjusted by one week for CIA annual leave
Receiving management comments	1 May 2015	30 April 2015	**Green**	
Issuing finalised reports	8 May 2015	8 May 2015	**Green**	
Final reports presented to the Audit, Risk and Scrutiny Committee	25 June 2015	25 June 2015	**Green**	

Contents

Internal Audit report for Aberdeen City Council

1. Executive Summary

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

Summary of findings

1.01 Section 21 of the Roads (Scotland) Act 1984 requires the construction of all new roads, footways and similar to be authorised by the local authority. Section 56 of the Act requires that any works executed in, or under, a public road require the local authority's consent in writing. Both provisions are referred to as Road Construction Consent (RCC). The RCC team at Aberdeen City Council is responsible for the process of managing and authorising these RCC applications to ensure they are compliant with the Roads (Scotland) Act 1984. In November 2014, the RCC team revised the requirements for RCC applications in order to help improve processes internally and drive efficiency in how applications were managed. We have been asked by management to evaluate the new process and assess whether the controls in place help the RCC team to achieve its objectives.

1.02 In general we found that the processes in place, and those being implemented, were designed to achieve the objectives of management and the RCC team. However, we have identified some areas for improvement in the controls implemented by the Aberdeen City Council Roads Department and have made the following four low risk findings:

- To ensure that internal processes are designed, operating and monitored for communication with applicants, a spreadsheet is maintained and updated by the RCC team to record completion of certain checkpoints in the RCC process. Whilst this is a good control we found that in practice it was not kept up to date, and that there were some instances where further correspondence was made that was not reflected on the spreadsheet.

- There is currently a checklist devised and used to ensure that RCC applications are properly reviewed for compliance. However, this is used informally and is not uploaded onto the drive to show evidence of the checklist being completed by a relevant team member. This in turn provides no evidence that the basic roads construction requirements set by the Council have been met before referring to specialists.

- Currently there is no process in place to respond to periods of high demand. In periods of high demand, RCC team resources may not be able to efficiently manage the workload of applications resulting in delays to the RCC process.

- Timelines for the processing of RCC applications have not been agreed internally or with external stakeholders. Management have indicated their desire is to set an agreed timeline for processing applications in order to foster transparency and to ensure efficiencies internally.

Management Comment

Management welcome the input from an internal audit perspective for this particular service area. The granting of consent can be seen by organisations outside the council as being a potential delay to starting works on site for construction of development and while it is accepted that processes and communication with developers can improve and be more efficient, the audit highlights a number of positive steps the service can take to improve its control of matters.

2. Background and scope

Background

Applications

2.03　We reviewed the process to ensure guidance is available and accessible for developers, or their appointed consultants, on the requirements for applications for roads construction consent. For all new applicants that have not previously submitted for consent, a letter is sent out with guidance on submission requirements for both Stage 1 and Stage 2 roads construction consent (RCC) on their first application. This letter details guidance for submission requirements for both Stage 1 and Stage 2 RCC if required.

2.04　The Aberdeen City Council RCC team review all applications on receipt, with an acknowledgement letter sent out to notify the applicant. We reviewed the controls in place to ensure all applicants receive an acknowledgement letter, that every application is provided a unique reference number and that once reviewed, correspondence is sent back to the applicant with comments regarding the application.

2.05　We reviewed the internal processes to ensure they were designed, operating and monitored for communication with applicants. A manual spreadsheet is maintained that details various checkpoints regarding stages of the application process and the communication that has been made.

Processing

2.06　We reviewed internal processes to identify controls that exist to ensure RCC applications are properly reviewed for compliance with relevant standards and technical requirements. A checklist is in place for internal reference to ensure that RCC applications are properly reviewed for compliance with relevant standards and technical requirements.

2.07　Once a revised application is received from the consultants, if satisfied that the geometry requirements are met, the relevant team member will review and approve the application via the checklist, which can then be passed onto various specialists within ACC to input to the process. Specialists include all teams that contribute to a specific area in the RCC process and include street lighting, signals, structures, flooding, street occupations and the traffic management team.

2.08　An email trail is retained of correspondence with specialists who will return the application to the RCC team with comments attached. These comments are sent onto the consultants by the RCC team with the comments for them to amend. At times, meetings are held with consultants or developers in order to go over the designs and make suggested amendments that are then signed off by the consultants or developers.

2.09　Currently there is no internal process in place to respond to periods of high demand in RCC applications.

Approval

2.10 We reviewed the approval process to ensure an appropriate timescale for approval of RCC applications has been communicated to developers and performance in achieving that timescale is monitored internally. An electronic database is maintained that can display when an application is received to when an application is approved.

2.11 Performance benchmarking to other comparable authorities is currently in its early stages, and as such there is no formal process benchmarking is in place.

Scope and limitations of scope

2.12 The detailed scope of this review is set out in the Terms of Reference (within Appendix 2).

4

3. Detailed findings and recommendations

3.01   Workflow management – control operation

Finding

Checkpoint dates that track when applications are received, reviewed, returned to applicant etc. are maintained and logged onto a standard Microsoft Excel spreadsheet. This relies on manual input to maintain the spreadsheet, which leaves the data subject to human error. In practice we found that the spreadsheet is not kept up to date with correspondence to and from applicants. For three applications that we tested we found instances where the application was at a further stage than was reflected on the spreadsheet. Furthermore, there was a case where the application was received, and acknowledgement letter sent to the applicant, which was not logged onto the spreadsheet. This can lead to confusion as to what stage applications are currently at, as the only way to find out would be to review the correspondence with the applicants, which also relies on the user to physically save the emails onto the RCC team hard drive.

Risks

There is a risk that application data may be incomplete or inaccurate impacting the ability to monitor the progress of RCC applications and who is currently reviewing the applications. This increases the risk of missing or delayed applications and can lead to internal inefficiencies in how applications are progressed and managed.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	The Road Construction Consent team will implement a system that manages workflow for road construction consent applications.	Transportation Manager
		Target date:
		30 September 2015

3.02   Checklist not reviewed and approved – control operation

Finding

There is a checklist that should be used to ensure that roads construction consent applications are properly reviewed for compliance. However, this is used informally and is not being uploaded onto the drive to show evidence of the checklist being completed. Furthermore, there is no evidence of a relevant team member reviewing and signing these checklists, which in turn provides no indication that the basic requirements have been met before referring to specialists.

Risks

There is a risk that the application received may not have met all criteria, and that roads construction consent is given to applications without proper checks being completed.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	A checklist will be used formally to evidence that roads construction consent applications are in line with relevant standards and technical requirements. The checklist will also be used to record the review and comments of the relevant team member, and where necessary given the scale and complexity of the application, evidence of checking by a suitable qualified colleague.	Transportation Manager
		Target date:
		30 June 2015

3.03   No process to respond to periods of high demand – control design

Finding

There is no process in place to respond to periods of high demand. In periods of high demand, staff in the RCC team have more applications to deal with, which results in a higher likelihood of delays in the process. Furthermore, increased pressure would be placed on the RCC team from the developers to approve the applications as soon as possible, which would result in the need to review more applications in a short space of time. We acknowledge that a resource analysis has been performed and it was identified that more staff would be needed to be brought in to alleviate the workload issues.

Risks

Roads construction consent applications are delayed damaging the Council's relationship with external stakeholders in the process.

Internally, staff may feel under pressure to deliver to timelines and therefore may not follow proper procedures and processes in approving roads construction consent applications.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Management will implement monthly monitoring of KPIs to help identify periods of high demand in roads construction consent applications. Where periods of high demand become apparent, management will ensure that appropriate communication is maintained with external stakeholders as to the impact on timelines, and action will be taken internally to ensure that processes are maintained despite the increase workload.	Transportation Manager
		Target date:
		31 July 2015

3.04   Communication with developers on consent approval timescales– control design

Finding

Timelines for the processing of roads construction consent (RCC) applications have not been agreed internally or with external stakeholders. This can lead to a lack of transparency as to what the expectation is in terms of deadlines for receiving approval for roads construction consent.

Management have also discussed whether it may be beneficial to have a system that would act as an interface between the Council, developers and their consultants, which would act as a centralised relationship management system for RCC applications. This would promote transparency and allow all parties to easily observe what stage the application is at, and which party is currently required to provide more information in the process.

Risks

Roads construction consent applications are delayed damaging the Council's relationship with external stakeholders in the process.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	On initial acknowledgement of the application, if a <u>full and complete</u> roads construction consent submission is received from the consultant or developer, management have indicated that they will commit to providing a response to the application within four weeks.	Transportation Manager
	In delivering action 3.01, management will look to link the system for roads construction consent to the e-planning system currently used for planning applications by the Council.	
		Target date:
		31 July 2015

3.05 Guidance on requirements not on Aberdeen City Council website – control design

Finding

In all applications we inspected, we found, since the new guidance requirements were implemented, that first time applicants were sent over guidance on submission requirements for both Stage 1 and Stage 2 roads construction consent (RCC). However, to obtain the guidance the developer or consultant must have first submitted a query to the RCC team. The process could be made more efficient by making the RCC submission guidance available on Aberdeen City Council's website. This might help to reduce the need for the RCC team to send out the guidance packs themselves, and give greater transparency for applicants on the submission requirements and the RCC process.

Action plan

Finding rating	Recommendation	Responsible person / title
Advisory	We recommend that guidance on submission requirements for both stage 1 and 2 roads construction consent be made available on the Aberdeen City Council website for developers or consultants.	Transportation Manager
		Target date:
		30 June 2015

3.06 Benchmarking – control design

Finding

Performance benchmarking of the roads construction consent (RCC) process to other comparable authorities is still in early stages. Management have indicated it is their intention to, bi-annually, distribute a survey to developers and consultants to gauge how they view the RCC process at Aberdeen City Council compared with other local authorities. From the responses received an annual meeting will then be held with a peer network (consisting of representatives from the Council and other comparable authorities) to discuss the findings of the survey and to share good practice examples in RCC processing.

Action plan

Finding rating	Recommendation	Responsible person / title
Advisory	We recommend that management consider how best to implement benchmarking against other local authorities in a cost-effective manner to help identify ways to improve the roads construction consent process. Management should also engage with other local authorities to share examples of good practice.	Transportation Manager
		Target date:
		30 June 2015

Appendix 1 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance; or • **Critical** monetary or financial statement impact; or • **Critical** breach in laws and regulations that could result in material fines or consequences; *or* • **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance; or • **Significant** monetary or financial statement impact ; or • **Significant** breach in laws and regulations resulting in significant fines and consequences ; *or* • **Significant** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact; or • **Moderate** breach in laws and regulations resulting in fines and consequences; or • **Moderate** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance; or • **Minor** monetary or financial statement impact; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2 – Terms of reference

Background

Section 21 of the Roads (Scotland) Act 1984 requires the construction of all new roads, footways and similar to be authorised by the local authority. Section 56 of the Act requires that any works executed in or under a public road require the local authority's consent in writing and in accordance with any reasonable conditions which the authority think fit to attach to the consent. Both provisions within the Act are referred to as Road Construction Consent (RCC). Aberdeen City Council is therefore responsible for ensuring that a process exists through which RCC can be applied for and authorised by the Council.

Scope

We will review the design and operating effectiveness of the key controls in place over Roads Construction Consent. The sub-processes included in this review are:

Sub-process	Control Objective
Applications	• Guidance is available and accessible for developers or their appointed consultants on the requirements for applications for roads construction consent. • Applications are reviewed on receipt and incomplete applications returned or put on hold while awaiting further information. • Internal processes are designed, operating and monitored for communication with applicants.
Processing	• Internal processes exist to ensure that roads construction consent applications are properly reviewed for compliance with relevant standards and technical requirements. • Resources are allocated efficiently to ensure that staff with specialist knowledge are contributing to the consent process at the right time. • Communication is made in a timely manner to developers or their appointed consultants when concerns or issues arise regarding roads construction consent applications. • Internal processes are designed to respond to periods of high demand in roads construction consent applications.
Approval	• An appropriate timescale for approval of roads construction consent applications has been communicated to developers and performance in achieving that timescale is monitored internally. • Benchmarking is undertaken with comparable authorities on processes and timescales for approval of consents

Page 239

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 the Roads Construction Consent process, 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 Roads Construction Consent is as at 27 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 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.

Aberdeen City Council

ICT service review

2014/15 Audit

AUDIT SCOTLAND

Prepared for Aberdeen City Council

June 2015

Contents

Summary

Introduction and audit approach

1. In our 2014/15 Annual Audit Plan, we acknowledged that the ICT function was currently being restructured as part of the ICT Improvement Plan. We noted that the council's external contract for hosting servers is due to end in around 6 months and that options for future delivery of many ICT services such as a shared service desk and data centre are currently being developed. We therefore included a review of ICT arrangements as part of our routine work for the 2014/15 audit.

2. The Head of Service for ICT, Customer Service and Performance left the council in December 2014 and the chief executive with the Acting Director for Corporate Governance was prompt in taking the opportunity to review service roles in Corporate Governance and establishing interim arrangements. A new post of Head of Information Technology and Transformation was approved and subsequently filled with effect from May 2015.

3. The audit work took place during the interim period and was based on an established computer services review methodology developed by Audit Scotland. It provides a high-level risk based assessment of the management of ICT services in five key areas as outlined below.
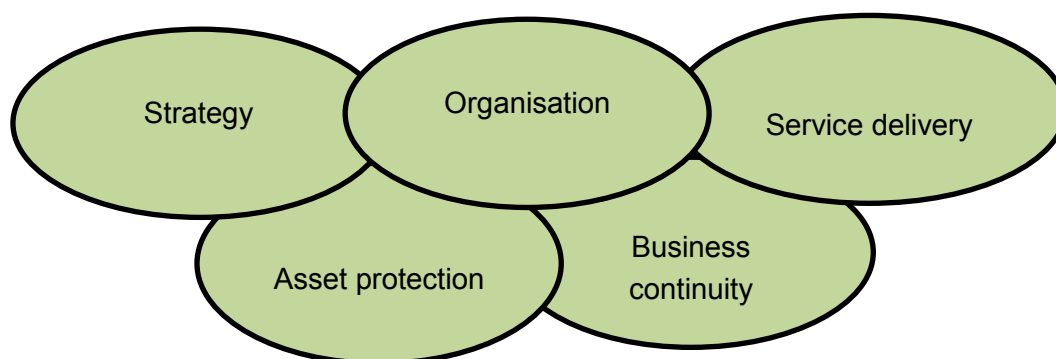
4. Our audit was completed in consultation with ICT management and from supporting documentation, as appropriate.

Key findings

5. Overall, the council has sound controls over the delivery of its ICT services. Governance and organisational arrangements underpin a service that is configured to support business needs.

6. This year brings a number of challenges and opportunities:

- appointment of a new Head of Information Technology and Transformation

- re-organisation of ICT teams into new structures, intended to improve service delivery

- changes to the arrangements for hosting the council's central computers

- the development of a new ICT strategy

- ICT service support required to deliver a portfolio of change and development projects across the council.

