

Public Document Pack



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

Town House,
ABERDEEN Date Not Specified

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 **WEDNESDAY, 9 MARCH 2016 at 2.00 pm**.

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

- 1 Determination of Exempt Business
- 2 Minutes, Workplan and Decision Tracking Sheet
 - 2.1 Minute of Previous Meeting of 26 November 2015 (Pages 5 - 16)
 - 2.2 Workplan (Pages 17 - 24)
 - 2.3 Decision Tracking Sheet (Pages 25 - 26)
 - 2.4 Minute of the Corporate Health and Safety Committee of 28 August 2015 (Pages 27 - 36)

2.5 Minute of the Corporate Health and Safety Committee of 27 November 2015 (Pages 37 - 46)

2.6 ALEO Governance Hubs - Report by the Interim Director of Corporate Governance (Pages 47 - 106)

3 Performance and Improvement

3.1 Internal Audit Progress and Performance - Report by the Internal Auditor (Pages 107 - 128)

3.2 Internal Audit Plan 2016/17 - Report by the Internal Auditor (Pages 129 - 140)

3.3 External Audit Progress Report - Report by the External Auditor (Pages 141 - 144)

3.4 External Audit Plan 2015/16 - Report by the External Auditor (Pages 145 - 170)

4 Risk Management

4.1 Scottish Public Services Ombudsman Complaint Recommendations - Report by the Interim Director of Corporate Governance (Pages 171 - 180)

5 Control Environment and Assurance Internal

5.1 Cross Service - ALEO's - Report by the Internal Auditor (Pages 181 - 192)

5.2 Adult Social Work/Integration Joint Board - Social Work Tendering - Report by the Internal Auditor (Pages 193 - 208)

5.3 Health and Social Care Integration Pre-Integration Financial Assurance - Report by the Internal Auditor (Pages 209 - 222)

5.4 Finance - Council Tax - Report by the Internal Auditor (Pages 223 - 232)

5.5 Crematorium - Report by the Internal Auditor (Pages 233 - 242)

5.6 Housing - Sheltered Housing - Report by the Internal Auditor (Pages 243 - 252)

- 5.7 Public Infrastructure and Environment - Trade Waste - Report by the Internal Auditor (Pages 253 - 264)
- 5.8 Cross Service - Recruitment Procedures - Report by the Internal Auditor (Pages 265 - 290)
- 6 Control Environment and Assurance - Audit Follow Up
 - 6.1 Internal Audit Recommendations Outstanding pre 2015/16 (PWC) - Report by the Internal Auditor (Pages 291 - 302)
 - 6.2 Internal Audit Follow Up on Recommendations Against the 2015/16 Audit Plan - Report by the Internal Auditor (Pages 303 - 306)
 - 6.3 External Audit Outstanding Recommendations 2014/15 - Report by the External Auditor (Pages 307 - 322)
 - 6.4 Leased Community Centres - Progress Report - Report by the Director of Communities, Housing and Infrastructure (Pages 323 - 326)
- 7 Financial Reporting
 - 7.1 Annual Accounts 2015/16 - Action Plan and Key Dates - Report by the Interim Director of Corporate Governance (Pages 327 - 332)
- 8 Value for Money
 - 8.1 Overview of Local Government 2015 - Report by the Chief Executive (Pages 333 - 346)
 - 8.2 Local Scrutiny Plan 2016/17 - Report by the External Auditor - to follow
- 9 Exempt Reports
 - 9.1 Cross Service - Time Sheets - Report by the Internal Auditor (Pages 347 - 370)
 - 9.2 Windows Replacements - Report by the Internal Auditor (Pages 371 - 388)
 - 9.3 Matters Under Investigation

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

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 26 November 2015. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener; and Councillors Allan (as substitute for Councillor Graham), Cameron, Cooney, Copland, Crockett, Donnelly, Flynn, Greig, Hutchison, Lawrence, Malik, Milne (as substitute for Councillor Nathan Morrison), Jean Morrison MBE, Townson and Young (as substitute for Councillor Reynolds).

The agenda and reports associated with this minute can be accessed via the following link:

<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3649&Ver=4>

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that items 8.1 and 8.2 of today's agenda (articles 26 and 27 of this minute) be considered with the press and public excluded.

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for articles 26 and 27 so as to avoid disclosure of exempt information of the class described in paragraph 1 (article 27) and paragraphs 1 and 2 (article 26).

DEPUTATION REQUEST - MR TOMMY CAMPBELL, UNITE AND MR STEVE DILLON , UCATT

2. In terms of Standing Order 10(1), the Committee had before it a deputation request from Mr Campbell and Mr Dillon in relation to items 8.1 (Craft Workers Terms and Conditions) and 8.2 (Windows Replacement) on the agenda (articles 26 and 27 refers).

The Committee resolved:-

to agree to hear the deputations at the start of the meeting and discuss the reports at the appropriate time on the agenda.

DEPUTATION IN RELATION TO AGENDA ITEMS 8.1 AND 8.2

3. Mr Campbell and Mr Dillon requested that the exempt reports at items 8.1 (Craft Workers Terms and Conditions) and 8.2 (Windows Replacement) be shared with them to enable them to provide full comment in relation to both reports. Mr Campbell advised that they would be focusing on agenda item 8.2 (Window Replacement). The Head of Legal and Democratic Services advised that both reports contained information that may identify an individual and that the reports should not be issued as this would be a risk to the Council under Data Protection Legislation.

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Councillors asked if the reports could be redacted in order for the deputation to receive a copy and whether they would accept a redacted copy of the reports. Mr Dillon advised that the redacted report would be acceptable if the full report was not to be issued.

The Committee resolved:-

- (i) to note the information provided by Mr Campbell and Mr Dillon specifically in relation to agenda item 8.2;
- (ii) to note the legal advice provided that the exempt reports should not be shared due to the risk to the Council under Data Protection legislation;
- (iii) to request Committee Services to redact the report and provide a copy to Mr Campbell and Mr Dillon to allow them to continue with their deputation prior to consideration of the exempt report and that the redacted version be given to members in order for them to ask questions suitable for within the public session.

ADJOURNMENT

The Committee adjourned for 15 minutes to enable the Clerk to have item 8.2 (Windows Replacement) redacted.

MINUTE OF PREVIOUS MEETING OF 29 SEPTEMBER 2015

4. The Committee had before it the minute of its previous meeting of 29 September 2015.

The Committee resolved:-

to approve the minute as a correct record.

WORKPLAN

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

The Committee resolved:-

to note the content of the workplan.

DECISION TRACKING STATEMENT

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

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The Committee resolved:-

- (i) in relation to items 5 (Compliance with Laws and Regulations) and 6 (Arm's Length External Organisations), to note the update provided and agree to remove both items from the tracking sheet;
- (ii) to remove items 2 (Transfer of Site, Langdykes Road), 4 (PVG Checks, Community Centres), 8 (Housing Rent Assessment) and 10 (Community Centres) subject to the decisions taken later on the agenda; and
- (iii) to otherwise note the content of the tracking sheet.

MINUTE OF CORPORATE HEALTH AND SAFETY COMMITTEE OF 22 MAY 2015

7. The Committee had before it for information, the minute of meeting of the Corporate Health and Safety Committee of 22 May 2015.

The Committee resolved:-

to note the minute

ELECTED MEMBER DEVELOPMENT - CG/14/095

8. With reference to article 6 of the minute of its meeting of 29 September 2015, the Committee had before it a report by the Interim Director of Corporate Governance which provided an update on the training for all elected members in the area of Risk and Scrutiny.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to note the content of the report.

INTERNAL AUDIT PROGRESS AND PERFORMANCE

9. The Committee had before it a report by the Internal Auditor which provided an update on the progress against the 2015/16 Internal Audit Plan.

The report recommended:

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

The Committee resolved:-

- (i) to note that the current programme had been delayed and that the remaining audits would be prioritised in order for them to be progressed;

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- (ii) to note that two audits relating to recruitment procedures would now be covered in the same report to Committee;
- (ii) to otherwise note the content of the report.

EXTERNAL AUDIT PROGRESS REPORT

10. The Committee had before it a report by Audit Scotland, External Auditor, which provided an update on the progress with the external audit of the 2014/15 financial year.

The Committee resolved:-

to note the content of the report.

DATA PROTECTION REPORTING JULY TO SEPTEMBER 2015 - CG/15/135

11. With reference to article 9 of the minute of its meeting of 29 September 2015, the Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of (1) Subject Access Requests statistics; (2) Data Breaches and Near Misses; (3) Data Protection training and (4) a general update for the period July to September 2015.

The report recommended:

that the Committee note the report.

The Committee resolved:-

- (i) in response to a question from Councillor Flynn relating to the percentage of Subject Access Requests responded to within 40 days and what had been done to improve the figures, the Head of Legal and Democratic Services advised that he had requested services to provide information relating to these and that one service in particular struggled to meet the timescales due to the nature of the information sought;
- (ii) in response to a request from the Vice Convener for the figures to be provided by Service, to note that this would be included for future reports; and
- (iii) to otherwise note the content of the report.

PROTECTING VULNERABLE GROUPS (PVG) SCHEME - REPORT BY THE INTERIM DIRECTOR FOR CORPORATE GOVERNANCE

12. The Committee had before it a report by the Interim Director of Corporate Governance which provided details relating to the current policy and procedure's for Protecting Vulnerable Groups (PVG) Scheme.

The report recommended:

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that the Committee note the detail of the report.

Councillors raised various questions relating to whether all Councillors who were deemed to be undertaking regulated work with children or protected adults had been PVG checked and whether substitutes would require to be checked; and whether lay members of Committees or groups undertaking regulated work had been PVG checked.

The Committee resolved:-

- (i) to note that work was currently being undertaken to identify those Councillors or lay members that required to be PVG checked and that this information would be provided to the Committee;
- (ii) to note that substitutes to Committees that required Councillors to be PVG checked would be allowed however they would not be covered by PVG as the work would be incidental and not regulated work;
- (iii) to otherwise note the content of the report.

HOUSING - RENT ASSESSMENT

13. With reference to article 13, resolution (i) of the minute of its meeting of 29 September 2015, the Committee had before it a report by the Internal Auditor which presented an audit into whether the approved Rent Setting Policy as implemented in April 2013 was operating effectively.

The Committee resolved:-

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

TRANSFER OF SITE, LANGDYKES ROAD

14. With reference to article 2 of the minute of its meeting of 25 June 2015, the Committee had before it a report by the Internal Auditor which presented the outcome of work undertaken by Internal Audit following a referral from Finance, Policy and Resources Committee regarding the transfer of site at Langdykes Road.

The report recommended:

that the Committee review, discuss and comment on the issues raised within the report.

The Committee resolved:-

to note the content of the report.

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RISK MANAGEMENT

15. The Committee had before it a report by the Internal Auditor which presented an audit into the Council's adopted Risk Management procedures to identify its risks and ensure that they were adequately managed.

Councillor Cameron sought clarification relating to the Health and Social Care Partnership Integration Scheme and the requirements within the Risk Management Strategy, wherein the Internal Auditor advised that they would be using the Health Board's Risk Management Process which satisfied the requirements of the Scottish Government.

Councillor Young sought clarification on how the risks would be reported and monitored in relation to the Integrated Joint Board, wherein the Internal Auditor advised that the Integrated Joint Board would be providing services on behalf of the Council and Internal Audit would be looking at the risks in place.

The Vice Convener sought an update in relation to the Risk Management Strategy and when it would be reported to this Committee as the previous one was more than twelve months ago, wherein the Risk Manager advised that additional work was required to ensure all elements of risk and the broader governance statement were included in the Risk Management Strategy and that a report would be presented to this Committee within six months.

The Committee resolved:-

- (i) in response to a question from the Vice Convener relating to the Risk Management Strategy and Statement of Control Annual Report to this Committee, to note that the new broader governance statement was not reflected in the Risk Management Strategy and that further work was required to amend the Strategy and that a report would be submitted to this Committee at its meeting on 28 April 2016;
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

COMMERCIAL AND PROCUREMENT - CREDITORS SYSTEM

16. The Committee had before it a report by the Internal Auditor, which presented an audit into whether appropriate control was being exercised over the Creditors System, including contingency planning and disaster recovery and that the interface to and from other systems were accurate and properly controlled.

The Committee resolved:-

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

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HUMAN RESOURCES & CUSTOMER SERVICE - PAYROLL SYSTEM

17. The Committee had before it a report by the Internal Auditor, which presented an audit into whether appropriate control was being exercised over the Payroll System, including contingency planning and disaster recovery and that the payments made by the system were accurate.

The Convener sought clarification in relation to a recommendation that had not been agreed relating to a PSe Manual, wherein the Head of Human Resources and Customer Service advised that the system would be replaced within a three/four year period and that a manual for the new operating system would be provided.

The Vice Convener sought clarification on the number of staff that used the system wherein the Head of Human Resources and Customer Service advised that there were four members of staff. The Convener requested that something be put in place in case those staff members were to leave the Council wherein it was agreed that a brief note on the system could be provided until the new system was in place and operational.

The Committee resolved:-

- (i) in response to a question from the Convener in relation to written procedures for the PSe System where agreement had not been met between the auditor and the service and whether this item would be included in outstanding recommendations report, to note that the auditor would always recommend best practice and to note that a brief outline of the system could be provided with a full manual being implemented for the replacement system; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINT DECISIONS - CG/15/138

18. The Committee had before it a report by the Interim Director of Corporate governance which provided details of all Scottish Public Services Ombudsman (SPSO) decisions relating to Aberdeen City Council complaints received during 2014/15 that were subsequently referred to the Ombudsman.

The report recommended:

That the Committee review the content of the report, identify any systemic issues and recommend any additional actions as appropriate.

The Committee resolved:-

To approve the recommendation contained in the report.

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AUDIT SCOTLAND - AUDIT OF HOUSING BENEFIT - CG/15/129

19. The Committee had before it a report by the Interim Director for Corporate Governance which advised the Committee of the outcome of Audit Scotland's Housing Benefit - Performance Audit Risk Assessment.

The report recommended:

that the Committee note the content of the report.

Councillor Townson sought additional information relating to the operation of the Single Fraud Investigation Service, wherein the Head of Finance advised that they were based locally and the Council had retained its own counter fraud staff.

Councillor Hutchison requested further information relating to the current amount of subsidy that the Council were unable to claim due to the value of local authority/administrative delay error overpayment being above DWP's threshold of 0.54%, the Head of Finance advised that he would provide Councillor Hutchison with the current figure.

The Committee resolved:-

- (i) in response to questions from Councillor Townson relating to the Single Fraud Investigation Service, to note that the Council had retained its counter fraud staff and they were based locally and to note that the Head of Finance would try to gain information on how the SFIS were structured and how they were operating across their full remit;
- (ii) in response to a question from Councillor Hutchison relating to the current amount of subsidy that the Council were unable to claim due to the value of local authority/administrative delay error overpayment being above DWP's threshold of 0.54%, to note that the Head of Finance would provide Councillor Hutchison with the current figure; and
- (ii) to otherwise approve the recommendation contained in the report.

FOOD STANDARDS SCOTLAND CORE AUDIT - CHI/15/297

20. The Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the findings of the Food Standards Scotland Core Audit of Aberdeen City Council's Official Controls in relation to Regulation (EC) 852/2004 on the Hygiene of Foodstuffs in Food Business Establishments and the application of the Food Hygiene Information Scheme.

The report recommended:

that the Committee notes the content of the audit report and the associated action plan prepared by the Environmental Health Service.

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The Committee resolved:-

- (i) to note the praise given to the team from the Manager and the Committee; and
- (ii) to otherwise approve the recommendation contained in the report.

INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015/16

21. The Committee had before it a report by the Internal Auditor which advised on progress Services' had made with implementing recommendations agreed in Internal Audit reports issued by the previous auditors, PWC.

The report recommended:

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

Councillor Cameron sought clarification relating to Service Reviews and whether they would be completed by the 31 December 2015, wherein the Team Manager advised that each of the items should have a completion date and that he would liaise with the Head of Joint Operations to ensure the correct dates were added.

Councillor Copland sought clarification in relation to the timing of the recommendations to be completed and the opportunity for the Integrated Joint Board to scrutinise the information prior to them operating from 1 April, wherein the Team Manager advised that he would liaise with the Chief Officer and provide the information to the Committee.

The Committee resolved:-

- (i) to note that the item relating to Compliance with Laws and Regulations would be removed in relation to the decision taken at article _ of this minute;
- (ii) in response to questions from Councillor Cameron in relation to Service Reviews and the additional time to complete the actions, to note that the Team Manager would liaise with the Head of Joint Operations to ensure the correct dates were added against each of the outstanding recommendations;
- (iii) in response to a question from Councillor Copland relating to the timing for the recommendations to be completed and whether the Integration Joint Board would have an opportunity to scrutinise the information prior to their inception on 1 April 2016, to note that the Team Manager would liaise with the Chief Officer and provide the information to the Committee;
- (iii) to otherwise note the content of the report.

INTERNAL AUDIT FOLLOW UP RECOMMENDATIONS

22. The Committee had before it a report by the Internal Auditor which advised on the progress with implementing agreed recommendations contained in reports issued in relation to the 2015/16 Internal Audit Plan and any additional work undertaken.

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The report recommended:

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

The Committee resolved:-

to note the content of the report.

EXTERNAL AUDIT RECOMMENDATION OUTSTANDING 14/15

23. The Committee had before it a report by Audit Scotland, External Auditor, which presented the list of issues and risks that had been agreed by Management as part of the 2014/15 audit. An update had been provided for the items due to be complete by February 2016.

The Committee resolved:-

to note the content of the report.

MEASURES TO DETECT AND PREVENT FRAUD - CG/15/113

24. The Committee had before it a report by the Interim Director of Corporate Governance which presented for information the Policy and Strategic Response to Fraud, Bribery and Corruption.

The report recommended:

That the Committee –

- (a) note the content of the report and attached Policy and Strategic Response to Fraud, Bribery and Corruption document; and
- (b) note that the Finance, Policy and Resources Committee of 15 September 2015 approved the Policy and Strategic Response to Fraud, Bribery and Corruption.

Councillor Townson sought clarification as to when Police Scotland would be contacted for assistance, wherein the Head of Finance advised that if there was a suspected case of fraud then Police Scotland would be contacted for each occurrence.

Councillor Townson requested an update in relation to the National Fraud Authority Self-Assessment Checklist and when the items listed as No would be actioned, wherein the Head of Finance advised that these were currently being looked at and that an annual report would be submitted to this Committee to provide details of any fraud activity.

The Committee resolved:-

- (i) in response to a question from Councillor Townson relating to when Police Scotland would be contacted, to note that they would be contacted for all instances where a suspected fraud has taken place;

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- (ii) to note that the Committee would receive an annual report to notify them of any activity in relation to fraud;
- (iii) to otherwise approve the recommendations contained in the report.

PVG CHECKS - COMMUNITY CENTRES - CHI/15/319

25. The Committee had before it a report by the Director of Communities, Housing and Infrastructure which advised on the progress made in relation to Protecting Vulnerable Groups (PVG) Checks for Leased Community Centres.

The report recommended:

that the Committee note the content of the report.

Councillor Cameron sought clarification as to who is able to vet the certificates, wherein the Communities and Partnership Service Manager advised that she thought it would be Volunteer Scotland however she would clarify the issue and advise the Committee.

The Committee resolved:-

- (i) to note that the Service manager would advise the Committee who would be able to vet the PVG certificates for Community Centre members; and
- (ii) to otherwise approve the recommendation contained in the report.

ADJOURNMENT

The Committee adjourned for 15 minutes to allow the redacted report for item, 8.2 (Windows Replacement) to be circulated to Members and to Mr Campbell and Mr Dillon.

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.

WINDOW REPLACEMENTS - CG/15/147

26. Prior to considering the exempt report, the Committee heard the deputation in public session. Councillors asked various questions in relation to the redacted report and the presentation.

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The Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the outcome of an internal audit into replacement windows at a Council property.

Councillors asked various questions to officers in relation to the full report.

The Committee resolved:-

- (i) to thank Mr Campbell and Mr Dillon for their presentation;
- (ii) to defer the report for further information to be provided; and
- (iii) to request the Internal Auditor to undertake an audit into the process for dealing with complaints against officers and to determine if the process was followed correctly in this case, and to make any recommendations as appropriate.

CRAFT WORKERS TERMS AND CONDITIONS

27. The Committee had before it a report by the Internal Auditor which presented the outcome of an audit into Craft Workers Terms and Conditions.

The Committee resolved:-

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

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WORKPLAN

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
9 MARCH 2016				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.		Internal Audit Plan 2016/17		Internal Auditor
3.		External Audit Progress Report		
4.		External Audit Plan 2015/16		External Audit
Risk Management				
5.		SSPO Recommendations		Customer Officer Experience
Control Environment and Assurance – Internal				
6.	26/02/15 article 9	Cross Service Time Sheets/Allowances	Internal Audit Plan agreed (Exempt Report)	Internal Auditor
7.	26/02/15 article 9	Cross Service Following the Public Pound	Internal Audit Plan agreed Progress report recommending moving to 2016/17 IA plan	Internal Auditor
8.	26/02/15 article 9	Cross Service Data Protection	Internal Audit Plan agreed Progress report recommending moving to 2016/17 IA plan	Internal Auditor
9.	26/02/15 article 9	Cross Service ALEO's	Internal Audit Plan agreed.	Internal Auditor
10.	26/02/15 article 9	Adult Social Work/Integration Joint Board	Internal Audit Plan agreed.	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
		Social Work Tendering		
11.	26/02/15 article 9	Finance Budget Setting Process	Internal Audit Plan agreed. Progress report recommending moving to 2016/17 IA plan	Internal Auditor
12.	26/02/15 article 9	Finance VAT	Internal Audit Plan agreed Delayed due to HMRC Inspection. Progress report recommending moving to 2016/17 IA plan	Internal Auditor
13.	26/02/15 article 9	Finance Council Tax	Internal Audit Plan agreed.	Internal Auditor
14.	26/02/15 article 9	Transportation Vehicles	Internal Audit Plan agreed	Internal Auditor
15.	26/02/15 article 9	Housing Building Procurement Maintenance	Internal Audit Plan agreed. Progress report recommending moving to 2016/17 IA plan	Internal Auditor
16.	26/02/15 article 9	Housing Sheltered Housing	Internal Audit Plan agreed	Internal Auditor
17.	26/02/15 article 9	Public Environment & Infrastructure Trade Waste	Internal Audit Plan agreed	Internal Auditor
18.	29/09/15 article	Health and Social Care Integration Pre-Integration Financial Assurance		Internal Auditor
19.	26/02/15 Article 9	Recruitment Procedures	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – Audit Follow Up				
20.	26/02/15 article 9	Audit Outstanding pre 15/16	Standing Item	Internal Auditor
21.		Audit Outstanding against the 2015/16 Audit Plan	Standing Item	Internal Auditor
22.	29/09/15	External Audit, Outstanding	Standing Item	External Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	article	Recommendations		
Financial Reporting				
23.		Annual Accounts 2015/16 – Action Plan and Key Dates		Head of Finance
Value for Money				
24.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
35.		Matters Under Investigation	Standing Item	
28 APRIL 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.		Data Protection Reporting September to December 2015		Governance Support Officer
4.	N/A – instruction of Director of CG	Feedback/ Evaluation of External Auditors		Corporate Performance & Transformation Manager
Risk Management System				
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
Control Environment and Assurance – Internal				
6.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed Progress report recommending moving to 2016/17 IA plan	Internal Auditor
7.	26/02/15 article 9	Cross Service Corporate Policies and	Internal Audit Plan agreed	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
		Procedures		
8.	26/02/15 article 9	Finance Budget Monitoring	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Finance Bank Reconciliations	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Finance Benefits	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Education & Children's Services Academy Visits	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Education & Children's Services Teachers Payroll including Supply Teachers	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15 article 9	Education & Children's Services Out of Authority Placements	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	Transportation Tendering Procedures	Internal Audit Plan agreed Progress report recommending moving to 2016/17 IA plan	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
18.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed	Internal Auditor
19.	26/02/15 article 9	Education & Children's Services Family and Community Support – Family Centres	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – External				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
20.				
Control Environment and Assurance – Audit Follow Up				
21.	26/02/15 article 9	Audit Outstanding pre 15/16	Standing Item	Internal Auditor
22.		Audit Outstanding against the 2015/16 approved Audit Plan	Standing Item	Internal Auditor
23.		External Audit Outstanding Recommendations	Standing Item	External Auditor
Financial Reporting				
24.				
Value For Money				
25.		Local Scrutiny Plan 2016/17		External Audit
Exempt Report				
26.		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
3.		Data Protection Reporting January to March 2016		
4.	26/06/15 article 11	Data Protection Annual Report		Governance Officer
5.		Annual Audit, Risk and Scrutiny Committee Report		Support Corporate Performance & Transformation Manager
Risk Management System				
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 –				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
Internal – TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
7.				
Control Environment and Assurance – External				
8.				
Control Environment and Assurance – Audit Follow Up				
9.	26/02/15 article 9	Audit Outstanding pre 15/16	Standing Item	Internal Auditor
10.		Audit Outstanding against the approved 2015/16 Audit Plan	Standing Item	Internal Auditor
11		External Audit Outstanding Recommendations	Standing Item	External Auditor
Financial Reporting				
12.		Unaudited Annual Accounts 2015/16	To present the unaudited accounts.	Head of Finance
13.		External Audit Interim Report on 2015/16 Audit		External Audit
Value for Money				
14.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
15.		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 2016		

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
Risk Management System				
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.				
Control Environment and Assurance – External				
6.				
Control Environment and Assurance – Audit Follow Up				
7.	26/02/15 article 9	Audit Outstanding	Standing Item	Internal Auditor
8.		External Audit Recommendations	Standing Item	External Auditor
Financial Reporting				
9.		Annual Audited Accounts 2015/16		Head of Finance
10.		Annual Report to Members and the Controller of Audit on the 2015/16 Audit - September committee		External Audit
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 –		

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
		July to September 2016		
Risk Management System				
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.				
Control Environment and Assurance – External				
6.				
Control Environment and Assurance – Audit Follow Up				
7.	26/02/15 article 9	Audit Outstanding	Standing Item	Internal Auditor
Financial Reporting				
8.				
Value for Money				
9.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
10.		Matters Under Investigation	Standing Item	

AUDIT, RISK and SCRUTINY DECISION TRACKING SHEET

9 March 2016

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.

<u>No.</u>	<u>Minute Reference</u>	<u>A,R&S Committee Decision</u>	<u>Lead Officer(s)</u>	<u>Responsible Service</u>	<u>Decision or Update</u>
1.	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 Management, to note that following consideration by officers, a report would be submitted to this Committee then Finance, Policy and Resources Committee.	S Whyte	Finance	Report will be submitted to Committee in April 2016
2.	Audit, Risk and Scrutiny 25 June 15 article 11	Data Protection Reporting (ii) in response to a comment from Councillor Graham, to note that an annual report providing an overview throughout the year would be presented to this Committee at the meeting where no quarterly report was presented	S Inglis	Legal Services	Report will be submitted to Committee in June 2016
3.	Audit, Risk and Scrutiny 29 September Article 13	Public Reporting Performance – Audit Scotland’s Assessment	T Sulaiman	Communications and Promotion	Report due to Committee by April 2016
4.	Audit, Risk and Scrutiny 26 November Article	Windows Replacements (ii) to defer the report for further information to be	D Hughes	Internal Audit	A report is due in March 2016

<u>No.</u>	<u>Minute Reference</u>	<u>A,R&S Committee Decision</u>	<u>Lead Officer(s)</u>	<u>Responsible Service</u>	<u>Decision or Update</u>
		<p>(iii) provided; and to request the Internal Auditor to undertake an audit into the process for dealing with complaints against officers and to determine if the process was followed correctly in this case, and to make any recommendations as appropriate.</p>			

CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 28 August 2015. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Councillor Graham Chairperson; and Mike Middleton, Vice Chairperson. City Council Representatives:- Councillors Cameron, Finlayson and Greig.

Trade Union Representatives:- Joe Craig (UNITE), Karen Davidson (UNISON), George Ferguson (UNISON), Paul Nesbitt (UCATT), Steve Robb (UNITE), Sid Sandison (SSTA), Carole Thorpe (EIS) and David Willis (GMB).

Officers in attendance:- Angela Scott (Chief Executive), Ewan Sutherland (Director of Corporate Governance), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Leaver (Team Leader), Andrew Moat (Health and Safety Adviser), Neil Yacamini (Project Manager), Martin Allan (Business Manager), Bruce Findlater (Admin Officer), Michael Hearn (Directorate Support Manager), Lesley Kirk (Directorate Support Manager), Kate Mackay (Business Manager), Euan Couperwhite (Head of Policy, Performance and Resources) and Mark Reilly (Head of Public Infrastructure and Environment).

AGENDA ORDER

1. The Chairperson sought agreement to amend the order of the agenda so that item 4a (Corporate Health and Safety Report) (article 6 of this minute refers) was taken prior to item 3a (Adult Health and Social Care Annual Health and Safety Report) (article 7 of this minute refers).

The Committee resolved:-

to approve the change to the agenda order.

APOLOGIES

2. Apologies for absence were intimated on behalf of Councillor Donnelly.

MINUTE OF PREVIOUS MEETING OF 22 MAY 2015

3. The Committee had before it the minute of its previous meeting of 22 May 2015.

The Committee resolved:-

to approve the minute subject to the amendment of a typographical error on page 1, article 3.

MATTERS ARISING

4. With reference to articles 3 (resolution ii) and 4 resolution (ii), to note that the school security improvement plan was being developed and would be issued to the Health, Safety and Wellbeing Manager prior to it being issued to the Committee.

The Health, Safety and Wellbeing Manager enquired as to whether the Corporate Health and Safety Report (article 9) should be discussed at the Directorate Health and Safety Committee as well as the Service Health and Safety Committee.

The Committee resolved:-

to note that the Health and Safety report should be discussed at both the Service Health and Safety Committee and the Directorate Health and Safety Committee.

COMMITTEE BUSINESS STATEMENT

5. The Committee had before it a statement of outstanding business as prepared by the Clerk.

The Committee resolved:-

to note that the school security improvement plan would be circulated to the Health, Safety and Wellbeing Manager prior to it being issued to the Committee.

CORPORATE HEALTH AND SAFETY REPORT - APRIL TO JUNE

6. With reference to article 9 of the minute of its previous meeting of 22 May 2015, the Committee had before it a report by the Interim Director of Corporate Governance which presented details of the number and types of accidents, incidents and occurrence during the period April to June 2015.