Risk exposure and planned management action

7. This report summarises the findings from our review and identifies areas where the council may be exposed to significant risk. Although this report identifies certain risk areas, it is the responsibility of management to decide the extent of the internal control system appropriate to the council. We would stress, however, that an effective control system is an essential part of the efficient management of any organisation. Also, it should be noted that risk areas highlighted in this report are only those that have come to our attention during our normal audit work in accordance with our Code of Audit Practice and therefore are not necessarily all of the risk areas that may exist.

8. The action plan included as Appendix A of this report details the areas where continued risk exposure exists. Officers have considered the issues and are taking the specific steps in the column headed 'management action'. The Audit, Risk and Scrutiny Committee should ensure it is satisfied with the proposed management action and that there is a mechanism in place to monitor progress.

Acknowledgements

9. The contents of this report have been agreed with senior officers within the ICT service to confirm factual accuracy. The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

Main Findings

Introduction

10. In 2013, the Society of Local Authority Chief Executives (SOLACE) published a new Local Government ICT strategy which aims to increase access to digital services, reduce costs and enable public sector reform through the use of IT. The Scottish Government has also developed a strategy for data hosting and data centre management for the public sector. This strategy promotes different ways of working to achieve efficiencies with a focus on the use of cloud computing, virtualisation and co-location.

11. Aberdeen's ICT service is responsible for advising on investment decisions as well as delivering stable and secure computer systems within the council.

12. Over the last couple of years, the council's internal auditor has undertaken a number of reviews across the IT service which, on the whole, have produced positive findings. We have considered the outcome of these audits as part of our review.

Strategy

13. A strategy document or service plan for ICT is commonly used to give an ICT service and its governing committee an agreed direction of travel and objectives for a specified period of time. It should also outline corporate policy and preference in relation to procurement, service delivery and new technology in order to inform future decision making. The most recent ICT strategy for Aberdeen City Council covered 2010 to 2015 and with the main objectives now implemented, the strategy is coming to an end. In particular, the strategy enabled flexible working following the council's relocation of its headquarters to Marischal College and at other sites. It also underpinned the council's growing capability to deliver services on-line.

14. There has been significant change within public sector IT over this period and Aberdeen in particular has been progressing a change programme over the last couple of years. The impact of these changes will need to be reflected in any new strategy. More detail on recent changes in the service is reflected throughout this report.

15. With the recent appointment of a new head of service, it is appropriate that he has the opportunity to influence and communicate to the vision and plans for setting a revised strategy for the council. In addition, the council has approved the development of tender exercises to take forward future hosting arrangements for a data centre and a model for IT service desk management. These initiatives will contribute in shaping the future delivery of Aberdeen's IT services. In the interim, the IT service continues to manage the following priorities:

- existing contracts
- a range of priority IT projects
- contributing to the digital service projects which form part of the council's strategic infrastructure plan.

16. The governing committee for ICT is the Finance, Policy and Resources Committee. Progress with strategic projects is reported to the Corporate Management Team in the first instance and subsequently to committee. The council has a strategic infrastructure plan (SIP) which sets out a number of infrastructure projects for the city and this includes several projects under the banner of Digital Aberdeen. IT staff contribute to the delivery of these projects which are formally monitored through the SIP performance dashboard. There are also a range of other capital and service related projects which require IT input that are monitored as part of the council's overall programme management arrangements. The SIP was approved by the council in 2012 and while the programme management office (PMO) has existed for several years, it is only recently that all projects have come within the PMO arrangements. We would suggest that the new ICT strategy also forms part of these arrangements in order that plans are monitored as part of the existing governance arrangements rather than becoming a separate process.

Refer risk no. 1

Organisation

17. Until December 2014, ICT was within the remit of the Head of ICT, Customer Service and Performance. With his departure in December 2014, the chief executive took the opportunity to review service roles in Corporate Governance. A revised head of service role covering Information Technology and Transformation was approved and subsequently filled with effect from May 2015. The customer service aspects which had been included in the former role were transferred into the renamed Human Resources, Organisational Development and Customer Services team. Interim arrangements were promptly put in place and reflected the intention to reorganise services as different managers were given interim responsibilities for ICT and Customer Services.

18. Around a year ago, the chief executive in her former role as Director of Corporate Governance initiated a structure review of the ICT team through a series of workshops. Job roles are now more closely aligned with service delivery arrangements so that responsibilities for key controls are clearly held by different teams and staff. The new structure should help the council to strengthen change management arrangements so that less time is spent on reactive work, and more resources are available for transformation projects.

Service delivery

Installation management

19. Significant elements of installation management are currently outsourced to the provider of the council's data-centre. The council is still responsible for physical access to its premises and networks and for logical access to its computer systems.

20. Physical access security to council premises was reviewed in 2013 by the Information Commissioner's Office and various improvements were made. Internal audit included network and perimeter security in their 2014/15 plan and identified three risks which have been addressed. The council has a policy of requiring users of computer systems to have

passwords and be individually identifiable, and although there are generic accounts, their use is restricted.

21. The contract for providing data centre services reaches the end of its initial term in January 2016 and the council began planning for the future arrangement in 2013.

22. The national ICT strategy for Local Government and Scottish Government digital policy promotes shared hosting arrangements for data centres. An efficient data centre is at the heart of the council's ability to deliver services and outsourcing gives access to scale and facilities which the council would be unable to achieve on its own. Data centres are often a significant contributor to carbon footprint and this can be reduced by the use of modern facilities and the ability to access storage on demand. With that context, a range of options were considered and working closely with Aberdeenshire Council, the council agreed in April 2015 to enter into a joint procurement arrangement for the provision of data centre services from a third party. Although the time-scale for moving to the new arrangements is challenging, the risk is reduced by the option to extend the existing contract by one year to January 2017.

23. While the joint procurement potentially increases the council's buying power and the control it has over its infrastructure, it is also complex to deliver, with dependencies on third parties, including Aberdeenshire Council and Scottish Government agencies.

Refer risk no. 2

Service monitoring

24. Significant elements of service monitoring are outsourced to the data-centre provider and subject to monthly reporting. This includes the number of service desk incidents referred to the data-centre and the time to resolve. Over the last year, these were well within the contractual service level.

25. Operation level agreements between ICT and user services are used to define the service expected from ICT and how it is to be charged. The structure gives clarity over who is responsible for back-ups, capacity management, security and recovery.

26. The use of performance information is an indicator of the maturity of ICT operations, and provides management with a tool to keep service delivery efficient and responsive. Performance and operational statistics are gathered from various sources, including helpdesk and security management software. Summaries are produced and reported as appropriate to the IT management team.

27. Table 1 shows that the council currently has around 60 ICT projects that are monitored and supported by the ICT service. Most of these are run within service groups, with input from ICT staff as required. Nearly half of the projects have a high priority rating of which two thirds are at the implementation stage

Table 1 - Analysis of priority projects	total number	Number to be implemented
Infrastructure - capital project	11	6
(e.g. museums collection, city digital)		
Operations - capital project	2	-
Operations - service project	5	4
(e.g. library management system, multi-function devices)		
Operations - In a programme	9	9
	27	**19**

28. With an expanded team of seven specialists, including the new post of Projects Coordinator, the council is better placed to manage the competing demands of services and internal projects. In setting the new strategy, there is scope for the service to more clearly set out its priorities against available resources to ensure that it has sufficient capacity to deliver agreed projects within the necessary timescales.

Refer risk no. 3

29. In our 2013/14 audit, we reviewed the council's project management arrangements for capital projects and highlighted that the council had recently revised its project management processes. We therefore delayed any detailed coverage of specific projects until the new arrangements settled in. We intend to review the application of these arrangements as part of our 2015/16 audit and will include a sample of IT projects at that time.

Asset protection

30. Information management is a significant issue for all public authorities. There are many regulatory requirements, as well as a level of continuous challenge from malicious parties that seek to exploit the council's systems and information assets. Information management is resourced separately from ICT within Corporate Governance. We consider that the separation of duty helps to ensure that asset protection arrangements within ICT are independently evaluated and challenged.

31. The council recently received the agreement of the Keeper of the Records of Scotland to its Records Management Plan. Preparation of the plan involved the update of security policies as well as the development of a suite of new information management policies and a clear structure of responsibilities. Recognising the importance of this new legislation, the council agreed with internal audit that two compliance audits would be undertaken as part of the 2014/15 internal audit plan. The first was reported to the Audit, Risk and Scrutiny Committee in November 2014 and the second is due to be reported in June 2015. The first compared the proposed Records Management Plan against guidance and offered some improvements prior to its submission to the Keeper. The second report will monitor the policies and procedures in place and seek assurance that the plan is embedded across the council.

32. The Keeper noted two areas as being under improvement, and these were the business classification and the retention schedule. Both of these are dependent on the roll-out of records management to the council's service areas.

Refer risk no. 4

33. The council's arrangements for information security recognise that the human element is at least as important as the technical one. The supporting role of the ICT security team ensures that changes to the council's systems are subject to security risk assessment and mitigation and that the council's systems are actively monitored and protected. The council has an Information Management Governance Group which meets every two months and includes officers from each directorate as well as subject experts from Corporate Services. There are nominated Information Management Liaison Officers in each directorate.

34. A recent security incident involving an email-borne virus was quickly dealt with. It is a long-standing problem of IT security that it is difficult to configure technical measures to protect against threats that have not been seen before and the virus that was at the heart of the incident caused similar problems at other organisations around the same time. Email and web-site borne incidents highlight the importance of effective refresher training to maintain levels of electronic security awareness in all staff.

Refer risk no. 5

35. Over the past year, the Audit, Risk and Scrutiny Committee began to receive a regular report on data protection activity. For example, this includes subject access requests, data breaches and near misses, training and general updates.

36. In common with other public authorities, the council is accredited to be part of the UK Public Services Network, which underpins the secure transfer of data between parts of government. Recent years have brought more stringent requirements and a resulting need to upgrade protection systems. Accreditation is due in August each year and involves both internal and external assessments of security. It is monitored within the IT project portfolio and re-accreditation is expected.

Business continuity

37. Aberdeen City Council recognises that planning for emergencies and service interruptions is an integral part of good business practice. For the ICT service, the term disaster recovery is used to refer to the ability to resume essential information technology services (data networking, key application systems and email) in the event of a significant outage.

38. We found that the council uses business continuity planning (BCP) and disaster recovery (DR) planning for its information technology services. Plans and policies have existed for a number of years and are updated periodically. There is also a track record of recovery testing at the data centre at least once a year, and this has led to better knowledge and documentation of the council's ICT infrastructure. When the current data centre arrangements end, and during any transitional period, there will be a need to consider carefully the disaster recovery implications and ensure that a regular testing regime is maintained.

Refer risk no. 6

Appendix A

Risk identification and action plan

Action point	Refer para no	Risk identified	Planned management action	Responsible officer	Target date
1	16	A new ICT service strategy needs to be developed and implemented. In due course, delivery should be monitored within the council's PMO arrangements. *Risk: until a new strategy is published, a perception could develop that the council is not taking a long-term approach to ICT services.*	Following appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with revision over the next 3-6 months. Thereafter, actions arising from the strategy will be monitored through appropriate governance arrangements.	Head of Service (IT and Transformation)	March 2016
2	23	The council has opted to enter a joint procurement exercise with Aberdeenshire Council for the provision of data centre services by a third party. *Risk: delivery of this solution is likely to be complex, with dependency on third parties. This may give rise to delay and the need for an interim data centre and increased costs.*	Transition of Data Centre Services from existing contractual arrangements to new operating model underway to meet end of contractual arrangements in January 2016, with transitional activities running until the new service has been operating for a full 3 month period.	IT and Technology Services Manager	July 2016

Action point	Refer para no	Risk identified	Planned management action	Responsible officer	Target date
3	28	There is a large portfolio of priority projects which places significant demands on the ICT projects team. *Risk: projects could be delayed due to ICT staffing constraints and competing priorities.*	The portfolio of projects will be expanded to incorporate resource demands for wider IT and Transformation resources and we will continue to develop our systems, processes and procedures to capture and report on resource demands and capacity.	Head of Service (IT and Transformation)	March 2016
4	32	Two areas of the council's Records Management Plan are under improvement; business classification and the retention schedule. Both of these depend on local adoption by the council's service areas. *Risk: as with any change process, it may take time to become embedded.*	This theme will be addressed through the "Information and Records Lifecycle" domain of our Information Management Strategy. A pilot is underway with Education and Children's Services, from which lessons learned will be used to develop a plan for other areas across the council.	Records Manager	For initial pilot work: March 2016. Resources and timescales for full roll-out will be calculated on completion of pilot.

Action point	Refer para no	Risk identified	Planned management action	Responsible officer	Target date
5	34	Email and internet borne security incidents highlight the importance of effective refresher training to maintain levels of electronic security awareness in all staff. *Risk: as people grow increasingly trustful of the performance and convenience of new technology, they may become less cautious in using their electronic equipment.*	This theme will be addressed through the "Culture, Training & Communications" domain of our Information Management Strategy, which will develop and roll out appropriate information security refresher training as part of a wider information management culture, training and communications programme	Records Manager	March 2016
6	38	When the current data centre arrangements end, and during any transitional period, there will be a need to consider carefully the disaster recovery implications and ensure that a regular testing regime is maintained. *Risk: during the transitional period between data-centres, there may be a loss of knowledge about configuration and recovery.*	Disaster Recovery is being considered within transition activities, both to minimise disruption during transition activities and to ensure that end solution is robust and tested at regular intervals after transition.	IT Technology Services Manager	July 2016

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	25th June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Outstanding Internal Audit Recommendations

1.   PURPOSE OF REPORT

To update Audit, Risk and Scrutiny Committee Members on the progress on implementing Internal Audit recommendations included within reports previously approved by the Committee.

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.

1

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."

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

None

9. REPORT AUTHOR DETAILS

Martin Murchie
mmurchie@aberdeencity.gov.uk
(01224) 522008

2

Summary Findings - recommendations from Internal Audit

The table below summarises the internal audit reports where recommendations were due for implementation prior to 15th June 2015.

The total due at 15th June 2015 includes those recommendations that were open as of our last report at 28th February 2015 and those due to be implemented in the period between the 28th February 2015 and 15th June 2015.

The 'open' recommendations are all those recommendations with an original target implementation date prior to 15th June 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.

	Date Issued	Total Due	Closed	Open
AIYF	Feb 15	4	4	0
ICT Governance	May 14	1	0	1
Community Centres*	Apr 14	2	2	0
Complaints Handling	Sept 14	1	0	1
Compliance With Laws & Regs	Nov 14	1	0	1
Fraud Governance	Nov 14	1	1	0
ICT Disaster Recovery	Feb 15	2	1	1
ICT Asset Management	Feb 15	6	6	0
Care First Budget Control	Feb 15	4	2	2
Total		**22**	**16**	**6**
Percentage			**73%**	**27%**

In relation to the conduct of PVG checks, the Committee is invited to consider whether the position reported below satisfies the recommendation.