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

Accidents, Incidents, Accidents Rates and Incidents

- 105 accidents to employees were reported of which 7 were reportable to the enforcing authority
- 94 accidents to third parties were recorded of which 2 were reportable to the enforcing authority
- the accident (reportable) rate for the period was 0.88
- 110 incidents were reported during the period with the highest attributed to verbal abuse (49) and threatening or menacing behaviour (43)

Occupational Health and Wellbeing Events

- the contract for occupational health provision was awarded to OH Assist and commenced on 3 August
- a calendar of events and campaigns aimed to support employees and their families to make positive lifestyle choices was appended to the report
- the Council had retained the RoSPA Gold Medal Award in 2014/15 in recognition of the Council's efforts, achievements and commitment to raising the standards of health and safety management throughout the organisation

Enforcement Interventions – Health and Safety Executive (HSE)

- HSE contacted the health, safety and wellbeing team relating to a concern raised by an employee that their injury had not been reported to the HSE, on which the information provided stated that the employee had been off for 5 days, returned to work and was then off for a further period of time with the injury being different to that initially reported. The HSE accepted the explanation and no further action was required.
- HSE myth buster line contacted the health, safety and wellbeing team relating to information provided by residents that the Evening Express had reported a story that contained comments from Council employees regarding unsafe play equipment in a park. Residents had bought the equipment and installed it in an area however it was not of the correct standard for public access and would not be maintained by the Council. The HSE accepted and confirmed the information and provided the residents with the information, therefore no further action was required.
- On 28 June 2012, a pupil from an Aberdeen Primary School attended Stonehaven Open Air Pool and during the visit became submerged under water and was recovered unconscious. On 12 August, the Council appeared at Aberdeen Sheriff Court and pled guilty to breaching Section 3(1) of the Health and Safety at Work Act 1974 and they received a fine.
- An incident happened to an elderly tenant in his property on 5 August and full information will be reported at the next committee meeting.

Health and Safety Training and Cancellations

- 445 employees attended health and safety training
- there were 41 late cancellations and no shows which resulted in a total of £ 2,415 being back charged to Services with £97 of that total being charged to external Services
- there had been 141 feedback responses received out of the 277 issued.

Fire Risk Assessment

- 45 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

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 level specifics detail to be discussed at Service Management Teams;
- (b) to support actions to reduce accidents and work related ill health in line with health and safety targets; and
- (c) to disseminate and take action on the health and safety information in the report.

The Health, Safety and Wellbeing Manager provided the Committee with information relating to three incidents, two of which were still being investigated. The third one related to an incident at Stonehaven Swimming Pool (as referred to on page 63).

Sid Sandison referred to Fire Safety Training which all school staff had been advised about on return to school and enquired as to what was available. The Health, Safety and Wellbeing Manager advised that there were various courses available online as

well as evac chair training and fire extinguisher training and that following recent fire risk assessments, it had been identified that there was a need for staff to be trained.

George Ferguson advised that in a previous job, he attended full day fire awareness training at the local fire station as well as on-site training which he found to be very useful and enquired as to whether this type of training had been considered. The Health, Safety and Wellbeing Manager advised that she would see this this type of training was offered by the Fire and Rescue Service in Aberdeen.

The Committee resolved:-

- (i) in relation to information provided from George Ferguson (Unison) relating to a fire awareness course he attended in a previous role, to request the Health, Safety and Wellbeing Manager to determine whether a fire safety course could be provided by the local Fire and Rescue Service;
- (ii) in relation to article 4 of this minute to note that the report should be discussed at both the Directorate and Service level health and safety committees; and
- (iii) to otherwise approve the recommendations contained in the report.

ADULT HEALTH AND SOCIAL CARE ANNUAL HEALTH AND SAFETY REPORT

7. The Committee had before it a report by the Chief Office for Adult Social Care which presented the annual health and safety report for the period 1 July 2014 to 30 June 2015.

Four Directorate health and safety meetings took place attended by management, union representatives and senior officers and there were no HSE interventions during the period.

For the Older Adults Service

- 39 accidents were reported by employees compared to 25 in 2013/14
- 51 incidents were reported compared to 49 in 2013/14
- The majority of accidents and incidents had been recorded for Balnagask Court
- the scores for the individual elements of the health and safety matrix were: 100% for Housekeeping and Cleaning, First Aid, Slips Trip and Hazards, Machinery, Plant and Equipment, Welfare and Accidents/Incidents; and 93% for Emergency Precautions and Environment
- 432 employees attended health and safety training

For the Younger Adults and Criminal Justice Service

- 3 accidents were reported by employees compared to 2 in 2013/14
- 8 incidents were reported compared to 2 in 2013/14
- the scores for the individual elements of the health and safety matrix were: 100% for Emergency Precautions, Housekeeping and Cleaning, First Aid, Welfare and Accidents/Incidents; 97% for Slip, Trip and Hazards and Machinery, Plant and Equipment; and 87% for Environment
- 62 employees attended health and safety training

Sickness Absence for the Service

- the number of episodes of absence in excess of 28 days had fluctuated during the period with a low of 10 in August 2014 and a peak of 17 in May 2015

- the number of episodes of absence under 28 days had fluctuated during the period with a low of 47 in December 2014 and a peak of 77 in January 2015
- the main reasons for absence were respiratory difficulties at 277 compared to 188 in the previous period and gastrointestinal problems at 170 compared to 153 in the previous period
- the number of days lost was 1,678 which had decreased from 2,179 in the previous period

The report recommended:

that the Committee note the content of the report.

Karen Davidson sought clarification as to whether the Children's Services health and safety report in November would cover the period from June 2014, wherein the Business Manager advised that it would.

Councillor Cameron sought clarification relating to staff safety in particular whilst lone working and whether the new systems in place were adequate and being monitored, wherein the Business Manager advised she would request that the Lead Service Manager provide a response directly to Councillor Cameron.

George Ferguson asked if Airwatch, the system on phones that track GPS signals for lone working could be used, wherein the Business Manager advised that an update would be provided to the next Committee on the lone working procedures in place.

The Committee resolved:-

- (i) to note that the Children's Services statistics from June 2014 would be reported to this Committee in November;
- (ii) in response to questions relating to staff safety in relation to the implementation of the new lone working procedures, the Business Manager advised that she would request the Lead Service Manager to provide a response directly to Councillor Cameron;
- (iii) in response to a question from George Ferguson (Unison) relating to the use of Airwatch, the system on phones that track GPS signals for lone working, to note that an update would be provided to the next Committee on the lone working procedures in place;
- (iv) to otherwise approve the recommendation contained in the report.

CORPORATE FLEET MANAGEMENT PERFORMANCE AND COMPLIANCE

8. With reference to article 18 of the Audit, Risk and Scrutiny Committee of 25 June 2015, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which (1) advised that the above mentioned Committee recommended that health and safety aspects relating to Fleet Governance would be reported to the Corporate Health and Safety Committee; (2) explained that the service were developing a robust performance framework for the monitoring, analysis and reporting of improvements for fleet compliance; and (3) provided information on the progress made to date on developing a suite of performance indicators.

The report provided background information relating to the Traffic Commissioners Public Inquiries into the Council's Goods Vehicle Operator's Licence and also stated that a full review into the service was undertaken with measures put in place to improve service compliance, delivery and performance.

The report contained information relating to the progress made to date in relation to the improvement action plan including developing a new operating structure for Fleet Services, improvements to vehicle workshops, comprehensive training for mechanics, drivers and supervisors, fleet compliance, improvements to health and safety, improved IT Systems, stock control and vehicle procurement. Information relating to Vehicle Accidents and Incidents since February 2015 was also reported.

The report presented the KPI's for Fleet which included:

- (1) MOT % First Time Pass Rate ('O' Licence Vehicles)
- (2) Roadside Inspections/resulting prohibitions.
- (3) Value of Spare Parts Held as Stock
- (4) Outstanding 'O' Licence MOT's/Inspections
- (5) Vehicles Over 5 Years Old
- (6) Number of Vehicles per Service
- (7) Licence Issues as % of License Checks

Appended to the report were the results of a recent survey of employees' awareness of Vehicle Compliance.

The report recommended:

that the Committee notes the actions taken and measures put in place in Fleet Services for monitoring performance of corporate Fleet Compliance.

In response to a question from Sid Sandison relating to the school mini buses and whether these were all recorded under the Fleet Service, the Head of Public Infrastructure and Environment advised that he was working with colleagues in Education to gather information on their requirements for any vehicles that they owned and that all vehicles should be managed in-house and those driving the vehicles should undertake the same checks as drivers of other Fleet vehicles and that there were some old arrangements still in place for external organisations which was currently being looked at.

To note that in light of the incident in Glasgow relating to the Bin Lorry, a report would be presented to this Committee to outline what processes and procedures were being implemented to prevent a similar issue occurring in Aberdeen.

To note the information provided by Joe Craig relating to a recent incident within Building Services and to request that a report be submitted to this Committee presenting the findings of the follow up meeting and checks.

The Chairperson requested that for future reports the details within the action plan be included to provide assurance to the Committee that issues were being addressed.

The Committee resolved:-

- (i) to concur with the remarks from the Chief Executive, congratulating the team for the work done to date and for the comprehensive report;
- (ii) to request that the results from the staff survey and all future staff surveys are provided to this Committee;
- (iii) to request that for future reports only indicators 1, 2 and 7 are reported on to give assurance on compliance;
- (iv) to request that information be included in the next report relating to the actions the Council were taking in light of the incident in Glasgow, to ensure drivers were safe to drive vehicles;

- (v) in relation to concerns raised over mini buses used by schools and whether they were all monitored in line with those in Fleet Services, including the drivers, to request that the current process be reviewed and that a report on the findings be presented to this Committee;
- (vi) in relation to the results of the recent staff survey and the action plan implemented to address the issues, to request the Head of Public Infrastructure and Environment to include the actions in the next report to this Committee to provide assurance to this Committee and to staff that the issues were being addressed;
- (vii) in relation to a recent case, as highlighted by Unite, to request the Head of Public Infrastructure and Environment to meet with Joe Craig and the Head of Building Services to discuss the compliance and processes induction and to request that a report be provided to this Committee providing an update; and
- (viii) to otherwise approve the recommendation contained in the report.

DIRECTORATE HEALTH AND SAFETY IMPROVEMENT PLANS

9. The Health, Safety and Wellbeing Manager advised that templates had been issued to all Directorates and once those were complete and submitted, the information would be used to create the Corporate Improvement Plan. These would be reported to the Corporate Management Team and then to this Committee in due course.

The Committee resolved:-

to note the verbal update provided.

CORPORATE HEALTH AND SAFETY ANNUAL REPORT - APRIL 2014 TO MARCH 2015

10. The Committee had before it a report by the Interim Director of Corporate Governance which summarised the health and safety activities for the period 1 April 2014 to 31 March 2015.

The report provided the following statistical information for the period in question:

Accidents, Incidents and Training

- 178 accidents to employees were reported of which 23 were reportable to the enforcing authority
- 376 accidents to third parties were reported of which 10 were reportable to the enforcing authority
- the reportable accident rate was 2.70 per 1000 employees which was a reduction from the previous year (3.41)
- accident rate benchmark figures had been provided for 6 local authorities (anonymised)
- 468 incidents to employees were reported with threatening and menacing behaviour being the highest cause with 146 reported
- 1810 employees attended health and safety training

Health and Safety Targets

- target 1 (20% reduction in the incidence rate of all reportable employee accidents) – reportable accident rate per 1000 employees >3days was 0.18 (2009/10 was 7.26) so a reduction from 2009/10

- target 1 (20% reduction in the incidence rate of all reportable employee accidents) – reportable accident rate per 1000 employees >7days was 3.76 (2013/14 was 3.06) so an increase from 2013/14 (when the 7 day figures started to be recorded)
- target 2 (20% reduction of days lost from work related injury and ill health) – 1837 days (2009/10 was 2682 days) so a 32% decrease from 2009/10
- target 2 (stress related absence) 11002 days (2009/10 was 10175 days) so a 8% increase from 2009/10
- target 3 (20% reduction of the reported cases of work related ill health) no new cases were reported

The report recommended:

That the Committee –

- approve the report;
- approve the publication of a summarised version of this report on the Council website;
- support the actions to reduce accidents and work related ill health in line with health and safety targets; and
- disseminate and take action on the health and safety information in the report.

The Chief Executive sought clarification as to which local authority marked as A-F in the report was the most comparable to Aberdeen, wherein the Health, Safety and Wellbeing Manager advised that she would provide the details of those local authorities to the Chief Executive and advise which one was most comparable.

Councillor Finlayson sought clarification over the number of security breaches and whether there was a trend. The Health, Safety and Wellbeing Manager advised that she would provide details of the security breaches to Councillor Finalyson.

The Committee resolved:-

- in response to a question from the Chief Executive relating to which authority from A-F would be the most comparable to Aberdeen, to note that the Health, Safety and Wellbeing Manager would provide the details of the authorities A-F to the Chief Executive and advise which one was the most pertinent for comparison;
- in response to a question from Councillor Finlayson relating to the number of security breaches and whether there was a trend, to note that the Health, Safety and Wellbeing Manager would provide details of the breaches to Councillor Finlayson; and
- to otherwise approve the recommendations contained in the report.

EMPLOYEE ASSISTANCE PROGRAMME REPORT - APRIL TO JUNE 2015

11. With reference to article 11 of the minute of its previous meeting of 22 May 2015, the Committee had before it a report prepared by Time for Talking which presented (1) the utilisation of the Employee Assistance Programme for the period 1 April to 30 June 2015; (2) feedback received from users of the Service; and (3) a breakdown of the reason for referral per directorate.

The report advised that there had been 20 referrals during the period. There had been 12 face to face counselling sessions and 5 telephone counselling sessions.

The Health, Safety and Wellbeing Manager advised that the report style provided was not suitable and that she would discuss the content at her meeting with Time for Talking.

The Committee resolved:-

- (i) to note that the Health, Safety and Wellbeing Manager would request Time for Talking to amend the report style for the next reporting period; and
- (ii) to otherwise note the content of the report.

OH ASSIST

12. The Health, Safety and Wellbeing Manager advised that the contract for the occupational health provision was awarded to OH Assist on 3 August and that the feedback so far was positive both from management and employees. She further advised that the service would move to a telephone conference based system after the first three months, however if it is determined that a face to face appointment is more appropriate this will be arranged.

The Committee were also informed that various briefings from OH Assist had taken place at different locations throughout the organisation and that information about the new provider and how to access the service was available on the zone.

The Chief Executive asked whether Trade Union members would like the opportunity to meet with the new provider, wherein those in attendance unanimously welcomed the opportunity.

The Committee resolved:-

- (i) to request that the new Occupational Health Provider, OH Assist, meet with Trade Union Colleagues; and
- (ii) to otherwise note the information provided.

DATE OF NEXT MEETING - 27 NOVEMBER 2015

13. The Committee noted that the next meeting was scheduled for Friday 27 November 2015.

- COUNCILLOR GORDON GRAHAM, Chairperson.

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CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 27 November 2015. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Councillor Graham Chairperson; and Mike Middleton, Vice Chairperson. City Council Representatives:- Councillors Cameron, Donnelly, Finlayson and Greig.

Trade Union Representatives:- Karen Davidson (UNISON), George Ferguson (UNISON), Sid Sandison (SSTA), Carole Thorpe (EIS) and David Willis (GMB).

Officers in attendance:- Angela Scott (Chief Executive), Ewan Sutherland (Director of Corporate Governance), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Leaver (Team Leader), Martyn Phillips (Health and Safety Adviser), Martin Allan (Business Manager), Bruce Findlater (Admin Officer), Michael Hearn (Directorate Support Manager), Lesley Kirk (Directorate Support Manager), Kate Mackay (Business Manager), Neil Yacamini (Project Manager), Euan Couperwhite (Head of Policy, Performance and Resources), John Quinn (Head of Land and Property Assets) and Mark Reilly (Head of Public Infrastructure and Environment).

APOLOGIES

1. Apologies were intimated on behalf of Gayle Gorman and Fraser Bell.

APPOINTMENT OF CHAIRPERSON AND VICE CHAIRPERSON

2. The Clerk advised that in terms of the constitution the Committee were required to appoint a Chairperson from within the Trade Union members and a Vice Chairperson from within the Councillor membership. She then called for nominations to the position of Chairperson, whereupon Councillor Graham, seconded by Karen Davidson nominated Mike Middleton. There were no further nominations therefore Mike Middleton was appointed as Chairperson and took the Chair.

The Clerk then called for nominations to the position of Vice Chairperson, whereupon Councillor Donnelly seconded by Mike Middleton, nominated Councillor Graham. There were no further nominations, therefore Councillor Graham was appointed as Vice Chairperson.

The Committee resolved:-

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

MINUTE OF PREVIOUS MEETING OF 28 AUGUST 2015

3. The Committee had before it the minute of its previous meeting of 28 August 2015.

The Committee resolved:-

to approve the minute as a correct record.

MATTERS ARISING

4. With reference to article 5 of the previous meeting, the Health, Safety and Wellbeing Manager advised that the School Security improvement plan had been submitted to her and that she had provided feedback on the document.

With reference to article 10, resolution (ii), to note the request from Councillor Finlayson that the detail of the security breaches be re-issued to him.

The Committee resolved:-

- (i) to note that the Health, Safety and Wellbeing Manager would re-issue the security breach information to Councillor Finlayson; and
- (ii) to otherwise note the information provided.

COMMITTEE BUSINESS STATEMENT

5. The Committee had before it a statement of outstanding business as prepared by the clerk.

In relation to item 1 (School Security), Councillor Cameron requested that a date be added so the Committee knew when to expect a report on this issue. The Chairperson advised that the Committee needed to see evidence that work was being done in this area as it has been an ongoing issue for a number of years. The Health, Safety and Wellbeing Manager advised that the Committee to date had received a workplan which gave dates and work to be carried out across a number of schools however an improvement plan was required to look at all aspects of school security.

In relation to item 2 (Corporate Health and Safety Report – Training from Scottish Fire and Rescue Service), the Team Leader for Health, Safety and Wellbeing advised that he had spoken with them and that they didn't provide fire safety training at their premises.

The Committee resolved:-

- (i) to request the Head of Policy, Performance and Resources to provide an interim report relating to the progress of School Security to the next meeting of this Committee;
- (ii) to remove items 2 (Corporate Health and Safety Report – Training from Scottish Fire and Rescue Service), 3 (Adult Health and Social Care Annual Report – Lone Working Procedures) and 4 (Corporate Fleet Management Performance and Compliance).

SIGNIFICANT INCIDENT REPORT AT A DOMESTIC DWELLING

6. The Committee had before it a significant incident report prepared by the Health, Safety and Wellbeing Team which provided details of an incident wherein a tenant fell into an open access hatch whilst a new gas central heating system was being installed

in the property. The report listed the causes of the accident and made various recommendations to prevent a similar incident.

The report recommended:

That the Service -

1. Ensure that physical barriers are available and put in place before a hatch to sub floor is opened with improved signage on doors;
2. After every incident a review of the risk assessments is required this should be carried out by a competent person with operational knowledge of gas installation work in consultation with employees;
3. Ensure that employees who complete tasks are provided with updated information, instruction and training and implement a regime of periodic refresher arrangements and that they understand this;
4. A review of onsite supervision to ensure that site visits include health and safety compliance;
5. Review of pre work process to ensure that information is passed between Services to identify additional risk presented by vulnerable tenants such as the elderly and children;
6. Review of the risk assessment training provided to staff including training on dynamic risk assessments for example the requirement is still for significant issues to be written down.

Councillors and Trade Union members asked various questions relating to the health and safety arrangements and why employees had not followed correct procedures. The Head of Land and Property Assets advised that the majority of employees had received information via toolbox talks relating to the importance of having risk assessments in place and actions to mitigate those risks and that health and safety had to be followed at all times.

The Committee resolved:-

- (i) to note the additional information provided; and
- (ii) to endorse the recommendations for improvement.

SIGNIFICANT INCIDENT REPORT AT A SHELTERED HOUSING COMPLEX - SOLAR PV FIRE

7. The Committee had before it a significant incident report prepared by the Health, Safety and Wellbeing Team which presented details of an incident with a sheltered housing complex relating to a fire caused by electrical equipment associated with the solar photovoltaic (SPV) installation becoming overloaded. The report advised that the cause of the fire was due to faulty installation as an isolator had not been fitted.

The Head of Land and Property Assets provided an overview of the project and explained the current position with the contractor.

Councillors and Trade Union members asked various questions relating to the safety of all other SPV installations.

The report recommended:

1. SPV contractor to check the design and installation of all SPV systems in Council buildings and that assurance was to be given that appropriate

- components had been used in accordance with industry standards and to prevent incidents;
2. SPC contractor to produce individual system inspection reports with detailed findings and remedial actions; and that competent Council electricians were to accompany the SPV contractor;
 3. Inspection reports to be provided to the relevant officer within the Council responsible for the SPV contract.

The Committee resolved:-

- (i) to note that a meeting had been held between the Council and the SPV contractor where an agreement on the level of checks required had been reached;
- (ii) to note that an agreement was made to meet the following week after the checks had been carried out to review the results and agree an action plan, however the meeting did not happen; and
- (iii) to note that the contractor had entered administration and the Council were in discussions with another contractor to finish the identified actions.

CORPORATE FLEET MANAGEMENT PERFORMANCE AND COMPLIANCE - UPDATE - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE

8. With reference to article 8 of the minute of its meeting of 28 August 2015, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which (1) presented the performance indicators relating to health and safety for Fleet; and (2) provided detailed responses in relation to the resolutions iv, v, vi and vii from the previous minute.

The report provided background information relating to the Traffic Commissioners Public Inquiries into the Councils Goods Vehicle Operators License.

The report contained information relating to the second phase of improvement across the Fleet Service which had the aim of addressing the longer term efficiency and effectiveness of the service. Part of the improvement plan was to ensure that the council had staff to manage the Fleet Service with three posts being advertised in December.

The report presented the KPI's for Fleet which included:

- (1) MOT % First Time Pass Rate ('O' Licence Vehicles) – year to date average 98.11%
- (2) Roadside Inspections/resulting prohibitions – year to date roadside prohibitions 7%
- (3) Value of Spare parts held as stock - £42,601
- (7) Licence Issues as % of Licence Checks – 1.36

The report provided the following information in relation to resolutions from the meeting on 28 August 2015:

Actions following the Glasgow Incident

- A pro-active approach has been adopted to look at options following consideration of the information currently available around the Glasgow Incident

- Once the Fatal Accident Inquiry had been completed, any recommendations would be considered and action taken where appropriate
- A number of options had been identified and there had been early discussions with staff
- A report would be presented to the Corporate Management Team detailing the options and outlining the necessary actions to implement them

School Minibus Use and Compliance

- The Public Transport Team had been working with Fleet Services to review their current procedures with regards to School minibuses
- Appendix 1 to the report provided the findings of the review

Fleet/Vehicle Compliance Awareness

- The staff survey was undertaken between 30 April and 5 May 2015 and 411 responses had been received
- The responses were circulated to the previous report to this Committee on 28 August 2015
- Areas where respondents had concerns have been or are planned to be discussed in planned Team Briefs and training sessions and included: Overloading – covered in Loads and loading course, medical conditions – covered in driving licence team brief, highway code – covered by a full team brief, accident reporting – covered by a full team brief and Traffic Commissioner – covered in Operator Licence awareness training
- Supervisors had been trained in daily walk round checks which would be cascaded down to all drivers
- The surveys would be issued every six months to raise awareness of Fleet Compliance and to identify areas where there is a need to focus resources to improve awareness, performance and compliance

Update on the Unite Case

- The Head of Public Infrastructure and Environment and the Head of Land and Property Asset met with Joe Craig from Unite on 5 October to discuss compliance and induction processes within Building Services
- It was identified that a driving induction was in place for any employee expected to drive a Council vehicle in accordance with the Building Services Transport Procedure
- The induction process would be phased out as fleet developed their procedures and processes and that Building Services would fully comply with the policies and procedures which were being developed and implemented by Fleet Services

The report recommended:

That the Committee –

- (a) notes actions taken and measures put in place in Fleet Services, for monitoring performance of corporate Fleet Compliance;
- (b) request that for future reports only indicators 1, 2 and 7 and not indicator 3, are reported on giving assurance on compliance;
- (c) request that the Head of Human Resources and Customer Services brings a report to a future meeting of this Committee detailing the actions to be taken by this Council in light of the incident in Glasgow;
- (d) to note the review and findings of the Public Transport Team and Fleet Services, in relation to concerns raised over minibuses raised by this Committee; and to

- note the actions and measures put in place within the service for monitoring performance of safe minibus use and compliance;
- (e) to note the actions being taken to address staff issues raised in the recent staff survey on Fleet compliance; and
 - (f) to note the report of the discussion between Unite, the Head of Land and Property Assets and the Head of Public Infrastructure and Environment with regard to the Fleet compliance and induction processes in Building Maintenance.

Councillors and Trade Union colleagues asked various questions in relation to the report and specifically in relation to the process for minibus drivers within schools.

The Committee resolved:-

- (i) to thank the Head of Public Infrastructure and Environment for the robust report;
- (ii) in relation to a question from Councillor Finlayson regarding tests for minibus drivers, to request the Service Manager, Assets and Finance from Education and Children's Services to provide a response advising on the type of test undertaken by drivers;
- (iii) to otherwise approve the recommendations contained in the report.

CORPORATE GOVERNANCE ANNUAL REPORT - OCTOBER 2014 TO SEPTEMBER 2015

9. The Committee had before it a report by the Interim Director for Corporate Governance which presented the annual Health and Safety performance report for the Corporate Governance Directorate for the period 1 October 2014 to 30 September 2015.

The report contained the following statistics for the Directorate:

- 4 incidents were reported none of which were reportable to the enforcing authority
- 13 near misses were reported
- the scores for the individual elements of the health and safety matrix were: 99% for Risk Assessment and Accidents and Incidents Reporting; and 96% for First Aid and Workplace Inspections
- 119 employees attended health and safety training
- the absence management figure was 7.2 days lost per employee, which although below the Council wide target of less than 10 days has increased from 5.9 as recorded for October 2014

The report appended the Corporate Governance Directorate Health, Safety and Wellbeing Improvement Plan.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to approve the recommendation contained in the report.

EDUCATION AND CHILDREN'S SERVICES ANNUAL REPORT - OCTOBER 14 TO SEPTEMBER 15

10. The Committee had before it a report by the Director of Education and Children's Services which presented (1) the annual Health and Safety performance report for the period 1 October 2014 to 30 September 2015; and (2) additional information relating to the Children's Services and Business Management sections of the former Social Care and Wellbeing Directorate for the period 1 July to 30 September 2014.

The report provided the following statistical information:

Education, Culture and Sport (Oct 14 – March 15)

- 241 accidents were reported of which 3 were reportable to the enforcing authority
- 71 incidents/near misses were reported
- The number of days lost due to absence per employee is between 7 and 8 days
- 2 Directorate health and safety meetings were held

Social Care and Wellbeing – Children's Services and Business Management (Oct 14 – March 15)

- 6 accidents were reported of which 1 was reportable to the enforcing authority
- 16 incidents/near misses were reported
The number of days lost due to absence per employee was between 6 and 12
- 3 Directorate health and safety committees were held

Education and Children's Services (April to September 15)

- 320 accidents were reported of which 9 were reportable to the enforcing authority
- 174 incidents/near misses were reported
- The number of days lost due to absence per employee was between 7 and 12
- 2 Directorate health and safety committees were held

Overall

- Physical assault accounted for 25% of all accidents
- 95% of these occurred in schools as a result of agitated behaviour by pupils against staff
- The employee accident rate was 1.2% per 1000 employees
- Over 500 employees received the flu vaccinations in November 2014
- 1267 employees attended health and safety training
- The average (across the three business areas) scores for the individual elements of the health and safety matrix were: 100% for First Aid; 99% for Machinery, Plant and Equipment; 98% for Welfare and Housekeeping and Cleaning; 96% for Emergency Precautions and Environment; 87% for Risk Assessment and 86% for Slip and Trip Hazards

Children's Services and Business Management (July to September 2014)

- 5 accidents were reported (Children's Services), none of which were reportable to the enforcing authority
- 1 accident to third parties was reported
- 4 incidents were reported
- The number of days lost due to absence per employee was between 6 (Business Management) and 15 (Children's Services)

The report recommended:

that the Committee note the content of the report.

Councillor Finlayson stated that the number of assaults on staff was worrying and sought assurance that action was being taken, whereupon the Directorate Support Manager advised that every incident was investigated and that the Quality Improvement Officers were involved to ensure that Risk Assessments for children that required them were in place with an action plan completed for each child. She further advised that de-escalation training was in place across all schools.

The Chairperson requested that staff were encouraged to report all incidents and that support was in place to assist them to deal with issues and incidents.

The Committee resolved:-

To approve the recommendation as contained in the report.

CORPORATE HEALTH AND SAFETY REPORT - JULY TO SEPTEMBER 2015 - REPORT BY THE INTERIM DIRECTOR OF CORPORATE GOVERNANCE

11. Prior to consideration of the report, the Health, Safety and Wellbeing Manager provided an overview of the Health and Safety Dashboard which was available for anyone to access on the zone. She navigated through the different areas to show the Committee where to find the information.

With reference to article 6 of the minute of its previous meeting of 28 August 2015, the Committee had before it a report by the Interim Director of Corporate Governance which presented details of the number and types of accidents, incidents and occurrences during July to September 2015.

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

Accidents, Incidents, Accident Rates and Incidents

- 100 accidents to employees were reported of which 6 were reportable to the enforcing authority
- 109 accidents to third parties were reported of which 2 were reportable to the enforcing authority
- The reportable accident rate was 0.98 per 1000 employees which was a reduction from the previous year (1.13)
- 169 incidents to employees were reported with threatening and menacing behaviour being the highest cause with 70 reported

Enforcement Interventions – Health and Safety Executive (HSE)

- Work was being undertaken in an elderly tenants home to replace the central heating system and the tenant fell through an open hatch as no barriers were in place (article 6 pf this minute provides more detail)

Health and Safety Training and Cancellations

- 216 employees attended health and safety training
- there were 35 late cancellations and no shows which resulted in £1672.00 being back charged to Services
- there had been 28 feedback responses received out of the 50 issued

Fire Risk Assessments

- 31 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

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 to be discussed at Service Management Teams;
- (b) to support actions to reduce accidents and work related ill health in line with health and safety targets; and
- (c) to disseminate and take action on the health and safety information in the report.

The Committee resolved:-

to approve the recommendations contained in the report.

OCCUPATIONAL HEALTH REPORT - AUGUST TO SEPTEMBER 2015 - OH ASSIST

12. The Committee had before it a report by OH Assist, the Council's Occupational Health provider, which presented the utilisation statistics for the period 3 August to 30 September 2015.

The report provided the following statistics:

- 143 referrals had been received
- the highest number of referrals came from the Communities, Housing and Infrastructure Directorate (41)
- 37 % of referrals related to Mental Health and Behavioural Disorders
- 13% of referrals related to Low Back Pain
- 9% of referrals related to Nervous System – Other
- 19 physiotherapy assessments had taken place
- there were 4 short notice cancellations
- training for Head Teachers had taken place to support vista referrals
- case conferencing had been introduced to review the top absence cases
- online guidance for managers that been produced
- OH Assist were working with the Council to development a strategic plan to support the top 3 Health and Wellbeing objectives

Sid Sandison requested that the statistics for Mental Health referrals be split to show work related and non-work related, whereupon the Health, Safety and Wellbeing Manager advised that she has requested this information and that the format for the report may change.

The Committee resolved:-

to note the content of the report.

EMPLOYEE ASSISTANCE PROGRAMME REPORT - JULY TO SEPTEMBER 2015

13. With reference to article 11 of the minute of its previous meeting of 28 August 2015, 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 2015.

The report provided the following statistics:

- 26 referrals had been received
- 21 referrals were related to personal issues
- 5 referrals were related to work issues
- there were 21 face to face referrals
- there were 3 telephone referrals
- 1 feedback form had been received

The Committee resolved:-

to note the content of the report

HEALTH AND SAFETY IMPROVEMENT PLAN - VERBAL UPDATE FROM THE HEALTH, SAFETY AND WELLBEING MANAGER

14. The Health, Safety and Wellbeing Manager advised that colleagues across the Directorates had requested that they produce a health and safety workplan and that these would formulate the Corporate Health and Safety Action Plan.