3

Recommended for Removal

Report Title	Date Issued	Finding Title	Recommendation	Update	Responsible Officer	Original Due Date	Revised date	Risk Rating
Community Centres		Protecting Vulnerable Groups (PVG) - control operating weakness	The Council should make a choice as to whether they take on responsibility for carrying out PVG checks and appropriate resource should be allocated to do this. Alternatively, if the Council decides to allow management committees to process PVG checks through an external organisation, appropriate governance arrangements should be put in place to give the Council assurance that all necessary PVG checks have been carried out. The agreed upon process should be clarified and clearly communicated to all management committees of leased community centres.	The Council is not carrying out all PVG checks and could not insist on doing so without changing contracts. The Council does require Community Centres to describe and evidence the process they undertake for undertaking PVGs. This position will be revisited when SLAs are reviewed in future.	Head of Human Resources and Organisational Development, Legal Manager, and Service Manager Sport & Communities	31-Mar-15	The committee is invited to consider whether this reported position satisfies the recommendation.	High

Outstanding Internal Audit Recommendations   **Appendix A**

Report Title	Date Issued	Finding Title	Recommendation	Update	Responsible Officer	Original Due Date	Revised date	Risk Rating
CareFirst	Feb-15	Monitoring and forecasting - operating effectiveness	Management will ensure that going forward the commitment reports are being appropriately distributed to the relevant budget holders on a monthly basis.	Steps will be put in place to ensure that this happens	Paul Dixon (Finance Partner)	31/05/2015		Medium
CareFirst	Feb-15	Authorisation rights	1. Authorisation rights across the department should be reviewed and assessed for appropriateness. A central register should be maintained to ensure there is on-going clarity over authorisation rights.	Authorisation rights are currently under review. Final decisions are pending developments in the integration of Health & Social Care.	Trevor Gillespie (Team Manager – Performance Management) Service Managers	31-Mar-15		Low
ICT Governance	May-15	Develop a comprehensive ICT strategy - control design deficiency	The strategy will include the commitment to implementing an Enterprise Architecture governance framework and have the support of the corporate management team. Including this commitment in the ICT strategy would reduce this risk to a low rating.	Following the appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with revision over the next 3-6 months. Revised date of March 2016 to allow time for all relevant stage approvals.	Head of Customer Service and Performance	31-Mar-15	31-Mar-16	Medium

5

ICT Disaster Recovery	Feb-15	Getronics DR responsibilities need to be more actively controlled	Telephony DR processes will be updated and tested, with the support of Getronics, as per their contractual arrangements	Contractual arrangements for DR ended March 2015 and tender for new arrangements is due to end July 2015. This will be done with the winning supplier.	Sandra Massey, IT Manager	31-May-15	31-Dec-15	Low
Complaints Handling	Sep-14	Lessons learned - control effectiveness	Officers responsible for investigating and responding to complaints should be provided with access to Covalent. Procedures should be updated to emphasise the importance of lessons learned and confirm that officers responsible for investigating and responding to complaints are required to complete this field. Training should reinforce these points. Exception reports highlighting all upheld or partially upheld complaints without lessons learned should be produced and sent to Heads of Service on a monthly basis. Heads of Service should be assigned responsibility for chasing the completion of this field where appropriate	This recommendation has been implemented with the exception of the inclusion of "Lessons Learned" exception reports for Heads of Service, for which a procedure has now been identified. This will be fully implemented in July 2015.	Lucy McKenzie Project Executive	31-Dec-14	31-Jul-15	Medium

| Compliance with Laws and Regulations | Nov-14 | Training for staff – Control design deficiency | · Legal Services will, in conjunction with Human Resources (HR) and the Services, perform a risk assessment to identify those laws and regulations for which breaches would have a significant impact on the Council.
· HR, in conjunction with Legal Services and the Services, will compile a list of all training which addresses the laws and regulations identified in the risk assessment. Where gaps in available training materials exist, additional training will be developed.
· HR, in conjunction with Legal Services and the Services, will assess the level of training required for each role. This exercise is already underway by HR but will now include any additional training identified in the risk assessment.
· The output of the risk assessment and newly created training material will be used by the Services to update job profiles, ensuring staff have an understanding of the mandatory training required.
· Completion of mandatory training for staff will be monitored and an appropriate process implemented for escalating issues with non-completion. Consideration should be given to including an annual sign off on the Your HR system which would be approved by line management during the performances management process. | This is a substantial area of work. The task is currently being scoped and consideration of a revised timescale is dependent upon this. | a) Head of Legal Service
b) Jeff Capstick, HR Manager
c) Members of Corporate Management Team | 31-Mar-15 | tbc | | Medium |

pwc

Aberdeen City Council
Fleet Management Governance

Internal Audit Report
2014/2015 for Aberdeen
City Council

June 2015

Contents

Internal Audit report for Aberdeen City Council

PwC

Contents

1. Executive Summary

Report classification	Total number of findings		Section 3 →		
	Critical	High	Medium	Low	Advisory
Medium risk					
Control design	-	1	1	-	-
Operating effectiveness	-	-	-	-	-
Total	-	1	1	-	-

Background and summary of findings

1.01 Following the outcome of a Traffic Commissioner public inquiry in September 2014, management at Aberdeen City Council ('the Council') have acted to implement significant change in fleet services to address the governance and control failures identified in the Commissioner's report. As a result management requested that we conduct an internal audit review of these proposed changes to evaluate the design and adequacy of the governance and control arrangements being implemented.

1.02 It is our view that the governance and control arrangements being implemented substantively address the control objectives set by management. Our interviews with key management and those charged with governance of fleet services evidenced that previous failings in controls, and operational procedures, had been identified and that actions were being taken. However, we have identified two areas where we believe further action is required and where management should consider the governance and control arrangements in place.

1.03 Our primary finding is considered to be high risk and concerns how the Council manages and controls its fleet management software, Tranman. In a report to the Audit, Risk and Scrutiny Committee on 11 May 2015 we reported the results of our fleet asset verification exercise, in this we identified a significant number of assets that were recorded on Tranman but which could not be physically verified. The root cause of this issue is a lack of proper governance and controls around how Tranman is updated and maintained. The result is that management do not have a complete and accurate picture of all the fleet assets, and their current condition, held by the Council.

1.04 We have also identified that Elected Members do not have clear oversight over fleet compliance, as at present fleet services and services which use fleet assets do not report to any Council Committee on performance. This represents a gap in the current governance process and consideration should be given to ensuring fleet compliance is reported to an appropriate committee.

Management comments

Following the PWC report about the fleet asset verification exercise, to the Audit, Risk and Scrutiny Committee on 11 May 2015, a reconciliation of the assets that were not physically verified by PWC is currently being carried out. The issue of lack of governance and controls around how Tranman is updated and maintained is to be addressed through a process which considers how the council procures new vehicle, plant and equipment assets that are maintained by Fleet services but are managed by other council services. This process will be included in the ISO 9001:2008 documentation and will form a part of the Fleet Services quality assurance operational practices. These processes will form the future "good practice" for the council and will be auditable.

It is intended Elected Members will have clear oversight over corporate fleet compliance of Fleet and all associated services through a reporting mechanism and a suite of PI's. The PI's are being developed and it is intended to report to each Health and Safety Committee the performance of the fleet compliance management in the council. It is intended that reports detailing the day to day operations and associated operational requirements of the Fleet Service will be reported to the appropriate service committee; which is currently Communities, Housing and Infrastructure.

2

2. Background and scope

Background

2.01 In response to a Traffic Commissioner ('the Commissioner') public inquiry in September 2014, management at Aberdeen City Council ('the Council') have sought to address the concerns raised around current governance and controls over fleet services. We have conducted a review into the efforts of the Council to rectify the failings within the governance and controls arrangements, and have endeavoured to provide further recommendations on where improvements should be made.

2.02 Management have engaged with two ex-VOSA consultants to help overhaul the fleet management governance and controls at the Council. The following summarises the key actions being taken to address the concerns raised in the Commissioner's report:

- A clear understanding of the importance of a clean fleet management process has been communicated throughout, from mechanics and drivers, to line managers and foremen. Handbooks are being developed for each line of service for employee reference;

- KPIs such as test history, prohibition history, MOT failures and overdue services will be implemented. Tranman has these reporting requirements and will be utilised (note that the controls over Tranman need to be made more robust – Section 3 provides more detail);

- Training for Tranman is being rolled out to ensure that Council staff are aware of what they need to enter into the system and what tasks the office team at Marischal College will now perform;

- Standard times for each service will be agreed for standard jobs such as MOTs, and these will be built into KPI reporting;

- Risk assessments will be carried out regularly whilst the improvements to the fleet management process are being implemented. These will be updated annually once concerns over fleet management are considered to have been sufficiently reduced;

- An experienced external party has been conducting vehicle and driver audits, such as gate checks, e.g. assessing the driver's competence at their daily vehicle inspection;

- Health and Safety will take prominence over customer service;

- A training matrix exists and will be updated regularly to ensure drivers are fully aware of their responsibility regarding compliance and regulatory requirements, and to identify training needs;

- Apprentices will go on shifts to provide them with more experience and closer working with management, so that they are aware of the Council's policies and management structure;

- Recruitment of agency foremen and mechanics is being considered to allow for unbiased reporting of fleet failures;

- Breakdowns and defects calls will go directly to the workshop so that the vehicle condition can be immediately assessed by a trained mechanic;

- Tranman will be checked regularly on a 10% sample basis, and vehicles also sampled on a 10% basis to ensure up to date inspection records exist;

- Drivers' information will be spot checked on a random basis, to ensure overall compliance, and not just vehicles; and

- A compliance officer for fleet will be nominated in every line of service.

2.03   Management consider that by implementing these actions they will ensure a sound system of processes and controls that address the concerns raised in the Commissioner's report. Our review, and the conclusions we have reached in this report, are based on the assumption that management will implement the above actions to improve the current governance control arrangements in fleet services.

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.

4

3. Detailed findings and recommendations

3.01 Governance of Tranman – control design effectiveness

Finding
Tranman is the Council's fleet management software, used to manage and track the Council's fleet assets. To ensure proper oversight of fleet assets, it is critical that Tranman is complete and accurate to ensure that all items of fleet are accounted for and that management can discharge its responsibility to ensure assets are being maintained to a safe operating standard.
In our report on 'Fleet Asset Verification' to the Audit, Risk and Scrutiny Committee on 11 May 2015 we highlighted 229 assets that were recorded on Tranman but which we could not physically verify. Our inquiries with management have identified that the root cause of these issues is a lack of proper governance and control over how Tranman is maintained and updated. As Tranman does not interface with the procurement systems at the Council, manual intervention is required to ensure Tranman is updated when new fleet assets are purchased or disposed of by services. However, it was identified that there is a lack of ownership as to who is responsible for maintaining the records on Tranman, with key controls around purchases and disposals not operating. This has led to the system not being properly updated when assets are purchased and disposed of by services.
The Tranman system is also not currently being fully utilised to help record the condition of fleet assets. The system is not configured to require mandatory fields to be completed with information on asset condition or service history, for example. This information however is critical to helping the Council discharge its compliance and statutory obligations for fleet management. Improving the quality of data recorded on Tranman and enforcing the use of mandatory fields to record this information would enable management to produce better quality reporting on fleet relevant to their requirements. For example, fleet records could be interrogated to identify fleet assets requiring service or to identify numbers of fleet assets that are out of service.
Ensuring Tranman is properly maintained and fully utilised is vital to any redesign of processes and controls in fleet management.

Risk
The Council is unable to verify the completeness and accuracy of its fleet assets listings and is therefore exposed to the risk of non-compliance with statutory obligations for fleet maintenance and health and safety regulations; financial risks around proper recording of assets; and the risk to operational performance of not being to locate fleet assets.

Page 271

Action plan

Finding rating	Agreed action	Responsible person / title
High	Procurement and disposal of fleet assets will be centralised and managed through fleet management to ensure scrapped, sold or purchased assets are completely and accurately recorded on Tranman. Service managers will be made aware of their responsibilities for ensuring that fleet asset records on Tranman are complete and accurate and the importance of following the Council's financial policies and controls around the purchase and disposal of assets.	Head of Public Infrastructure and Environment
	Tranman will be configured to require the recording of certain mandatory information relevant to the management of fleet assets. This information will be used for reporting to monitor operational performance and compliance with statutory obligations.	**Target date:** 30 June 2015

3.02 Management Reporting – control design

Finding

The current framework of management reporting for fleet services does not provide an adequate process for escalation of issues identified in the service through performance monitoring. As identified in finding 3.01, Tranman is not currently being optimised to produce relevant and timely management information to aid with identifying service performance issues. As a result management at the Council do not have oversight over the activities of the service and any developing performance issues through evaluation of relevant key performance indicators. The failure to properly identify issues, and then escalate these appropriately to senior management, was identified as a root cause of the failings in the Service that led to the Traffic Commissioner inquiry.

Furthermore, fleet services and services that use fleet assets do not currently report to Elected Members on any Council Committee. There was a consensus within fleet management that reporting should exist and that this could be made through the Health and Safety Committee to ensure that there is an appropriate focus on the service's compliance with statutory obligations to ensure fleet is properly maintained.

Risk

There is a risk that serious issues of non-compliance with statutory obligations in fleet management and other services are not appropriately escalated for the attention of senior management and Elected Members exposing the Council to financial, reputational and legal risks where these issues are not addressed.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	• Fleet management services will developed a suite of management reporting based around the key performance indicators (KPIs) currently being developed within Tranman. These will be reported to the management team within the Infrastructure and Environment Service and to the Corporate Management Team. The KPIs will be monitored to actively identify developing issues, for example where the number of MOT failures exceeds accepted tolerance levels.	Head of Infrastructure and Environment
		Target date:
	• Fleet management services and services that use fleet assets will also report to the Health and Safety committee on a defined set of KPIs. These KPIs will focus on the Council's compliance with relevant laws and regulations that impact fleet services to ensure proper scrutiny of the Service's performance in achieving agreed targets.	30 June 2015

Appendix 1 – Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • *Critical* impact on operational performance; or • *Critical* monetary or financial statement impact; or • *Critical* breach in laws and regulations that could result in material fines or consequences; *or* • *Critical* impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • *Significant* impact on operational performance; or • *Significant* monetary or financial statement impact ; or • *Significant* breach in laws and regulations resulting in significant fines and consequences ; *or* • *Significant* impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • *Moderate* impact on operational performance; or • *Moderate* monetary or financial statement impact; or • *Moderate* breach in laws and regulations resulting in fines and consequences; or • *Moderate* impact on the reputation or brand of the organisation.
Low	A finding that could have a: • *Minor* impact on the organisation's operational performance; or • *Minor* monetary or financial statement impact; or • *Minor* breach in laws and regulations with limited consequences; or • *Minor* impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2 – Agreed Terms of reference

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 identified 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 3rd 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.

In addition, the Head of Public Infrastructure and Environment would like internal audit to consider the current reporting arrangements for fleet management. In particular how issues arising, state of the fleet, compliance with legislation is escalated and reported within the Council's governance structure.

Scope

Our work around reporting will consider:

Sub-process	Control Objective
Fleet Management Governance and reporting	• An escalation process is in place to highlight fleet management issues at a Council Officer, Corporate Management Team and to Elected Members via the Council's committee governance structures; • Fleet management arrangements for example fleet management performance, compliance with Health and Safety and legislative requirements are given sufficient prominence within the Council; • Appropriate lines of defence are in place in respect of fleet management ($1st/2nd$ and $3rd$ lines) and information and reporting is consistent; • As a Council it is clear how the Council fully discharges its legal obligations in respect of fleet and roles and responsibilities are set out and understood; and

• Management reporting is aligned with the governance arrangements for fleet Management.