The Committee resolved:-

to note the information.

FUTURE MEETING DATES

15. The Committee had before it a schedule of meetings for 2016.

The Clerk advised that the date in November may require to be changed due to the parent Committee, Audit, Risk and Scrutiny meeting the day before and that notification would be issued in due course.

The Committee resolved:-

- (i) to note that the date in November may change and that notification would be circulated to the Committee; and
- (ii) to agree the dates for 2016, those being:
 - Friday 19 February
 - Friday 20 May
 - Friday 26 August

- **MIKE MIDDLETON, Chairperson**

Agenda Item 2.6

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 March 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	ALEO Governance Hubs
REPORT NUMBER	CG/16/027
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 This report summarises the significant matters raised at the December round of Arm's Length External Organisation (ALEO) Governance Hub meetings.

2. RECOMMENDATION(S)

That the Committee:-

- (1) Considers the issues raised in both the report and minutes and identifies any areas of concern;
- (2) Notes the report and the appended minutes;
- (3) Notes that the Governance Hub will begin meeting quarterly during 2016 and will commence scrutiny of tier 2 ALEOs in May; and
- (4) Refers the individual minutes, with a specific covering report to be prepared by the responsible Head of Service, to the appropriate service committee to consider ALEO performance against agreed performance indicators and contract.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report although the role of the hub is to ensure that good governance and scrutiny of the Council's ALEOs provides an assurance that risks, including financial ones, are identified and managed.

4. OTHER IMPLICATIONS

4.1 By identifying possible risks to the Council, through scrutiny by appropriate Council managers, the hub provides assurance that the Council's exposure through services delivered by its ALEOs is managed appropriately.

5. BACKGROUND/MAIN ISSUES

5.1 The review schedule introduced following the most recent review of the operation of the Governance Hub comprised biannual meetings, initially involving the four main tier 1 ALEOs (Aberdeen Exhibition and Conference Centre Ltd, Aberdeen Sports Village Ventures Ltd, Bon Accord Care Ltd and Sport Aberdeen). The timetable for the December 2015 round of Hub meetings is attached as Appendix 1 to illustrate to members the process involved in selecting areas for scrutiny, identifying the appropriate documentation and involving relevant conveners and vice conveners in the pre agenda process.

5.2 Following a recent audit report into ALEO governance, the Chief Executive has asked that the cycle be held on a quarterly basis and this will be introduced this year; the next round of Hubs will be held in May and the following cycle in August, and this process will lead to a contraction of that shown in Appendix 1.

5.3 Beginning with the May 2016 round, it is also intended that consideration will be given to tier 2 ALEOs (Aberdeen Performing Arts, Aberdeen Heat and Power Company Ltd and Garthdee Alpine Sports).

5.4 When considering business to be discussed with ALEO representatives, the Hub members take account of best practice, legislative and regulatory change, internal and external audit reports, matters raised at previous hub meetings and external reports, reviews and consultations.

5.5 The following bullet points summarise the main issues arising from each of the December hub meetings, as detailed more fully in the appended minutes.

Aberdeen Sports Village – Appendix 2, 7th December, 2015

- Outstanding audit recommendations being reviewed by ASV senior management team
- Business continuity procedures being revised and would require to be retested following recent incident
- Proposals by ASV to increase number of board members resisted by Council; to be discussed at January ASV Partnership meeting
- Meeting to be arranged to discuss statutory compliance with new procurement legislation
- Implications of reduction in core funding planned for
- Staff increments/turnover/Living Wage/Zero Hours contracts
- Temporary closure of 25m pool
- Phase Three development to be ready to go to tender in late January
- New KPIs to be added to performance management framework
- Management of complaints and staff absence/use of monthly performance data
- Falling swimming pool use
- Commonwealth Games legacy – increase in para sports use, fall in child participation

- Fall in energy use/establishment of ASV Energy Sub Group
- Training of casual staff
- Balancing needs of clubs and service users

Aberdeen Exhibition and Conference Centre – Appendix 3, 8th December 2015

- Business Plan for 2016/17 to be submitted to Board in spring, challenging year expected, difficulties in forecasting revenue from entertainment events, staff headcount expected to reduce
- Analysis of strengths and weaknesses of Board members
- Meeting to be arranged to discuss statutory compliance with new procurement legislation
- Business continuity planning/aspiration for ISO accreditation
- Implications of reduction in core funding planned for
- Casual staff/Living Wage
- Risk Register not updated since October 2014 – risk workshop now scheduled, new venue implications discussed
- New venue considerations – ongoing programme of events, staff morale, tendering plans
- No up to date SLA in place, two years since last reviewed, discussions ongoing

Bon Accord Care – Appendix 4, 8th December, 2015

- Bespoke financial procedures to be developed during 2016
- Procurement policy revised, further changes necessary to comply with new procurement legislation, meeting to be arranged to discuss compliance
- Extent to which internal audit procedures sufficiently independent, associated risk and need for impartiality/ internal audit performance
- Health and safety performance, no facility scoring above 75%
- New health and safety policy and action plan being developed to comply with HSE guidance, to be in place prior to May Hub meeting
- Risk Register standing item on each Board agenda
- Possible reduction in core funding not issue as BAC receives funding for services delivered in terms of contract, difficulties arising from Council being unable to determine categorically short/medium term funding
- £1m efficiency savings made, profit of £52,000 to be recorded for 2015/16
- SLA constrains development of new funding streams
- Staff reduction in previous year, increment impact
- Proposed City Home Help trading company
- Pensions deficit
- Business Continuity Workbook reviewed annually, to be updated prior to May Hub meetings
- Service Performance Working Group to be established to review BAC performance reporting, provide more context and analysis and

recommend how reporting can be streamlined and improved, to assist BAC Board and provide increased assurance to Council

- Enablement programme – second tranche of training beginning
- Value for money/delivery of services exceeding contract

Sport Aberdeen – Appendix 5, 14th December 2015

- Draft Business Continuity Plan to be considered by Corporate Governance Committee in January
- Risk Management Strategy updated following internal audit recommendations and reflected best practice
- Assessment of strategic and operational risk, priority 2 recommendations by internal auditors actioned
- Business Plan 2016/17 – 2018/19 to be presented to Board in December, finalisation dependent upon confirmation of core funding by Council
- Strategic approach to health and safety/establishment of Health and Safety Committee
- Meeting to be arranged to discuss statutory compliance with new procurement legislation
- Swimming pool condition/impact on service delivery/overprovision in local market
- Community Planning Partnership framework, alignment with Single Outcome Agreement, lead role in Active Aberdeen Partnership
- Balancing swimming provision - high performance/grassroots services, impact of pool closures
- Discussions with Council on 25 year service provision agreement, long term planning benefits
- Performance management/benchmarking
- Business Plan 2016/17 assumptions - no reduction in core funding assumed
- Year End surplus of £30-50,000 forecast
- Implications of emergency repairs and maintenance of ageing property portfolio
- Biggest threats to Business Continuity, role of SA in civil contingency planning
- Possible role in Prevent Strategy

6. IMPACT

Improving Customer Experience –

6.1 The report summarises recent discussions at the Governance Hub, which are explained in greater detail in the appended minutes. By providing an assurance to the Council that high level scrutiny of ALEO performance is undertaken in such a way as to mitigate risks, the monitoring of service provision can ensure that service delivery meets targets and performance indicators. Service delivery and performance will be scrutinised by operational service staff in each case.

Improving Staff Experience –

6.2 The manner in which the Hub operates allows senior managers to scrutinise high level service delivery within the areas of their own expertise, which will increase the confidence of officers in addressing the more detailed operational aspects of provision against contract for each ALEO.

Improving our use of Resources –

6.3 The Council establishes ALEOs to improve its use of resources and so having an efficient and effective high level monitoring process in place provides assurance that the ALEOs funded with public money are operating appropriately and delivering in terms of contract, thereby providing value for money.

Corporate –

6.4 The Governance Hub helps meet the Smarter Aberdeen priority of openness through public reporting of the high level monitoring of the operation of the Council's ALEOs, which in turn supports the priorities of public access to sport and leisure facilities. ALEOs are required in terms in contract to deliver against the Single Outcome Agreement and KPIs for service delivery are monitored by each service individually.

Public –

6.5 Although there are no direct recommendations arising from this report, there is likely to be public interest in the scrutiny of the performance of ALEOs against contract, particularly in view of ongoing questions about a perceived reduction in public access to facilities compared to hours for schools and clubs, the availability of particular services and their costs and ongoing budgetary concerns for each ALEO.

7. MANAGEMENT OF RISK

7.1 The Governance Hub has been established to provide the Council with an assurance that the risks associated with each ALEO are being monitored and scrutinised at a high level, and that any identified are addressed by each service through its own Risk Register.

8. BACKGROUND PAPERS

8.1 There are none other than those specified in each minute in the Appendices.

9. REPORT AUTHOR DETAILS

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Legal and Democratic Services

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ALEO Governance Schedule: December 2015

- 29 July 2015 – Proposed timetable cascaded to officers for comment
- 5 August 2015 – Deadline for officers to amend December 2015 timetable
- 10 August 2015 – ALEOs sent December 2015 timetable
- 17 August 2015 – Deadline for ALEOs to amend December 2015 timetable
- 18 August 2015 – Clerk sends out meeting appointments to Officers, ALEOs and internal and external audit
- 5 October 2015 - ALEO Officers Pre Meeting (selection of topics for scrutiny and documents required as evidence)
- 7 October 2015 – Clerk emails ALEOs to request documentation for agenda and outlines areas of scrutiny to ALEOs
- 13 November 2015 – Deadline for ALEOs to return documentation to the Clerk
- 20 November 2015 – Clerk to compile and cascade agendas
- 27 November 2015 – Pre Meeting with Conveners and Vice Conveners of Audit, Risk and Scrutiny; Communities, Housing and Infrastructure; Education and Children’s Services and Shadow Integration Joint Board
- 7 December 2015 – Governance Hub Meeting 1: 9am -11am (ASV)
- 8 December 2015 – Governance Hub Meeting 2: 9am – 1pm (AECC; BAC)
- 14 December 2015 – Governance Hub Meeting 3: 11am – 1pm (SA)
- 1 February 2016 – Minutes produced and cascaded to Officers and ALEOs for comment
- 5 February 2016 – Deadline for Officers and ALEO minutes comments
- 8 February 2016 –Covering report and Hub minutes sent to Clerk of Audit, Risk and Scrutiny Committee
- 25 February 2016 – Audit and Risk Committee
- 14 March 2016 – Communities, Housing and Infrastructure Committee
- 24 March 2016 – Education and Children’s Services Committee

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**ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD**

ABERDEEN, 7 December 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Euan Couperwhite (Policy, Performance and Resources) and Paul Dixon (Finance) and Jan Griffiths (Sports Development Manager), Kenny Gunnyeon (Business Development Manager) Duncan Sinclair (Chief Executive), Sue Stephenson (Finance Manager) and Jane Thomson (Health and Safety Development Manager) (Aberdeen Sports Village Ventures Ltd (ASV)).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service), Jeff Capstick (Human Resources and Customer Service) and Joan McCluskey (Commercial and Procurement Services).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and advised that the Scottish Parliament's Local Government and Regeneration Committee had taken evidence from a cross section of ALEOs and their parent Local Authorities on 18 November 2015 and 2 December 2015. He explained that the Committee would publish a report with possible guidance on governance arrangements between Local Authorities and their ALEOs.</p> <p>The Chair further advised that the Council was considering holding quarterly Hub meetings based on an Audit Scotland recommendation and that the next cycle of meetings had been scheduled for the week beginning 9 May 2016.</p>	to note the information provided.	N/A

ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
2.	Minute of previous meeting – 15 June 2015	ALEO Governance Hub minute – 15 June 2015	With reference to item 5 of the previous minute, Paul Dixon (Finance) asked if any progress had been made with regards to addressing ASV's outstanding audit recommendations. Sue Stephenson (Finance Manager, ASV) advised that ASV had recently undergone their year-end audit and the outstanding recommendations were currently being reviewed by the Senior Management Team (SMT).	The Hub resolved:- (i) to approve the minute as a correct record; and (ii) to note the information provided.	I Robertson
3.	Improvement Plan (Business Continuity Planning)	N/A	Neil Buck (IT and Transformation) asked how ASV's business continuity plans were tested. Sue Stephenson explained that this was usually done through a desktop exercise. Kenny Gunnyeon (Business Development Manager, ASV) highlighted that ASV's IT systems were hosted by the University of Aberdeen and that they had recently undergone a real time incident when the Aquatic Centre's fibre link with the University had been cut which resulted in the centre's IT software being offline for eight days. He advised that following this incident, business continuity procedures were being revised and would need to be retested.	The Hub resolved:- to note the information provided.	N Buck
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)

**ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD**

4.	Improvement Plan (Business Plan Performance Indicators)	N/A	The Chair advised that this item was on today's agenda under item 3.	The Hub resolved:- to note the information provided.	N Buck
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Improvement Plan (ACC officer attendance at ASV Board meetings)	N/A	<p>The Chair noted that ASV's Chair had announced his intention to step down from the role and that the Board meeting on 11 December 2015 would be his last. The Chair asked about ASV's recruitment plans to replace the outgoing Chair: Duncan Sinclair (Chief Executive, ASV) advised that Professor Mike Greaves would Chair Board meetings in the interim period and thereafter look to appoint a more permanent Chair.</p> <p>Thereafter the Chair asked how ASV monitored the skills and capacity of Board members to ensure they could continue to make informed decisions. Duncan Sinclair advised that the Joint Venture Agreement had mandated that there be four ACC and four Aberdeen University Board members and within this prism they had looked to develop members' skills and knowledge base whilst also being mindful of including members from different socio-economic backgrounds and working towards achieving gender balance. Sue Stephenson added that they had looked at increasing the number of Board members but initial proposals had been resisted by</p>	<p>The Hub resolved:-</p> <p>(i) to request an update on discussions at the next ASV Partnership meeting with regards to the composition of the ASV Board at the Hub meeting in May 2016; and</p> <p>(ii) to note the information provided.</p>	R MacBeath

**ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD**

			<p>the Council. To this point Euan Couperwhite (Policy, Performance and Resources) suggested that this issue could be raised at the next ASV Partnership meeting in January 2016.</p>		Lead Officer(s) J McCluskey
6.	Item Improvement Plan (Procurement Arrangements)	Documents Submitted N/A	Assurance Provided The Chair explained that Joan McCluskey (Commercial and Procurement Services) had sent her apologies for today's meeting but had prepared a note on ASV's procurement arrangements which he summarised for the Hub. The Chair informed the Hub that statutory guidance had come into effect on 1 November 2015 for fair working practices and award criteria for procurements with a value over £50,000. He added that the overall approach of a bidder to fair work practices must be considered, and must include all relevant evidence on recruitment, remuneration, terms of engagement, skills utilisation, job support and worker representation. The Chair noted that Ms McCluskey intended to organise a meeting with ASV in the New Year to discuss statutory compliance before the Act came into effect in April 2016.	<p>Assurance Provided</p> <p>The Hub resolved:-</p> <p>(i) to request that a meeting be scheduled in the New Year between ASV and ACC's Commercial and Procurement Services team to provide assurance that ASV would be compliant with the statutory requirements of the Procurement Reform (Scotland) Act 2014 ahead of the Act's effective date in April 2016; and</p> <p>(ii) to note the information provided.</p>	Lead Officer(s) P Dixon
7.	Item Business Planning	Documents Submitted Business Plan 2015-18	Assurance Provided Paul Dixon asked the ASV representatives to provide the Hub with their financial assumptions for 2016-17. Sue Stephenson advised that she expected there to be	<p>Assurance Provided</p> <p>The Hub resolved:-</p> <p>(i) to note the report;</p> <p>(ii) to request an update on the progress of the</p>	Lead Officer(s) P Dixon

**ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD**

		<p>reductions in core funding from both partners and that they had forecast the current surplus to revert to a deficit by 2017-18. She added that they were developing plans to mitigate against this deficit position and bridge future funding gaps. Duncan Sinclair highlighted that they were investigating whether efficiencies could be found in the discount schemes that ASV offered to students and ACC staff, in addition to scaling back desirable services that were not an integral part of the business. To this point, Neil Buck suggested that this risk should be captured in both their risk register and risk management strategy.</p> <p>Paul Dixon asked the ASV representatives to provide the Hub with an update on their incremental drift position. Kenny Gunnyeon advised that they expected this position to even out and that performance was linked to the opening of the Aquatics Centre and the increased headcount of staff. Mr Gunnyeon highlighted that the business had relatively low turnover and a significant number of staff were at the top of their salary grades. He also confirmed that ASV employed staff under zero hour contracts, although this was largely confined to sports coaches who were employed for two hours a week; and that they paid the Living Wage to all staff.</p>	<p>Phase Three Development at the next Hub meeting in May 2016;</p> <p>(iii) to request that the ASV Board consider the scaling back or termination of services currently delivered as a risk to be inserted into their risk register and risk management strategy; and</p> <p>(iv) to note the information provided.</p>	
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			<p>Thereafter Paul Dixon enquired if the oil downturn had had an impact on revenues. Sue Stephenson advised that they had noticed an impact on the level of investments across the city and that they had responded by commissioning an internal report which focussed on commercial development and investment opportunities in the city. Duncan Sinclair added that he was optimistic that there was a sufficient customer base in the area to sustain the business and confirmed that from his perspective ASV and Sport Aberdeen to an extent were competitors in the sport and activity market but that they worked together through the Active Aberdeen Partnership.</p> <p>Euan Couperwhite enquired about the closure during November 2015 of ASV's 25 metre swimming pool. Duncan Sinclair explained that a leak had been detected and that the pool had been closed to the public for eight days whilst interim repairs had taken place. He added that the repair costs would be met by Graham Construction, the main contractor of the Aquatics Centre.</p> <p>Mr Couperwhite also asked the ASV representatives to provide the Hub with an update on the progress of the Phase Three Development. Duncan Sinclair advised that they were currently reviewing</p>		
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			<p>their business case and could be in a position to tender in late January/February but that no work would progress until funding had been secured and confirmed by partners. He added that he recognised the support from ACC and that the business case would evidence the benefits of this development from both an economic and health and wellbeing perspective.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Performance Management Framework	Self Evaluation Process for Improvement – A Performance Management Framework	<p>Neil Buck asked the ASV representatives to provide an update on their performance management framework. Sue Stephenson advised that the measurement of their KPIs through their framework had supported the delivery of their strategic priorities and she highlighted that additional KPIs would be added to the framework to account for new priorities which would focus on improving the health and wellbeing of residents. She added that SMT received a monthly performance report and the Board received a quarterly performance report.</p> <p>Neil Buck referred to the draft Performance Report as at July 2015 and noted that the number of complaints and staff absences had increased and asked if there were any plans in place to address these issues. Jan Griffiths explained that performance had to viewed in context as</p>	<p>The Hub resolved:-</p> <p>(i) to note the report; and</p> <p>(ii) to note the information provided.</p>	N Buck

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			<p>the number of complaints were comparatively few in number, with 483 complaints recorded in comparison to usage figures of over one million customers; a number which had increased by over 300,000 customers since the previous financial year. She highlighted that every complaint submitted had been responded to within five working days. Kenny Gunnyeon advised that staff absence had increased in the fourth quarter as a number of casual staff had returned to further or higher education.</p> <p>Euan Couperwhite enquired about the correlation between the performance management framework and governance arrangements and asked how managers used the monthly performance data. Duncan Sinclair advised that the framework and governance arrangements were linked through business planning and they were in the process of revising the <i>How good is our</i> framework to include three new KPIs ahead of their next business plan. Sue Stephenson advised that performance data had proven to be particularly useful in determining trends in customer usage and occupancy levels of activity areas.</p> <p>Mr Couperwhite referred to the draft Performance Report as at July 2015 and noted that the number of swimming pool</p>		
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			<p>users had fallen in comparison to the previous financial year. Kenny Gunnyeon explained that he was relatively satisfied with football but there was always room for improvement and he highlighted that the pools had been used more often by members than <i>pay as you play</i> users which had not aligned with the assumption they had forecast. Jan Griffiths added that the Aquatics Programme had proven to be very successful as they had estimated a take up of 600 children per week but the current figure stood at over 1300.</p> <p>Mr Couperwhite enquired if the 2014 Commonwealth Games had had an impact on sport participation numbers. Sue Stephenson advised that it was difficult to determine a direct correlation but explained that it was a mixed picture, with a recorded increase in para sports being offset by a reduction in child participation in sports since 2014.</p> <p>Mr Couperwhite referred to the draft Performance Report as at July 2015 and noted that ASV's energy usage had fallen in comparison to the previous financial year and asked how this had been achieved. Sue Stephenson advised that their staff engagement strategy had focussed on raising employee awareness of energy efficiency and she judged that this bottom-up approach had proven to be</p>		
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Service Performance	Draft Performance Report for the year ended 31 July 2015	<p>effective. She also highlighted that the winter of 2014-15 had been comparatively mild but internal measures such as dimming the swimming pool lights and the formation of an Energy Sub Group which reported energy usage to SMT on a monthly basis had also helped improve performance.</p> <p>The Chair asked the ASV representatives to provide an update on staff turnover and if they had any plans in place to manage the health and safety impact of highly trained casual workers such as lifeguards ending their employment with ASV at short notice. Kenny Gunnyeon advised that all casual staff were required to provide one month's notice and ASV could advertise and recruit during this notice period. Jane Thomson (Health and Safety Development Manager, ASV) added that all staff had to complete a minimum number of hours of training before they would be compliant and able to undertake their roles; and these regulations were particularly stringent for lifeguards.</p> <p>Euan Couperwhite enquired how ASV had balanced the booking of facilities between clubs and service users and he made particular reference to the use of swimming pools. Kenny Gunnyeon explained that ASV had struck a positive</p>	<p>The Hub resolved:-</p> <p>(i) to note the report; and (ii) to note the information provided.</p>	E Couperwhite

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
10.	The Chair's Closing Remarks	N/A	<p>Assurance Provided</p> <p>The Chair thanked the representatives from Aberdeen Sports Village for their attendance and contributions and the Clerk advised that the minutes from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 February 2016 and thereafter to the Education and Children's Services Committee on 24 March 2016. The Chair then brought the meeting to a close.</p>	to note the information provided.	N/A

APPENDIX 2

**ALEO GOVERNANCE HUB
ABERDEEN SPORTS VILLAGE VENTURES LTD**

If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email iairobertson@aberdeencity.gov.uk

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE (AECC) LTD**

ABERDEEN, 8 December 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and, Neil Buck (IT and Transformation), Sandra Buthlay (Finance), Paul Dixon (Finance) and Scott Ramsay (Economic Development); and Graeme Cumming (Interim Managing Director/Finance Director (AECC Ltd)).

Also in attendance: Iain Robertson (Democratic Services), Steven Inglis (Legal Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service), Jeff Capstick (Human Resources and Customer Service), Joan McCuskey (Commercial and Procurement Services) and Richard Sweetnam (Economic Development).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and advised that the Scottish Parliament's Local Government and Regeneration Committee had taken evidence from a cross section of ALEOs and their parent Local Authorities on 18 November 2015 and 2 December 2015. He explained that the Committee would publish a report with possible guidance on governance arrangements between Local Authorities and their ALEOs.</p> <p>The Chair further advised that the Council was considering holding quarterly Hub meetings based on an Audit Scotland recommendation and that the next cycle of meetings had been scheduled for the week beginning 9 May 2016.</p>	to note the information provided.	N/A
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE (AECC) LTD**

2.	Minute of previous meeting – 15 June 2015	ALEO Governance Hub minute – 15 June 2015	N/A		The Hub resolved:- to approve the minute as a correct record.	I Robertson
No	Item	Documents Submitted	Assurance Provided	Assurance Provided	Actions/Decisions	Lead Officer(s)
3.	Improvement Plan (Corporate Continuity Planning)	Business Continuity Presentation Document.	The Chair advised that this item was on the agenda under item 3.		The Hub resolved:- to note the report.	N Buck
No	Item	Documents Submitted	Assurance Provided	Assurance Provided	Actions/Decisions	Lead Officer(s)
4.	Improvement Plan (Risk Register)	Risk Register as at 31 October 2014.	The Chair advised that this item was on the agenda under item 4.		The Hub resolved:- to note the risk register.	N Buck
No	Item	Documents Submitted	Assurance Provided	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Improvement Plan (Financial Governance)	Finance report (including restructure update) from AECC Board meeting – 20 November 2015.	Paul Dixon (Finance) enquired about the next business plan and when it would be produced and asked Mr Cumming to speak to the attached Finance report dated 20 November 2015. Graeme Cumming (Interim Managing Director/Finance director, AECC) advised that the business plan for 2016-17 would be submitted to the Board in the spring and expected the next financial year to be challenging. He added that overhead costs were relatively stable with staffing costs accounting for the largest proportion of the budget and that forecasts were based on the events that had been scheduled and from there, the anticipated revenue and profit margins had been calculated. He highlighted that forecasting revenues for		The Hub resolved:- (i) to note the report; (ii) to request an update on the development of the 2016-17 Business Plan at the next Hub meeting; and (iii) to note the information provided.	P Dixon

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
6.	Improvement Plan (Board Competency Review)	a) Board Self Evaluation Questionnaire; and b) Scoring Matrix for Existing Directors.	The Chair informed the Hub that he found the submitted reports to be very useful and asked Mr Cumming to speak to the reports. Mr Cumming advised that he had found the exercises had improved the governance arrangements of the business and had addressed pertinent issues such as succession planning. He added that the scoring matrix had been helpful in pinpointing and analysing the strengths and weaknesses of Board members and	The Hub resolved:- (i) to note the reports; and (ii) to note the information provided.	R MacBeath

**ALEO GOVERNANCE HUB
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No	Item (Procurement Arrangements)	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.		N/A	<p>explained that knowledge gaps had been identified in tendering and marketing as a result.</p> <p>The Chair advised that the Scottish Parliament's Local Government and Regeneration Committee had enquired about the role of Councillors on ALEO Boards and asked what he deemed the role of Councillors on the AECC Board to be. Mr Cumming explained that Councillors' experience of analysing the strategic environment, scrutinising corporate reviews and acting as advocates for the AECC had been very useful.</p> <p>The Chair explained that Joan McCluskey (Commercial and Procurement Services) had sent her apologies for today's meeting but had prepared a note on AECC's procurement arrangements which he summarised for the Hub. The Chair informed the Hub that statutory guidance had come into effect on 1 November 2015 for fair working practices and award criteria for procurements with a value over £50,000. He added that the overall approach of a bidder to fair work practices must be considered, and must include all relevant evidence on recruitment, remuneration, terms of engagement, skills utilisation, job support and worker representation. The Chair noted that Ms</p>	<p>The Hub resolved:-</p> <p>(i) to request that a meeting be scheduled between AECC and the Council's Commercial and Procurement Services team in the New Year to provide assurance that AECC would be compliant with the statutory requirements of the Procurement Reform (Scotland) Act 2014 before the Act came into effect in April</p>	J McCluskey

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE (AECC) LTD**

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Business and Corporate Continuity Planning	<ul style="list-style-type: none"> a) Business Continuity Policy Statement; b) Business Continuity Major Incident Response; c) Business Continuity Hierarchy; d) Business Continuity Presentation Document; and e) Business Continuity Draft Report Debrief. 	<p>McCluskey had met with Mr Cumming in September 2015 and would welcome an additional meeting with him in the New Year to provide him with ACC's revised internal procedure and to discuss AECC's statutory compliance with the legislation before the Act came into effect in April 2016.</p> <p>Neil Buck (IT and Transformation) informed the Hub that he found the submitted business continuity documents to be useful and he welcomed the inclusion of scenario planning. Mr Buck asked about the type of exercises that had been conducted and how often they were carried out. Graeme Cumming advised that business continuity exercises were carried out on an annual basis and the exercises depended on forthcoming events that had been scheduled as they would help inform the development of appropriate operational procedures and processes. He also added that they aimed to attain ISO accreditation but this would be dependent on the budgetary position.</p> <p>Paul Dixon asked what assumptions AECC had made with regards to core funding allocation for 2016-17 and whether they had developed a financial model that accounted for no core funding. Mr Cumming advised that they had assumed</p>	<p>(ii) 2016; and to note the information provided.</p> <p>The Hub resolved:-</p> <ul style="list-style-type: none"> (i) to note the reports; and (ii) to note the information provided. 	N Buck/P Dixon

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			<p>a 5% reduction in core funding which amounted to £75,000 in real terms and he added that they would need to attract £150,000 of new business to compensate for the loss of funding and account for their overhead costs. He explained that the existing facility, restricted to a capacity of 4,000 people could not operate without core funding but the new venue would be in a more advantageous position to do so as its increased floor space would attract global entertainment acts and allow for multiple events to be held simultaneously. Mr Cumming also highlighted that they had prepared a four year financial forecast that accounted for £270,000 in staff efficiencies per annum and projected that AECC would break even over the period.</p> <p>The Chair noted that the Scottish Parliament's Local Government and Regeneration Committee had enquired if ALEOs paid their staff the Living Wage and he asked if AECC had a policy to do so. Mr Cumming advised that there was no written policy that stated this commitment but this had been standard practice for permanent staff. He added that AECC had over 600 casual staff and their receipt of the Living Wage depended on their age. He explained that the vast majority of casual staff were under the age of 25 and the cost to apply the Living Wage across all the board would have to</p>		
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Risk Register	Risk Register as at 31 October 2014.	<p>Neil Buck noted that AECC's risk register had not been reviewed since 31 October 2014 and suggested that existing risks should be reviewed and risks related to the new strategic environment; specifically those associated with the tendering process also needed to be identified and mitigated. Graeme Cumming advised that a risk workshop had been scheduled to review these risks and that new risks related to the tendering process and the new venue would also be developed. He highlighted his concern that due to the uncertainty of the tendering process, there was a risk that senior staff would be headhunted leading to a loss of expertise;</p>	<p>The Hub resolved:-</p> <p>(i) to note the risk register;</p> <p>(ii) to request that the AECC Board give consideration to reviewing the risk register and to consider the inclusion of risks related to the tendering process ahead of the Hub's next meeting in May 2016; and</p> <p>(iii) to note the information provided.</p>	N Buck

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
10.	Service Performance	AECC Board Papers – 20 November 2015.	<p>Mr Buck advised that this risk should be incorporated into the updated risk register.</p> <p>Scott Ramsay (Economic Development) firstly acknowledged the challenging strategic environment for the AECC during the tendering process for the new venue and he asked if Mr Cumming could provide an indication of an opening date for the new venue. Graeme Cumming anticipated that the new venue would have a soft opening between November 2018 and January 2019 and he was mindful that there was still an open date to facilitate Offshore Europe in September 2019.</p> <p>Mr Ramsay enquired about staff morale during the transition period, to which Mr Cumming advised that staff were concerned about job security and there were ongoing issues relating to TUPE. He informed the Hub of his concern that senior staff were being headhunted due to uncertainty with regards to tendering and there was a significant risk of expertise being lost. He added that regular meetings had been held with staff to discuss these matters and advised that an honest and transparent approach had been adopted.</p> <p>Mr Ramsay asked if the Board's tendering plans were in place, to which Mr Cumming advised that the Board had contracted an</p>	<p>The Hub resolved:-</p> <ul style="list-style-type: none"> (i) to note the report; (ii) to request an update on AECC's tendering arrangements at the next Hub meeting in May 2016; and (iii) to note the information provided. 	S Ramsay

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			<p>external provider to avoid a potential conflict of interest with the Council and they had also established a tender sub group that would focus on the bid and report to the Board until the contract had been concluded in 2017.</p> <p>The Chair noted that there was not an update to date Service Level Agreement (SLA) in place for AECC and there had been a two year delay since the last annual Business Plan had been submitted to ACC, and asked if this had had a detrimental impact on business planning. Mr Cumming advised that the SLA needed to be reviewed in light of the tendering process and the promotion of the new venue. He added that he would favour an annual review of the SLA to increase the robustness of the business plan as it would be beneficial to have AECC's objectives clearly outlined as there was uncertainty over their primary purpose: whether it was to promote the social economy or focus on increasing revenue, he also outlined his concern that these expectations had conflicted in certain areas. Mr Ramsay informed the Hub that discussions were ongoing with regards to the review of AECC's SLA and he was hopeful that this process would be at an advanced stage by the next Hub meeting in May 2016.</p>		
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APPENDIX 3

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE (AECC) LTD**

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
11.	The Chair's Closing Remarks	N/A	The Chair thanked Mr Cumming for his attendance and contribution and the Clerk advised that the minutes from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 February 2016 and thereafter to the Communities, Housing and Infrastructure Committee on 15 March 2016. The Chair then brought the meeting to a close.	to note the information provided.	N/A

If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email iairobertson@aberdeencity.gov.uk

**ALEO GOVERNANCE HUB
BON ACCORD CARE LTD**

ABERDEEN, 8 December 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Jeff Capstick (Human Resources and Customer Service), Paul Dixon (Finance), Martin Kasprowicz (Health and Social Care Partnership) and Colin Leaver (Human Resources and Customer Service); and Alistair MacLean (Finance Manager) and Sandra Ross (Managing Director) (Bon Accord Care Ltd (BAC)).