As part of our work on reporting we will consider what other potential fleet management committee reporting arrangements could be established, whether this is through the establishment of a new/amended committee or could be considered within the scope of a current committee for example: the Health and Safety Committee.

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.

Audit approach

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

11

Appendix 3 – Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the Council's Fleet Management Governance controls, subject to the limitations outlined below.

Internal control

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

Future periods

Our assessment of controls relating to Fleet Management Governance controls is as at 31 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.

This page is intentionally left blank

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25th June, 2015
DIRECTOR	Corporate Governance
TITLE OF REPORT	ALEO Governance – Outstanding issues
REPORT NUMBER	CG/15/85
CHECKLIST COMPLETED	Yes

1.   PURPOSE OF REPORT

To address outstanding audit recommendations in relation to Arms' Length External Organisations (ALEOs) and an outstanding remit to review Service Level Agreements (SLAs) with tier 2 ALEOs.

2.   RECOMMENDATION(S)

It is recommended that the Committee –
(1) Agrees that arrangements have been put in place to meet the two outstanding audit recommendations in relation to scrutiny of ALEO performance and risk management; and
(2) Notes the ongoing work in relation to the review of SLAs with tier 2 ALEOs and that a further report will be submitted to the next meeting.

3.   FINANCIAL IMPLICATIONS

There are no additional financial implications from undertaking the procedures identified in this report.

4.   OTHER IMPLICATIONS

There are no other implications of significance arising from this report, although the procedures will provide added security and assurance to the Councils' scrutiny of ALEOs as well as added transparency to their operation.

5.   BACKGROUND/MAIN ISSUES

(1) The Audit and Risk Committee of 16 April 2013 (article 7 of the minute of meeting refers) approved a number of recommendations in relation to the governance of ALEOs, two of which have remained on the list of outstanding recommendations. These required the

Council (a) to put in place consistent reporting arrangements for the scrutiny of ALEOs and (b) to ensure that ALEOs established risk management processes and frameworks and establish its own risk register to identify, assess and manage the key risks associated with funding individual ALEOs and the services they provide.

(2) The Committee at its meeting of 26 February 2015 (Article 19 of the minute of meeting refers) considered an audit report on tier 2 ALEOs and instructed a report back in two cycles on the review of Service Level Agreements with each tier 2 ALEO.

(3) In respect of the recommendation that consistent reporting arrangements be put in place for the scrutiny of ALEOs, members will be aware that a governance hub was established with the intention of applying similar scrutiny criteria to each ALEO. Whilst it did meet, its performance was not consistent and some ALEO reporting took place outwith the process. As reported to the previous meeting by update, a full review of the scrutiny of tier 1 ALEOs was undertaken earlier this year. As agreed at the previous meeting, this was circulated to members, but is appended to this report for ease of reference.

(4) Officers of the governance hub have prepared data sets which will allow scrutiny of the performance of ALEOs in a consistent manner. The first meetings with the four main ALEOs will be held on 15 and 17 June, with minutes being submitted to this meeting to provide the necessary assurance on each ALEO's system of risk management, the extent to which it meets both its own strategic objectives and those of the Single Outcome Agreement, and the extent and effectiveness of its risk management framework and financial monitoring arrangements, etc. Any requirement to review and revise each operating agreement will therefore be identified during this scrutiny process.

(5) Steps are being taken to ensure that each ALEO is subject to a risk assessment and recorded in the relevant service risk register. Part of this process will require an evaluation of the current strength of controls and mitigation in respect of the Council's risk exposure, which each ALEO poses. The range of potential risk factors include health and safety, financial stewardship, equalities and the protection of assets. Evaluation of controls will cover SLAs, leases, audit arrangements and legislative compliance.

(6) In respect of the review of SLAs for tier 2 ALEOs, a schedule is being prepared which details each ALEO, its tier and the current status of the SLA e.g. is an SLA in place, how current is it, does it require to be updated. The Schedule will be submitted to the next Committee meeting, along with proposed timescales for the reviews. Due to the number of organisations involved, this will

2

represent a considerable amount of work and the timescales will be prioritised. In the meantime, officers have commenced reviews of the two ALEOs specifically requested by Committee at its meeting in February, namely Aberdeen Performing Arts and Aberdeen International Youth Festival.

6. IMPACT

Corporate – By putting in place arrangements to scrutinise ALEOs which will allow the consideration of standardised data sets, the performance of those bodies can be more readily understood and their performance against the relevant strands of the Single Outcome Agreement and the Council's own strategic objectives measured more easily. This is in line with the aspirational elements of Aberdeen – the Smarter City.
Control of risk will provide assurance to both the ALEO itself and to the Council that mitigation measures are in place, and the governance elements of funding will be strengthened.

Public – There is general public interest in the services delivered by ALEOs to the customer in particular and open and transparent scrutiny of performance will provide reassurance that the requirements of each Service Level Agreement are being met.

7. MANAGEMENT OF RISK

This report is essentially about the management of risk associated with ALEOS (both to themselves and to the Council), recommendations made by Internal Audit to address these and the measures put in place to provide the necessary assurance.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

Roderick MacBeath
Senior Democratic Services Manager
Legal and Democratic Services
rmacbeath@aberdeencity.gov.uk
01224 523054

3

This page is intentionally left blank

Aberdeen City Council

Interim Report

2014/15 Audit

AUDIT SCOTLAND

Prepared for Aberdeen City Council

June 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Key messages

This report is the summary of our findings arising from routine audit work around governance and internal controls carried out in the period to May 2015 as part of the 2014/15 audit of Aberdeen City Council.

We also followed up the risks highlighted in our 2013/14 Interim Report which was presented to the Audit and Risk Committee in June 2014. In 2012/13, we recommended low risk actions to tighten up the council's anti-fraud policies and reporting arrangements. These actions have not yet been addressed.

We reviewed the council's internal audit function and concluded that we could place reliance on their work. This enabled us to agree a strategy with internal audit for 2014/15 which minimised the duplication of audit resources and ensured audit coverage of all key financial control systems. With regard to the key financial controls which we tested during the year, we were generally satisfied with their operation during the 2014/15 financial year.

In 2013/14, we commented on the inconsistencies in performance information reported to committees both in terms of the frequency and currency of reporting and the comparative information used. A new committee structure was implemented in 2014/15 and work has started to produce performance information which will reflect these new roles and responsibilities. Longer term, plans are at an early stage to develop performance dashboards to support the new management structure. We will revisit this area as part of the 2015/16 audit.

Introduction

1. This report is a summary of our findings from routine audit work carried out in the period to May 2015 as part of the 2014/15 audit of Aberdeen City Council. The nature and scope of the audit were outlined in our Annual Audit Plan presented to the Audit, Risk and Scrutiny Committee (ARSC) in February 2015 and follows the requirements of Audit Scotland's Code of Audit Practice which was published in May 2011.

2. Our work covered the following areas:

   - governance arrangements

     the operation of financial controls in key financial system.

3. Appendix A is an action plan setting out our recommendations from the audit. Officers have considered the issues and are taking the specific steps in the column headed "management action". The ARSC should ensure that they are satisfied with the proposed management action and that there is a mechanism in place to monitor progress.

4. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit, or of risks or weaknesses, does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

5. The co-operation and assistance given to us by officers and staff is gratefully acknowledged.

Governance

6. Through its chief executive, a council is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

7. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

    *   corporate governance and systems of internal control

    *   the prevention and detection of fraud and irregularity

    *   standards of conduct and arrangements for the prevention and detection of corruption.

8. In this part of the report we comment on aspects of governance routinely covered within the annual audit.

Corporate Governance

9. Proposals to revise the structure of the corporate management team were approved by the council in May 2014. The number, roles and remits of directors were reviewed resulting in a '3+1' model where the 'plus one' is a joint role with NHS Grampian to take forward the health and social care integration agenda. In August 2014, the council agreed a revised committee structure to reflect the new service structure. We confirmed that the council has updated its Standing Orders, Scheme of Delegation and Financial Regulations to take account of the changes to committee structure.

10. A revised Risk Management Strategy was approved by the ARSC in February 2015. The strategy covers key areas such as roles and responsibilities, risk appetite and monitoring and reporting risks. In addition, an update on progress with the overall system of risk management was presented to the committee in February.

National Fraud Initiative

11. Audit Scotland routinely coordinates a major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The 2012/13 exercise identified outcomes totalling £10m across Scotland. The 2014/15 exercise commenced in October 2014 and councils received matches for review in early 2015. The national timetable anticipates that match investigation work should be largely completed by the end of September 2015.

12. We were required to review the council's arrangements for responding to NFI, particularly with regard to the council's approach to dealing with data matches in a timely fashion. In February 2015, the council changed its key contact for NFI to the Investigations Manager. This officer was however, involved in the transfer of benefit fraud cases to the Single Fraud Investigation Service with effect from 1 April 2015 and consequently, limited progress was made in following up matches, particularly high risk matches.

Refer Action Plan No. 1

Council Tax Single Person Discount to Electoral Register Matching

13. In addition to the 2014/15 exercise, councils were also expected to complete a data matching exercise comparing Council Tax Single Person Discount to the Electoral Register. The information for this exercise was expected to be submitted by councils in March 2014.

14. The relevant information for Aberdeen City Council was extracted in March 2014 but due to difficulties in formatting this extract so that it could be accepted by the online NFI database, it was not submitted until August 2014. In late October 2014, the council was contacted to say no data had been received. The council had initially understood that the Assessor's office would submit the Electoral Roll extract but after seeking clarification from NFI, the council submitted both the Council Tax Extract and the Electoral Roll Extract on 30 October 2014.

15. We reviewed the NFI database in April 2015 and found no evidence that matches had been followed up. The council has since informed us that they decided not to pursue investigation of the matches from the exercise due to the source data now being out date. The council is exploring the possibility of obtaining a new set of matches based on current data extracts.

Refer Action Plan No. 1

Follow up of Prior Year Risks

16. Our 2013/14 Interim Report identified a number of risks of which several had been carried forward from 2012/13 as they had not been implemented. Table 1 shows the current status:

Table 1: Follow up of Prior Year Risks - Governance and Accountability

Risk	Management Action/ Responsible Officer/ Agreed Date	Update/ Current Status
1. The procedures for responding to NFI matches should be updated prior to the start of the next exercise to ensure that all high risk data matches are followed up promptly.	High priority cases for Revenues and Benefits will be dealt with as a priority, including any follow up action with external bodies as required. Revenues & Benefits Manager Next NFI matching exercise - Autumn 2015	This action was not progressed and is superseded by the findings set out in paragraphs 11 to 15 earlier regarding the 2014/15 NFI exercise. **Refer Action Plan No. 1**

Risk	Management Action/ Responsible Officer/ Agreed Date	Update/ Current Status
2. Although a central register of fraud or suspected fraud cases, whistleblowing cases or breaches of the Bribery Act framework has been established, the Audit and Risk Committee has not yet received a report summarising activity.	This will be added to the Matters under Investigation report as necessary and reported at least annually. Head of Legal & Democratic Services 30 September 2014	Planned follow up action was reported to ARSC during the year but so far the action has not been implemented. **OUTSTANDING - Refer Action Plan No. 2**
3. The Fraud and Corruption Strategy should be refreshed and promoted to staff on a regular basis.	A revised policy is currently in draft form and requires further work to ensure it links cohesively with a number of other policies e.g. the financial regulations and managing performance. The intention is to include this policy with a suite of revised documents following the current restructure. Corporate Accounting Manager 31 October 2014	A revised Fraud and Corruption Strategy has been circulated to Senior Managers but is not yet approved. **OUTSTANDING - Refer Action Plan No. 2**
4. There was no follow up by the Policy and Performance Section to ensure that the council's policy and procedures in relation to the Bribery Act have been properly implemented.	Completed risk assessments obtained for Corporate Governance. Other services are being worked on. Head of Legal & Democratic Services 30 September 2014	Risk assessments are now substantially complete but we are unclear if the outcome of the assessments has highlighted areas which need to be addressed. **OUTSTANDING - Refer Action Plan No. 3**
5. 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.	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. Head of Legal & Democratic Services 31 October 2014	Gifts and hospitality declarations form part of the Financial Regulations which were refreshed and re-issued through the Zone (intranet) in Autumn 2014. Budgetholders are expected to cascade information to their teams. **Action Completed**

Risk	Management Action/ Responsible Officer/ Agreed Date	Update/ Current Status
6. Performance reports, both council wide and at service level, should be presented timeously and with comparable information to improve overall scrutiny.	Performance reporting to individual committees has developed differently, in some cases to suit the needs of particular committees. The Corporate Performance Management Group will review ongoing reporting and make recommendations as required. Community Planning & Corporate Performance Manager December 2014	Performance reports have been revised to reflect the remits for the new committee structure. The format of reports including the number of indicators provided continue to vary significantly across services. For example, comparison against target is used but trend information is not consistently used. **OUTSTANDING - Refer Action Plan No. 4**
7. "Aberdeen Performs" and the community planning website should be updated to provide users with information to assess how the council, its partners and services are performing.	The design of the community planning website is ongoing and will be populated with SOA performance data when this is complete. Aberdeen Performs is regularly updated, but it is noted that many indicators at this level are only available on an annual basis. The Corporate Performance Management Group is currently reviewing all public performance reporting. Community Planning & Corporate Performance Manager December 2014	Limited update in 2014/15. SPI data was up-to-date but benchmarking information was only available for the 2012/13 financial year. **OUTSTANDING - Refer Action Plan No. 4**

Internal Financial Controls

17. International Standards on Auditing (ISAs) require evaluation of critical financial systems on an annual basis.

18. In order to gather assurances to support our opinion on the council's financial statements, we identified 10 key internal financial control systems which are listed in Table 2.

19. Our approach requires us to annually assess the key systems of internal control and how risks in these systems could impact on the financial statements. For each system identified, we undertake a short preliminary evaluation to obtain a general background of the system and to ascertain the key controls in operation. Where no significant change to a key internal financial control system has been identified, our approach allows us to rely on the results of any testing carried out in the previous 2 years. Where reliance is taken from previous testing, we are still however required to undertake a brief walkthrough of controls to confirm the operation of controls was as expected.

20. ISA 610, using the work of internal auditors, states that the external auditor shall determine whether the work of the internal auditors is likely to be adequate for the purposes of the audit and, if so, the planned effect of the work of internal auditors on the nature, timing or extent of the external auditor's procedures. Therefore we seek to rely on the work of internal audit wherever possible, to assist us in obtaining the assurances we require to support the financial statements.

21. Internal audit for the council is provided by PricewaterhouseCoopers. In respect of 2014/15, having concluded that reliance could be placed on their work, we agreed a strategy with internal audit which ensured sharing of the work between internal and external audit to avoid wherever possible duplication of audit resources and minimise the impact on officers.

22. Table 2 lists the internal financial control systems and summarises our testing work alongside where we agreed to take reliance from the work of Internal Audit in respect of 2014/15 continuous controls testing work. As reported to the ARSC, this has been split over 2 reporting periods, each covering 6 months of the financial year. The first report was considered by the committee in February 2015 and we anticipate that the findings for the second half of the financial year will be reported to the committee in June 2015. This will provide sufficient time for us to consider their findings before forming our opinion on the 2014/15 financial statements.