Also in attendance: Iain Robertson (Democratic Services), Jess Anderson (Legal Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service), Tom Cowan (Health and Social Care Partnership) and Joan McCluskey (Commercial and Procurement Services).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and advised that the Scottish Parliament's Local Government and Regeneration Committee had taken evidence from a cross section of ALEOs and their parent Local Authorities, including Bon Accord Care and ACC on 18 November 2015 and 2 December 2015. He explained that the Committee would publish a report with possible guidance on governance arrangements between Local Authorities and their ALEOs.</p> <p>The Chair further advised that the Council was considering holding quarterly Hub meetings based on an Audit Scotland recommendation and that the next cycle of meetings had been scheduled for the week beginning 9 May 2016.</p>	to note the information provided.	N/A

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
2.	Minute of previous meeting – 15 June 2015	ALEO Governance Hub minute – 15 June 2015.	<p>(i) With reference to item 6 (ii) (Financial Procedures) Alistair MacLean (Finance Director, BAC) advised that bespoke financial procedures were being developed and that these procedures would be finalised during 2016;</p> <p>(ii) With reference to item 7 (Board Composition) Sandra Ross (Managing Director, BAC) reiterated that BAC had no Councillors on its Board and that she was both comfortable with these arrangements and confident that the Board had the requisite skills and knowledge of the health and social care and commercial sectors to be able to effectively scrutinise performance and hold directors and managers to account; and</p> <p>(iii) With reference to item 15 (Service Lead) the Chair clarified for Ms Ross that Tom Cowan (Head of Joint Operations, Health and Social Care Partnership) was the Council's primary service lead to BAC.</p>	<p>The Hub resolved:-</p> <p>(i) to approve the minute as a correct record; and</p> <p>(ii) to note the information provided.</p>	I Robertson
3.	Improvement Plan (Risk Management Strategy)	Documents Submitted Risk Register as at October 2015.	Assurance Provided Neil Buck (IT and Transformation) asked if BAC had begun the development of a broader Risk Management Policy and Sandra Ross advised that it was her	<p>The Hub resolved:-</p> <p>(i) to note the Risk Register;</p> <p>(ii) to request that BAC's</p>	Lead Officer(s) N Buck

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No	Item	Documents Submitted	Assurance Provided	recollection that this policy had previously been submitted to the Hub in June 2015 and that she would forward on the policy for members' assurance.	Risk Management Policy be cascaded to Hub members; and (iii) to note the information provided.	Lead Officer(s) N Buck
4.	Improvement Plan (Internal Auditing Arrangements)	a) Audit Guidance/Schedule for All Services; and b) Audit Scores 2015-16.	The Chair advised that this item was on the agenda under item 3.		The Hub resolved:- to note the reports.	N Buck
No	Item	Documents Submitted	Assurance Provided		Actions/Decisions	Lead Officer(s)
5.	Improvement Plan (Core Funding Risk Indicator)	Risk Register as at October 2015.	The Chair advised that this item was on the agenda under item 4.		The Hub resolved:- to note the Risk Register.	N Buck
No	Item	Documents Submitted	Assurance Provided		Actions/Decisions	Lead Officer(s)
6.	Improvement Plan (Procurement Arrangements)	Procurement Policy as at October 2015.	The Chair welcomed BAC's revised Procurement Policy which had been approved by its Board in November 2015 and he advised that he had met with the Hub's commercial and procurement representative, Joan McCluskey (Commercial and Procurement Services) who had sent her apologies for today's meeting. The Chair advised that the policy would require additional alterations in order to incorporate the obligations set out in the Procurement Reform (Scotland) Act 2014 such as regulated procurements and fair working practices. He further explained that suppliers who were active on ACC's PECOS system were not considered to be		The Hub resolved:- (i) to note the Procurement Policy; (ii) to request that a meeting be scheduled between BAC and the Council's Commercial and Procurement Services team to provide assurance that BAC will be compliant with the statutory requirements of the Procurement Reform (Scotland) Act 2014	J McCluskey

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.	Audit Controls	<p>a) Audit Guidance/Schedule for All Services;</p> <p>b) Audit Scores 2015-16; and</p> <p>c) Health and Safety Audit Results and Dates 2015.</p>	<p>Assurance Provided</p> <p>Paul Dixon (Finance) referred to the attached Audit Guidance/Schedule for All Services document and noted that BAC managers conducted their own internal audits every four months on a rolling basis and asked if these managers were sufficiently independent.</p> <p>Sandra Ross felt that these arrangements were both robust and rigorous as managers determined performance based on parameters set out by external auditors and scoring tended to be conservative as BAC were subject to biannual, unannounced inspections from the Care</p>	<p>before the Act came into effect in April 2016; and</p> <p>(iii) to note the information provided.</p> <p>The Hub resolved:-</p> <p>(i) to note the reports;</p> <p>(ii) to request an update on the development of more impartial internal auditing arrangements;</p> <p>(iii) to request an update on the development of BAC's revised Health and Safety Strategy, Policy and Action plan in order to provide assurance on the level of liability to</p>	N Buck

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			<p>Inspectorate. Further to this, Ms Ross added that managers were responsible for developing their service specific action plans which would address areas of risk that required management or mitigation ahead of the next internal audit.</p> <p>Neil Buck highlighted that managers conducting their own internal audits carried a risk and advised that he would expect to see a level of impartiality going forward. Further to this, he asked how frequently the inspections were reviewed.</p> <p>Sandra Ross advised that internal audit performance was cross checked against their KPIs and subject to peer review and added that inspections and reviews were frequent and conducted on an ongoing basis in order to shape and provide scope to the risk register. She highlighted that incidents of misconduct, complaints and accidents were reported externally to the Care Inspectorate and advised that plans were being developed to increase the level of impartiality to provide greater assurance to stakeholders and external auditors.</p> <p>Colin Leaver (Human Resources and Customer Service) made reference to the health and safety performance of BAC's facilities and care homes and asked why no facility scored above 75%.</p>	<p>(iv) the Council at the next Hub meeting in May 2016; to request that BAC's next audit results be made available to Hub members ahead of the next Hub meeting in May 2016; and</p> <p>(v) to note the information provided.</p>	
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			<p>Alistair MacLean replied that at this stage, the result had not been unexpected. He advised that performance had been set out against the Health and Safety Executive guidance on care homes and scored against an audit structure with approximately 160 individual targets across 14 audit areas, and he added that this process had proven to be administratively onerous and in some cases had skewed performance. Mr MacLean explained that a new Health and Safety Policy, Health and Safety Strategy and Health and Safety Action Plan had been approved by the Board and would direct and map the path towards their health and safety targets for 2016. He added that these plans would target immediate improvement in OT facilities and Archibald Simpson House and would address knowledge gaps which existed amongst staff. Mr MacLean advised that a further audit was scheduled for the early spring of 2016 and the results of the audit would be available for the next Hub meeting in May 2016.</p> <p>Mr Leaver also highlighted BAC's health and safety liability to the Council and advised that it would provide greater assurance if BAC could submit their Health and Safety Action Plan to the Council, in order to ensure that the level of ongoing liability to the Council was being</p>		
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Business Planning	<p>a) Risk Register as at October 2015;</p> <p>b) Business Plan 2015-18;</p> <p>c) Business Continuity Procedure as at October 2015; and</p> <p>d) Business Continuity Workbook as at October 2015.</p>	<p>appropriately monitored and assessed.</p> <p>Neil Buck referred to the attached risk register and asked how regularly the register was reviewed. Sandra Ross advised that the register was a standing item on every agenda for Board meetings and that the Board were presented with a full analysis of areas that required mitigation or management and she highlighted that IT issues and governance arrangements had recently been addressed.</p> <p>Paul Dixon asked the BAC representatives to talk through the assumptions in their Business Plan and if they had accounted for ongoing austerity measures and a possible reduction in core funding. Ms Ross replied that assumptions were based on contractual obligations set out in the Service Level Agreement (SLA) and that they only received funding for services they were contractually required to deliver. Alistair MacLean added that in the absence of any guidance from ACC regarding future financial constraints and importantly future activity levels, the Business Plan had been produced on the assumption of the status quo as no other option was appropriate, and advised that he had been unwilling to base the Business Plan on unformed guesses. Mr</p>	<p>The Hub resolved:-</p> <p>(i) to note the reports;</p> <p>(ii) to request an update on TUPE transfer, equal pay and other issues pertinent to the transfer of staff to the City Home Help trading company at the next Hub meeting;</p> <p>(iii) to request that the BAC Board consider the inclusion of pension deficits and pension contributions as items of risk for their risk register;</p> <p>(iv) to request that a populated business continuity plan be made available to members ahead of the next Hub meeting; and</p> <p>(v) to note the information provided.</p>	<p>P Dixon/N Buck</p>

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			<p>MacLean explained that they would deliver £1million in efficiency savings and had been exploring new commercial business opportunities. Mr MacLean advised that all services had been costed and he projected that BAC would record a £52,000 net profit for the 2015-16 financial year.</p> <p>The Chair informed the Hub that the Scottish Parliament’s Local Government and Regeneration Committee had raised the issue of ALEOs sourcing new funding streams and generating additional income and asked what progress BAC had made in this area. Ms Ross reiterated that BAC were constrained by the SLA and could only deliver services that had been contractually funded. She added that this made business expansion challenging as new areas of business out with the SLA had to be approved by ACC. She highlighted that they were currently planning a City Home Help scheme which would provide a domestic and a social care service but under the current arrangements this service would struggle to be competitive in the market place as staff costs for the core business were around £18 per hour, and he recognised that a review of the SLA would be required in this regard. Alistair MacLean added that BAC had explored the formation of trading companies to offset costs from the core</p>		
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		<p>business, and as an example of success achieved to date he cited BAC's internal staff pool which had replaced about half of the company's requirement for agency staffing and had generated savings of approximately £100,000 in the financial year to November 2015. Mr MacLean also advised that BAC had begun to supply staff to the Council's Homelessness service, and he highlighted that this was an example of the Council and BAC benefitting from this new initiative.</p> <p>Paul Dixon enquired about BAC's business costs and asked BAC representatives to account for the underlying incremental salary increases. Alistair MacLean advised that incremental increases in staff pay was a reality of the business model as in recent years new starts had outnumbered leavers but noted that incremental pay increases budgeted for had fallen from £280,000 in 2015-16 to £190,000 in 2016-17. Mr MacLean explained that 80% of BAC costs were related to staff pay and if they were subject to further budget cuts, efficiencies in staff headcount would have to be considered and he asserted that this would have a detrimental impact on service delivery. He also confirmed that BAC had negligible financial reserves. Ms Ross added that the number of full time staff had been reduced during the</p>		
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			<p>previous year and as a result staff were more efficient and flexible; and had developed a wider range of skills that were needed across the social care and commercial sectors.</p> <p>Jeff Capstick (Human Resources and Customer Service) referred to the City Home Help trading company and asked about the issues and risks BAC had identified and quantified with regards to TUPE transfers, equal pay, and associated employer's status. Sandra Ross informed the Hub that these issues were being reviewed and they had consulted trade unions and taken legal advice on the matter.</p> <p>The Chair advised that the Scottish Parliament's Local Government and Regeneration Committee had enquired about ALEO pension deficits and their parent Council's exposure to risk and he asked the BAC representatives if this was a concern for the Board. Sandra Ross replied that every ALEO had a pension deficit and was not of immediate concern to the Board as they would not be expected to appropriate these funds simultaneously. She did highlight that the Board was concerned with the 2.1% increase in the level of pension contributions and Alistair MacLean explained that this increase followed the</p>		
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		<p>recent pension review and was put in place to recover the assessed calculated pension deficit over 19 years. Mr MacLean advised that in recent years Government Gilt Yields had fallen which had an impact on the calculation of the pension fund liabilities and as a result BAC's net liability was assessed to be £8million. He added that this liability was a snap shot assessment of the financial position of the fund at Year End and the valuation was reviewed annually with tri-annual valuations made by the pension administrators to set the pension contribution rates for the next three years. To this point, Neil Buck asked if the deficit and increase in contributions had been reflected in their risk register; and Ms Ross advised that it had not, as contractual arrangements had specified that this area was the responsibility of ACC and they could not influence the matter, though they had taken legal advice.</p> <p>Neil Buck then referred to the attached Business Continuity Workbook template and asked if there was a timeline in place to populate the workbook. Sandra Ross advised that each service had an existing Business Continuity Plan in place and they were reviewed annually and offered to provide an example of a populated plan ahead of the next Hub meeting in May 2016.</p>		
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**ALEO GOVERNANCE HUB
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Performance Management Framework	KPI Framework 2015-18.	<p>Neil Buck referred to the attached KPI Framework 2015-18 and asked about the challenges associated with performance reporting. Sandra Ross explained that KPI and performance reporting had proven to be administratively onerous and in some areas reporting arrangements were outdated or no longer relevant. To this point Martin Kasprovicz (Health and Social Care Partnership (HSCP)) recommended that a Service Performance Working Group be established that would include senior representatives from BAC and HSCP with a remit to review performance reporting, provide deeper context and analysis and make recommendations on how reporting can be streamlined and improved. This group would also offer assurance that reporting provided clarity to both BAC and ACC on BAC's performance and position.</p> <p>Ms Ross welcomed this joint approach to performance management as a mechanism for strengthening performance reporting and increasing managers' accountability to the Board. Mr Kasprovicz advised that discussions on the group's formation would begin before the Christmas break and he aimed to have the group established ahead of the next Hub meeting in May 2016. He also highlighted</p>	<p>The Hub resolved:-</p> <p>(i) to note the report;</p> <p>(ii) to request an update on the formation and operation of the Service Performance Working Group ahead of the next Hub meeting in May 2016; and</p> <p>(iii) to note the information provided.</p>	N Buck

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
10.	Service Performance	<p>a) Referrals Report – July 2015; b) Service User Satisfaction Report 2014-15; c) ADL Smartcare Weekly Report - August – September 2015; d) Enablement Weekly Report – August – September 2015; e) Care Inspectorate Report – 30 September 2015; f) OT Report – September 2015; g) OT Equipment Store Monthly Data - May – September 2015; h) Learning and Development Monthly Report – 2015; i) Interim Bed Places Weekly Reports – October 2015; j) Weekly Occupancy Reports – 2015; k) Personal Care Hours Weekly Report – October 2015; and l) Current Service Users Weekly Report – October 2015.</p>	<p>Assurance Provided</p> <p>Martin Kasprovicz referred to the attached Referrals Report and asked the BAC representatives to talk through their use of beds and occupancy rates. Sandra Ross advised that a 100% occupancy rate target had been set out in the SLA but that performance was dependant on referral rates and this target left no scope for external income generation.</p> <p>Mr Kasprovicz also asked about progress with regards to the embedding of the enablement programme and Ms Ross explained that the second tranche of staff training was ongoing which would focus on sheltered and unplanned care. She highlighted that the aim of the training was to broaden knowledge and allow staff to proactively identify care needs in order to increase opportunities for independent living. She added that a Senior Occupational Therapist had been developing the programme and case studies were being arranged.</p> <p>The Chair explained that the Scottish Parliament's Local Government and Regeneration Committee had also made</p>		M Kasprovicz

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
11.	The Chair's Closing Remarks	N/A	<p>The Chair thanked the representatives from Bon Accord Care for their attendance and contributions and the Clerk advised that the minutes from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 February 2016 and thereafter to the Education and Children's Services Committee on 24 March 2016. The Chair then brought the meeting to a close.</p>	to note the information provided.	N/A

APPENDIX 4

**ALEO GOVERNANCE HUB
BON ACCORD CARE LTD**

If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email iairobertson@aberdeencity.gov.uk

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**ALEO GOVERNANCE HUB
SPORT ABERDEEN**

ABERDEEN, 14 December 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Mary Agnew (Human Resources and Customer Service) , Neil Buck (IT and Transformation), Jeff Capstick (Human Resources and Customer Service), Euan Couperwhite (Policy, Performance and Resources) and Paul Dixon (Finance); and Jill Franks (Business Development Director), Donald Mackie (Finance and Resources Manager) and Alistair Robertson (Managing Director) (Sport Aberdeen(SA)).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Joan McCluskey (Commercial and Procurement Services).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and advised that the Scottish Parliament's Local Government and Regeneration Committee had taken evidence from a cross section of ALEOs and their parent Local Authorities on 18 November 2015 and 2 December 2015. He explained that the Committee would publish a report with possible guidance on governance arrangements between Local Authorities and their ALEOs.</p> <p>The Chair further advised that the Council was considering holding quarterly Hub meetings based on an Audit Scotland recommendation and that the next cycle of meetings had been scheduled for the week beginning 9 May 2016.</p>	to note the information provided.	N/A

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
2.	Minute of previous meeting – 15 June 2015	ALEO Governance Hub minute – 17 June 2015.	NA	To approve the minute as a correct record.	I Robertson
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
3.	Improvement Plan (Business Continuity Plan)	<ul style="list-style-type: none"> a) Leisure Management and Information System (LMIS) Failure Report; b) Planned Network Down Time Procedure; c) Emergency Action Plan – Fire and Evacuation (Beach Leisure Centre); and d) Emergency Action Plan – Various. 	<p>Neil Buck (IT and Transformation) noted that the draft Business Continuity Plan was due to be considered by SA's Corporate Governance Committee on 15 January 2016 and advised that it would be very helpful if Hub members could be provided with the plan after it had been approved by the Committee in January 2016; Jill Franks (Business Development Director, SA) confirmed that she would liaise with the Clerk in order to provide the plan to Hub members.</p> <p>The Chair advised that the Scottish Parliament's Local Government and Regeneration Committee had scrutinised the composition of ALEO Boards at its meeting on 18 November 2015 and he asked what benefits Councillors had provided as SA Board members. Alistair Robertson explained that Councillors were useful for opening doors and expanding</p>	<p>The Hub resolved:-</p> <ul style="list-style-type: none"> (i) to note the reports; (ii) to request that SA's Business Continuity Plan be provided to Hub members after its approval by SA's Corporate Governance Committee on 15 January 2016; and (iii) to note the information provided. 	N Buck

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
4.	Improvement Plan (Risk Register)	<ul style="list-style-type: none"> a) Strategic Risk Register as at 22 October 2015; b) Chiene and Tait (Internal Audit) Report – 11 November 2015; and c) Risk Management Strategy as at 7 September 2015. 	<p>SA's contact base. They had also offered insight on the needs of their constituents and had provided advice on the strategic environment; particularly in relation to legislative and regulatory change.</p> <p>Neil Buck referred to the attached Risk Management Strategy and noted that its formatting was familiar which demonstrated best practice. He also referred to the attached Strategic Risk Register and noted that it had been updated to reflect the recommendations made by SA's internal auditors and by the Governance Hub in June 2015.</p> <p>Thereafter Jill Franks advised that strategic risks were reviewed by the Corporate Governance Committee on a six monthly basis; whereas operational risks were assessed on an ongoing basis by senior managers and risk management was a standing item on the SMT agenda.</p> <p>The Chair highlighted that SA's internal auditors had identified two Priority 2 recommendations on business planning and risk management and asked if these had been addressed. Jill Franks confirmed that the recommendations had been actioned and she referred to the management's responses in the agenda pack which had been subsequently</p>	<p>The Hub resolved:-</p> <ul style="list-style-type: none"> (i) to note the reports; (ii) to note that the Strategic Risk Register had been updated as recommended by the Governance Hub in June 2015; and (iii) to note the information provided. 	N Buck

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Improvement Plan (Health and Safety Objectives)	Draft Health and Safety Objectives.	<p>Mary Agnew (Human Resources and Customer Service) noted the attached draft Health and Safety Objectives and asked the SA representatives to summarise their strategic approach towards health and safety. Jill Franks advised that health and safety was considered at Board level and members</p>	<p>The Hub resolved:- (i) to note the report; (ii) to request that the Hub be provided with SA's annual health and safety report, improvement plan and minutes from the</p>	M Agnew

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No	Item	Documents Submitted	Assurance Provided	most recent meeting of the Health and Safety Committee ahead of its next meeting; and (iii) to note the information provided.	Lead Officer(s)
6.	Improvement Plan (Procurement Arrangements)	N/A	<p>The Chair explained that Joan McCluskey (Commercial and Procurement Services) had sent her apologies for today's meeting but had prepared a note on SA's procurement arrangements which he summarised for the Hub. The Chair informed the Hub that statutory guidance had come into effect on 1 November 2015 for fair working practices and award criteria for procurements with a value over £50,000. He added that the overall approach of a bidder to fair work practices must be considered, and must include all relevant evidence on recruitment, remuneration, terms of engagement, skills utilisation, job support and worker representation. The Chair noted that Ms McCluskey intended to organise a meeting with SA in the New Year to discuss statutory compliance before the Act came into effect in April 2016.</p>	<p>(i) to request that a meeting be scheduled in the New Year between SA and ACC's Commercial and Procurement Services team to provide assurance that SA would be compliant with the statutory requirements of the Procurement Reform (Scotland) Act 2014 ahead of the Act's effective date in April 2016; and</p> <p>(ii) to note the information provided.</p>	J McCluskey

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.	Improvement Plan (Community Planning Framework)	Community Planning Involvement: Health and Wellbeing Thematic Group Action Plan.	The Chair advised that this item was on the agenda under item 3.	To note the Action Plan.	E Couperwhite
8.	Community Planning	Documents Submitted Community Planning Involvement: Health and Wellbeing Thematic Group Action Plan.	Assurance Provided Euan Couperwhite (Policy, Performance and Resources) asked the SA representatives about the poor condition of their swimming pools across the city. Jill Franks advised that a number of pools were not fit for purpose with outdated facilities and amenities that required constant maintenance which had a detrimental impact on service delivery. Alistair Robertson explained that from time to time they had to close pools due to infrastructure failure of ageing assets and added that SA had kept records of pool income lost during these closures. Ms Franks added that it was evident that SA had struggled to compete with Robert Gordon University (RGU) and the Aberdeen Sports Village (ASV) in an overprovisioned swimming market for public swimming. She also highlighted concerns regarding the Learn to Swim Programme should pools close, in terms of reputational damage to SA. Mr Couperwhite asked the SA representatives to provide the Hub with an indication of their place within the	Actions/Decisions The Hub resolved:- (i) to note the action plan; (ii) to request an update on the joint strategy between SA and ACC to improve health and wellbeing outcomes in Aberdeen City; (iii) to request an update on the AAP at the next Hub meeting; and (iv) to note the information provided.	Lead Officer(s) E Couperwhite

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			<p>Community Planning Partnership framework and how they had aligned with the Single Outcome Agreement. Alistair Robertson advised that SA had taken the lead within the Active Aberdeen Partnership (AAP) which was a multi partner group that included the universities, ASV, AFC Community Trust, sportsScotland and Transition Extreme with a remit to help set the strategic direction for sport and physical activity across the City. This included updating both the 'Participation' and 'Facilities strategies'. He explained that the AAP aimed to coordinate and capitalise on the leisure expertise which existed out with the Council in order to transform Aberdeen into a more active city and to secure the North East as a regional centre of excellence.</p> <p>Mr Robertson added that the AAP would align with the Scottish Government's Active Nation framework and the national governing bodies for sport with the objective of co-ordinating high performance and grassroots activities in order to increase participation and provide greater opportunities for service users across the demographic spectrum. He also highlighted that the AAP would align with the objectives of the Community Planning Partnership, and the Council would be consulted through the Education</p>		
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			<p>and Children’s Services Committee.</p> <p>Mary Agnew (Human Resources and Customer Service) enquired about SA’s priorities and specifically how they balanced high performance and grassroots swimming provision. Jill Franks advised that SA had a social responsibility in this regard and explained that they had secured sponsorship funding and provided free swimming lessons for service users from multiple deprivation areas. Ms Franks reiterated that there was an overprovision of swimming pools in Aberdeen that were expensive to operate and maintain, and that swimming participation levels were in decline across Scotland.</p> <p>Alistair Robertson added that ACC had conducted an Aquatics review and produced a strategy. During its development it confirmed the overprovision of water space in the city but SA were wary of closing pools as this would have an impact on local communities, particularly swimming clubs. He advised that SA were currently in discussions with ACC on a 25 year service provision agreement that would allow for longer term planning and enhance the alignment of assets and service delivery with the SOA and promote greater integration within the CPP framework. Mr Robertson added that the new 25 year</p>		
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Performance Management	<p>a) Business Plan 2015-16 – 2017-18;</p> <p>b) Business Plan Q1 Report to Corporate Governance Committee – 4 September 2015;</p> <p>c) Business Plan Q1 Performance Report 2015-16;</p> <p>d) Business Plan Q2 Report to Corporate Governance Committee -6 November 2015;</p> <p>e) Business Plan Q2 Performance Report 2015-16;</p> <p>f) Sport Scotland Term Three Report – Academic Year 2014-15;</p> <p>g) Health and Safety Q1 Report 2015-16 to Corporate Governance Committee – 4</p>	<p>agreement would also provide greater scope for exploring more commercial and investment opportunities which would support the generation of additional income streams. He further advised that SA and colleagues from Education and Children’s Services were in the process of creating a £5million strategy to improve fitness facilities in Sport Aberdeen leased centres.</p> <p>Neil Buck referred to the attached quarterly performance reports and noted that performance had been determined using the standard traffic lighting system and asked if performance had been determined in relation to set targets. Jill Franks advised that this depended on the performance indicator as the indicator could be recurring or set annually and she explained the objectives in the performance management framework were based on areas covered by core funding.</p> <p>Mr Buck also noted that SA were members of a number of benchmarking organisations and asked if targets had been set relative to peer performance or national performance standards. Ms Franks informed the Hub that targets were set after internal discussion and analysis and that the purpose of benchmarking was</p>	<p>The Hub resolved:-</p> <p>(i) to note the reports;</p> <p>(ii) to request an update on SA’s budgetary position at Year End; and</p> <p>(iii) to note the information provided.</p>	N Buck

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		<p>September 2015; Health and Safety Report Q2 Report 2015-16 to Health and Safety Committee; Operational KPI Report Q1 2015-16; and Operational KPI Report Q2 2015-16.</p> <p>h) i) j)</p>	<p>to incorporate best practice into their performance framework.</p> <p>Paul Dixon asked the SA representatives to summarise the main assumptions they had made in their Business Plan for 2016-17. SA assumed that:</p> <ul style="list-style-type: none"> (i) there would be no reduction in core funding during the 2016-17 financial year; (ii) prices would increase for popular activities based on a sensitivity analysis; (iii) additional income would be generated and sponsorship would increase as a result of the creation of a new post of Commercial and Development Manager; (iv) marketing costs would increase in line with business performance; (v) payroll costs would increase by 8% due to the creation of new posts in golf, health and wellbeing and commercial development; and (vi) changes to national insurance contributions, pension auto enrolment and cost of living increases had been factored into the business plan. <p>Mr Dixon also asked how SA had performed against their budget and if income generation was constant throughout the year. Donald Mackie</p>		
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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
10.	Business Contingency	a) Leisure Management and Information System (LMIS)	Neil Buck asked the SA representatives to identify the biggest threats to business	The Hub resolved:- (i) to note the reports;	P Dixon/M Agnew

(Finance and Resources Manager, SA) advised that as at October 2015 SA were £192,000 ahead of budget and they had forecast a surplus between £30,000 - £50,000 at Year End. He added that SA had secured a surplus every year since inception and had developed a level of self-sufficiency. With regards to income generation, Mr Mackie advised that the majority of activities generated income on an ongoing basis throughout the year with notable exceptions being seasonal sports such as golf.

Alistair Robertson explained that performance was stable due to the existing senior management team being largely in place for the past two years and in that time they had developed an in-depth knowledge of the business' income sources, expenditure levels and operational costs and they have been proactive in cascading this information to operational managers. Mr Robertson highlighted that they remained vigilant about short term financial shocks such as emergency repairs and maintenance for an ageing portfolio of assets but added that SA had sufficient financial reserves to mitigate an annual deficit.

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	<p>Planning</p>	<p>b) Failure Report; Planned Network Down Time Procedure; c) Emergency Action Plan – Fire and Evacuation (Beach Leisure Centre); and d) Emergency Action Plan – Various.</p>	<p>continuity: Alistair Robertson advised that he was most concerned about funding reductions; adverse weather; the condition of assets which were beyond their economic viability; and an IT system malfunction. He added that one or a combination of these issues could result in considerable reputational damage to SA.</p> <p>Mr Buck also enquired if SA's facilities were used in emergency planning operations: Mr Robertson highlighted that this service had not be written into their SLA but had been previously provided to the Council and he added that initial discussions with ACC colleagues on increasing SA's involvement in civil contingency planning were being planned.</p> <p>The Chair noted that a number of SA's property assets were beyond their economic life and he asked which body was responsible for structural maintenance. Mr Robertson advised that SA had a general repair and maintenance responsibility and were primarily responsible for ensuring that the buildings were wind and watertight. He explained a mechanism for transferring ownership of these assets could be inserted into the 25 year service agreement with ACC.</p> <p>Mary Agnew asked if SA had worked with Police Scotland on addressing</p>	<p>(ii) to request an update on SA's proposed integration within civil contingency planning; and (iii) to note the information provided.</p>	
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**ALEO GOVERNANCE HUB
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No	Item	Documents Submitted	radicalisation: Mr Robertson explained that ACC were primarily responsible for this issue but highlighted that SA would welcome greater involvement in the Prevent Strategy if invited to do so.	Actions/Decisions	Lead Officer(s)
11.	The Chair's Closing Remarks	N/A	Assurance Provided The Chair thanked the representatives from Sport Aberdeen for their attendance and contributions and the Clerk advised that the minutes from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 February 2016 and thereafter to the Education and Children's Services Committee on 24 March 2016. The Chair then brought the meeting to a close.	to note the information provided.	N/A

If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email iairobertson@aberdeencity.gov.uk

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 March 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Progress
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2015/16 Internal Audit plan.