Table 2: Numbers of Key Controls Reviewed and Weaknesses Identified

Financial Control System	Controls Reviewed	Reliance on Prior Years	Control Weaknesses Identified	Reliance to be placed on Internal Audit?
General Ledger	7	0	0	Not Applicable
Payroll	3	0	0	✓
Accounts Payable	0	3	0	✓
Accounts Receivable	1	0	0	✓
Cash & Bank	1	0	0	✓
Treasury Management	1	0	0	✓
Fixed Assets	3	0	0	✓
Council Tax	1	2	1	✓
Non Domestic Rates	5	0	0	✓
Housing Rents	7	1	1	Not Applicable

23. The control weaknesses arising from our reviews were as follows:

Council Tax

- An annual property reconciliation is carried out between the Council Tax system and Assessors system. We confirmed that this reconciliation was carried out in October 2014 and that there was evidence that identified differences had been followed up. However, we found that there was no review of the reconciliation by senior management. A lack of management review increases the risk that reconciliations are not carried out or that any issues identified are not timeously followed up.

Refer Action Plan No. 5

Housing Rents

- Weekly checks are carried out between the housing rents system and the totals posted to the general ledger. These feed into a cumulative monthly reconciliation which provides a clearer picture of any differences between the systems and the stand alone weekly checks. However, we noted that there was no evidence that differences in the monthly reconciliations had been investigated. There is consequently a risk that significant differences between the system and ledger may not be picked up at an early stage.

- During the period since our audit fieldwork, monthly reconciliations have been reviewed and differences addressed as appropriate. We understand that this practice will now be carried out on a regular basis and consequently, the action we would have proposed has already been taken by the Finance Partner (Communities, Housing and Infrastructure).

Follow Up of Prior Year Risks

24. Our 2013/14 Interim Report highlighted a number of risks within the council's key financial control systems. Table 3 shows the current status of the action taken to address these risks.

Table 3: Follow Up of Prior Year Risks

Risk	Management Action/ Responsible Officer/ Agreed Date	Update/ Current Status
1. There is no standard procedure to check and confirm the legitimacy of requests to change supplier bank details.	A weekly report is run which details all changes made to suppliers including set up and by whom, which can be used to check and confirm changes. Financial Services Manager 31 July 2014	Internal Audit review of this control for first 6 months of the 2014/15 financial year was concluded satisfactorily. **Action Completed**
2. The reconciliation between the cash receipting system and the ledger for housing rents has not been carried out on a regular basis.	A number of reconciliations, including this one are currently being transferred to Accounting and this will be addressed within that process. Services Accounting Manager 31 October 2014	Our review confirmed the reconciliation had been carried out to the proscribed frequency. **Action Completed**
3. The monthly cumulative reconciliations between the Housing Rents system and the financial ledger have not been carried out on a regular basis.	This will be incorporated into the current process. Finance Partner (Housing & Environment) 31 August 2014	Our review confirmed the reconciliation had been carried out to the proscribed frequency. **Action Completed**
4. Period end management reports in respect of the general ledger were not signed off to evidence that relevant matters had been addressed.	This will be considered and incorporated into the current process as appropriate. Finance Manager (Systems) 30 June 2014	We reviewed period end management reports but did not identify evidence that these were being signed off to confirm relevant matters had been addressed. Since April 2015, reports are reviewed and signed off electronically. An email trail is retained to evidence the sign off process. **Action Completed**

Appendix A: Action Plan

Action Point	Refer Para No.	Recommendation	Management Action	Responsible Officer	Target date
1	12, 15 and 16	In order to benefit more from the NFI data matching exercise, the council should put plans in place to follow up high risk matches promptly.	The council recognises that the matches have not been reviewed as quickly as they should have been. The Corporate Fraud Team Manager became responsible for NFI in January. Work is underway with services to put new procedures in place to ensure the outstanding matches are reviewed as quickly as possible.	Revenues and Benefits Manager	31 October 2015
2	16	The Fraud and Corruption Strategy should be refreshed and promoted to staff on a regular basis. As part of the refresh, arrangements should be put in place to provide the ARSC with an annual activity report summarising fraud/suspected fraud cases, whistleblowing cases and breaches of the Bribery Act. This report should also include any lessons learnt and action taken.	Strategy to be approved and promoted. Report to be prepared for the ARSC	Head of Finance Head of Legal & Democratic Services	30 September 2015 31 March 2016

Action Point	Refer Para No.	Recommendation	Management Action	Responsible Officer	Target date
3	16	Risk assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate.	Risk assessments to be evaluated and any issues highlighted to be addressed as appropriate.	Head of Legal & Democratic Services	31 December 2015
4	16	Plans should be formalised for the development of a consistent approach for reporting performance information to elected members and arrangements for the refresh of 'Aberdeen Performs'.	Proposals for implementing a consistent approach will be developed and presented to elected members for approval. 'Aberdeen Performs' is updated when performance data becomes available. A refresh is scheduled for 2015/16 to reappraise the method in which performance information is communicated to the public in light of developing corporate priorities.	Head of IT and Transformation Head of Communications and Promotion	31 March 2016 31 March 2016
5	23	Property reconciliations between council tax records and Assessors records should be evidenced that they have been reviewed by a second officer.	Property reconciliations to be timetabled (6 months) for August and February. Sign off on exceptions to be undertaken by senior management.	Revenues & Benefits Manager	30 September 2015

ABERDEEN CITY COUNCIL

COMMITTEE:	Audit, Risk & Scrutiny
DATE:	25 June 2015
INTERIM DIRECTOR:	Angela Scott
TITLE OF REPORT:	Unaudited Annual Accounts 2014/15
REPORT NUMBER:	CG/15/83
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2014/15 unaudited Annual Accounts.

1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2014/15 unaudited Annual Accounts subject to this approval.

4.3 The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2014/15;

b) consider the Council's unaudited Annual Accounts 2014/15, paying particular attention to the sections highlighted in paragraph 5.4;

c) consider the unaudited Annual Accounts 2014/15 of the Council's registered charities;

d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to Audit Scotland by 30 June 2015;

e) note that as now required by statute, the Audit, Risk & Scrutiny Committee on 29 September 2015 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance, Chief Executive and Council Leader;

f) note that the Audit, Risk & Scrutiny Committee of 29 September 2015 will also receive the external auditor's "Combined Annual Report and Report to Those Charged with Governance on the 2014/15 audit" for debate and consideration and that this report will set out the auditor's finding and conclusions from all audit activity undertaken during the year, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and

f) note that the Audit, Risk & Scrutiny Committee on 29 September 2015 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

3.2 The overall financial position of the Council was reported to and considered by the Finance, Policy & Resources Committee on 9 June 2015 and is available via: http://committees.aberdeencity.gov.uk/documents/s47474/FPR%20Year%20End%20Report%20FINAL%20ISSUED.pdf

4. OTHER IMPLICATIONS

4.1 The preparation of the Annual Governance Statement is a part of the Council's compliance with the CIPFA/SOLACE guidance on 'Delivering Good Governance in Local Government'.

4.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. REPORT

5.1 Annual Governance Statement

5.1.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).

5.1.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

5.1.3 The Council has developed its approach to the annual governance review process and in 2014/15 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.

5.1.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.

5.1.5 Management assurance includes the certification of internal controls and assurance by all Heads of Service, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities.

5.1.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.

5.1.7 The Standing Orders, Terms of Reference and Scheme of Delegation define the roles and responsibilities for officers and Elected Members.

5.1.8 Development of the system of risk management has continued throughout the year and the Committee has received a range of reports on progress in this respect.

5.1.9 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.

5.1.10 Management assurance has also been used in considering the progress that has been made around the nine significant issues identified in last years' statement. During 2014/15, sufficient progress has been made in addressing six issues such that they have been removed. For the remaining three, whilst progress has been made management feel they have not yet been fully completed and therefore require to be kept on the AGS for 2014/15. These are described below in paragraphs 5.1.11 – 5.1.13.

5.1.11 Significant progress in setting up the framework for scrutiny of arm's length external organisation has been made with some reporting to the Shareholder Scrutiny Group in relation to Bon Accord Care. In addition, formal governance hubs have been established which will meet twice yearly and report thereafter to committee. This is a substantial step forward which will see the first of these hubs meeting in June 2015. As work is also ongoing in relation to the identification and consideration of the risks to the Council from its relationship with such organisations, officers believe this issue should remain on the AGS.

5.1.12 Contract management practices in Social Care & Wellbeing were identified as requiring improvement to address gaps in information and performance management data. Whilst procedures have been implemented to address the recommendations of the audit with significant progress having been made towards having contracts in place for all services, this will continue during 2015/16 and thus remains on the AGS.

5.1.13 A national investigation in relation to allegations made regarding baby and adult cremations including those at Hazlehead Crematorium is being undertaken. The outcome and recommendations arising from this investigation will be reported in due course and meantime this issue remains on the AGS.

5.1.14 In undertaking a self-evaluation of the Council's effectiveness of its governance framework a number of officers have reviewed the Local Code using the CIPFA/SOLACE checklists and drawn judgements on the extent to which the Council is effectively complying with the code.

5.1.15 The results of this were positive as each question on the checklist was able to be evaluated as being compliant with the local code requirements.

5.1.16 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by Pricewaterhouse Coopers LLP. They have consistently provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.

5.1.17 The annual report from the Head of Internal Audit on the work that they've carried out in 2014/15 is also being considered by this Committee. The content of this has supported the preparation of the AGS.

5.1.18 Two of the five audits that are highlighted in that report have been included in the AGS, whilst a third in relation to arm's length organisations has been amalgamated with the existing item on this subject. The remaining two, Car Parking and Bus Lane Enforcement and Compliance with Laws and Regulations, have not been included as the actions recommended were implemented during the year.

5.1.19 External scrutiny is required by legislation and the Council's external auditor, Audit Scotland, reports on a variety of areas, not simply the financial statements and financial control environment. These reports have been considered in preparing the AGS for 2014/15 with organisational and committee restructure, group governance and the health and social care integration agenda being highlighted as governance issues. These have been included in the AGS.

5.1.21 In considering the Assurance and Improvement Plan (AIP) for the period 2014-17, the Local Area Network through a shared risk assessment (SRA) concluded that a Best Value audit follow up would be appropriate to consider improvement since 2009 and, in particular, to determine whether performance has been managed and sustained against a backdrop of significant changes in leadership. The audit was undertaken in early 2015 with the final report due to be published on 2nd July 2015.

5.1.22 The preparation of the AGS also featured a review of other external scrutiny, including the Public Inquiry ordered by the Traffic Commissioner in relation to the Council's Goods Vehicles Operator's Licence and the Care Inspectorate led inspection of integrated children's services.

5.1.23 In conclusion and in examining the evidence, the 2014/15 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.

5.1.24 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and Leader of the Council. It is recommended for approval prior to being signed off.

5.2 Unaudited Annual Accounts

5.2.1 On 26 February 2015 this committee received and noted the contents of a report, "Annual Accounts 2014/15 – Action Plan" which provided high level information and key dates in relation to the production of the 2014/15 Annual Accounts.

5.2.2 The key dates contained within the above report were:-

31 March 2015	End of financial year 2014/15
March–Sept 2015	Information from Group Entities (including ALEO's)
17 June 2015	Public notice for Annual Accounts inspection period to be issued
25 June 2015	Audit, Risk & Scrutiny Committee to consider Draft Annual Accounts
30 June 2015	Statutory deadline for Proper Officer to sign Draft Annual Accounts, submit to the Auditor and publish on the website
1 – 21 July 2015	Public inspection period for Annual Accounts
30 July 2015	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
29 Sept 2015	Audit, Risk & Scrutiny Committee to consider and aim to approve audited Annual Accounts for signature
29/30 Sept 2015	Signing of audited Annual Accounts by Proper Officer, Chief Executive and Council Leader
30 Sept 2015	Deadline for submission of audited Annual Accounts to the Auditor
Early Oct 2015	Deadline for submission of the Audited WGA to the Scottish Government (date to be confirmed)
31 Oct 2015	Statutory deadline for publication on website of signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
18 Dec 2015	Deadline for submission of Audited Trust Accounts to OSCR

5.2.3   There is a statutory requirement that Annual Accounts for each financial year be submitted for audit to the external auditor no later than 30 June in the next financial year.

5.2.4   This means that the unaudited Annual Accounts for 2014/15, prepared in accordance with the relevant Accounting Codes of Practice, require to be submitted by 30 June 2015 to Audit Scotland.

5.2.5   There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance. In recent years this committee has received the accounts prior to submission to the auditor and this is seen as good practice. As the body charged with governance it allows the committee the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness before they are submitted for audit.

5.3   Inspection and Audit of the Accounts

5.3.1   The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2015 and therefore the latest date for issuing this public notice is 17 June 2015. The inspection must last 15 working days and will therefore end on 21 July 2015.

5.3.2   The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.

5.3.3   On completion of the audit process, the external auditor's will present their report "Combined Annual Report and Report to Those Charged with Governance on the 2014/15 audit" to the meeting of this committee on 29 September 2015. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.

5.3.4   The audited Annual Accounts will also be presented to this meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Head of Finance, Chief Executive and Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2015.

5.4   Financial Performance and Review of the Accounts

5.4.1   It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.

5.4.2   A report detailing the financial position of the Council was considered by the Finance, Policy and Resources committee on 9 June 2015. This report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2015.

5.4.3   The following paragraphs highlight a number of the key sections of the Annual Accounts.

5.4.4   Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.

5.4.5   Comprehensive Income & Expenditure Statement (CIES) - reflects the income and expenditure of the Council based on the requirements of accounting standards and is therefore somewhat different to the figures reflected in the management commentary. However, the two can be reconciled through Note 17 to the accounts.

5.4.6   Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e. assets less liabilities) have increased by £35 million from March 2014 to a total of £1,200 billion at March 2015. The corresponding increase in reserves reflects a £19 million and £16 million rise in usable reserves and unusable reserves respectively.

5.4.7   Common Good and Trusts – the Common Good CIES and Balance Sheet reflect an increase in the value of its assets which has resulted in its value increasing by £6.4 million to £105.7 million at March 2015. The financial statements of the Trusts now clearly reflect the split between charitable and non charitable trusts. This will aid the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.

5.4.8 <u>Group Accounts</u> – these include the Council, its subsidiaries, associate and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1,301 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

5.5 Registered Charities

5.5.1 This encompasses those trusts, registered with OSCR, for which the Council (all 43 Councillors) is the sole trustee. There are eight separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.6 million, after the elimination of intra trust balances i.e. the investment in the Lands of Skene by the Guildry and Bridge of Don trusts.

5.5.2 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report being reported back to this committee on 29 September 2015 for approval prior to signature by the relevant officers and the Council Leader.

5.5.3 Thereafter, they will be submitted to OSCR, no later than 18 December 2015.

6. IMPACT

6.1 The publication of the Annual Accounts demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

6.2 The approval and inclusion of the Annual Governance Statement in the Annual Accounts ensures that the Council uses an approach which is recognised as best practice.

7. MANAGEMENT OF RISK

7.1 The robust process of closing the accounts at the financial year-end means that all reasonable steps have been taken to ensure that they are reflective of the financial circumstances of the Council during 2014/15 and as at 31 March 2015. A risk remains that the external audit process reveals potential errors or adjustments and these will be discussed by officers and the external auditor throughout the process, before the audited Annual Accounts and the auditor's report and opinion is presented to the Audit, Risk & Scrutiny Committee in September 2015.

8. REPORT AUTHOR DETAILS

Sandra Buthlay
Accounting Manager
sbuthlay@aberdeencity.gov.uk
01224 522565

9. BACKGROUND PAPERS

'Delivering Good Governance in Local Government, Framework' CIPFA & SOLACE, 2007;
'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities' CIPFA & SOLACE, 2008;
Unaudited Annual Accounts 2014/15

This page is intentionally left blank

Aberdeen City Council
Charitable Trusts

Annual Report and Financial Statements

For the year ended
31 March 2015

Registered Numbers:

Guildry - SC011857
Bridge of Don Fund - SC018551
Alexander MacDonald's Bequest - SC018568
Bridge of Dee Fund - SC021297
Aberdeen Art Gallery Trusts - SC018575
Lands of Skene – SC018533
Lands of Torry – SC021299
Education Endowment Investment Funds (EEIF) – SC025063

Aberdeen City Council Charitable Trusts
Trustees Annual Report 2014/15

Aberdeen City Council acts as sole trustees for the charities in this report.

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet, although under s222 of the Local Government (Scotland) Act 1973, the property of the Charitable Trusts "vest(s) in" the relevant local authority. However they are included in the Annual Accounts of the Council and its group.

Reference and administration details

At the end of the year the Council acts as sole trustee for 8 trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The charity names, charity numbers, purposes of the charities, and where available details of governing document for the charities covered by this report are given in Appendix 1 of this document.

Principal Address

Aberdeen City Council,
Marischal College,
Broad Street,
Aberdeen
AB10 1AB

Auditor

Stephen Boyle,
Assistant Director,
Audit Scotland,
4th Floor South Suite,
8 Nelson Mandela Place,
Glasgow
G2 1BT

Secretary
Jane MacEachran (resigned April 2015),
Craig Innes (appointed April 2015, resigned August 2015),
Fraser Bell (appointed August 2015)
Head of Legal & Democratic Services,
Aberdeen City Council

Treasurer
Steven Whyte, CPFA
Head of Finance,
Aberdeen City Council.

1

Trustees

As per guidance provided by OSCR, "Trustees" of the Charitable Trusts are those who have "general control and management" of the charity. Decisions regarding the general control and management of the Charitable Trusts are made by the Full Council. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

Lord Provost George Adam (Chairperson)
Councillor Yvonne Allan
Councillor Kirsty Blackman
Councillor Marie Boulton
Councillor David Cameron
Councillor Scott Carle
Councillor Neil Cooney
Councillor John Corall
Councillor Bill Cormie
Councillor Barney Crockett
Councillor Steve Delaney
Councillor Graham Dickson
Councillor Alan Donnelly
Councillor Jackie Dunbar
Councillor Lesley Dunbar
Councillor Andrew Finlayson
Councillor Fraser Forsyth
Councillor Gordon Graham
Councillor Ross Grant
Councillor Martin Greig
Councillor Len Ironside CBE

Councillor Muriel Jaffrey
Councillor James Kiddie
Councillor Jenny Laing
Councillor Graeme Lawrence
Councillor Neil MacGregor
Councillor M. Tauqeer Malik
Councillor Aileen Malone
Councillor Andrew May
Councillor Callum McCaig
Councillor Ramsay Milne
Councillor Jean Morrison MBE
Councillor Nathan Morrison
Councillor Jim Noble
Councillor John Reynolds
Councillor Gill Samarai
Councillor Jennifer Stewart
Councillor Sandy Stuart
Councillor Angela Taylor
Councillor Ross Thomson
Councillor Gordon Townson
Councillor Willie Young
Councillor Ian Yuill

All Trustees have served for the whole of the financial year to 31 March 2015.

All of the Trustees are normally elected or re-elected at local government elections. By-elections are held on the occasion of elected members vacating their positions to elect new members, who automatically become Trustees. New members are supplied with training as part of their induction process.

It should be noted that Councillors Kirsty Blackman and Callum McCaig resigned as local Councillors in May 2015.

2

Structure, governance and management

The Charitable Trusts are constituted in a variety of ways. The type of governing document is shown at Appendix 1 where they are available. Information regarding many of the trusts is not available owing to their antiquity and the fact that they will have been administered by a number of government bodies since coming into public control.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

Risk

The trustees have overall responsibility for the Charitable Trusts system of internal control, including financial reporting and compliance with laws and regulations. The trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Objectives and activities

Information on the purpose and nature of the trusts is given below.

Bridge of Don Fund

The Fund, more properly known as the Brig O' Balgownie Trust Fund, was set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". The most recent counsel opinion obtained in 1970 stated that the Council must, in the first instance, retain sufficient funds to discharge the primary objects of the trust, that is the repair and maintenance of the bridge itself, but thereafter they would be free to apply any surplus monies for certain other purposes.

The Bridge of Don Fund has a 30% interest in the Lands of Skene with the remainder of its funds being invested in the Aberdeen City Council Loans Fund.

Bridge of Dee Fund

This fund was established in the 16th Century for the support, maintenance, reparation and when it is necessary the re-building of the new stone bridge over the River Dee.

Trust funds are invested in the Aberdeen City Council Loans Fund.

3

<u>Alexander MacDonald's Bequest</u>

This fund was established in 1884 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection following the death of Mr MacDonald.

Trust funds are invested in the Aberdeen City Council Loans Fund.

<u>Aberdeen Art Gallery Trusts</u>

This trust was reorganised in March 2014 by the adoption of a new trust deed and funds are used for the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.

Trust funds are invested in the Aberdeen City Council Loans Fund.

<u>Guildry</u>

The Guildry was formed 800 years ago, giving merchants of Aberdeen considerable powers within the town of Aberdeen. Over time that power has diminished and the membership is no longer restricted to merchants. Today the Guildry exists for the promotion of the City of Aberdeen. The governance of the Guildry was last updated by a Court of Session decision in 1996 and the Guildry is currently working on drafting a revised constitution to enable participation in a wider range of charitable activities.

Trust assets are a 40% share in the Lands of Skene and investments in the Aberdeen City Council Loans Fund.

<u>Lands of Skene</u>

The Lands of Skene goes back to 1710 when the east half of the Lands of Skene was purchased on behalf of certain accounts. This was followed in 1712 by the purchase of the west half. Two feuing schemes were carried out in 1789 and 1816 and the land now remaining is known as the Lands of Easter Carnie.

The free revenue from the Lands of Skene is split between the following:
Guildry Funds – 40%
Bridge of Don Trust – 30%
Common Good Fund – 30%

This is believed to represent the share of investment in the original purchase of the lands.

4

<u>Lands of Torry</u>

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts.

The free revenue from the Lands of Torry is split between the following:
Duncan Liddel's Mortification – Professor of Mathematics – 25%
Duncan Liddel's Mortification – Library of College – 2%
James Cargill's Mortification – Bursary Fund – 10%
Patrick Copland's Mortification – Professor of Divinity – 12%
Common Good Fund – 51%

<u>Education Endowment Investment Funds (EEIF)</u>

The EEIF comprises of over 60 smaller trusts, bequests and legacies split over 3 general areas.

- Education – primarily concerned with prizes or awards at schools
- Social Work – largely to provide comforts at residential homes
- John Murdoch Henderson Bequest – to be used for the purchase of music of intrinsically Scottish interest for the Central Library, Aberdeen.

In general the charities activities are limited to the accrual of income from investments for use as appropriate given the purposes of the charity.

While reviewing records as part of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of trusts previously reported as part of the EEIF were actually registered as charities. Only accounts in relation to these registered charities are contained in this document. A review will take place of all trusts that were previously reported as part of the EEIF to consider a reorganisation in consultation with OSCR.

The charitable trust now comprises of the trusts listed in appendix 2, sixteen of these trusts relate to prizes or awards at school while the other trust is for the purchase of music of an intrinsically Scottish interest.

5

Future plans

A revised constitution for the Guildry is currently being drafted to enable the trust funds to be used for a wider range of charitable purposes. The EEIF is currently being reviewed in anticipation of a reorganisation by the adoption of a revised constitution which will enable trust funds to be used for a wider range of purposes than currently allowed by existing governance documentation. A request to reorganise the John Murdoch Henderson Bequest by the adoption of a revised constitution has been approved by OSCR in April 2015 and approved by Trustees in a Full Council meeting on 13th May 2015. OSCR has expressed concern on whether the Bridge of Don and the Bridge of Dee trusts meet the current charity tests and expert legal advice has been commissioned on this matter. Depending on the outcome of this advice, these trusts may have to be reorganised.

Financial Review

The following financial statements for all of the Charitable Trusts have been prepared using the connected charities provision.

They show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

Where Governance Costs are allocated to charities these are in proportion to the value of the sums invested with the Council and are based on time spent by officers of Aberdeen City Council providing financial and other support to the organisations.

The investment policy of the Trust is to invest any surplus monies in the Aberdeen City Council Loans Fund.

Reserves Policy

The Charitable Trusts have no explicit reserves policy, but as a general principle the "capital" of the funds is held effectively as a permanent endowment with only the annual income available for disbursement in the year.

6

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed by the Treasurer on behalf of the trustees on 26th June 2015

………………………………………….
Steven Whyte, CPFA
Treasurer

7

Appendix 1

Charity Name, Number and Purpose

Charity Name	Charity Number	Purpose	Governing Document
Guildry	SC011857	Support the Historic Guildry Activities	Court of Session Decision 1996
Bridge of Don Fund	SC018551	Upkeep of Bridge	Unavailable
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed March 2014
Bridge of Dee Fund	SC021297	Upkeep of Bridge	Unavailable
Lands of Skene	SC018533		Unavailable
Lands of Torry	SC021299	The advancement of Education	Unavailable
Education Endowment Investment Funds	SC025063	The advancement of Education and the advancement of the Arts, Heritage, Culture and Science	Unavailable except for John Murdoch Henderson Trust Deed of May 2015.

APPENDIX 2

EEIF Charitable Trusts

EEIF charitable Trusts

D M Andrew Bequest	For Prizes in Classics at Aberdeen Grammar School
Miss Elizabeth H Bain Bequest	For music tuition and for instruments to pupils in city schools
Mrs Athol Benzie Prize Fund	For best all round pupil in fifth year at Aberdeen Academy
Edith and David R Bishop Prize Fund	For prizes to pupils at Aberdeen Grammar School selected by the rector
Mrs Mina Brooks Memorial Prize	For prizes for children's theatre
Miss Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German at High School for Girls
Jessie Durno Prize Fund	For Prize in Mathematics at Aberdeen Academy
Mary Durno Prize Fund	For Prize in English at Aberdeen Academy
Margaret Duthie Memorial Prize Fund	For pupil showing the greatest endeavour at Dyce School
Miss Margaret C Harper Prize Fund	For best pupil in German at Aberdeen Academy
Miss Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
John M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar School
Kenneth MacIntosh Bequest	For paying or supplementing the expenses of pupils at Aberdeen Grammar School who might otherwise not be able to afford the cost of school trips
Dr Charles McLeod Trust	For purchase of books on Physical Science or Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School taking a secondary course
Dr George MacKenzie Prize Fund	For prize to best pupil in German in Aberdeen Academy
John M Henderson Bequest	To purchase music of intrinsically Scottish interest for the Central Library, Aberdeen

9

Aberdeen City Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2015

	Note	Unrestricted Funds 2014/15 £'000s	Restricted Funds 2014/15 £'000s	Endowment Funds 2014/15 £'000s	Total Funds 2014/15 £'000s	Total Funds 2013/14 £'000s
Incoming resources						
Incoming resources from generated funds						
Voluntary income	2	135	-	-	135	50
Investment Income	3	28	-	-	28	22
Rent from Land & Buildings	4	164	-	-	164	153
Total incoming resources		327	-	-	327	224
Resources expended						
Charitable activities	5	137	-	-	137	140
Governance costs	6	50	-	-	50	29
Property Costs	5	20	-	-	20	9
Total resources expended		207	-	-	207	177
Net incoming/(outgoing) resources before other recognised gains and losses		121	-	-	121	47
Other recognised gains/(losses)						
Gains/(losses) on investment assets		54	-	10	64	1,005
Net movement in funds		175	-	10	185	1,052
Reconciliation of funds						
Total funds brought forward		7,288	-	108	7,396	6,344
Total funds carried forward		**7,463**	**-**	**118**	**7,581**	**7,396**

Aberdeen City Council Charitable Trusts
Balance Sheet as at 31 March 2015

	Note	2015 £'000s	2014 £'000s
Fixed assets			
Gilts		5	5
Equities		115	106
Tangible Assets	7	4,617	4,563
Total fixed assets		4,737	4,674
Current assets			
Stocks and work-in-progress		1	1
Debtors	8	52	54
Investments - City of Aberdeen Loans Fund	9	2,439	2,291
Cash at bank - Guildry Investment Account		400	400
Total current assets		2,892	2,747
Liabilities			
Creditors: Amounts falling due within one year	10	(48)	(25)
Net current assets/(liabilities)		2,844	2,722
Net asset/(liabilities)		**7,581**	**7,396**
The funds of the charity			
Endowment funds		118	108
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,253	2,230
Dr Duncan Liddel's Mortification - Professor of Mathematics		520	511
Dr Duncan Liddel's Mortification - Library of College		26	26
James Cargill Mortification - Bursary Fund		212	208
Patrick Copland's Mortification - Professor of Divinity		254	250
Unrestricted funds		4,197	4,063
Total unrestricted funds		**7,463**	**7,288**
Total charity funds		**7,581**	**7,396**

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the Treasurer on behalf of the trustees on 26th June 2015:

…………………………………………

Steven Whyte, CPFA
Treasurer

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

1 - Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, and include the results of the Trusts' operations, all of which are continuing.

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust funds for which Aberdeen City Council acts as sole Trustee are connected charities. As such, the accounts for the statements contain all relevant information that the individual accounts would have contained if they had been prepared on an individual basis.

Going concern

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

Recognition of revenue and expenditure

All income and expenditure due to be paid or received in respect of the year ended 31 March 2015 has been provided for within these accounts.

Incoming resources

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

12

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

1 - Accounting policies (continued)

Resources expended

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis on the basis of the size of the fund.

Governance costs include those costs incurred in the governance of the charity and its assets, and are primarily associated with constitutional and statutory requirements.

Funds

Unrestricted funds include incoming resources receivable or generated for the objectives of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the Trustees Annual Report.

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

Taxation

The Trusts are recognised by HM Revenue and Customs as charities and as a consequence of the tax reliefs available, income is not liable to taxation.

13

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

1 - Accounting policies (continued)

Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Trustee Remuneration and Staff Costs

The Trusts have no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

Interest & Management Charges

Interest & Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

Stock Policy

Stock consists of goods purchased for distribution to new members on their entry to the Guildry. Stocks are valued at the lower of cost or net realisable value.