2. RECOMMENDATION

- 2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

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

4. INTERNAL AUDIT PROGRESS

- 4.1 The Internal Audit plan for 2015/16 was approved by this Committee on 26 February 2015. The plan included an indicative quarter in which it was planned to undertake each audit.
- 4.2 The plan includes two audits relating to the Pension Fund and it was previously noted that the outcomes of these would be reported to the Audit, Risk and Scrutiny Committee. However, the Committee's Orders of Reference specifically exclude Internal Audit reports relating to the Pension Fund. Responsibility for receiving these reports is reserved to the Pensions Committee and the outcomes of the audits will be reported to that Committee. As a result, these audits, which are nearing completion, are no longer included in the following table or appendix to this report.
- 4.3 The appendix to this report shows the plan along with progress achieved as at the date of this report. Where audits have been finalised and reported to Committee before the date of this Committee, the date on which they were presented is the only detail shown. Where comments included have already been reported to Committee, these are shown in *italics*. A summary is shown in the following table:

Planned Audit Status	As at 29 February 2016 by Original Target Committee Date					%age
	29.09.15	26.11.15	25.02.16	28.04.16	Total	
Complete	5	5	2	0	12	37.5
Draft Report Issued	2	1	2	0	5	15.6
Work in Progress	0	1	3	3	7	21.9
To be Commenced	0	0	0	1	1	3.1
Cancelled / Moved to 2016/17	1	1	3	2	7	21.9
Total	8	8	10	6	32	100.0

4.4 Progress with planned work has been slower than anticipated when developing the plan. As reported to Committee previously, this was initially as a result of:

- The Team focusing on completing Aberdeenshire work from 2014/15 in quarter one;
- Time taken to gain access to Aberdeen City systems and familiarisation with those different systems and personnel;
- Additional work undertaken which has delayed progress with some planned works.

4.5 The have also been delays in Services providing some of the information required for audit work to progress, and in responding to some draft reports when issued. Some reviews have taken longer to complete than anticipated when setting the Internal Audit plan. It has also taken Internal Audit longer than anticipated to understand the different systems. The agreed plan had an assumption that all systems to be audited would be adequately documented, detailing the controls put in place by management, and that testing would identify that these controls were being complied with. It was stated that if this was not the case, there would be an impact on the time taken to review planned areas and on the plan's achievability. Not all systems have been found to be fully documented or to be operating as expected. These factors have had an impact on the Section's ability to progress as quickly as anticipated.

4.6 In addition to the above, the Internal Audit Section has been operating at less than full establishment due to higher than usual sickness absence, whilst one member of staff has been called-up by the armed forces for a year from mid-November 2015. A new member of staff, on a fixed-term contract, commenced at the beginning of January to cover this. However, another member of staff resigned with effect from mid-January and that post is in the process of being filled. Up to the end of January 2016, the Section's capacity due to the foregoing factors was reduced by almost 10%.

- 4.7 As mentioned above, in addition to planned audits, the Internal Audit plan has a contingency for additional works and investigations. The following table provides a summary of these to date whilst more details are shown in the attached appendix:

Additional Work Status	As at 29 February 2016
Complete	7
Draft Report Issued	0
Work in Progress	1
Total	8

5. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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(01224) 664184

APPENDIX A

PROGRESS WITH INTERNAL AUDIT PLAN 2015/16 CROSS SERVICE AUDITS

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016		Red Amber Green	Comment where applicable
Corporate Policies and Procedures in Aberdeen City and Aberdeenshire Councils (joint audit)	To undertake a "stock take" of the policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation.	Draft report due to be issued	17.08.15	Green	<i>The draft Internal Audit Report was discussed by Aberdeen City and Aberdeenshire's Joint Senior Management Team on 09.12.15.</i>
		Draft report issued	13.08.15		
		Management response due	14.09.15	Amber	
		Reminder sent	14.12.15		
		Various Management responses received between	21.12.15 and 19.01.16		
Updated draft report issued	20.01.16	Green			
Requests from management regarding report content	01.02.16				
Revised draft issued	16.02.16				
Original target Committee date	29.09.15	Amber			
Revised submission to Committee	TBC				
<i>Risk Registers</i>	<i>Council-wide review of procedures in place to consider whether risks are identified and adequately managed.</i>	<i>Presented to Committee</i>	<i>26.11.15</i>		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CROSS SERVICE AUDITS (continued)

Recruitment Procedures across all Services (excluding Teaching staff) NOTE: Work conjoined with Teachers Recruitment Audit	Consider whether all Services are complying with Policy relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.	Draft report due to be issued	22.08.15	Green	On issue of final report on 16.11.15, the Director of E&CS requested that further changes be made. The response from E&CS necessitated further validation work being undertaken by Internal Audit in consultation with HR who confirmed to Internal Audit that they had discussed the issue with E&CS.
		Draft report issued	21.08.15		
		Management response due	21.09.15	Green	
		Management response received – HR	21.09.15		
		Management response – E&CS	09.11.15	Red	
		Final report issued	16.11.15	Green	
		Reminder issued to E&CS	17.12.15 11.01.16 18.01.16	Red	
		Response from E&CS	29.01.16		
		Reminder issued to E&CS	15.02.16		
		Response from E&CS	17.02.16		
Final report issued	25.02.16				
Original target Committee date	29.09.15	Red			
Actual submission to Committee	09.03.16				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CROSS SERVICE AUDITS (continued)

ALEOs	To review the governance arrangements in place between Aberdeen City Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.	Draft report due to be issued	18.01.16	Amber	<i>Delayed to allow Governance Hubs to meet before commencing audit.</i>
		Draft report issued	18.01.16		
		Management response due	28.01.16		
		Management response received	27.01.16		
		Corporate Governance	11.02.16		
Reminder to Other Services Responses	22.02.16	Amber			
Final report issued	23.02.16	Green			
Original target Committee date	26.11.15	Amber			
Anticipated submission to Committee	26.02.16				
Actual submission to Committee	09.03.16				
Compliance with Procurement related Legislation and Financial Regulations.	To review sample of payments in excess of £5,000 to ensure that they have been made in full compliance with Legislation and Financial Regulations and that, where appropriate, Value for Money has been achieved.	<u>Audit 1</u>		Amber	Obtaining access to the data, and in the format, required to undertake the audit took longer than anticipated but detailed testing has now commenced. In view of this it is planned to cancel the second audit and include a similar review in 2016/17.
		Draft report due to be issued	25.02.16		
		Draft report issued	N/A		
Original target Committee date	26.11.15				
Anticipated submission to Committee	28.04.16				
<u>Audit 2</u>					
Original target Committee date	28.04.16				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CROSS SERVICE AUDITS (continued)

Timesheets / Allowances	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	<i>Draft report due to be issued</i>	15.12.15	Green	
		Draft report issued	10.12.15		
		Management response due	11.01.16	Green	
		Response from HR&OD	08.01.16		
		Response from Finance	19.01.16	Amber	
Responses from Roads	13.01.16	Amber			
		Final report issued	19.01.16	Green	
		Original target Committee date	25.02.16	Green	
		Actual submission to Committee	09.03.16		
Following the Public Pound	Review arrangements in place to ensure that public funds are awarded against set criteria which complies with the principles of following the public pound requirements.	Original target Committee date	25.02.16	Amber	<i>Delayed at request of Head of Finance due to new procedures being introduced. Propose moving to 2016/17 IA plan.</i>
Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	Original target Committee date	25.02.16	Green	Delayed due to additional work (see end of report) and resource issues detailed above. Propose moving to 2016/17 IA plan.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE

Commercial and Procurement Services

<i>Creditors System</i>	<i>Consider whether appropriate control is being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.</i>	<i>Presented to Committee</i>	<i>26.11.15</i>		
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Finance

Budget Setting Process	Review procedures used in setting the Council's budget.	Original target Committee date	29.09.15	Amber	<i>Delayed due to work being undertaken on Health and Social Care Integration. Propose moving to 2016/17 IA plan.</i>
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Council Tax	Consider whether billing and collection arrangements are robust and adequately applied.	Draft report due to be issued	20.11.15	Amber	
		Draft report issued	23.12.15		
		Management response due	15.01.16	Green	
		Management response received	15.01.16		
		Final draft report issued	21.01.16	Green	
		Management response received	25.01.16		
		Final report issued	28.01.16	Green	
		Original target Committee date	26.11.15	Amber	
		Actual submission to Committee	09.03.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

Finance (continued)

Bank Reconciliations	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	Draft report due to be issued	12.02.16	Amber	Delays in Internal Audit caused by Auditor leaving the Council
		Draft report issued	N/A		
		Original target Committee date	25.02.16	Amber	
		Anticipated submission to Committee	28.04.16		

VAT	Consider whether VAT returns are accurately and timeously prepared and that appropriate reconciliations are completed to ensure accuracy.	Original target Committee date	25.02.16	Amber	Delayed due to HMRC Inspection. Internal Audit will seek to take assurance from the output from that inspection when provided by the Head of Finance.
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Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Original target Committee date	28.04.16	Green	
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

Finance (continued)

Benefits	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Original target Committee date	28.04.16	Green	
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Human Resources and Organisational Development

<i>Payroll System</i>	<i>Consider whether appropriate control is being exercised over the payroll system, including contingency planning, disaster recovery and interfaces, and that payments made by the system are accurate. To include system data reconciliations</i>	<i>Presented to Committee</i>	26.11.15		
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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EDUCATION AND CHILDREN'S SERVICES

Recruitment Procedures NOTE: Work conjoined with Council-wide review	Consider whether Service is complying with Policy relating to recruitment of teaching staff, and that recruitment is being undertaken in the most efficient manner.	See Recruitment Procedures audit under Cross-Service audits.			
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Academy Visits	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Draft report due to be issued	30.10.15	Green	
		Draft report issued	26.10.15		
		Management response due	23.11.15	Red	
		Management response received	05.01.16		
		Final draft issued	07.01.16	Green Red	
Reminders issued to Service	21.01.16 15.02.16				
Management response received	N/A	Amber			
Original target Committee date	25.02.16				
Anticipated submission to Committee	TBC				

Family and Community Support – Family Centres	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Draft report due to be issued	11.03.15		Delays in Internal Audit caused by additional work undertaken and resource issues.
		Original target Committee date	25.02.16	Amber	
Anticipated submission to Committee	28.04.16				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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EDUCATION AND CHILDREN'S SERVICES (continued)

Teachers Payroll including Supply Teaches	Consider whether all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona-fide employees.	Draft report due to be issued	04.03.16		
		Original target Committee date	28.04.16	Green	

Out of Authority Placements	Consider whether system used to make placements is robust and that alternatives are considered before decisions are made which commit expenditure.	Original target Committee date	28.04.16	Green	Commencement of audit under discussion with Service.
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

Housing

<i>Rent Assessment</i>	<i>Consider whether the scheme is robust and is operating satisfactorily in relation to rent setting.</i>	<i>Presented to Committee</i>	<i>29.09.15</i>		
Rent Collection	Consider whether rent collection and arrears processes are robust and are being complied with.	Draft report due to be issued	25.09.15	Red	Delays in Internal Audit
		Draft report issued	27.01.16		
		Management response due	29.02.16		
		Original target Committee date	29.09.15	Amber	
		Anticipated submission to Committee	28.04.16		
Building Maintenance Procurement	Consider whether adequate control is in place regarding procurement of materials.	Original target Committee date	26.11.15	Amber	<i>Delayed due to volume of additional works being undertaken by Internal Audit in the Service (see General Section below). Propose moving to 2016/17 IA plan.</i>

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued)

Housing (continued)

Sheltered Housing	To review the implementation of revised arrangements following the January 2013 report on Housing for Varying Needs Review.	Draft report due to be issued	09.10.15	Amber	<i>Information requested not provided timeously and Service not responding fully and timeously to audit queries.</i>
		Draft report issued	30.10.15		
		Management response due	30.11.15	Green	
		Reminders issued	22.12.15 18.01.16		
		Management response received	25.01.16	Red	
Final report issued	15.02.16	Green			
		Original target Committee date	26.11.15	Amber	
		Anticipated submission to Committee	25.02.16		
		Actual submission to Committee	09.03.16		

Transportation

Vehicles	Ensure that the procedures put in place to address concerns raised by the Traffic Commissioner have been implemented and are operating in a satisfactory manner. To include random, unannounced visits to check vehicles.	Draft report due to be issued	23.12.15	Amber	
		Draft report issued	22.01.15		
		Management response due	08.02.16		
		Reminder issued	15.02.16		
		Management response received	N/A		
		Original target Committee date	25.02.16	Amber	
		Anticipated submission to Committee	28.04.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued)

Transportation (continued)

Crematorium	Ensure that procedures put in place to address concerns raised in 2014/15 have been embedded in the Crematorium and ascertain where assurance over operation will be obtained from in future.	Draft report due to be issued	04.12.15	Green	
		Draft report issued	18.11.15		
		Management response due	18.12.15	Green	
		Management response received	25.11.15		
		Final report issued	30.11.15	Green	
		Original target Committee date	25.02.16	Green	
		Actual submission to Committee	09.03.16		
Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	28.04.16	Amber	New procedures being introduced by Service and some elements of audit have been covered in the Vehicles audit referred to above. Propose moving to 2016/17 IA plan.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued)

Public Infrastructure and Environment

Trade Waste	Consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust.	Draft report due to be issued	13.10.15	Amber	
		Draft report issued	26.10.15		
		Management response due	23.11.15	Green	
		Management response received	23.11.15		
		Final draft issued	24.11.15	Green	
		Management response received	13.01.16	Red	
		Final report issued	14.01.16	Green	
Original target Committee date	26.11.15	Amber			
Actual submission to Committee	09.03.16				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

Social Work Tendering	Consider whether robust, documented procedures are in place to adequately control tendering and selection processes.	Draft report due to be issued	02.10.15	Amber	<i>Additional work being undertaken in respect of Children's Services requested by Chief Executive</i>	
		Draft report issued	01.12.15			
		Management response due	22.12.15	Green		Response resulted in further consultation with other Services.
		Management response received	22.12.15			
		Further draft issued	15.01.16			
Management response (partial) received	22.01.16					
Updated draft issued	12.02.16					
Management response due	26.02.16					
Management response received	N/A	Amber				
Original target Committee date	26.11.15					
Anticipated submission to Committee	28.04.16					
Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	Draft report due to be issued	04.03.16		Audit delayed at request of Service due to external inspection	
		Draft report issued				
		Original target Committee date	25.02.16	Amber		
Anticipated submission to Committee	28.04.16					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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ADULT SOCIAL WORK / INTEGRATION JOINT BOARD (continued)

Integration of Health and Social Care	Internal Audit provision for Health and Social Care Partnership to include consultancy on arrangements being introduced covering risk management, staff and information governance, and provision of assurance to stakeholders.		As required	N/A	
	Additional audit (ie outwith detailed planned work) providing pre-integration financial assurance agreed by Audit, Risk and Scrutiny Committee on 26.09.15	Draft report due to be issued	30.10.15	Amber	<i>Delays in Services responding to requests for required information</i>
		Draft report issued	04.11.15		
		Management response due	04.12.15	Green	
		Management response received	03.12.15		
		Final draft issued	11.12.16		
		Management response received	12.01.16	Amber	
Final report issued	15.01.16	Green			
Submission to Committee	09.03.16	Green			

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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GENERAL

Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee. To include reporting of agreed PWC recommendations.	<i>Target Committee Date</i>	29.09.15	Green	
		<i>Actual Committee Date</i>	29.09.15		
		<i>Target Committee Date</i>	26.11.15	Green	
		<i>Actual Committee Date</i>	26.11.15		
		Target Committee Date	25.02.16	Green	
		Actual Committee Date	09.03.16		

Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	<i>Target Committee Date</i>	29.09.15	Green	
		<i>Actual Committee Date</i>	29.09.15		
		<i>Target Committee Date</i>	26.11.15	Green	
		<i>Actual Committee Date</i>	26.11.15		
		Target Committee Date	25.02.16	Green	
		Actual Committee Date	09.03.16		

Commercial and Procurement Services - PACE Projects.	To provide consultancy regarding issues arising from proposed projects.	N/A		N/A	
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Shared Services as they arise.	To provide consultancy regarding issues arising from shared service proposals.	N/A		N/A	
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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GENERAL (continued)

Contingency - Investigations and additional works.	To undertake investigations and additional works as they arise during the year and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	Additional works undertaken / being undertaken are detailed in the following tables.		
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<i>Council Tax Billing 2014/15</i>	<i>Establish reasons why incorrect bar codes had been recorded on Council Tax Bills and the controls in place to prevent duplicate bills being issued.</i>	<i>Presented to Committee</i>	<i>29.09.15</i>		
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<i>Craft Workers Terms and Conditions</i>	<i>To review the completion of timesheets and compliance with agreed terms and conditions.</i>	<i>Presented to Committee</i>	<i>26.11.15</i>		
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<i>Window Replacements</i>	<i>To review the circumstances regarding window replacements.</i>	<i>Submission to Committee</i>	<i>26.11.15</i>		
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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GENERAL (continued)

Window Replacements 2	To establish the process for dealing with complaints against officers and to determine if the process was followed correctly in this case, and to make any recommendations as appropriate.	Anticipated submission to Committee Submission to Committee	09.03.16 09.03.16		
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<i>Langdykes Road</i>	<i>To review whether officers have complied with Council policy / procedure in respect of granting of planning permission for the development of a Hydrogen Power Station.</i>	<i>Presented to Committee</i>	<i>26.11.15</i>		
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Building Services Recharges	To evaluate controls in place to ensure costs (materials and labour) charged to jobs are accurate.	Draft report issued	N/A	Amber	Delays in Internal Audit and prioritising other works.
		Anticipated submission to Committee Changed to	25.02.16 28.04.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 29 February 2016	Red Amber Green	Comment where applicable
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GENERAL (continued)

Payment Controls in Children's Social Work	To evaluate controls in place.	Draft report issued	16.11.15	Green	
		Management response due Management response (partial) received	30.11.15 25.11.15	Green	
		Further draft issued Management response (partial) received	11.12.15 11.01.16	Green	Key Service officer off until 11.01.16
		Final draft issued Management responses received between	15.01.16 21.01.16 and 27.01.16	Amber	On issue of final report, the Director of E&CS requested that further changes be made, specifically to the action plan and implementation dates.
		Final report issued	27.01.16	Green	
		Updated final report issued	25.02.16		
		Submission to Committee	09.03.16	Green	

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 March 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2016/17
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek approval of the attached Internal Audit plan for 2016/17.

2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Plan for 2016/17.

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND/MAIN ISSUES

- 4.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The plan for 2016/17 is attached as appendix B.
- 4.2 All audits included in the attached plan, as well as those in future plans, will help familiarise Internal Audit with the Council's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.
- 4.3 A small number of audits contained in the attached plan are to be undertaken across both Aberdeen City and Aberdeenshire Councils. Where possible, it is planned that these audits will be undertaken simultaneously so that good practice can be shared through the audit process.

- 4.4 The plan for Aberdeenshire is being consulted on and will be presented to that Council's Scrutiny and Audit Committee on 30 March 2016. The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.
- 4.5 It is planned to have rolling three year plans in future, with those of both Councils linked as far as possible to improve efficiency and help share best practice.
- 4.6 The plan has been discussed with Service Directors to ensure that they are aware of what Internal Audit is planning to audit and to allow them to identify areas which they consider to be of risk to their business operations which Internal Audit has not identified. Each audit has been allocated to a target Committee date.
- 4.7 Some audits planned to be completed in 2015/16 have been deferred to the 2016/17 plan. The reasons for this are detailed in the Internal Audit Progress report on today's agenda.
- 4.8 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit expects to be able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified.
- 4.9 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts and an annual budgeted cost for 2016/17 of £582,000. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

5. REPORT AUTHOR DETAILS

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Appendix A

INTERNAL AUDIT PLAN 2016/17 STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2016/17, which is the same as approved by the Audit, Risk and Scrutiny Committee on 26 February 2015 in relation to the 2015/16 Internal Audit Plan.

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

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

In developing the plan consideration was given to the Council's risk registers, the Council's Strategic Priorities, the Assurance and Improvement Plan 2014-17, and a listing of previous audits undertaken within Aberdeenshire Council, and the outcome of these. Where possible, discussions were held with relevant senior officers to help inform the areas to review.

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

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

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Corporate Governance	Failure to have arrangements in place that specify the overall control environment and delegated authority across the whole Council.	High	Low
	Failure to comply with the requirements of the corporate governance arrangements including Financial Regulations, the Officers Scheme of Delegation, and other Council Policies.	High	Medium
Budget Setting	Failing to ensure that a sustainable budget is set which allows for delivery of a defined service including everything that will be required to deliver that service.	High	Medium
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium	TBC
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	High	TBC
	Failing to have outcome measures to demonstrate service provision.	Medium	TBC
	Failing to achieve Best Value / Value for Money.	High	Medium
Procurement	Failing to comply with procurement legislation.	High	Medium

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High	High
Payroll	Failing to ensure that employees are paid correctly.	Medium	Medium
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High	Low
	Failing to identify and recover sundry debts due to the Council.	Medium	Medium
	Failing to control cash income received.	Medium	Medium
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium	Medium

NOTE – Internal Audit's risk assessment based on evaluation of mitigating controls is based on Internal Audit work undertaken during 2015/16, a review of Internal Audit work completed in previous years (in particular Continuous Financial Controls work), and external audit work on Benefits and the associated annual subsidy return.

Risk:

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

Internal Audit Plan 2016/17

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

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

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

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

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

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

Appendix B

INTERNAL AUDIT PLAN 2016/17

CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Council Owned Land and Property	Council Owned Land and Property	Review systems / procedures in place across the whole Council estate for ensuring that the Council has surety over the land and buildings it owns including title.	February 2017
ALEOs	ALEOs	Consider how Services manage their ALEOs including payments and performance.	February 2017
Compliance with Procurement related Legislation and Financial Regulations.	Payments made via Creditors System.	To review payments made via the Creditors System to ensure that a sample of payments in excess of £5,000 have been made in compliance with Legislation and Financial Regulations and that, where appropriate, Value for Money has been achieved by challenging management regarding the purchase. This review will also focus on orders placed close to year end deadlines to ensure that they represent essential spend.	September 2016
Timesheets / Allowances	Timesheets and Allowance claim forms	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	February 2017
Following the Public Pound	Grants	Review arrangements in place to ensure that public funds are awarded against set criteria which complies with the principles of following the public pound requirements.	June 2016
Data Protection	Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	June 2016

CORPORATE GOVERNANCE

Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Infosmart System	Infosmart System	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.	September 2016

Finance

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Budget Setting Process	Council Budget	Review procedures used in setting the Council's budget.	November 2016
Treasury Management	Treasury Management	Consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.	February 2017
Business Rates	Business Rates	Consider whether billing and collection arrangements are robust and adequately applied.	November 2016
Cash Receipting System	Cash Receipting System	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	November 2016
Scottish Welfare Fund	Scottish Welfare Fund	Consider whether administration arrangements are robust and being complied with.	September 2016
Benefits	Rent Allowances, Rebates and Council Tax Reduction	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	April 2017

Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Disclosure Checks	Disclosure Checks	Consider whether arrangements in place to ensure that appropriate employees / volunteers have been checked are adequate. Specific testing will be targeted at staffing groups working with particularly sensitive groups.	April 2017
Agency Staff	Agency Staff	Ensure that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. Partial follow up to a previous audit and extended to include roads specifically.	November 2016

IT and Transformation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Public Records (Scotland) Act	Public Records (Scotland) Act	The scope of a previous IA review was restricted due to limited progress having been made by the Council in some respects of implementation. This review will consider whether arrangements in place to ensure compliance with the Act are adequate.	September 2016

EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Commissioning of Children's Social Work Services	Commissioning of Children's Social Work Services	Consider whether arrangements in place are adequate.	April 2017
Primary School Visits	Selection of Primary Schools	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	February 2017
Fostering and Adoption Allowances	Fostering and Adoption Allowances	Consider whether adequate procedures are in place to control calculation, award and payment of allowances, that correct rates are applied and any overpayments are recovered timeously.	April 2017

Note: Internal Audit will be reviewing school transport tendering procedures in Aberdeenshire Council and, whilst the full details will not be released to Aberdeen City Council, assurance will be able to be taken from this work.

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

Housing

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Building Maintenance	Procurement	Consider whether adequate control is in place regarding procurement of materials.	June 2016

Land and Property Assets

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Cleaning Payroll	Cleaning Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours. To include the co-ordination of additional hours to minimise overtime costs.	June 2016

Transportation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Vehicles	Vehicle and Driver records	Ensure that the procedures put in place to address concerns raised by the Traffic Commissioner have been implemented and are operating in a satisfactory manner. To include random, unannounced visits to check vehicles.	February 2017
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	April 2017

Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Roads Payroll	Roads Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours.	September 2016

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Purchasing and Creditors	Purchasing and Creditors	Consider whether robust documented procedures are in place and are satisfactorily complied with throughout the service. Consider whether Value for Money is being achieved.	June 2016
Carefirst	Carefirst	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.	November 2016
Integration of Health and Social Care	Health and Social Care Partnership	Post Integration review of Health and Social Care Intervention as required by Integration Resource Advisory Group (IRAG) Guidance.	February 2017
Integration of Health and Social Care	Health and Social Care Partnership	Internal Audit provision for Health and Social Care Partnership to include consultancy on arrangements being introduced covering risk management, staff and information governance, and provision of assurance to stakeholders.	As Required

GENERAL

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Follow up of agreed recommendations.	Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee.	Continuous
Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	Reporting Internal Audit outputs to Audit and Risk Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	Continuous
Contingency	Investigations and additional works.	To undertake investigations and additional works as they arise during the year and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	As Required

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External Audit Progress Update – 2015/16 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
February 2016

Purpose of this report

1. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update of external audit progress at each meeting. Included on the agenda for the meeting on 9 March 2016 is our Annual Audit Plan for the 2015/16 Audit. Subsequent updates will monitor progress against that plan. The opportunity has therefore been taken to use this report to explain how we will approach reporting the council's progress in respect of the findings from Aberdeen's Best Value Audit report published in July 2015. In addition, the opportunity has been taken to outline for the committee's information, current development work being undertaken in response to a request from the Accounts Commission to review our whole approach to the Best Value audit of councils.

Monitoring and reporting progress in respect of Aberdeen's 2015 best value audit

2. The Accounts Commission published its report on the Audit of Best Value of Aberdeen City Council in July 2015. The Commission welcomed the progress by the council in a number of areas since the last best value report on the council in 2009. While the commission was encouraged by the council's self-awareness in recognising how it needs to improve, it also highlighted that a great deal more improvement needed to be delivered and consolidated. In particular the Accounts Commission highlighted the following areas:
 - the council's vision needs to be translated into clear objectives and targets with links to service plans
 - in respect of elected members, better use should be made of the development framework, and consistent information on service performance should be provided to enable them to discharge their scrutiny role effectively
 - arrangements for employee engagement and communication should be reviewed and strengthened.

3. The 'areas for improvement' section of the report provided further detail on the progress required. For example,
 - Leadership and working relationships – build on the use of cross-party groups to help maintain political consensus and commitment to the council's long-term priorities.
 - Performance management and scrutiny - ensure clear links between the performance information submitted to members for scrutiny and the council's strategic plans
 - Financial management and improvement – ensure the necessary organisational capacity for transformation is in place in readiness for anticipated budget reductions.
4. In addition to our planned 2015/16 local audit activity, we have scheduled a number of planned activities which will enable us to keep in touch with progress and review documentation when it becomes available. For example,
 - regular meetings are scheduled with key officers leading on the main areas of improvement
 - observing meetings of the governance hub
 - monitoring progress of the council's planned governance review.
5. Where appropriate, future external audit updates will be used to provide short updates on progress. Our main channel for reporting on improvement will however be through our Annual Audit Report which will be considered by the committee alongside the audited accounts in September 2016.

Best value auditing – new approach

6. During 2014, the Accounts Commission carried out a review of its work in auditing Best Value in Scotland's councils. It recognised that Best Value is still a statutory duty for councils and an important audit responsibility for the Commission. It believes that the principles and essential elements of Best Value are fundamental to good public service delivery and are as important today as when the Scottish Parliament agreed the legislation in 2003. The Commission concluded that a new approach to auditing Best Value is needed and in December 2014, it agreed the following principles for the new approach. These are:
 - The essential elements of Best Value remain as relevant and critically important today as when it was first established, although there is some need for the statutory guidance on Best Value to be reviewed

- There is a real need for the pace, depth and continuity of improvement to increase across local government and driving improvement will be at the core of the audit process for Best Value
 - There can be no compromise on the importance of good governance in councils, including the need for effective scrutiny arrangements that contain the checks and balances which lie at the heart of our system of government
 - A proportionate and risk-based audit approach should be taken, but the Commission requires more frequent assurance on Best Value across all 32 councils
 - Audit work should have a strong focus on the quality of service experienced by the public and the outcomes achieved by councils for their communities.
7. From October 2016, the start of the next five year audit appointment, a more integrated best value audit approach involving local auditors and best value auditors will be implemented. This will :
- Have an emphasis on driving continuous improvement in councils and be less about identifying 'shortcomings'
 - Remain proportionate and risk based
 - Be a joint responsibility between Best Value auditors and those in local audit teams appointed to each council
 - Involve joint planning at an individual council level across the five year audit appointment
 - Involve more regular engagement with the council during the year, building more understanding of the specific context and performance of the individual council
 - Include a Best Value report to the Commission for each council at least once in a five year period.
8. This does not mean that every five years at each council there will be a full best value audit. During the five year audit appointment period, a public report on Best Value will be produced. This will involve an element of specific audit work but will largely rely on an aggregation of Best Value focused audit work undertaken each year as part of the local annual audit. It will also use intelligence from other local and national audit work, the work of other scrutiny partners and consider information from self-evaluations. Collectively, the information will inform an assurance report.

9. As part of the development work, colleagues who are leading the project are consulting with a wide range of stakeholders including the Scottish Government, COSLA and SOLACE. We will keep you informed of developments in subsequent progress reports.

Anne MacDonald,
Senior Audit Manager
March 2016

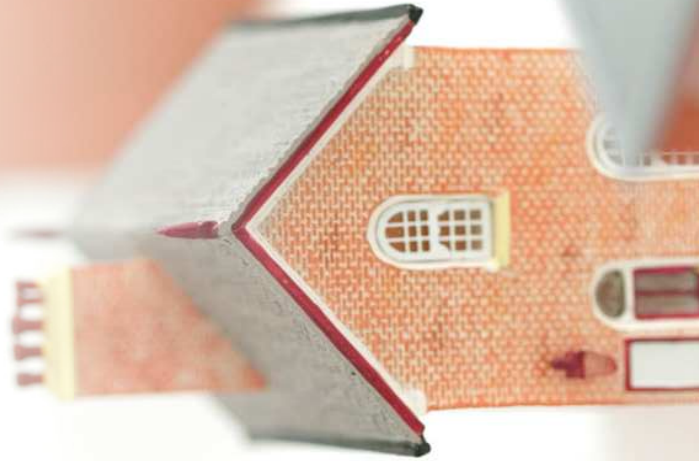


Aberdeen City Council

Annual Audit Plan 2015/16

Prepared for Members of Aberdeen City Council

March 2016



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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Accounts Commission has appointed Stephen Boyle as the external auditor of Aberdeen City Council for the period 2012/13 to 2015/16.