14

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

	2015 £'000s	2014 £'000s
2 VOLUNTARY INCOME		
Donations and gifts	135	50
3 INVESTMENT INCOME		
Interest receivable	28	22
4 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES		
Rent from Land and Buildings	164	153
5 CHARITABLE ACTIVITIES		
Donations and expenditures	6	9
Payments to Beneficiaries:		
Common Good Fund	69	69
Dr Duncan Liddel's Mortification - Professor of Mathematics	32	32
Dr Duncan Liddel's Mortification - Library of College	2	2
James Cargill Mortification - Bursary Fund	13	13
Patrick Copland's Mortification - Professor of Divinity	16	16
Property costs	20	9
	157	148
6 GOVERNANCE COSTS		
Administration costs	40	23
Audit Fee	10	6
	50	29

15

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

		2015 £'000s	2014 £'000s
7 TANGIBLE FIXED ASSETS			
Market Value at 1 April		4,563	4,321
Net investment gains		54	241
Market Value at 31 March		4,617	4,563
8 DEBTORS			
Prepayments & accrued income		51	54
9 INVESTMENTS HELD AS CURRENT ASSETS			
Aberdeen City Council Loan Funds		2,439	2,291
10 CREDITORS: Amounts falling due within one year			
Accruals and deferred income		36	13
Short Term Loan - Aberdeen City Council		12	11
		48	25

11 ANALYSIS OF NET ASSETS IN FUNDS	Tangible fixed assets £'000s	Net assets/ (liabilities) £'000s	Total 2015 £'000s	Total 2014 £'000s
Unrestricted funds	4,737	2,844	7,581	7,396

12 CONTROLLING INTEREST

Each charity is under the control of its trustees.

	2015 £'000s	2014 £'000s
13 RELATED PARTY TRANSACTIONS		
	29	19

The trusts also have funds deposited with Aberdeen City Council Loans Fund as detailed in note 9.

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

14 <u>**Analysis of Charitable Trusts**</u>

Individual Trust Balances

	Charity Number	Balance as at 1 April 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	SC025063	(163)	-	(10)	(3)	1	(175)
Guildry	SC011857	(2,535)		(8)	(149)	22	(2,670)
Bridge of Don	SC018551	(1,360)	-	(6)	(5)	12	(1,359)
Bridge of Dee	SC021297	(35)	-	-	-	1	(34)
Alexander MacDonald Bequest	SC018568	(32)	-	-	-	1	(31)
Aberdeen Art Gallery Trust	SC018575	(46)	-	-	-	1	(45)
Lands of Skene	SC018533	(3,986)	-	(19)	(50)	50	(4,005)
Lands of Torry	SC021299	(2,029)	-	(35)	(128)	128	(2,064)
Total - Charitable Trusts		**(10,186)**	**-**	**(78)**	**(335)**	**215**	**(10,384)**

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guildry (40%) and the Bridge of Don Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Individual Trust Balances after adjusting for intra trust transactions

	Charity Number	Balance as at 1 April 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	SC025063	(163)	-	(10)	(3)	1	(175)
Guildry	SC011857	(941)			(144)	22	(1,063)
Bridge of Don	SC018551	(164)	-		(2)	12	(154)
Bridge of Dee	SC021297	(35)	-	-	-	1	(34)
Alexander MacDonald Bequest	SC018568	(32)	-	-	-	1	(31)
Aberdeen Art Gallery Trust	SC018575	(46)	-	-	-	1	(45)
Lands of Skene	SC018533	(3,986)	-	(19)	(50)	41	(4,014)
Lands of Torry	SC021299	(2,029)	-	(35)	(128)	128	(2,064)
Total - Charitable Trusts		**(7,396)**	**-**	**(64)**	**(327)**	**207**	**(7,580)**

17

Aberdeen City Council

Local Scrutiny Plan

2015/16

March 2015

Aberdeen City Council

Local Scrutiny Plan 2015/16

Introduction

1. This local scrutiny plan sets out the planned scrutiny activity in Aberdeen City Council during 2015/16. The plan is based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.

2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2015/16, which is available on the Audit Scotland website.

Scrutiny risks

3. In preparing the 2014-2017 Assurance and Improvement Plan (AIP), the LAN concluded that Best Value follow up activity would be appropriate in Winter 2014/15. This would focus on leadership and governance in light of the significant changes in leadership over the previous 18 months. Fieldwork for the Best Value audit took place in January 2015, and the report is scheduled for publication in June 2015.

4. The LAN did not identify any new areas which require scrutiny; however there are areas where ongoing oversight and monitoring is required. For example, a key challenge for the council remains the need to raise the standards of educational attainment and achievement for all. Although the council has increased the proportion of young people achieving Scottish Credit and Qualifications Framework (SCQF) levels 3, 4, 5 and 6, the pace of improvement has not matched that of either the comparator or national average and relative performance has declined. Strategies implemented by the council to improve performance in this area are monitored on a regular basis by Education Scotland's Area Lead Officer who meets regularly with the council.

5. A Joint Inspection of Children's Services was carried out by the Care Inspectorate and Education Scotland in winter 2014/15. After publication of the report in March 2015, the council will have six weeks to develop an action plan to respond to the findings of the inspection. No significant risks were identified which require additional scrutiny beyond the conclusion of an action plan with the council.

6. The Care Inspectorate's initial scrutiny level assessment (ISLA) scrutiny report was published in December 2012. In response, the council finalised an action plan in April 2013. Overall the evidence of progress on the post ISLA scrutiny action plan suggests important improvements have been made in response to the recommendations. For example, significant work has gone into increasing the consistency of care management across adult services. Two recommendations have not yet been fully met: developing joint commissioning strategies across all care groups and preparing joint strategies for carers and advocacy services. As the ISLA process is now complete, these recommendations will be considered in due course in the context of health and social care integration.

7. The Care Inspectorate will provide support for improvement through the identified link strategic inspector and the contact managers (one for adults and one for children's services). The link inspector is currently working with criminal justice services on the action plan following the LS/CMI supported self-evaluation and on improving the reviews of serious incidents.

8. The 2014-17 AIP identified that HMICS would be inspecting local policing across Scotland over the next three years. This would provide a consistent means of assessing the quality of local policing across Scotland and enable HMICS to report publicly on how Police Scotland is delivering against local priorities and keeping people safe. The inspection of Aberdeen City Division was carried out in early 2015 and the report is expected to be published around May 2015.

9. HM Fire Services Inspectorate will also be inspecting fire and rescue services across Scotland over the next five years. Service provision within the local authority area of Aberdeen City was inspected in the first quarter of 2015. The focus of the inspection activity was, amongst other things, partnership working and local scrutiny and engagement between Scottish Fire and Rescue Services and the council. This report is also expected in Summer 2015.

10. A number of aspects of Housing and Homelessness services have been highlighted by the Scottish Housing Regulator (SHR). At this stage, these matters will be covered through the SHR's ongoing monitoring. No additional scrutiny work is planned at the council beyond its programme of thematic inquiries. The issues highlighted by SHR include:

- rental income maximisation – the council is amongst the poorest performing councils for rent loss through voids and average times to re-let houses, and is the worst performing council for rent collected as a percentage of net rent due

- gas safety – at the time of completing its Annual Return on the Charter in April 2014, the council had breached its statutory duty on gas safety due to difficulties with the council's gas safety contractor. Remedial action was taken so that all its properties held a valid gas safety certificate in November 2014

- intentionally homeless decisions – the level of intentionally homeless decisions has increased in the year and is nearly three times the national average.

Planned scrutiny activity

11. As shown in Appendix 1, the council will be subject to a range of risk-based and nationally driven scrutiny activity during 2015/16. For some of their scrutiny activity in 2015/16, scrutiny bodies are still to determine their work programmes and which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.

12. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2015/16 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

March 2015

Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Audit Scotland	Audit Scotland has three planned performance audits covering local government during 2015/16. It will be working jointly with the Care Inspectorate looking at social care and jointly with both the Care Inspectorate and Health Improvement Scotland (HIS) on a Health and Social care integration position statement. It will also carry out a follow-up audit on roads maintenance. Any engagement with councils is still to be determined. Publication of these reports is scheduled for between October 2015 and February 2016.	To be confirmed during 2015/16
	Audit Scotland will continue to carry out a programme of housing benefit risk assessments across councils in 2015/16.	June 2015/16
	Aberdeen is one of eight areas where an audit of the Community Planning Partnership (CPP) has been carried out. Audit Scotland will carry out follow-up work across all eight areas during 2015/16 to assess what progress the CPP has made in addressing outstanding improvement areas. This work will be carried out as part of the annual external audit process.	September 2015
Care Inspectorate and Healthcare Improvement Scotland	The Care Inspectorate and Healthcare Improvement Scotland will be carrying out joint inspections of services for adults during 2015-16. Inspections will initially focus on services for older people then, at the latter part of the year, these will encompass other adults' services, firstly learning disability services then alcohol and drug services. This is part of a wider national planned programme of scrutiny work being undertaken by the Care Inspectorate and Healthcare Improvement Scotland.	December 2015 - January 2016
Care Inspectorate and Her Majesty's Inspectorate of Constabulary (HMICS)	The Care Inspectorate and HMICS will be undertaking a joint thematic review of multi-agency public protection arrangements (MAPPA) in Scotland during 2015. This forms part of the Care Inspectorate's wider programme of national inspection, and is not a result of the LAN shared risk assessment. The purpose of the review will be to	June 2015

	assess the state, efficiency and effectiveness of the MAPPA in Scotland, in terms of keeping people safe and reducing the potential risk of serious harm by registered sex offenders in our communities. It will cover all 32 local authorities and involve local authorities, Police Scotland, NHS Boards and the Scottish Prison Service.	
Education Scotland	Education Scotland will be working in partnership with councils to carry out Validated Self-Evaluation (VSE) of educational psychology services across all councils over a two-year period beginning in 2015/16. Education Scotland will notify councils of its VSE plans each academic term.	Date to be determined
Scottish Housing Regulator (SHR)	The Scottish Housing Regulator (SHR) has a planned programme of thematic inquiries into housing services which will be carried out largely in the first quarter of 2015-16, with publication of inquiry reports in the first and second quarters of the year. The thematic inquiries will cover a range of housing services including: Gypsy/Travellers; factoring services; gas safety; complaints handling; customer service standards; repairs; rent consultation; equalities; and openness and accessibility. Some of the thematic inquiries will not involve any on-site work at all and no local authority will be selected for on-site work in more than one thematic. The SHR will contact individual landlords with details about their potential inclusion. During the first and second quarters of the year, the SHR will review the Charter data submitted by social landlords in May 2015 and identify topics for a further programme of thematic inquiries to be taken forward in the second and third quarters of the year.	To be determined.

National scrutiny plan 2015/16

A summary of local government strategic scrutiny activity

ACCOUNTS COMMISSION

AUDIT SCOTLAND

HMICS HM INSPECTORATE OF CONSTABULARY FOR SCOTLAND

Healthcare Improvement Scotland

Scottish Housing Regulator

Education Scotland Foghlam Alba

hmips Her Majesty's Inspectorate of Prisons for Scotland

care inspectorate

Page 334

Contents

Page 335

Background

1. The National Scrutiny Plan for local government has been jointly prepared by members of the Strategic Scrutiny Group (SSG). This group comprises Scotland's main public sector scrutiny bodies – the Accounts Commission, Audit Scotland, Education Scotland, the Care Inspectorate, Healthcare Improvement Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Fire Service Inspectorate, Her Majesty's Inspectorate of Prisons for Scotland and the Scottish Housing Regulator. Details of each body can be found in Appendix 1. In this report, they are collectively referred to as scrutiny bodies.

2. The SSG was established In February 2008 following publication of the Crerar Report, when the Scottish Government asked the Accounts Commission to take on a gatekeeping role in respect of the scrutiny of local government to support the delivery of better coordinated more proportionate and risk-based local government scrutiny.

3. Since 2008, all the main scrutiny bodies for local government have worked together through Local Area Networks (LANs) to share intelligence and agree the key scrutiny risks in each of Scotland's 32 councils. Annually, each LAN has prepared an Assurance and Improvement Plan (AIP) (now known as a Local Scrutiny Plan), setting out the planned scrutiny activity for the council to respond to those specific risks. This approach, called Shared Risk Assessment (SRA), is designed to ensure proportionate and risk-based scrutiny.

4. This 2015/16 National Scrutiny Plan for local government is one of the key outputs from the SRA process. It is the sixth such plan and summarises the strategic scrutiny work[1] from April 2015 to March 2016 in each of Scotland's 32 councils. The plan includes all strategic scrutiny activity of which we are currently aware. This is a combination of risk-based scrutiny identified locally by LANs and scrutiny that is planned as part of national inspection programmes, such as the Care Inspectorate's joint inspections of services for children, young people and families and strategic inspections of adult services. It also includes assisted self-evaluation work requested by councils that is designed to build self-evaluation capacity and support improvement.

5. A separate table showing planned scrutiny activity is available on the Audit Scotland website [PDF] ⬀.

---

1   Strategic scrutiny work does not include scrutiny activity carried out at service unit or institution level, such as inspections of individual schools or care homes, or the annual financial audit of public bodies.

Part 1
Shared Risk Assessment developments for 2015/16

6. As part of our commitment to continuous improvement, we review the SRA process each year. Our review process involves feedback from staff who are involved in the process; consultation with relevant stakeholders (such as local authority chief executives); and consideration of changes to the scrutiny and public policy landscape. Each year recommendations for change and improvement are considered by the Strategic Scrutiny Group (SSG).

7. The key findings from the review activity that took place in the summer of 2014 (which informed the current SRA cycle) were that there is a general consensus among councils and scrutiny bodies that the SRA process is beneficial, and that if it did not already exist a similar set of arrangements to coordinate local government scrutiny activity and provide a framework for ensuring effective liaison between scrutiny bodies and local authorities would need to be introduced. However, there was a widespread view that over time the process had become too resource intensive and time-consuming for scrutiny bodies. Inconsistent engagement and communication between LAN and councils also emerged as another significant theme, as did the need to improve the links between the SRA and some national scrutiny programmes.

8. In response to those findings, we introduced a number of developments in the SRA process for 2015/16. These included:

- enhancing the central planning and scheduling of national scrutiny activity across scrutiny bodies through more regular ongoing dialogue among senior officers

- improving the way LANs operate and making their interaction with councils more consistent and more regular

- refocusing the scrutiny risk assessment framework to align it more closely with the core statutory roles and responsibilities of the scrutiny bodies that are involved in the process

- streamlining SRA documentation.

9. A key development for 205/16 has been to replace Assurance and Improvement Plans (AIPs) (which for many councils had become very lengthy documents) with much shorter Local Scrutiny Plans (LSPs) that are more clearly focused on the specific local scrutiny risks and responses identified by the LAN.