This report has been prepared for the use of Aberdeen City Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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Summary

Introduction

1. This report summarises the key challenges and risks facing Aberdeen City Council and sets out the audit work that we propose to undertake in respect of the 2015/16 audit. This is the final year of our five year audit appointment. The Assistant Auditor General is currently undertaking a procurement process for the appointment of public sector auditors for the next five year cycle. Details of the council's new external auditor will be advised in the spring.

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

3. Our plan reflects:

- the risks and priorities facing Aberdeen City Council
- current national risks that are relevant to local circumstances
- the impact of changing international auditing and accounting standards
- our responsibilities under the Code of Audit Practice as approved by the Accounts Commission for Scotland
- issues brought forward from previous audit reports.

4. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. In 2014/15, Aberdeen City Council made use of the connected charities provision and therefore prepared one set of financial statements in respect of all of its charitable trusts. The net assets of the combined charitable trusts amount to approximately £7.6 million. Accordingly, we will perform the audit of the council's charitable trusts in parallel with the audit of the council's financial statements.

Summary of planned audit activity

5. Our planned work in 2015/16 includes:
- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of Aberdeen City Council and its group as at 31 March 2016 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 2015 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

- an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year
- reporting on the results of follow up work on the council's progress in implementing Best Value improvement plans
- a review and assessment of Aberdeen City Council's governance and performance arrangements including progress in implementing previous year audit recommendations. Key areas considered will include: internal controls, adequacy of internal audit, the IT environment and the management of Arm's Length External Organisations (ALEOs)
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results
- collection of relevant financial and performance information to inform Audit Scotland's national reports
- a review of the council's arrangements for publication of statutory performance information including public performance reporting.

Responsibilities

31 March 2016 and its expenditure and income for the year then ended.

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

Responsibility of the appointed auditor

7. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
8. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Head of Finance

9. It is the responsibility of the Head of Finance, as the appointed 'proper officer', to prepare the financial statements in accordance with relevant legislation and the Code. This means:
 - maintaining proper accounting records
 - preparing financial statements which give a true and fair view of the state of affairs of Aberdeen City Council and its group as at

Format of the accounts

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

Audit Approach

Our approach

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

13. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Planned management action being relied on for 2015/16 includes:
- comprehensive closedown procedures for the council and group financial statements accompanied by a timetable issued to all relevant staff
 - delivery of unaudited financial statements with a comprehensive working papers package to be made available to audit over a phased period in accordance with an agreed timetable
 - completion of the internal audit programme for 2015/16
 - a letter of management representation for key areas of the financial statements
 - representations from the auditors of the council's subsidiaries within the group boundary.
14. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. From 1 April 2015, the council entered into an agreement with Aberdeenshire Council's Internal Audit section for the provision of internal audit services. It was felt that this arrangement would provide opportunities for efficiencies. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function to

determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

15. Having confirmed that we can place formal reliance on Aberdeenshire Council's Internal Audit section, we plan to take assurance from the work of internal audit in the following areas, to support our audit opinion on the financial statements:

- bank reconciliations
- creditors
- council tax
- payroll.

16. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:

- Arm's Length External Organisations (ALEOs)
- Following the Public Pound

Group arrangements

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

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

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

Materiality

20. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, the failure to achieve a statutory requirement or, an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

21. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.
22. Based on our knowledge and understanding of Aberdeen City Council we have set our planning materiality at £7,837,000 (1% of gross expenditure).
23. We set a lower level, known as performance materiality, when defining our audit procedures. This is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:
 - extent of estimation and judgement within the financial statements
 - nature and extent of prior year misstatements
 - extent of audit testing coverage.
24. For 2015/16 performance materiality has been set at £5,486,000. We will report, to those charged with governance, all misstatements identified which are greater than £100,000. In line with auditing standards, amounts below this threshold need not be reported.
25. We set different levels of materiality for the council's annual accounts, those of the council's group and those of the charitable trusts. For the charitable trusts, different levels of materiality have been set for the Statement of Financial Activities (SFA) and Balance

Sheet (BS) due to the disparity in values between the two. The levels of materiality, performance materiality and misstatement threshold are included in Exhibit 1.

Exhibit 1: Materiality levels

	Materiality £	Performance Materiality £	Misstatement Threshold £
Council	7,837,000	5,486,000	100,000
Group	7,266,000	3,633,000	100,000
Charitable Trusts	2,070 (SFA) 75,810 (BS)	1,449 (SFA) 53,067 (BS)	100 (SFA) 3,000 (BS)

Reporting arrangements

26. The Local Authority Accounts (Scotland) Regulations 2014 (2014 Regulations) require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.
27. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.

28. The 2014 Regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
29. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.
30. Exhibit 2 highlights the key dates for the Audit, Risk and Scrutiny Committee taking account of submission requirements.
31. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Interim Director of Corporate Governance, Head of Finance, Internal Audit and Audit Scotland's Performance Audit and Best Value Group.

Exhibit 2: Annual Accounts audit timetable – key dates

Key stage	Date
Consideration of unaudited financial statements by the Audit, Risk and Scrutiny Committee	27 June 2016
Agreement of unsigned financial statements for and issue of Annual Audit Report for pre-meeting of Audit, Risk and Scrutiny Committee	29 August 2016
Planned approval of audited financial statements for signature, and consideration of Annual Audit Report by the Audit, Risk and Scrutiny Committee	27 September 2016
Independent auditor's report signed	By 30 September 2016

32. We will provide an independent auditor's report to Aberdeen City Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The Annual Audit Report will be issued by 30 September.
33. All annual audit reports produced are published on Audit Scotland's website: www.audit-scotland.gov.uk.
34. Planned outputs for 2015/16 are summarised at [Appendix 1](#).

Quality control

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

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

Independence and objectivity

37. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council (FRC) and those of the professional accountancy bodies. These standards impose stringent rules to

ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual 'fit and proper' declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

38. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. In significant cases we would change the audit team, however where there are potential issues that are not fundamental to the delivery of the audit, we advise the senior finance officer of the circumstances and of the steps we have taken to manage this. We have advised the Head of Finance accordingly, in respect of any relationships impacting on the audit of Aberdeen City Council.

Audit issues and risks

Audit issues and risks

39. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Aberdeen City Council. We have categorised these risks into financial risks and wider dimension risks. The financial statements issues and risks, which require specific audit testing, are summarised below and detail contained in [Appendix 2](#).

Financial statement issues and risks

40. **Fair Value Measurement:** The 2015 Code requires authorities to account for fair value measurement of assets and liabilities in accordance with International Financial Reporting Standard (IFRS) 13. Fair value is defined by the Code as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Examples of assets to which fair value measurement applies include surplus assets, investments held for sale, investment property and financial instruments. The council will require to consider if its existing practices will require any adjustment in light of the new standard. We will review the valuations to ensure the requirements have been applied accordingly.

41. **Council dwellings revaluation:** Council dwellings are revalued every 5 years, the current basis of valuation is fair value, determined using the basis of existing use for social housing (EUV-SH). As at 31 March 2015, the total net book value of council dwellings was £689,655 million. As part of the valuation process, the council is required to identify beacon properties and use these as a basis for calculation of the value of all properties. We will review the council's approach to the revaluation exercise to satisfy ourselves that the final valuation is not materially misstated.

42. **Highways assets:** These are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. We will monitor the council's progress in planning ahead to collate the necessary information to enable full compliance with the Code from 1 April 2016.

43. **Charities SORP:** From 2015/16, charities are required to apply either the Financial Reporting Standard for Smaller Entities (FRSSE) or Financial reporting standard (FRS) 102 when preparing their accounts on an accruals basis. Two new statements of recommended practice (SORPs) have been developed to provide guidance to charities on how to apply either the FRSSE or FRS 102. They replace the previous SORP that was issued in 2005. Charities which are under the threshold for small companies have the option to follow the Charities SORP (FRSSE), and we expect that this will

apply to the council's charitable trusts. The new SORP introduces a number of changes, mainly presentational, but also including the content of the trustees' annual report and a new classification of investment termed 'social investment'.

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

- **Income:** Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. While Aberdeen City Council receives a significant amount of funding from the Scottish Government, there are also a range of other sources including Council Tax, Non Domestic rates and charges for services. The extent/complexity of income means there is an inherent risk that income could be materially misstated. The ISA requires auditors to evaluate which types of revenue transactions give rise to such risks. We will therefore design and perform audit procedures to address these matters.
- **Management override of controls:** ISA 240 requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively. We will therefore design and perform audit procedures which are responsive to the risks identified in respect of Aberdeen City Council.

45. Severance payments: Due to the ongoing public interest in severance arrangements across the public sector, it is important that all payments are justified and evidenced. We will therefore be undertaking a review of 2015/16 payments in this area to ensure compliance with regulations and where appropriate, that the relevant costs in respect of senior staff have been properly presented within the council's remuneration report.

Wider dimension issues and risks

46. Best Value audit: In July 2015, the Accounts Commission published the findings from its recent audit of Best Value and Community Planning. These findings were largely positive and while progress in a number of areas was recognised, the Accounts Commission also considered that it was too early to assess the effectiveness of much of the improvements put in place.

47. The Controller of Audit was therefore required to note continuing interest in the council and to monitor and report back if there is evidence that improvements are not being delivered or embedded. The council's progress in responding to the areas for improvement which are broadly set out below will therefore be considered through the local audit and reported in our Annual Audit Report in September 2016.

- Vision and strategic direction
- Leadership and working relationships
- Performance management and scrutiny
- Financial management and improvement.

- 48. Performance and scrutiny of the council's Arm's-Length External Organisations (ALEOs):** As of June 2015, the council has implemented a framework of governance hubs for its significant ALEOs – Bon Accord Care, Aberdeen Sports Village, Sport Aberdeen and Aberdeen Exhibition and Conference Centre (AECC) – to provide assurance around their governance arrangements. The remit of the hubs is to receive, through an agreed data set, a high level statement of assurance from ALEOs on the effectiveness of their systems of governance and operational performance, with a view to ensuring that the outcomes of that organisation are being met, and the risks to that organisation and to the council are mitigated and managed.
- 49.** Minutes of the hubs are presented to the Audit, Risk and Scrutiny Committee and further reports are being prepared for relevant service committees. To date the hubs have met twice, however we understand that it is the council's intention to increase the frequency of hub meetings to 4 per year.
- 50.** Aberdeen has a significant group structure and as part of our opinion work for the group accounts, we will review and assess the development of the governance arrangements.
- 51. Performance Reporting:** Performance reports are presented regularly to each service committee and 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.
- 52.** There is a dedicated section on the council's website called 'Aberdeen Performs' which is a repository of all performance information produced by the council ranging from its Corporate Business Plan and Service Plans, its Annual Reports to the public, its Statutory Performance Indicators and a link to the new Local Government Benchmarking Framework among others.
- 53.** Work is ongoing for the development of a consistent approach for reporting performance information to elected members and to review public performance reporting. These plans are being refreshed in light of the Best Value improvement plan and we will review progress as part of the 2015/16 audit.
- 54. Financial Pressures:** In February 2015, the council approved a balanced revenue budget for 2015/16. The 5 year indicative budget at that time however predicted a cumulative shortfall at 2019/20 of £52 million assuming that the council does nothing and accepts estimated future cost pressures. The council has been developing plans to address the forecast future shortfalls, however the actual level of savings arising have yet to be identified and agreed. Plans include transformation, outcome budgeting and PACE (Procurement Achieving Commercial Excellence).
- 55.** Further impacting on this position was the Scottish Government funding settlement announcement in December 2015. This covered one year only and in respect of Aberdeen, there was a decrease in funding of 3.5%. This provided additional challenges for the council in preparing a balanced budget for 2016/17 and limited the opportunity to prepare 5 year budgets. In common with other

councils, Aberdeen only approved a one year budget in February 2016. There is a risk that expenditure cannot be contained within available resources and that the necessary efficiencies are not secured to meet the estimated shortfall.

56. Health and Social Care Integration: The Public Bodies (Joint Working) (Scotland) Act 2014 provides the framework for the integration of health and social care services in Scotland. The council and NHS Grampian agreed on an integrated joint board (IJB) model for Aberdeen. A shadow IJB is in operation from 1 April 2015 and has been developing arrangements in preparation for an operational 'going live' date of 1 April 2016.

57. Both the council and NHS Grampian approved the Aberdeen City Health and Social Care Integration Scheme at separate meetings on 4 March 2015 and subsequently it was submitted to the Scottish Government for final approval prior to the 1 April 2015 deadline. Following discussions with the Scottish Government the shadow IJB has until March 2016 to finalise the Integration Scheme.

58. The Aberdeen City IJB was formally established on 6 February 2016, although operational responsibility has been deferred until 1 April 2016. However, the board will require to prepare financial statements covering the accounting period from the establishment date to 31 March 2016. In addition, the IJB will be regarded as a joint venture which the council may need to consider for inclusion within its group accounts.

59. The IJBs are regarded as local government bodies and will be audited by the relevant local government auditor. In Aberdeen's

case, the appointed auditor will therefore be Stephen Boyle. We will prepare a separate audit plan to meet our responsibilities in respect of the IJB's financial statements.

60. In May 2015, the Scottish Government issued final guidance for Integration Financial Assurance at both pre- and post-integration stages. This sets out the assurances required from audit committees within each of the partner bodies, and subsequently from the IJB when established. Prior to the introduction of the IJB, where practical, it is recommended that the Audit, Risk and Scrutiny Committee obtain assurance:

- on the finance provisions to be included in the integration scheme
- on the plans for financial governance and financial assurance and risk
- that lessons have been learned from other integration projects
- that the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

61. Aberdeen City Council and NHS Grampian need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans. The council's Internal Audit plan was updated to review integration arrangements and regular reports are expected during 2015/16. We will therefore monitor progress with this agenda throughout the year.

- 62. Capital Investment:** Through its Strategic Infrastructure Plan (SIP) and City Centre Masterplan (CCM), the council is taking forward a number of significant developments. These plans have recently been enhanced with the agreement of a City Region Deal.
- 63.** The UK and Scottish governments announced in January 2016 that a deal worth £250 million over 10 years had been agreed with Aberdeen City Council and Aberdeenshire Council. Alongside this, the Scottish government announced a further investment of £254 million for infrastructure projects to support the region. The council has approved the formation of a Joint Committee to oversee the implementation of the deal. The establishment of a Programme Board and a Programme Management Office to support the day to day management of the deal have also been agreed. Further arrangements will be implemented in the months ahead.
- 64.** In 2014/15, we examined the accounting implications for several projects which were quite different in nature to traditional projects historically funded by borrowing. One such project was the Marischal Square developments, a public/private sector collaboration with Muse Developments, which involves a sale and leaseback arrangement covering a 35 year period.
- 65.** While we concluded that the council has good awareness of the risks associated with the project and is managing them accordingly, we plan to maintain a watching brief on this project during the 2015/16 audit to:
- monitor the actions by the council to continue to mitigate identified and evolving risks

- be informed about recent developments as this project continues to attract a high level of public interest.
- 66.** Using a sample of current capital projects, we will also be reviewing progress against recommendations made in Audit Scotland's national performance audit report, *Major Capital Investment in Councils*, initially published in March 2013. This work was due to be completed as part of the 2014/15 audit but in recognition of the council's recent refresh of its project management framework, we deferred follow up work for a year in order that the new arrangements could become more embedded.
- 67. Cyber Security:** Over the past year several Scottish public organisations have been victims of cyber-attacks. All public sector bodies should be aware of a cyber-attack and take actions to reduce the risk of a successful attack. We will review the council's cyber security arrangements and report our findings in our Annual Audit Report.

National performance audit studies

- 68.** Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports. In 2015/16 this will include a follow up of the national performance audit *Scotland's Public Sector Workforce*, which was published in November 2013.

Fees and resources

Audit fee

69. Over the past four years, Audit Scotland has reduced audit fees by 24% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to maintain indicative audit fees for 2015/16 at the same level as last year. This represents an additional real term fee reduction of 1.6%.
70. In determining the audit fee we have taken account of the risk exposure of Aberdeen City Council, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. In setting the fee, we have agreed an approach for earlier access to certain working papers and receipt of the complete set of working papers to support the unaudited financial statements on a phased basis up to 30 June 2016.

71. The agreed audit fee for the 2015/16 audit of Aberdeen City Council and the charitable trusts is £409,870 (2014/15 £416,000). This represents a decrease of 1.5%. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees
 - an allocation of the cost of national performance studies and statutory reports by the Controller of Audit
 - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National

Fraud Initiative), support costs and auditors' travel and subsistence expenses.

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

Audit team

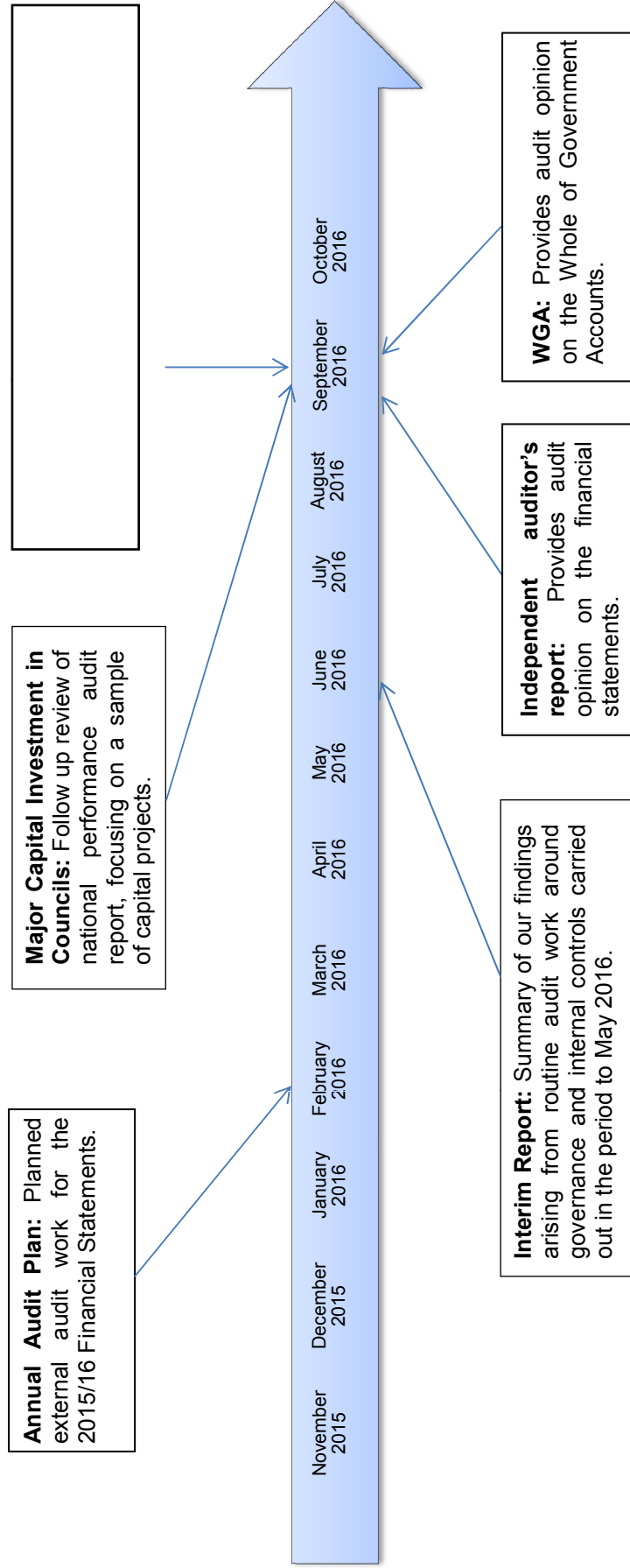
73. Stephen Boyle, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Anne MacDonald who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit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

Exhibit 3: Audit team

Name	Experience
Stephen Boyle Assistant Director (and certifying auditor)	Stephen has 19 years' experience of public sector finance. He trained as an accountant with a Big 4 firm, before joining Audit Scotland in 2002. He re-joined Audit Scotland in June 2013, after spending three years with Glasgow Housing Association as Assistant Director of Finance.
Anne MacDonald Senior Audit Manager	Anne has many years of public sector experience mainly in local government covering both financial audit and best value audit.
Mark Johnstone Senior Auditor	Mark has a significant number of years of public sector audit experience with Audit Scotland, across the local government, central government, health and further education sectors.
Edward Stansfeld Senior ICT Auditor	Edward trained as an auditor in private practice in the early 90s, and then worked in industry for five years. He joined Audit Scotland in 2001 as an IT audit specialist.
Deirdre Sim Auditor	Deirdre has 19 years public sector audit experience in a wide range of clients in the local government and health sectors.
Steven Caldwell Professional Trainee	Steven joined Audit Scotland's graduate training programme in October 2013 and is currently working towards his ICAS qualification.
Adebayo Ladejobi Professional Trainee	Adebayo qualified as a Chartered Accountant in Nigeria. He joined Audit Scotland's graduate training programme in October 2015 and is currently working towards his ICAS qualification.

Appendix 1: Planned audit outputs

1. Timeline - The diagram below shows the key outputs planned for Aberdeen City Council in 2015/16.



2. Timeline – Detailed listing of all audit outputs

Planned outputs	Target date for consideration by ARSC*	Submission date for returns to Audit Scotland / Scottish Government
Governance		
Local Scrutiny Plan 2016/17	9 March 2016	31 March 2016
Interim Report	27 June 2016	30 June 2016
Managing Capital Projects – follow up activity	27 June 2016	30 September 2016
External Audit Outstanding Recommendations	Each ARSC* meeting	N/A
External Audit Progress Report	Each ARSC* meeting	N/A
Performance Audit		
National Fraud Initiative – Data Return	N/A	29 February 2016
Fraud Returns	N/A	31 May 2016
Workforce planning – follow up activity	N/A	30 June 2016
Arrangements for Statutory Performance Information	N/A	30 September 2016
Overview Report – Data Return	N/A	30 September 2016

*ARSC = Audit, Risk and Scrutiny Committee

Appendix 1: Planned audit outputs

Planned outputs	Target date for consideration by ARSC*	Submission date for returns to Audit Scotland / Scottish Government
Financial statements		
Report to Audit, Risk and Scrutiny Committee – Communication of audit matters to those charged with governance - Annual Report to elected members and the controller of audit on the 2015/16 audit	27 September 2016	By 30 September 2016
Independent auditor's report on the financial statements	27 September 2016	By 30 September 2016
Audit opinion on charitable trusts	27 September 2016	By 30 September 2016
Audit opinion on Whole of Government Accounts	N/A	By 30 September 2016
Grants		
Education Maintenance Allowance	N/A	31 July 2016
Criminal Justice Services Returns	N/A	30 September 2016
Housing Benefit Subsidy	N/A	30 November 2016
Non Domestic Rates Income return	N/A	October 2016

Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

No	Audit Risk	Source of assurance	Audit assurance procedure
Financial statement issues and risks			
1	<p>Fair values</p> <p>The 2015 Code requires authorities to account for fair value measurement of assets and liabilities in accordance with IFRS 13. There is a risk that valuations are not carried out as per the requirements of the Code and therefore the value of assets and liabilities are misstated.</p>	<ul style="list-style-type: none"> • Early planning meeting held with Head of Finance and his team to confirm expectations from new financial reporting requirements. 	<ul style="list-style-type: none"> • Regular contact with finance department • Agreed timetable for delivery of draft annual accounts.
2	<p>Council dwellings revaluation</p> <p>Council dwellings are revalued every 5 years, the current basis of valuation is fair value, determined using the basis of existing use for social housing (EUV-SH). This is a significant undertaking, requiring a number of complex judgements and calculations. There is a risk that the value of council dwellings is materially misstated.</p>	<ul style="list-style-type: none"> • Instructions to the valuer and valuation report/certificates. 	<ul style="list-style-type: none"> • Review of valuation approach and test checks of amounts to valuation certificates • The valuer falls within the category of an expert and therefore we will place reliance on the work of the valuer in accordance with auditing standards.

No	Audit Risk	Source of assurance	Audit assurance procedure
3	<p>Highway assets</p> <p>The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis from 1 April 2016. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets.</p> <p>There is a risk that the new valuations will not be available when required or that they will be materially misstated leading to a qualified opinion on the 2016/17 accounts.</p>	<ul style="list-style-type: none"> Ongoing discussions between finance and infrastructure officers to gather the necessary information. 	<ul style="list-style-type: none"> Monitor the council's progress in planning ahead to collate the necessary information to enable full compliance with the Code.
4	<p>Charities SORP (FRSSE)</p> <p>The new Statement of Recommended Practice for charities introduces a number of presentational and other changes to the annual accounts. There is a risk that the new requirements are not met.</p>	<ul style="list-style-type: none"> Early planning meeting held with Head of Finance and his team to confirm expectations from new financial reporting requirements. 	<ul style="list-style-type: none"> Regular contact with finance department Agreed timetable for delivery of draft annual accounts.
5	<p>Income recognition</p> <p>The council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> Internal Audit reviews which assists in providing an opinion on the governance arrangements There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations 	<ul style="list-style-type: none"> Detailed substantive testing of revenue transactions Assurances from the work carried out by internal audit.

No	Audit Risk	Source of assurance	Audit assurance procedure
6	<p>Management override of controls</p> <p>As stated in ISA240, management in all entities is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> The council has recently refreshed its anti-fraud arrangements with the issue of 'Policy and Strategic Response to Fraud, Bribery and Corruption'. Internal Audit reviews which assist in providing an opinion on the governance arrangements There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations. 	<ul style="list-style-type: none"> Detailed testing of journal entries Review of accounting estimates for bias Evaluating significant transactions that are outside the normal course of business.
7	<p>Severance payments</p> <p>The council is required to disclose the level of severance payments made to staff in the Remuneration report. We are aware of a number of senior staff members who have left the council during the year and therefore where such payments may have been made. There is a risk that any payments made have not been appropriately calculated and authorised.</p>	<ul style="list-style-type: none"> HR policies and procedures Authorisation process for all transactions. 	<ul style="list-style-type: none"> Review of a sample of cases Audit of the remuneration report.

Audit Risk		Source of assurance		Audit assurance procedure	
No	Wider dimension issues and risks				
8	<p>Best Value</p> <p>The findings of the Accounts Commission's audit of Best Value and Community Planning highlighted four areas for improvement - Vision and strategic direction, Leadership and working relationships, Performance management and scrutiny and Financial management and improvement.</p> <p>The council needs to respond to these to ensure it is meeting its best value obligations.</p>	<ul style="list-style-type: none"> Regular updates on developments in each of the key areas Refreshed corporate plan considered by council in February 2016 Governance review being scoped by Corporate Governance service which will initiate an 18 month piece of work. 	<ul style="list-style-type: none"> Monitor progress of developments as they evolve and report progress through the Annual Audit Report. 		
9	<p>Performance and scrutiny of ALEOs</p> <p>There is a growing level of services provided by ALEOs. While this provides greater flexibility in the delivery of services, there is a risk that the council cannot demonstrate that the council's objectives are being met or that resources are being used effectively.</p>	<ul style="list-style-type: none"> A series of officer led governance hubs, meeting on a six monthly basis, have been developed in respect of the council's group companies and ALEOs with subsequent reporting to the Audit, Risk and Scrutiny Committee. 	<ul style="list-style-type: none"> Monitoring new arrangements as they become embedded and report progress through the Annual Audit Report Review of the council's revised Local Code of Practice for Following the Public Pound. 		
10	<p>Performance Reporting</p> <p>Work is ongoing for the development of a consistent approach for reporting performance information to elected members and to review public performance reporting.</p>	<ul style="list-style-type: none"> Refresh of 'Aberdeen Performs' is scheduled for 2015/16 A governance review is planned including performance information requirements. 	<ul style="list-style-type: none"> Monitoring new arrangements as they are developed and report progress through the Annual Audit Report. 		

No	Audit Risk	Source of assurance	Audit assurance procedure
11	<p>Performance issues may not be promptly identified and thus corrective action not taken timeously. Public performance reporting is not easily accessible for users.</p> <p>Financial Pressures The draft revenue budget for 2016/17, presented to the Finance, Policy and Resources Committee in December 2015 highlighted an increase in the funding gap with the cumulative shortfall increasing from £35 million to £52 million. There is a risk that savings targets will not be met impacting on services and delivery of strategic aims.</p>	<ul style="list-style-type: none"> • Regular meetings of Finance and Business Partners with Directors and Heads of Service to discuss all aspects of the council's business • Involvement of extended CMT in the financial planning process to ensure all options are challenged • Development of 2016/17 budget. • Development of an outcome based budget approach in the longer term. 	<ul style="list-style-type: none"> • Ongoing monitoring of financial plans, assumptions and estimates and commentary in our Annual Audit Report.
12	<p>Health and Social Care Integration Although arrangements for Health and Social Care integration are currently on track, Aberdeen City Council and NHS Grampian need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans. There is a risk the required actions are not completed and the Board is unable to take operational responsibility from April 2016.</p>	<ul style="list-style-type: none"> • Chief Officer appointed in 2014 • Shadow Integration Joint Board in place • Internal audit involvement in reviewing the preparations for health and social care integration • Decision taken to appoint a chief financial officer. Interim chief financial officer approved until recruitment for a permanent appointment is concluded. 	<ul style="list-style-type: none"> • Monitor progress of the new arrangements as they are developed.

No	Audit Risk	Source of assurance	Audit assurance procedure
13	<p>Capital investment</p> <p>Through the City Region Deal, its Strategic Infrastructure Plan (SIP) and City Centre Masterplan (CCM), the council is taking forward a number of significant developments. Several projects have complex funding arrangements and/or involve different models of working with external partners and agencies. Consequently, these projects may involve different risks and require additional governance considerations from the more traditional projects funded by borrowing. Where more complex projects are involved, there is a risk that decisions are not transparent due to their unique or sensitive nature. In some cases, this attracts greater public interest and requires increased public engagement. This risk may be more acute if projects fall outside the council's standard project management framework.</p>	<ul style="list-style-type: none"> • Dedicated project manager responsible for delivery of the SIP • Continued oversight of the Corporate Asset Group in the management of capital projects • Marischal Square Project Delivery Group meets on a regular basis to discuss progress and update the risk register • City Region Deal governance framework being developed. 	<ul style="list-style-type: none"> • Watching brief on significant projects involving review of associated documentation and discussion with officers • Follow up of previous recommendations from the Major Capital Projects Study • Review of a sample of 2015/16 capital projects.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	9 th March 2016
DIRECTOR	Richard Ellis (interim)
TITLE OF REPORT	Scottish Public Services Ombudsman Complaint Recommendations
REPORT NUMBER	CG/16/040
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report provides details of all Scottish Public Services Ombudsman (SPSO) decisions received during 2015/16 Q1, Q2 and Q3 relating to Aberdeen City Council complaints and also the SPSO Local Authority 2014/15 annual statistics table.

2. RECOMMENDATION(S)

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

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

N/A

5. BACKGROUND/MAIN ISSUES

The Scottish Complaints Handling Procedure (CHP) has three stages:

- Stage 1 - Frontline Resolution
- Stage 2 - Formal Investigation
- Stage 3 - Independent External Review (SPSO)

The first two stages of the complaints handling process are dealt with internally by the council. The SPSO considers complaints from people who remain dissatisfied at the conclusion of the council's complaints

procedure. The SPSO looks at issues such as service failures and maladministration (administrative fault), as well as the way the council has handled the complaint.

The ombudsman has the authority to make a final decision on the complaint. Following their investigation, the SPSO write to the council and the complainant with the outcome of their decision. Where necessary the SPSO will make recommendations that the council must implement to address a customer's dissatisfaction and / or to prevent the same problems that led to the complaint from happening again. The SPSO also instruct the timescales for implementing their recommendations.

During 2015/16 Q1, Q2 and Q3, the SPSO has made decisions relating to 10 Aberdeen City Council complaints that were referred to the Ombudsman for consideration. 5 complaints were not upheld, 3 complaints were partially upheld and 2 complaints were upheld.

Details of the complaints and any subsequent recommendations are provided in Appendix A, B and C. All recommendations have been implemented by Aberdeen City Council within the timescales required by the SPSO.

In addition, Appendix D provides the recently published annual statistics for all Local Authority complaints received by the Ombudsman during 2014/15. The table details the volume of complaints referred to the SPSO for each Local Authority in Scotland, broken down into subject groups.

6. IMPACT

Improving Customer Experience –

Complaints are a valuable source of information about council services, which can help to identify recurring or underlying problems and potential improvements. It is important to take action to try to stop the problem from happening to any customers again. Lessons can be learnt from identifying common and recurring causes of complaints but another important approach is to identify lessons that can be learnt from individual complaints.

As part of the complaints handling procedure, services should identify learning points so that they can be recorded and acted upon to improve the customer experience. This is particularly important where complaints are upheld, but even a complaint which is not upheld could still highlight the need for us to improve communications or the way in

which we manage the customer's expectations. All SPSO decisions are therefore shared with the appropriate service(s).

Where appropriate, actions should be implemented across the Council, and not just in the service area that was the subject of the individual complaints. Complaints information can also be reviewed to improve service delivery for customers in the future.

Improving Staff Experience –

The outcomes of complaint decisions should be fed back to relevant staff. This includes both upheld and not upheld decisions to engage staff in complaints handling and ensure they are fully informed of outcomes. Complaint information can be used to inform changes in working practices and training provision for staff to improve their experience as well as that of the customer. SPSO recommendations relating to complaints handling are fed back to the responding officers to help develop the key skills required for good complaints handling.

Improving our use of Resources –

The organisation should look to solve the core issue which led to the complaint and learn from the outcome of complaints so to reduce the potential for more / similar complaints. This should lead to a reduction in repeat complaints and complaints investigation and handling time which can be a lengthy process for those involved.

Corporate -

This recommendation supports the Shaping Aberdeen 'triple aim' triangle in terms of improving the staff experience, improving the customer experience and improving the use of resources in delivering outcomes.

This requirement to share learning from complaints supports the Single Outcome Agreement; providing joined up working across the organisation that will provide overall, an excellent customer experience.

It supports the smarter priorities of 'Smarter Governance – Participation'. Specifically;

"Smarter Governance – Participation: acknowledging the role that citizens can play in the evolution of the city.

Priority: we will encourage citizens to participate in the development, design and decision making of services to promote, civic pride, active citizenship and resilience.

Outcome: Citizens feel they can influence their communities through engagement in the development, design and decision making of services."

Senior management should review the information gathered from complaints regularly and lessons learnt from complaints should be fed back into individual service improvement plans.

Public –
N/A

7. MANAGEMENT OF RISK

No risks have been identified in this report.

8. BACKGROUND PAPERS

N/A

9. REPORT AUTHOR DETAILS

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Customer Experience Officer
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01224 34976

Appendix A - Upheld Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Directorate	SPSO Recommendations
29 January 2015	11 September 2015	The Council did not provide an effective repair to windows at his property within a reasonable timescale.	Communities, Housing and Infrastructure	<ol style="list-style-type: none"> 1. The council apologise for the failures identified in investigation. 2. The council remind appropriate staff to check responses to complaints make appropriate reference to all council actions relevant to the subject of the complaint. 3. The council remind appropriate staff that correspondence indicating the complaint process has been completed should not be provided to complainants whilst investigations are ongoing. 4. The council should provide the complainant with a goodwill payment equivalent to 4 weeks rent in recognition of the inconvenience suffered due to not providing an effective repair to windows at the property within a reasonable timescale.
9 January 2015	26 May 2015	<ol style="list-style-type: none"> 1. The council did not reasonably follow their recharge procedures, when the tenancy was terminated. 2. The final bill was, unreasonably, significantly higher than the estimate. 	Communities, Housing and Infrastructure	<ol style="list-style-type: none"> 1. Apologise for the failings identified. 2. Cancel the outstanding invoice. 3. Reflect on the failings identified and how to prevent them occurring again. 4. Review the rechargeable repairs appeals procedure and ensure that it refers to SPSO at the end of the process. 5. Provide SPSO with a copy of the standardised tool for estimating repair costs.

Appendix B - Partially Upheld Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated	Directorate	SPSO Recommendations
15 September 2014	22 December 2015	<ol style="list-style-type: none"> 1. The school did not deal effectively with reported incidents of physical and verbal bullying (<i>not upheld</i>) 2. The Council failed to ensure that effective measures were taken at the school to protect the child in line with anti-bullying policies (<i>upheld</i>) 	Education and Children's Services	<ol style="list-style-type: none"> 1. The council should issue the complainant with a written apology for the issues identified during their investigation of the effectiveness of action taken by the School. 2. The council should update the SPSO on the outcome of the recommendations made to the School following the Council's investigation and how these have addressed the issues identified. 3. The council should consider the potential benefits of drawing the School's policy to the attention of parents reporting bullying incidents. 4. The council should review how the available electronic resources are used to record and track bullying incidents, including those reported by parents or sometime after the event itself.
23 July 2014	28 November 2015	<ol style="list-style-type: none"> 1. ASBIT failed to manage the customer's complaints about antisocial behaviour reasonably (<i>not upheld</i>) 2. ASBIT unreasonably withdrew their services (<i>not upheld</i>) 3. The council unreasonably failed to investigate the complaint in accordance with the Council's complaint procedure (<i>upheld</i>) 	Communities, Housing and Infrastructure	None

Complaint Received Date	SPSO Decision Date	Complaints Investigated	Directorate	SPSO Recommendations
25 June 2014	13 August 2015	<ol style="list-style-type: none"> 1. The school failed to provide adequate supervision during a school trip (<i>not upheld</i>) 2. The school did not give medication as instructed (<i>upheld</i>) 3. The school failed to keep a record of controlled drugs given to children (<i>upheld</i>) 4. The school gave controlled drugs that had been prescribed for another child (<i>upheld</i>) 5. The school unreasonably failed to consult with a psychiatrist before removing a child from school trip (<i>not upheld</i>) 6. The school failed to reasonably address the concerns raised (<i>upheld</i>) 	Education and Children's Services	<ol style="list-style-type: none"> 1. The council should issue the complainant and their family with an apology for the failure to keep an accurate record of the medications administered during the trip. 2. The council should provide evidence of how the arrangements for medication on trips have been improved to avoid a recurrence of such failings in future. 3. The council should consider whether there are merits in consulting other professionals involved in a pupils care when completing person specific risk assessments and report back to the ombudsman. 4. The council should apologise to the complainant for failing to address their concerns appropriately in response to their complaints. 5 The council should ensure all relevant staff are aware of the need to provide a full response to complaints in line with the complaints handling procedure.

Appendix C - Not Upheld Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated	Directorate	SPSO Recommendations
8 May 2015	22 December 2015	The council unreasonably told the complainant to pursue the sub-contractor's insurers for compensation in relation to alleged poor workmanship.	Communities, Housing and Infrastructure	The complaint was not upheld. However, some recommendations were made:- 1. The council should ensure that the complainant has been provided with the relevant contact information for the contractors and ensure that the complainant is aware of how to submit a claim. 2. The council should consider how they can improve ease of access for tenants in making such claims against contractors in the future (e.g. updating relevant leaflets, correspondence and / or paperwork) 3. The council should provide the Ombudsman with evidence to demonstrate what process they follow to ensure they are content with the standard of work carried out by the contractors.
13 June 2014	25 June 2015	The council unreasonably failed to carry out successful repairs to prevent leaks in the communal roof of the building where the complainant lives.	Communities, Housing and Infrastructure	None
3 June 2014	5 June 2015	The council unreasonably removed items from a cemetery gravestone.	Communities, Housing and Infrastructure	None
21 January 2015	26 May 2015	The failure of the council to ensure that the complainant was rehoused due to their disability.	Communities, Housing and Infrastructure	None
17 February 2015	19 May 2015	The unreasonable length of time that the complainant has been on the housing transfer list.	Communities, Housing and Infrastructure	None

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Internal Audit Report

Corporate Governance

Arm's Length External Organisations

Issued to:

Richard Ellis, Director of Corporate Governance
Steven Whyte, Head of Finance
Craig Innes, Head of Commercial and Procurement Services
Roddy MacBeath, Senior Democratic Services Manager
Neil Buck, Performance & Risk Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Local Authorities may elect to provide services through Arm's Length External Organisations (ALEOs), where it is considered that this will be the best option for delivery of these services and providing Best Value. Typically these are arrangements which fall outwith normal direct service delivery, grant funding or commercial contractual relationships, but where there remains an element of control exercised over service delivery.

Whilst aspects of service delivery have been assigned to various ALEOs, the responsibility for statutory service provision remains with the Council. Discretionary services also carry an element of reputational risk through association. It is therefore important that the relationship between the Council and ALEOs is managed effectively.

The objective of this audit was to review the governance arrangements in place between the Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.

The lack of a nationally agreed definition of an ALEO means there is a risk of differing interpretation of the arrangements and their governance requirements. A local definition will be considered for adoption by the Council.

Funding arrangements are categorised into Tiers under the Council's Following the Public Pound procedure. Introduction of the Governance Hub process has improved assurance over these areas for Tier 1 ALEOs (those considered to have the highest risk and funding profiles), and it is intended to extend this process to Tier 2 arrangements.

Services have not all included the implications of their ALEO arrangements within their risk registers. ALEOs could present a significant risk in respect of finance and service delivery, therefore Services will be asked to do so. Further consideration of how assurance over risk identification and management can be provided will be taken through the governance review being carried out by Corporate Governance.

Relationships with each ALEO are governed by Service Level Agreements (SLAs). Although these are in place, recommendations to update these to improve consistency and to ensure they can be and are used to manage performance and payments have been made in the report. Commercial and Procurement Services will assist Services to re-draft their SLAs to incorporate all relevant requirements.

1. INTRODUCTION

- 1.1 Local Authorities may elect to provide services through Arm's Length External Organisations (ALEOs), where it is considered that this will be the best option for delivery of these services and providing Best Value. Typically these are arrangements which fall outwith normal direct service delivery, grant funding or commercial contractual relationships, but where there remains an element of control exercised over service delivery.
- 1.2 Whilst aspects of service delivery have been assigned to various ALEOs, the responsibility for statutory service provision remains with the Council. Discretionary services also carry an element of reputational risk through association. It is therefore important that the relationship between the Council and ALEOs is managed effectively.
- 1.3 The objective of this audit was to review the governance arrangements in place between the Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Roddy MacBeath, Senior Democratic Services Manager, Neil Buck, Performance and Risk Manager, and Sandra Buthlay, Accounting Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Background

- 2.1.1 In 2013/14, an Internal Audit identified weaknesses in the identification and management of risks posed by Arm's Length External Organisations (ALEOs), and in their reporting arrangements. The Council's Audit and Risk Committee agreed to address this, and a series of changes to Committee Orders of Reference were agreed, followed by the creation of a Governance Hub.
- 2.1.2 The Governance Hub has responsibility for obtaining assurance from ALEOs on the strength of their systems for governance, risk management, internal controls, and operational performance, and for disseminating the results to the Audit, Risk and Scrutiny Committee and to the relevant Service Committee. The Governance Hub also acts as a central point of contact for representatives of the ALEOs. The Hub consists of experts from a range of Services within the Council, including: Finance, Health and Safety, and Risk Management, in addition to associated Service representatives.
- 2.1.3 However, the issues raised have still not been fully addressed. In May 2015, the remit of the Governance Hub was agreed, and potential areas of risk were identified. Services were asked to identify potential risks posed by each of the ALEOs administered, and to include them on their Service's risk register. This has still not been completed which means that the risks to the Council have not been fully considered and where appropriate mitigated.

Recommendation

Services should update risk registers to include relevant risks in respect of services delivered through ALEOs.

Service Response / Action

Agreed. ALEOs could present a significant risk in respect of finance and service delivery, however it is an operational decision as to which risks to include in the risk registers. Risk registers are updated annually, and reviewed by the Audit, Risk and Scrutiny Committee. The Risk Manager will propose the inclusion of ALEO risks within these to the Corporate Management Team. A governance review is being taken forward by Corporate Governance which will include a review of areas of risk and assurance provided to elected members, including ALEO arrangements.

Implementation Date

June 2016

Responsible Officer

Risk Manager (Neil Buck)

Grading

Significant within audited area

- 2.1.4 The Following the Public Pound procedure, updated in September 2015, sets out key controls and sources of assurance over various levels of funding relationship between the Council and ALEOs or grant funded organisations. Four tiers of funding have been identified:
- Tier 1 comprises ALEOs which are either: a) significant in size, and over which the Council exercises substantial control. They are sufficiently significant that their annual results are included in the financial statements or Group Accounts or b) there is no Group relationship but more than £7 million of public funds are provided by the Council in the delivery of the organisation's services.
 - Tier 2 organisations are either: a) smaller in operational scale, but over which the Council exercises substantial control, and not sufficiently material in size to be in

included in the financial statements of the Group Accounts or b) financially supported with more than £300,000 of public funds, but less than £7 million.

- Tier 3 covers funding between £75,000 and £300,000; and Tier 4 between £15,000 and £75,000. Whilst there are likely to be some more formal relationships between the Council and external organisations at these levels, it is typically limited to awarding deficit funding.

2.1.5 The first Governance Hub meetings were held in June 2015, and focused on four Tier 1 ALEOs: Bon Accord Care, AECC, Sport Aberdeen and Aberdeen Sports Village. The remit of the meetings was to ensure that each of the organisations has satisfactory processes and procedures with regard to risk, business continuity, operational performance, financial management, human resources, health and safety, and internal and external audit.

2.1.6 It is anticipated that the Hub will add review of Tier 2 ALEOs to its agenda in June 2016. Although key ALEOs have been identified, it has not yet been determined whether there are others which may fall within the definition, which should also be subject to review.

2.1.7 There is no single national definition of an ALEO. Interpretation of which arrangements should be included within the definition varies in terms of how arrangements are funded, how they are managed, and how they have been set up. The Council has not set out how it defines an ALEO, however as set out above the Following the Public Pound procedure differentiates between levels of funding, and the appropriate level of review required. Whilst this should ensure all funding arrangements are categorised, this is not currently linked to the additional scrutiny provided by the Governance Hub process.

Recommendation

The Council should develop and adopt a formal definition of what is an ALEO arrangement.

All funding relationships should be categorised to ensure all funding arrangements have been scheduled for an appropriate level of review.

Service Response / Action

Agreed. Democratic Services will review and consider a formal definition of an ALEO to be adopted by the Council. Funding relationships are already being reviewed by Finance through Following the Public Pound procedures, and material funding of related parties is considered annually as part of developing the Group Accounts. Any changes to funding levels will be considered and advised to the Governance Hub as appropriate.

Implementation Date

April 2017

Responsible Officer

Senior Democratic Services Manager (Roderick MacBeath)

Grading

Important within audited area

2.2 Service Level Agreements (SLAs)

2.2.1 Although service delivery has been delegated to ALEOs, the Council retains an interest and bears a significant proportion of the risk. The Council will be held to account in respect of service delivery through, for example, its Single Outcome Agreement with the Scottish Government, as well as by its electorate. It is important therefore that the relationships are appropriately managed to provide assurance over service delivery.

2.2.2 An essential element of all contractual arrangements is a written agreement which clarifies the responsibilities of all parties. It would be expected that this should set out expectations

in respect of risk management, health and safety, access to information, performance indicators and funding. There is limited consistency between existing agreements, particularly in terms of the links between performance, outcomes and funding. Whilst agreements will vary in content due to the differing nature of the relationship between the parties and the anticipated outcomes, the agreement should confirm any reporting requirements, and it should include a condition to allow for funding to be withheld if performance is not satisfactory. Without such terms, it will be difficult to ensure the delivery of outcomes in line with the Council's requirements and to demonstrate that Best Value is being obtained from funds transferred to ALEOs.

- 2.2.3 Officers are in the process of reviewing and revising agreements with the Tier 1 ALEOs. Further review is anticipated to take place as part of the Corporate Governance governance review.
- 2.2.4 A revised SLA with Aberdeen Exhibition and Conference Centre (AECC) has been drafted, and emphasises the requirement for AECC to be accountable to the Council. The new SLA has yet to be agreed between the relevant bodies.
- 2.2.5 Revised SLAs have also been drafted for the agreements with Aberdeen Sports Village and Sport Aberdeen. There have been material changes to the SLA with Aberdeen Sports Village to include swimming facilities. The SLA has been endorsed by all parties to the agreement, but at the time of the audit had not yet been formally signed. The SLA with Sport Aberdeen is under review by Commercial and Procurement Services, and it was intended to present this at the next Education and Children's Services Committee.
- 2.2.6 The SLA with Bon Accord Care is not presently being reviewed by the Service because it is intended to engage an external contractor to do so. Officers wish to investigate whether the organisation has demonstrated achievement of its objectives and if the Council is achieving value for money through the ALEO relationship. The review is expected to last at least six months.

Recommendation

Services should ensure that there is an up to date Service Level Agreement with each ALEO.

Services should ensure all ALEO SLAs confirm performance reporting requirements, and state that ongoing funding is subject to evidenced satisfactory performance.

Service Response / Action

Agreed. Commercial and Procurement Services will support Services to update their SLA's to ensure they can hold ALEOs to account for delivery of agreed services. Resource issues within the Service, and scheduling of SLA revisions, means that this may take some time to implement.

Implementation Date

June 2017

Responsible Officer

Head of Procurement
(Craig Innes)

Grading

Significant within audited area

2.3 ALEO Governance Hub Meetings

- 2.3.1 Four Tier 1 ALEOs were reviewed at the ALEO Governance Hub meetings in June 2015 to provide assurance over the policies and procedures applied by the organisations. Relevant documents were submitted by the ALEOs in advance of the meetings, and representatives from the ALEOs attended the Hub meetings to provide further explanations as required.

- 2.3.2 Each organisation's policies and procedures, including key arrangements for risk management, internal and financial controls, internal audit and inspection, procurement, HR, health and safety, and business continuity, were scrutinised in depth by the relevant specialists on the Hub. Where they were not entirely satisfied with the results, either support was offered (in the case of procurement), or further clarification was requested in advance of the next meeting in December 2015.
- 2.3.3 It is intended that the elements of each organisation or its performance will be reviewed in rotation at the Hub meeting to ensure a comprehensive overview is obtained.
- 2.3.4 In order to ensure that the objectives of each agreement are being achieved, and that the organisations are complying with the contractual requirements of their agreements, these should be included in the routine monitoring of ALEOs. It is the responsibility of the Service with which the ALEO has an agreement to monitor both operational performance and contractual compliance.
- 2.3.5 Operational performance is monitored and reported for Aberdeen Sports Village, and Sport Aberdeen in terms of the organisations' performance against their KPIs. This information has, historically, been fed into the bi-annual meeting schedule and partnership meetings between Education and Children's Services (E&CS) Directorate and ALEO management. The Directorate will also contribute, where appropriate, to discussions at Hub meetings regarding governance, finance and organisational effectiveness.
- 2.3.6 Operational performance of AECC and Bon Accord Care is also monitored at regular meetings between the Service and the ALEO. It is anticipated that the results will be fed into future meetings of the ALEO Governance Hub.
- 2.3.7 Services have indicated that it is unlikely that payments would be withheld pending receipt of performance information, or in the event of performance not meeting defined standards – instead they seek to work with ALEOs to resolve any issues. Whilst it is important that Services work together with their delivery partners, part of the rationale for transferring responsibility to an ALEO is so that it can be held to account for performance.
- 2.3.8 The terms of an agreement can only be enforced if compliance is monitored and controlled. However, contractual compliance is not monitored for any of the ALEOs. By not monitoring contractual compliance of the ALEOs, the Council may not be aware of any breaches to the terms of the agreements with ALEOs which could increase risk to outcomes, service delivery, finances and the Council's reputation.

Recommendation

Services should ensure that contractual compliance by ALEOs is monitored on a regular basis, breaches addressed, and the implications for ongoing funding considered prior to releasing payment.

Service Response / Action

Agreed.

For Bon Accord Care, an officers working group is being set up to improve review of performance information and ensure contractual compliance is being demonstrated.

Economic Development is in the process of agreeing a new SLA with AECC, with input from Legal Services.

For Education and Children's Services, before any payment is released to ALEOs, their performance against the Annual Business Plan and SLAs are monitored. Only upon satisfaction and review of KPIs is payment released.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
On-going	Heads of Service	Significant within audited area

2.4 Finances

- 2.4.1 The sums awarded to the ALEOs are agreed as part of the annual budget setting process. Each organisation typically sets out its requirements within its business plan, however, the amounts actually paid to the organisations are at variance with the agreed amounts due to the timing of finalisation of their business plans. There are therefore differences between the amounts required and the budgets set in February each year.
- 2.4.2 For example, Full Council approved funding of £1,170,000 for AECC in 2015/16. The report indicated that this was the same value of the funding awarded to the organisation in 2014/15. However, the draft SLA indicates that only £1,021,348 will be paid. The Finance Partner has confirmed that the budget for the AECC funding contribution was set to £1,020,000 in March 2015 following discussion with the budget manager, prior to financial monitoring for the financial year commencing, and in line with the draft SLA. The budget for Projects Partnerships and Funding within Economic Development has not been reduced or adjusted to account for the difference.
- 2.4.3 The Council also agreed to award £5,270,000 to Sport Aberdeen at its budget setting meeting, but their business plan shows that only £5,251,309 was required, and payments are being based on this lower figure. It is not clear whether Sport Aberdeen could request the additional funding as agreed by the Council, or whether it was made available for anything else. The Education and Children's Services budget has not been adjusted for this difference.
- 2.4.4 If business plans could be coordinated to feed into the budget process, a more accurate budget could be produced, and cost pressures within other service areas addressed at an earlier stage. Alternatively, virements should be completed through the approval process outlined in the Financial Regulations to reflect anticipated expenditure and update budgets following agreement of ALEO funding levels.

Recommendation

Services, in conjunction with Finance, should ensure budget allocations for ALEOs are aligned with planned expenditure.

Service Response / Action

Agreed. The budget monitoring process already identifies potential underspends, and allows for budgets to be vired to a different service if required. Finance has put a process in place to identify and process adjustments to budgets as appropriate following conclusion of ALEO funding agreements.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Accounting Manager (Sandra Buthlay)	Significant within audited area

- 2.4.5 The draft SLA for the agreement with AECC states that the £1,021,348 will be paid over four equal instalments of £255,337. Due to a clerical error, payments of £255,387 are being made each time which, if continued, will result in an overpayment of £200 over the course of the year. The Senior Finance Officer agreed to advise Economic Development of the need for these errors to be corrected.

- 2.4.6 The payments being made to Aberdeen Sports Village are not in line with the agreement because the clause regarding a revenue cap is being disregarded.
- 2.4.7 Paragraph 11.2.2 of the SLA states that: *“The Annual Grant Funding to be paid by each Shareholder in a Contract Year shall be calculated on an annual basis by reference to the Business Plan as at the start of the Contract Year and, subject to clause 11.2.3, shall be 50% of the net operating cost of the Facility for that Contract Year as projected by the Business Plan”*. Using this formula, only £954,000 would be payable.
- 2.4.8 Paragraph 11.2.3 of the SLA then states that: *“The Annual Grant Funding to be paid by each Shareholder in a Contract Year shall not exceed the sum of £748,000 (indexed) (the “Revenue Cap”).”* The indexed revenue cap for 2015/16 was £955,488.
- 2.4.9 The Council however agreed funding of £1,200,000 for 2015/16. A revised SLA is due to be agreed, therefore the Service should ensure that any clauses governing payments to the ALEO accurately reflect the desired arrangements.

Recommendation

Services should ensure financial clauses in all SLAs accurately reflect the partners’ intentions.

Services, in conjunction with Finance, should ensure that payments to ALEOs are in accordance with their SLAs.

Service Response / Action

Agreed. Commercial and Procurement Services will incorporate this into revised SLAs where appropriate (see 2.2.6 above).

Finance will continue to review expenditure as part of the monthly budget monitoring process.

Economic Development is in the process of agreeing a new SLA with AECC, with input from Legal Services.

For Bon Accord Care an officers working group is being set up to improve review of performance information and ensure contractual compliance is being demonstrated.

For Aberdeen Sports Village (ASV), the operating agreement has recently been concluded and this reflects the ALEOs performance intension.

The SLA for Sport Aberdeen is in process of being updated and financial clauses will reflect their performance intensions.

For Aberdeen Performance Arts (APA), the SLA will be reviewed in line with the recommendations.

Implementation Date

June 2017

On-going

Responsible Officer

Head of Procurement
(Craig Innes);

Heads of Service

Grading

Significant within audited
area

- 2.4.10 The Governance Hub identified that Bon Accord Care did not have satisfactory Internal Audit arrangements in place at its June 2015 meeting and sought assurances from management that these would be put in place. It was highlighted by management that this requirement had not been set out in the Service Level Agreement, though in the

agreement (as with most of the other ALEO SLAs) it does state that the Council's Internal and External Auditors should be provided with access to relevant data.

- 2.4.11 At the December 2015 Hub meeting it was intimated that checks had been put in place by managers. There is a risk that without suitably independent professional review, the Council (and Bon Accord Care itself) may not have a sufficient level of assurance over the organisation's internal control environment.

Recommendation

Services should ensure all material ALEO SLAs contain a requirement for Internal Audit arrangements, and facilitate reporting of assurance gained through these arrangements to the Council.

Service Response / Action

Agreed. The Governance Hub has already raised this with relevant ALEOs and continues to press for arrangements to be put in place. Commercial and Procurement Services will incorporate this into revised SLAs where appropriate (see 2.2.6 above).

Implementation Date

June 2017

Responsible Officer

Head of Procurement
(Craig Innes)

Grading

Significant within audited
area

AUDITORS: D Hughes
C Harvey
A Taylor

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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Internal Audit Report

Education and Children's Services

Payment Controls in Children's Social Work

Issued to:

Angela Scott, Chief Executive
Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Director of Corporate Governance
Bernadette Oxley, Head of Children's Social Work
Craig Innes, Head of Procurement
Steven Whyte, Head of Finance
Graeme Simpson, Children's Services Manager
Anne Donaldson, Service Manager
Kay Dunn, Performance and Delivery Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Children's Social Work provides statutory services to children, families and young people in need of care and protection. This includes, child protection, family supports, respite services, residential care, fostering, adoption and kinship care. Some of these are delivered by the Service while others are purchased from external providers.

To complement diagnostic work being taken forward by the Service, Internal Audit was asked to review the effectiveness of contracting and payment controls within Children's Social Work. The Service has developed an action plan and has mapped out existing processes. A future business model will incorporate improvements identified by the Service and Internal Audit, to be taken forward via a programme managed approach.

The historic absence of formal contractual arrangements, combined with the lack of a commissioning strategy and procurement plan for child care services has impacted on the Service's ability to demonstrate best value and its control over the quality and cost of care provision by external organisations. This has been recognised by the Service which is developing a strategy and intends to employ additional resources to put contractual agreements in place and have them recorded appropriately so that compliance can be monitored in the course of their term and new arrangements can be put in place when the contract term ends.

The CareFirst system is key to managing records of service users' needs and the care provided in order to meet them. Although assistance and summaries of data held within the system were provided on request, Internal Audit testing has been restricted to a degree as a result of concerns raised by the CareFirst system owner in relation to data protection, resulting in restricted access to CareFirst data. This matter has been discussed with Service Management and Legal staff in a bid to ensure Internal Audit has access in future to all information in accordance with Standing Orders.

Improvement is required in the way staff collaborate in terms of procurement and in respect of the input to CareFirst of service user care packages and provider costs. When up to date and accurate, CareFirst can provide effective control over invoice payments, however for various reasons not all invoices can be processed via CareFirst. The Service has agreed that the number of care invoices which bypass the system, and over which authorisation checks and controls provide less assurance, could be reduced.

Although CareFirst can provide adequate payment control, the ability to vary monthly package cost in order to accommodate invoice differences increases the risk of incorrect payments being processed. The procedures and authorisation measures which govern these are not always complied with, and variances require ongoing monitoring. The Service has agreed to incorporate a review of these areas into its action plan.

1. INTRODUCTION

- 1.1 Children's Social Work provides statutory services to children, families and young people in need of care and protection. This includes child protection investigation and assessment, disability services, family support, respite care, residential care, fostering, adoption and kinship care. Some of these are delivered by the Service while others are purchased from external providers.
- 1.2 In response to concerns raised by the Service in respect of contracts in place and payment controls within Children's Social Work, Internal Audit has been asked to review the effectiveness of controls in this area. In this report, the term 'contracts' may include arrangements where there is no actual contract document, but where ongoing receipt of services implies a contractual arrangement with the care provider.
- 1.3 Previous audits of Social Care Contract Arrangements (November 2011) and the Care First System (February 2015) have already highlighted some of the issues discussed in this report. The Service has commenced a Care Management Transformation Project which it intends to complete by 31 March 2016, which will address these issues.
- 1.4 Although assistance and summaries of data held within the system were provided on request, Internal Audit testing has been restricted to a degree as a result of concerns raised by the CareFirst Team in respect of potential data protection issues regarding access to data held on the CareFirst system. This matter has been discussed with Service Management and Legal staff in a bid to ensure Internal Audit has access in future to all information in accordance with Standing Orders.
- 1.5 In the course of the review, the Service has developed an action plan and has suggested that the area be audited again in both 2016 and 2017. It has mapped out existing processes and a future business model is to incorporate improvements identified by both Internal Audit and the Service itself. Further detail of this action plan is given throughout this report and in the Service's responses.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Bernadette Oxley, Head of Children's Social Work; Craig Innes, Head of Procurement; and Steve Whyte, Head of Finance.

2. FINDINGS AND RECOMMENDATIONS

2.1 Contracts and Procurement

- 2.1.1 In October 2014 Social Work officers responsible for commissioning and contracts were transferred from the Service into Commercial and Procurement Services (C&PS), in order to ensure consistent management of procurement related activities across the Council.
- 2.1.2 The Service has not tendered contracts or frameworks for Children's Services for some time. Since 1 April 2014 only one tender exercise has been completed, and no others have been commenced. Although Contracts and Procurement Standing Orders allow for the Director of Social Care and Wellbeing, subject to the agreement of the Head of Legal and Democratic Services, to certify a purchase as being unsuitable for tendering, due either to the nature of the services required or the timescales involved, there is no formal record which shows where this option has been applied. There is therefore a significant risk that Best Value is not being demonstrated through existing arrangements.
- 2.1.3 Scottish Government guidance on the procurement of care and support services published in 2010 states that Services should have long term commissioning strategies, accompanied by more detailed tendering plans which cover a 3-5 year period. There is currently no commissioning strategy in place for Children's Social Work, and no record of existing services and contracts from which to draft a 3-5 year procurement plan which could begin to support such a strategy. The Service has noted that it has begun to develop a strategy through Public Services Partnership work being undertaken with the third sector.
- 2.1.4 The Service has started work with C&PS to risk assess and prioritise contracts with high operational risks. This includes identifying contracts which require an urgent review and those which can be decommissioned at relatively short notice. Work has also commenced to review areas of expenditure in which savings might be made. However, without longer term strategic plans, it will be difficult to prioritise, schedule, and allocate responsibility for procurement between and within the Service and C&PS, in order to meet the Council's and national procurement regulations. Plans need to be developed by the Service in response to its identified needs, in support of its wider strategic intentions, and cannot be developed by C&PS in isolation.