10. The risk assessments made by LANs have also changed. In previous years risk assessments resulted in one of the following judgements: no scrutiny required; further information needed; or scrutiny required. For 2015/16 we

introduced a new risk assessment option of 'ongoing oversight and monitoring required'. This scrutiny risk assessment option has been introduced to provide LANs with an opportunity to capture and reflect areas of risk or uncertainty within councils that require ongoing oversight and monitoring, but where additional scrutiny activity is unlikely to add value. Areas that might fall in to this category might include:

- identified risks (eg, local impact of welfare reform, developing longer-term financial plans and strategies) that are being managed and/or mitigated by the council where additional scrutiny activity is unlikely to add value in supporting improvement

- risks that have been identified but which are not yet significant enough to justify scrutiny at present.

11. This year LANs continued to maintain an interest in how the national public service reform agenda is being implemented by councils and their partners. In particular:

- community planning (including community empowerment, the shift towards prevention and local approaches to co-production)

- preparations for implementation of health and social care integration

- the local impact of police and fire reform

- welfare reform planning (including local partnership working to mitigate any potential negative local impacts).

12. The outcomes of local discussions between LANs and councils on these topics have not been reported in LSPs but have, instead, been used to inform the SSG's assessment of progress that is being made by councils in responding to Scotland's wide-ranging and complex public service reform agenda.

Part 2
Scrutiny activity

National scrutiny programmes

13. There is a range of national scrutiny activity planned across councils over the next year and beyond. Where activity has been identified for 2015/16 that impacts on individual councils it is included in the National Scrutiny Plan. Significant pieces of national scrutiny activity that are planned during 2015/16 include:

- Audit Scotland's programme of national performance audits that it undertakes on behalf of the Accounts Commission and Auditor General for Scotland. Audit Scotland has three performance audits covering local government planned during 2015/16. It will be developing a performance audit on social care services (which will involve some joint working with the Care Inspectorate) and will also be working jointly with the Care Inspectorate and Healthcare Improvement Scotland (HIS) on an initial position statement on Health and Social Care integration arrangements across Scotland. The third piece of work will be a follow-up audit on the progress that is being made across Scotland in improving roads maintenance. The performance audit programme for 2015/16 is available online. Audit Scotland will also continue to carry out a national programme of housing benefit risk assessments across councils.

- The Care Inspectorate will begin to review Alcohol and Drug Partnerships' self-assessment of performance and progress of implementing the *Quality Principles: Standard Expectations of Care and Support in Drug and Alcohol Services*, within the Quality Improvement Framework.

- Education Scotland will be working in partnership with councils to carry out a validated self-evaluation (VSE) of educational psychology services across all councils over a two-year period beginning in 2015/16. It will also review of the quality of careers information advice and guidance services delivered by Skills Development Scotland across all council areas. This will be a three-year programme beginning in 2015/16. In addition, Education Scotland will continue to engage with councils for the purpose of VSE.

- HMICS will be inspecting local policing divisions across Scotland over the next three years. This includes three divisions during 2015/16. Divisional inspections will cover partnership working and in particular, local scrutiny and engagement between Police Scotland and councils and the local Community Planning Partnership and Community Safety Partnership. Local police inspections also include a 'plus' element, which aims to investigate national issues through a local lens. These elements are subject to separate reports published on its website www.hmics.org.uk .

- HMFSI will be inspecting local fire and rescue services across Scotland over the next five years. These inspections will examine, among other things, local scrutiny and engagement between the Scottish Fire and Rescue Service (SFRS) and councils. As part of its programme, HMFSI will inspect four local fire and rescue services during 2015/16. Additionally, HMFSI has a programme of thematic inspections, which in 2015 will include a look at SFRS preparedness for a serious flooding event. HMFSI may also carry out ad hoc inspections in response to specific events, which can involve contact with local authorities.

- The Scottish Housing Regulator (SHR) will carry out a programme of thematic inquiries across a range of housing services including: Gypsy/ Travellers; factoring services; gas safety; complaints handling; customer service standards; repairs; rent consultation; equalities; and openness and accessibility. It will also carry out regulatory assessments focused on the Scottish Social Housing Charter indicators. In carrying out its work, the SHR does not necessarily have any engagement with a council. Where this is the case, details of these are not shown in this plan.

Collaborative scrutiny

14. There is a range of collaborative scrutiny planned across local government in 2015/16:

- As highlighted above, Audit Scotland will be working jointly with the Care Inspectorate looking at social care and jointly with both the Care Inspectorate and HIS on a Health and Social Care integration position statement.

- The Care Inspectorate and Healthcare Improvement Scotland will be carrying out joint inspections of services for adults during 2015-16. Inspections will initially focus on services for older people then, at the latter part of the year, it is envisaged these will encompass other adults' services.

- The Care Inspectorate and HMICS will be undertaking a joint thematic review of Multi-Agency Public Protection Arrangements (MAPPA) in Scotland during 2015. The purpose of the review will be to assess the status, efficiency and effectiveness of the MAPPA process in Scotland in terms of keeping people safe and reducing the potential risk of serious harm by registered sex offenders in our communities. It will cover all 32 local authorities and involve local authorities, Police Scotland, NHS boards and the Scottish Prison Service.

- The Care Inspectorate will lead joint inspection of services for children and young people, which will also involve participation by HIS, Education Scotland and HMICS. These inspections are part of the Care Inspectorate's wider planned programme of national scrutiny work.

- HMICS is currently exploring opportunities with HMFSI around common inspection methodology and joint approaches, where appropriate, to examine local police and fire scrutiny engagement.

15. On behalf of the SSG, national scrutiny partners will also be continuing to carry out a collaborative piece of work in partnership with Perth and Kinross Council and its community planning partners during 2015/16. This work aims to devise and assess a potential methodology for the evaluation and scrutiny of how community planning is operating at a local level, known as place-based scrutiny. This methodology will have particular focus on the four pillars of public service reform – prevention, partnership, people and performance.

Part 3
Strategic scrutiny group development and improvement priorities

16. The context in which the SSG operates has changed significantly since its establishment in 2008. A number of new scrutiny bodies have been created (Education Scotland, Care Inspectorate, HIS) and others have seen either their role and status amended (ie, SHR) or the nature of the service that they inspect change from a local to national service (HMICS, HMFSI).

17. Over the same period the Scottish Government has also been implementing a wide-ranging public service reform agenda, which includes:

- the Scottish Government/COSLA review of community planning

- the creation of single national police, and fire and rescue services

- health and social care integration

- Getting it right for every child (GIRFEC) and the Children and Young People (Scotland) Act 2014

- college regionalisation.

18. A common feature of these developments is that they extend beyond local government and affect a range of different public sector bodies. However, the formal remit of the SSG currently remains the same as when it was established in 2008, ie focused on local government scrutiny coordination.

19. In the context of this changing public sector policy and delivery landscape, the SSG has been clear that it could add more value as a group if it were to:

- become the main forum for scrutiny bodies to develop coordinated strategic responses to major public sector legislative changes or policy developments (including public service reform)

- broaden its scrutiny coordination role to include national thematic scrutiny activity and partnership-based audit and inspection work

- strengthen its focus on supporting improvement and promoting best practice in Scotland's public services

- better drive continuous improvements in operational scrutiny practices (eg, the alignment of scrutiny approaches, promoting more shared training across agencies, implementing more consistent approaches to self evaluation and supporting improvement).

Page 342

20. This changing context led the SSG, during 2014, to agree a new Terms of Reference that is designed to capture these broader ambitions for its role. During 2014 the SSG also implemented four improvement projects to help it deliver its improvement ambitions. These projects were:

- **Achieving effective alignment between external scrutiny and the public service reform agenda:** the purpose of this improvement project is to ensure that scrutiny developments reflect the evolving public service reform agenda, with its focus on place, partnership, prevention, and performance.

- **Implementing arrangements for improved coordination and alignment of national thematic scrutiny and the scrutiny of partnerships:** the purpose of this improvement project is to establish new arrangements for ensuring appropriate 'joined-up' approaches to the scrutiny of key national policy developments and to improve the planning, scheduling and alignment of partnership-based scrutiny activity.

- **Place-based scrutiny pilot:** the purpose of this pilot is to devise and assess a potential methodology for the evaluation and scrutiny of how well public bodies are operating in partnership at a local level to deliver high quality integrated public services that reflect the needs of local people. The pilot will have a particular focus on the four pillars of public service reform – prevention, partnership, people and performance.

- **Programme of operational scrutiny improvement:** the purpose of this improvement project is to support the strategic group in driving continuous improvement in operational scrutiny practices that contribute to shared learning and the more consistent application of best practice across the scrutiny sector.

21. These projects are still being implemented and their outcomes will be reported later in the year.

Page 343

Appendix 1
The Local Government Scrutiny Coordination Strategic Group members

Accounts Commission	The Accounts Commission is a non-departmental public body (NDPB). The Accounts Commission is the public's independent watchdog for local government in Scotland. Its role is to examine how Scotland's 32 councils manage their finances, help these bodies manage their resources efficiently and effectively, promote Best Value and publish information every year about how they perform.
Audit Scotland	Audit Scotland is a statutory body providing services to the Accounts Commission and the Auditor General for Scotland (AGS). Working together, the Accounts Commission, the AGS and Audit Scotland ensure that public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.
Care Inspectorate	The Care Inspectorate is a non-departmental public body (NDPB). The Care Inspectorate's purpose is to provide assurance and protection for people who use care, social work and children's services.
Education Scotland	Education Scotland is an executive agency. It is the Scottish Government's national development and improvement agency for education. It is charged with providing support and challenge to the education system, from early years to adult learning, in line with the government's policy objectives.
Healthcare Improvement Scotland	Healthcare Improvement Scotland (HIS) is a health body. The function of HIS is to improve the quality of the care and experience of every person in Scotland every time they access healthcare by supporting healthcare providers.
Her Majesty's Fire Service Inspectorate	The Fire Service Inspectorate in Scotland exists to provide independent, risk-based and proportionate professional inspection of the Scottish Fire and Rescue Service. Its purpose is to give assurance to the Scottish public and Scottish ministers that the Service is working in an efficient and effective way, and to promote improvement in the Service. Through this, the Inspectorate provides external quality assurance to the Service, and provides support to the Service in delivering its functions.
Her Majesty's Inspectorate of Constabulary in Scotland	Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) provides independent scrutiny of both Police Scotland and the Scottish Police Authority. Its approach is to support Police Scotland and the Authority to deliver services that are high quality, continually improving, effective and responsive to local needs. It can inspect other UK police services that operate in Scotland and are members of the National Preventive Mechanism, inspecting police custody centres to monitor the treatment and conditions for detainees.
Her Majesty's Inspectorate of Prisons for Scotland	Her Majesty's Chief Inspector of Prisons for Scotland is required to inspect the 15 prison establishments throughout Scotland in order to examine the treatment of, and the conditions for prisoners. The Chief Inspector also has responsibility for the inspection of legalised police cells and the treatment of and conditions for prisoners under escort.
Scottish Housing Regulator	The Scottish Housing Regulator (SHR) is a non-ministerial department. The statutory objective of the SHR is to safeguard and promote the interests of people who are or may become homeless, tenants of social landlords, or recipients of housing services provided by social landlords.

Appendix 2

Glossary

Local Scrutiny Plan (LSP)	Document which captures agreed areas of risk and good practice, and the resulting scrutiny response for each council. It is the primary planning document for scrutiny bodies.
Local Area Network (LAN)	There is a LAN for each council, comprising representatives of all the scrutiny bodies who engage with the council. LAN members ensure that information and intelligence held by each scrutiny body is shared.
National Scrutiny Plan (NSP)	The aggregation of the individual council's scrutiny plans into a national plan detailing all the scrutiny work planned across Scottish councils.
Scottish Social Housing Charter	The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Charter was approved by the Scottish Parliament and came into effect from 1 April.
Shared Risk Assessment (SRA)	A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk.
Validated Self-Evaluation (VSE)	Assistance provided by Education Scotland to councils on request, to help them develop their own methods and quality of self scrutiny.

National scrutiny plan 2015/16
A summary of local government strategic scrutiny activity

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk ⬐

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or **info@audit-scotland.gov.uk** ✉

For the latest news, reports and updates, follow us on Twitter or subscribe to our email delivery service:

🐦 **@AuditScotland**

✉ **Subscribe to updates**

ⓟ **pinterest.com/AuditScotland**

National Scrutiny Plan for Local Government 2015/16

Council	Q1 April	Q1 May	Q1 June	Q2 July	Q2 August	Q2 September	Q3 October	Q3 November	Q3 December	Q4 January	Q4 February	Q4 March
Aberdeen City			MAPPA / HB review			CPP F/U		ASI	ASI			
Aberdeenshire	CSI	CSI	CSI / MAPPA									
Angus			MAPPA					FBV (dates tbc)				
Argyll & Bute	ASI	ASI	ASI / MAPPA / FBV (dates tbc)									
Clackmannanshire		CSI F/U / MAPPA										
Dumfries & Galloway	MAPPA / VSE (dates tbc)		CSI F/U							ASI	ASI / SHR performance investigation (tbc)	
Dundee City			MAPPA			CSI CSI					Fire	
East Ayrshire	MAPPA											
East Dunbartonshire		MAPPA / EPS review										
East Lothian		MAPPA				ASI ASI / HB review						
East Renfrewshire	MAPPA / Fire											
City of Edinburgh		MAPPA / Local Policing +				FBV (dates tbc)						
Eilean Siar	CSI / ASI	CSI / ASI / MAPPA	Fire									
Falkirk		MAPPA				CPP F/U		CSI CSI / HB review				
Fife	MAPPA			CSI	CSI CSI	CSI CIAG						
Glasgow City		MAPPA				CPP F/U CIAG						
Highland			MAPPA									
Inverclyde	EPS review	MAPPA										
Midlothian		MAPPA										
Moray		MAPPA / HB review / FBV (dates tbc) / EPS review				CPP F/U						
North Ayrshire	MAPPA	HB review				CPP F/U						
North Lanarkshire			MAPPA			HB review						
Orkney Islands	EPS review	MAPPA / HB review / SHR performance investigation (tbc)				CPP F/U						
Perth & Kinross	Place-based inspection (pilot)		MAPPA					HB review			CIAG	
Renfrewshire	HB review	MAPPA										
Scottish Borders		MAPPA				CIAG / CPP F/U				CSI CSI		
Shetland Islands		MAPPA / CIAG								CIAG / HB review		
South Ayrshire	MAPPA									BV (tbc)		
South Lanarkshire			MAPPA			ASI ASI ASI						
Stirling		CSI F/U / MAPPA										
West Dunbartonshire		MAPPA										
West Lothian		MAPPA / EPS review				CPP F/U		Fire				

Key

Audit Scotland
Best Value (BV)
Follow-up Best Value (FBV)
Targeted Best Value Audit (TBV)
Community Planning Partnership follow-up (CPP F/U)
Housing Benefit Risk Assessment (HB)

Auditor
Additional annual audit work (AAA)

Care Inspectorate
Children's Services Inspection (CSI)
Adult Services Inspection (ASI)

Care Inspectorate/HMICS
MAPPA

HMICS
Local Policing +

Education Scotland
Education Psychology Service (EPS)
Validated Self-Evaluation (VSE)
Careers Information (CIAG)
Other

HMFSI
Local area inspections (Fire)

Scottish Housing Regulator
Performance Investigation (SHR)

Local Area Network (LAN) 2
LAN follow up work

Collaborative work
As described

Page 347

This page is intentionally left blank