Recommendation

The Service, in conjunction with C&PS, should ensure commissioning strategies are developed for Children's Social Work.

The Service, in conjunction with C&PS, should ensure procurement plans are developed for Children's Social Work.

Service Response / Action

Agreed. In line with the Service action plan the service will perform a needs assessment and develop a commissioning strategy and procurement plan for the period August 2016 to March 2019 in conjunction with C&PS.

Implementation Date

August 2016

Responsible Officer

Performance and Delivery
Manager (Kay Dunn);
Social Care Procurement
Manager (Alison Macleod)

Grading

Major at a Service level

- 2.1.5 The Service does not currently know if contracts are in place for all areas of recurring expenditure. Review of a sample of 43 payments identified that there were only contracts or national framework agreements in place for 7 of these. C&PS was aware of and progressing arrangements in respect of 19, but was unaware of a further 17.
- 2.1.6 In accordance with section 35 of the Procurement Reform (Scotland) Act 2014 all contracting authorities must keep and maintain a register of any contracts entered into as a result of a regulated procurement. The Council's contracts register should include all Social Care contracts, however the corporate register is still being developed by C&PS.
- 2.1.7 Spend data has been issued to Budget Holders with the request that they advise C&PS whether spend is on or off contract and provide a copy of the contract where one exists. The Service has stated that although work had been done on this by the Service, resources initially anticipated from C&PS by the Service were not available. As a result due to the demands of the task fewer than half of Social Work Budget Holders had been able to respond with the required detail. Without complete information, C&PS cannot demonstrate that it has a clear understanding of contract coverage. It will also be unable to demonstrate compliance with legislation which requires a register to be in place by April 2016.

Recommendation

The Service should ensure Budget Holders provide C&PS with sufficient and timely detail to complete the contracts register.

Service Response / Action

Agreed. An urgent notice was issued to 33 budget holders. A further notice was issued in respect of 15 returns still outstanding. The Service is waiting for a further update from C&PS.

Implementation Date

September 2016

Responsible Officers

Performance and Delivery
Manager (Kay Dunn);
Social Care Procurement
Manager (Alison Macleod)

Grading

Major at a Service level

- 2.1.8 Once a contracts register is in place, and strategies identified, the Service can begin to work towards planning tendering activity in order to ensure all contracts remain up to date or are re-let at appropriate intervals. It will need to ensure that appropriate supporting arrangements are in place to do so, including timely access to financial, legal and procurement related data and advice. Historically this has not always been planned sufficiently in advance to ensure resources are available at the point they are required.

Recommendation

The Service, C&PS, Legal and Finance Services should work together to support the Service's procurement plans.

Service Response / Action

Agreed. Project teams will be established for each procurement exercise with clear allocation of responsibilities and requirements and a timetable showing where input is required to ensure efficient delivery of the procurement plan.

Implementation Date

September 2016.
The procurement plan is
contingent on the

Responsible Officer

Social Care Procurement
Manager (Alison Macleod);

Grading

Important within audited
area

commissioning strategy being in place.	Performance and Delivery Manager (Kay Dunn)
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- 2.1.9 Although providers of social care and support are required to be registered, and are reviewed by the Care Inspectorate on a regular basis, this only gives assurance over the quality of care: not contract compliance. Social Workers will also routinely carry out reviews to ensure that individual clients' needs are being met in accordance with their GIRFEC Child Plan, though again this will not provide assurance over contracts and agreed costs.
- 2.1.10 There is currently limited contract monitoring in place, and the responsibilities between Social Workers, lead budget holders in Children's Services and C&PS are not clearly delineated. Without clear contracts in place, contract management will be limited in its effectiveness.
- 2.1.11 The number of service providers is significant, and although each will need to be reviewed over the course of contracts put in place, it will be necessary to prioritise these reviews. A risk based system, as used for other areas by C&PS could be put in place to determine the required frequency of monitoring exercises for each provider. This could be weighted to include factors such as cost, volume and Care Inspectorate ratings.

Recommendation

The Service, in conjunction with C&PS, should determine their respective roles and responsibilities for care contract management and monitoring, and ensure rolling risk based plans are in place for monitoring all providers.

Service Response / Action

Agreed. A specific action will be added to the Service Action Plan to ensure that contract management and monitoring roles are clarified. Going forward these duties will be fulfilled in accordance with a risk based monitoring programme.

Implementation Date

December 2016.
This is contingent on the completion of the Future State Model.

Responsible Officer

Performance and Delivery Manager (Kay Dunn);
Social Care Procurement Manager (Alison Macleod)

Grading

Significant within audited area

- 2.1.12 The Service utilises the CareFirst system for case management, and to provide controls over care and support packages' authorisation and payments. The Service has noted that a Contracts module for the CareFirst system was purchased, but was not taken forward following the transfer of contracts staff and responsibilities to C&PS. C&PS has subsequently identified and procured alternative options for contract management.

2.2 Payment Controls

- 2.2.1 Contracts and Procurement Standing Orders require that a contract is in place for all supplies and services. Under no circumstances may any officer of the Council accept that supplier's or contractor's own Terms & Conditions of Contract without first having referred those Terms & Conditions of Contract to the Head of Legal and Democratic Services for review and approval. Without appropriate, tendered, agreed contracts in place the Service effectively has no control over the services delivered and the level of payments made, and a significant level of trust is placed on the supplier to provide services and charge appropriately.

- 2.2.2 The absence of contracts also limits the ability of the service to obtain clear schedules of rates, restrict the ability of providers to vary charges, and set invoicing methods, frequency, descriptions, and periods. This impacts on the level of assurance management can have over the accuracy and consistency of the payment process, and increases the number of variations required in invoice processing. Recommendations have been made in section 2.1 above in respect of developing and implementing contracts.
- 2.2.3 Financial Regulations state that Orders must be issued for all work, goods or services, or such other expenditure as the Head of Finance may approve. For care services, following a needs assessment and production of a Child Plan by the Social Worker a service agreement will be set up on CareFirst, and authorised by a Team Manager. A form of the agreement is sent to the care provider to identify the needs which should be met, and in effect this is the Order.
- 2.2.4 In some cases there will be an agreed rate derived from e.g. national procurement framework agreements, however this is not always the case, or there may be components of the service package which are not covered by the relevant pricing structure. In the absence of overarching contracts or framework agreements with the providers which specify the rates for each type or part of the services provided, it is important that costs are agreed in advance of service delivery. Without such agreement, the Service may be obliged to pay more than necessary for the services delivered.

Recommendation

The Service should ensure that in the absence of overarching contracts service agreements with providers clearly specify the agreed costs of the service.

Service Response / Action

Agreed. In accordance with the Service Action Plan, a provider briefing will be prepared in respect of the requirement to establish interim contracts where there is no overarching contract. Interim agreements will detail agreed costs for the service provided and conditions on which these may vary within limits. C&PS are already working towards implementing a recovery plan, including discussion with providers and updating agreements. New agreements will include relevant criteria.

Implementation Date

April 2017

Responsible Officer

Social Care Procurement Manager (Alison Macleod); Performance and Delivery Manager (Kay Dunn); Lead Budget Holders

Grading

Significant within audited area

- 2.2.5 When services have been delivered, suppliers will provide an invoice. Prior to making payment, the Service must ensure these match the agreed services for the client held on CareFirst. Only once this has been recorded can invoices be processed via CareFirst to the financial system for payment. Payments for care are processed by the Social Work finance team in Corporate Governance.
- 2.2.6 However, not all payments made by the Service are matched to specific service agreements on CareFirst. Financial ledger data was downloaded from eFinancials, which showed that of £14.6 million payments processed during 2015/16 to 29 October 2015, only £4.7 million had been processed through CareFirst. The remaining £9.9 million of payments had been processed through either Infosmart – the corporate invoice processing system for non-care invoices, or the foster payments database.

- 2.2.7 Payments via Infosmart are processed by the payments team within C&PS. Review of these payments highlighted that of the total processed via Infosmart, an estimated £6.5 million was paid to suppliers which provide care services, and is therefore likely to relate to care provision.
- 2.2.8 Whilst invoices which are not for the care provision of a specific client cannot be matched in CareFirst and should be processed through Infosmart, there is a risk that some which can may bypass CareFirst and be paid via Infosmart. In such cases if the care is not matched off as paid, it could be paid again if invoices are subsequently submitted for processing via CareFirst. There is also a risk that, if it is identified by Social Workers or the CareFirst Team that payments have not been matched, the Service might believe that care provision received has not been paid for, and therefore request a further invoice.
- 2.2.9 Further review of a sample of 22 invoices from care providers which were processed via Infosmart showed that 4 were for fostering agencies, 4 were block funding arrangements for specified services, and 8 were funding non-specific service provision. 6 were for client specific care provision, and should therefore have been matched against care packages in CareFirst, if they had been available. Of these, 3 were processed through Infosmart due to service agreements not being up to date on CareFirst. The remaining 3 had appropriate packages set up on CareFirst, and therefore Infosmart should not have been used.
- 2.2.10 There are no controls to prevent care invoices being paid by the payments team within C&PS through Infosmart. How invoices are processed is largely determined by to whom / to which office they are sent by the supplier. In the absence of contracts which specify where invoices should be sent, the Service and C&PS will need to implement administrative controls to ensure care payments are only made via CareFirst.

Recommendation

The Service, in conjunction with C&PS should implement controls to ensure all care payments are processed via CareFirst.

Service Response / Action

Agreed. A development workshop took place in November 2015 and the 'future state' model should be established by February 2016. This will determine the action and timescales for implementation. Payment types are varied and complex, but the Service aims to process as many payments as possible through Care First in future. The Financial Services payments team will continue to pass payments without a purchase order back to requisitioners to process via CareFirst where appropriate, and is supporting services to ensure the invoice process is understood and adequate processes are in place.

Implementation Date

September 2016.

Responsible Officer

Performance and Delivery
Manager (Kay Dunn);
Financial Services
Manager (Garry Stevens)

Grading

Major at a Service Level

- 2.2.11 If there is an authorised purchase order, invoices are automatically matched and paid via Infosmart, otherwise they are sent to a manager within the relevant Service for approval. Variations were evident between post and authorisation levels. For example, staff who had formerly been in an 'acting up' role to cover the Head of Service have continued to hold an unlimited approval level. Authorisation levels have not been set in CareFirst, although approval of care packages is restricted to Senior Social Workers and above. The

Service does not have a list of delegated approval levels which staff and managers can consult in order to ensure authorisations are applied consistently.

Recommendation

The Service should ensure that appropriate, consistent authorisation levels are established for approval of care packages and invoices, that officers are aware of them and that they are imposed by relevant systems.

Service Response / Action

Agreed. A report detailing a number of interim actions will be presented to the Process Workstream on 1 February 2016. If these actions are agreed the service will review the current authorisation controls, including a list of lead managers and authorisation levels.

A call has been raised with OLM to determine whether they can adapt the CareFirst system to allow multiple authorisation levels, as the system will currently only allow one level of authorisation. OLM are developing their next platform, which may take account of this request, although this is not yet available.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2016: Contingent on Future State Model work.	Business Manager – Children’s Services (Kate Mackay) Performance and Delivery Manager (Kay Dunn).	Important within audited area
July 2017 (Dependent on OLM)	Business Manager – Children’s Services (Kate Mackay).	

- 2.2.12 The financial system has controls built in to prevent duplicate payments – the same invoice number cannot be used twice for the same supplier. Whilst there is still a risk that processing staff may erroneously change the invoice number to allow the invoice to be processed, the chances of duplicate payments are reduced. The payments team within C&PS also run AP Forensics software reports and investigate entries which look to be possible duplicate invoice payments. This is done before the BACS run takes place and covers all transactions including those interfaced to e-financials.
- 2.2.13 In February 2015, the Care First Audit report highlighted a duplicate payment of £140,000 which was paid in error and had to be recovered. Out of the sample of 43 payments reviewed as part of the current audit, two potential duplicate payments were identified for a value of almost £190,000. These had been processed via Infosmart, and authorised, but were corrected prior to payment being made.
- 2.2.14 However, due to limitations in the interface from CareFirst, invoice numbers are not transferred in full: only the last 12 digits are interfaced. As a result, e-Financials would not automatically highlight and prevent duplicate invoices where there are more than 12 characters. There is also an increased risk that payments team checks would not highlight such errors, particularly given care invoices are filed separately and narrative and other data transferred is mixed in terms of content and quality. For example, not all care invoices processed through Infosmart will include a client reference and period.

Recommendation

The Service, in conjunction with Finance, should review the interface from CareFirst to ensure full invoice numbers are transferred to the financial system.

The Service, in conjunction with Finance and C&PS, should review how invoice data input to the financial system, including narrative descriptions, can be standardised.

Service Response / Action

Agreed. A call has been logged with OLM to increase the invoice length size within CareFirst.

Agreed. The Service will discuss with finance colleagues, as part of the Process Workstream, how they ensure a greater standardisation of invoice data.

Implementation Date

September 2016:
contingent on Future State
Model work

Responsible Officer

Business Manager –
Children’s Services (Kate
Mackay

Grading

Significant within audited
area

- 2.2.15 Two duplicate suppliers were identified within the random sample of 43 payments. There is an increased risk in these cases, particularly where there are separate feeder systems and interfaces, of duplicate payments. One of the potential duplicate payments noted above at 2.2.13 was against a duplicate supplier.

Recommendation

Financial services should review and rationalise supplier numbers to ensure there are no duplicates.

Service Response / Action

Agreed. AP Forensics can report on Master Supplier Data and potential duplicates within eFinancials. A planned new upgrade of software early in the next financial year is anticipated to provide more reporting tools to look at this area.

Implementation Date

June 2016

Responsible Officer

Financial Services
Manager (Garry Stevens)

Grading

Important within audited
area

- 2.2.16 The Social Work finance team are authorised to process invoices which exceed the authorised agreement on CareFirst by up to 10%, without further approval. This enables staff to accommodate variances resulting from minor changes within a particular week for example, or due to differences in standard invoice periods. Where care provision invoiced for a period is less than that agreed, invoices can be processed regardless of the degree of variance. Where there are continual variances however, between agreed and actual care provision, care packages should be reviewed in order to ensure that commitment reports from the system provide data which enables expenditure to be forecast accurately.

- 2.2.17 The systems and controls in place for invoice variations, and variations relating to 11 Clients’ packages were reviewed and the following matters were identified:
- There are no CareFirst system controls which enforce the need for a higher authority to approve payment of invoices where the variance exceeds 10%.
 - Invoices which exceed 110% of the agreed cost are frequently processed without further approval being sought.

- There is a lack of guidance regarding what constitutes an appropriate variance, adequate verification and suitable higher approval and when this is necessary.
- The narrative input to explain the cause and therefore validate the variance has no consistency and is frequently recorded in different fields.
- Reports which show this narrative may not therefore provide for proper monitoring and control of variations.
- There is a lack of evidence to demonstrate that variance monitoring reports are regularly reviewed and appropriate action is taken to justify and demonstrate approval of all variances processed on a consistent and timely basis.

Recommendation

The Service should discuss the potential for invoice variation controls in the Care First System with software providers OLM.

The Service should review existing policy, practice and monitoring for invoice variations processed in CareFirst to ensure that management has adequate assurance over CareFirst data and invoice payments.

Service Response / Action

Agreed. A call has been logged with OLM to request greater control over authorisation and variation limits as above. In the meantime Business Objects reports will be used to monitor variation activity.

Agreed. A review of the procedure and practice relating to CareFirst invoice payment variations will be undertaken as part of a larger piece of work remodeling the way in which care packages are recorded, monitored and paid for.

Implementation Date

April 2016

Responsible Officer

Business Manager –
Children’s Services (Kate
Mackay)

Grading

Significant within audited
area

- 2.2.18 CareFirst is not always being kept up to date, meaning that payment of invoices may be delayed. The CareFirst team identified that where new packages or changes have not been set up and authorised, or rate adjustments not notified, there will be delays pending the changes being applied on the system – as payments cannot be matched and processed until this happens. Data accuracy was also highlighted in the previous Care First internal audit report in February 2015. Children’s Services has commenced the implementation of Reclaiming Social Work (RSW) which aims to resolve the issue by clarifying the role of Social Work and the Unit Coordinator to input packages and the Children’s Services Manager to authorise payment.
- 2.2.19 In a sample of 14 CareFirst payments reviewed, 13 had an up to date, authorised service agreement recorded on CareFirst. In one case however the agreement was not up to date. This means there is a lack of evidence to support the payments made, and to demonstrate that clients’ needs are being appropriately met.
- 2.2.20 It was noted that Social Workers often add to or append new agreements rather than replace existing service agreements on the system, which complicates the audit trail and increases the risk of CareFirst data being out of date and renders commitment reports inaccurate. In two cases there was an overlap between care package start and finish dates.

- 2.2.21 In the event of a new provider being used, there can be additional delays whilst the supplier is reviewed by C&PS, then set up on the payments system by Finance, before it can be set up on CareFirst. Whilst there are important controls applied in this process, there is an increased risk of the payment and matching controls not being applied in the meantime.
- 2.2.22 Failure to make a payment within 30 days of receipt of the invoice can result in the Council having to pay late payment interest and potentially having to reimburse the recovery costs of the creditor in accordance with the Late Payments of Commercial Debts (Interest) Act 1988 as amended. Moreover, regular late payment can have a negative impact not only on the Council's Performance Indicators but also on the Council's business relationships with the suppliers.
- 2.2.23 This could lead to pressure being placed on the payments teams to process care invoices through Infosmart, or to apply variations to CareFirst agreements, without waiting for approval from Social Workers. Inappropriate payments may result.

Recommendation

The Service should establish a process which ensures provider details, care details, and care costs are passed to the CareFirst Team by Social Workers in advance of or within a set period following a child's placement.

The Service, in conjunction with Finance and C&PS should explore options for rationalising the process for setting up new suppliers in CareFirst.

Service Response / Action

Agreed. The Service in implementing RSW will ensure additional training and guidance is available for Unit's to reinforce the criticality of Carefirst being kept up to date and for the Carefirst team to be notified within 2 workings if a new supplier is being used.

Agreed. A review of this process will be included in the development work currently ongoing to review financial systems and processes in children's social work.

Implementation Date

March 2017, following implementation of RSW

Responsible Officer

Lead Service Manager
Graeme Simpson;
Business Manager –
Children's Services (Kate
Mackay)

Grading

Significant within audited area

- 2.2.24 There are a number of block-funded agreements, where the Service pays for a specified level of capacity rather than actual care provided to specific clients. For example the supplier may offer a number of rooms or beds, and keep these open for the Service to use at short notice, rather than charging per room or bed actually occupied. In the absence of known contracts for this funding, it is difficult to demonstrate that value is being received under these agreements, or whether the Service might be able to request a refund for services paid for and not utilised.
- 2.2.25 The CareFirst Team noted that where agreements can be recorded on CareFirst there is some variation in how this is done. In some cases the cost of block-funded care provision will be divided between the current number of clients in receipt of the service – which may vary between periods; in other cases 'dummy clients' may be set up and costs allocated between these and real clients recorded in the system – which ensures the same cost is recorded against each client every period. The Team noted that there can be difficulties applying a consistent method due to the way payments are structured – e.g. a per-room

charge may be split if there is multiple occupancy, therefore there may not be a standard per-client charge.

2.2.26 The variable cost per client method can cause difficulties as it requires regular variations to be processed on CareFirst in order to allow care packages to be matched and invoices paid. There is a risk that such routine variations might mask problems with the level and cost of care provided under these agreements.

2.2.27 Although the ‘dummy client’ option is administratively convenient, it means that there are fictitious records on the system. There is a risk that this could result in overpayments in the event that the supplier incorrectly charges for both capacity and specific clients.

Recommendation

The Service should review whether block-funded arrangements are necessary and appropriate. Where there are alternative spot purchase arrangements, these should be explored.

The Service should review controls over payments for block-funded care.

Service Response / Action

Agreed. The Service in conjunction with CareFirst will utilise the contracts provision of CareFirst and review the appropriateness of “block funded contracts” via the review of all contracts.

Implementation Date

August 2016

Responsible Officer

Lead Service Managers
(Graeme Simpson and
Anne Donaldson)

Grading

Significant within audited
area

2.2.28 Not all Children’s care costs are administered and paid through CareFirst. Fostering and some Children’s residential services are managed outwith the system. Fostering and Adoption payments to individual carers are controlled using an Access database. Invoice payments are made by the Social Work finance team from this database via an interface to the eFinancials system.

2.2.29 Payments for foster care being provided by external foster agencies are not administered through CareFirst, nor the Access database. The Service stated that agencies apply a cost and volume discount to the number of children placed with them. This adds complication to payments and the ability to process them through CareFirst. Payments for these and other child services are verified by the service manager to the Weekly Resource Bulletin and / or monitored by Finance against anticipated spend commitments. This is an administrative resource intensive exercise due to variations in invoice narrative processed via Infosmart – the Assistant Accountant has to manually check a significant proportion of invoices every month to ensure all payments have been made appropriately. Data quality has been discussed at 2.2.14 above.

2.2.30 In terms of cost, checks are retrospective – i.e. the payments have already been made by the point Finance checks them. If these payments were recorded on and paid through CareFirst, subject to the implementation of recommendations discussed in the rest of this Internal Audit report, it would provide better and more consistent control over them.

Recommendation

The Service should set up service agreements and pay invoices for all Fostering and Residential Care through CareFirst.

The Service should review options for improving control and assurance over payments to fostering agencies.

Service Response / Action

Agreed. The Service intends to implement the Care Pay module of the CareFirst system during 2016 and intends that all fostering, adoption and kinship payments are made through this system by April 2017, except those relating to independent fostering agencies.

Agreed. The Service in conjunction with CareFirst will further review the processing of payments to independent fostering agencies via Carefirst.

Implementation Date

April 2017

Responsible Officer

Lead Service Manager
(Graeme Simpson);
Business Manager –
Children’s Services (Kate
Mackay)

Grading

Significant within audited
area

AUDITORS: D Hughes
C Harvey
P Smith

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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Internal Audit Report

Aberdeen City Council Health and Social Care Integration Pre-Integration Financial Assurance

Issued to:

Angela Scott, Chief Executive

Judith Proctor, Chief Officer – Aberdeen City Health and Social Care Partnership

Richard Ellis, Director of Corporate Governance

Tom Cowan, Head of Joint Operations - Aberdeen City Health & Social Care Partnership

Steven Whyte, Head of Finance

Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services. Within Aberdeen City, it has been determined that this will be provided through an Integration Joint Board (IJB), formed primarily of representatives from Aberdeen City Council and NHS Grampian, and a wider non-voting membership.

The delegation of functions to the IJB will be effective from 1 April 2016, at which point it will formally take over the direction of Health and Social Care services within Aberdeen City. In 2015/16, a budget of £240 million was available within the Council (£106 million) and NHS (£134 million) for the provision of existing services within these areas. The level of budget to be transferred to the IJB will be agreed in February 2016 through existing Council and NHS budget approval processes.

Scottish Government guidance requires Audit Committees to obtain assurance over:

- The finance provisions to be included in the integration scheme;
- The plans for financial governance and financial assurance and risk;
- That lessons have been learned from other integration projects; and
- That the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

Internal Audit has sought to obtain this assurance in respect of aspects controlled and influenced by Aberdeen City Council. A further report from NHS Grampian Internal Auditors will outline separate work undertaken in respect of those areas controlled and influenced by NHS Grampian, and will be shared with the Audit, Risk and Scrutiny Committee when it is available.

Progress is being made towards implementation by the Chief Officer, reporting to the Council, NHS Board and Shadow Integration Joint Board (sIJB). An Integration Scheme has been submitted to the Scottish Government and has been approved by the Cabinet Secretary. It will be laid before Parliament and following the prescribed period the IJB will be legally established on 6 February 2016. The draft includes the key finance requirements as set out by the Scottish Government.

Key governance documents including Financial Regulations, the Risk Management Strategy, Asset Management Plans, and detailed resource plans, have still to be finalised. The first two are in joint development across the former Grampian area, and will be in place prior to 1 April 2016. The other plans are being developed locally to support the draft Strategic Plan, which has been prepared, and sets out a direction of travel for the IJB. Until the detailed plans are complete, there is limited assurance that resources will be available for delivery of the Strategic Plan. It is not anticipated these will be in place for the 'go-live' date of 1 April 2016, as the delivery of statutory requirements, of which these do not form a part, has been prioritised.

Although the sIJB meets monthly, and receives updates at each meeting on various aspects of implementation, to date progress reports covering the whole programme have not been routinely provided, in a consistent format. In December 2015 the sIJB agreed to receive a standard monthly report prepared using data collated by the Programme Management Office, which is intended to improve consistency of reporting.

Lessons are being learned from developing partnerships across Scotland via the Chief Officers Group and Finance Leads networks, best practice is being shared, and joint pan-Grampian work is in progress. However, a substantial element of trust is

being placed on officers within the IJB and partners to work together towards the partners' assumed mutual aims. This is particularly relevant in respect of the budget setting process and in the event that a budget overspend should be incurred by the IJB. There remains a risk to the partnership, and therefore to the Council, if delegated services cannot be delivered within the budget made available. It is recognised that such risks exist within the current provision of the services and are managed by each of the Partners within their own budget monitoring and risk management arrangements. The Integration Scheme makes provision for dealing with potential budget overspends and if this process were to be unsuccessful the scheme also contains a dispute resolution process. As highlighted by the Highland Partnership's experience, as set out in the Scottish Government's Guidance for Integration Financial Assurance document (May 2015), this may not be as straightforward as anticipated, though the integration model adopted is different. Finance has stated that such risks will be mitigated by a due diligence process and via the budget monitoring arrangements put in place for the IJB.

Whilst the sIJB has been provided with regular joint monitoring reports, at a high level, on expenditure against both NHS and Council budgets for 2015/16, and each partner has continued with its own budget monitoring arrangements, there has been no sharing beyond officers of the partners' management accounts. Council Committees have not been provided with detail on the NHS elements of the budget and expenditure to date. Without access to this information, there is less transparency over the ongoing costs of partners and the IJB, which are likely to have an impact on the budget requirements going forward.

It is a requirement of the Scottish Government's Integration Resource Advisory Group (IRAG) guidance that all parties have had sight of relevant budget information from the other party and the underlying process for deciding them. Officers from both partners continue to work together to develop the budget. The ongoing budget setting process, which is building towards the February 2016 Full Council, is identifying all of the risks associated with the budget which will be provided to the IJB. These will be incorporated into the Council's budget setting report, and Finance intends to provide further assurance through a due diligence report outlining the key risks and assumptions.

Although work is progressing on developing performance measures there has to date been no formal output from this workstream. As a result, it is not possible to determine whether baseline data for these measures can be or has been obtained. It may therefore be difficult to provide assurance that Integration has met its objectives, beyond measuring whether or not as a whole it has remained within budget. It may also prove more difficult to calculate accurate baselines if the data is not identified and collated in advance. It is not planned that these will be determined prior to April 2016.

The intention, per the Strategic Plan, is to deliver services on a locality basis, which (subject to consultation) will build upon existing GP clusters. There have been no decisions made to date regarding the planned management and budget structure. It is anticipated that there will be a mix of geographic and specialist budgets. Budgets will need to be devolved to align financial and operational responsibility. However, until the detailed resource plans have been completed, limited work can be done on devolving budgets to these localities. It is not intended that this will be completed until after April 2016, and in the interim budgets will continue to be managed by existing budget holders. Until new structures are in place, and budgets and performance measures are aligned with them, it will be more difficult to drive and demonstrate achievement of the IJB's strategy.

1. INTRODUCTION

- 1.1 The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services. Within Aberdeen City, it has been determined that this will be provided through an Integration Joint Board (IJB), formed primarily of representatives from Aberdeen City Council and NHS Grampian, and a wider non-voting membership.
- 1.2 The delegation of functions to the IJB will be effective from 1 April 2016, at which point it will formally take over the direction of Health and Social Care services within Aberdeen City. In 2015/16, a budget of £240 million was available within the Council (£106 million) and NHS (£134 million) for the provision of existing services within these areas. The level of budget to be transferred to the IJB will be agreed in February 2016 through existing Council and NHS budget approval processes.
- 1.3 In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance. The guidance places specific requirements on the Audit Committees of partner organisations within the pre Integration shadow period:
- 1.4 Audit Committees are required to obtain assurance on the following:
- The finance provisions to be included in the integration scheme;
 - The plans for financial governance and financial assurance and risk;
 - That lessons have been learned from other integration projects; and
 - That the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.
- 1.5 The guidance recommends that Audit Committees are provided with a report on the assurance work carried out by the Health Board and Local Authority. This report is to be produced jointly by the Health Board and Local Authority Chief Internal Auditors and should be available sufficiently in advance of delegation of functions and resources to allow consideration by the Audit Committees. This assurance report is also to be shared with the Audit Committees of the IJBs, when established.
- 1.6 This report is intended to provide assurance over the above areas in respect of aspects controlled and influenced by Aberdeen City Council.
- 1.7 A further report from NHS Grampian Internal Auditors will outline separate work undertaken in respect of those areas controlled and influenced by NHS Grampian, and will be shared with the Audit, Risk and Scrutiny Committee when it is available.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Judith Proctor, Chief Officer – Aberdeen City Health and Social Care Partnership, and Steve Whyte, Head of Finance.

2. FINDINGS AND RECOMMENDATIONS

2.1 Financial Governance, Assurance and Risk

- 2.1.1 In order to provide assurance to the partner organisations, and to facilitate the smooth operation of the partnership it is important that clear, strong and effective governance controls exist for the establishment of the Integrated Joint Board (IJB). Aberdeen City Council and NHS Grampian were required to produce an Integration Scheme – which sets out the agreement between partners; and a Strategic Plan which identifies how the resources will be used.
- 2.1.2 The draft Aberdeen City Integration Scheme, closely matching the national model, was approved by Full Council in March 2015. Following consultation with Scottish Government officers a revised version was agreed and submitted to the Scottish Government in December 2015. The scheme contains clauses in respect of governance arrangements, including: board membership, delegated functions, financial governance (budgets, payments and monitoring) and risk management. The scheme has now been approved by the Cabinet Secretary and will be laid before Parliament in January 2016. Following the prescribed period the IJB will become legally established on 6 February 2016.
- 2.1.3 The Board will be comprised of a total of 8 voting members comprising 4 Aberdeen City Councillors, and 4 NHS Grampian Board Members, ensuring an equal partnership. This is reflected in the composition of the Shadow IJB (sIJB) which meets regularly to progress the Integration agenda. Further non-voting members, including officers and third sector representatives, will be co-opted onto the Board. The Chair will be appointed from alternating partners at regular intervals. The sIJB has its own Standing Orders, which reflect relevant sections of the Integration Scheme and set out key aspects of the formal administration of meetings.
- 2.1.4 There are however a number of areas where separate documents are referenced for more detail, or where the Scheme states that separate local agreement will need to be reached. These documents and agreements have yet to be finalised. Financial Regulations are being drafted in conjunction with each of the partners and integration authorities within the Grampian area. It is anticipated that these will have been drafted by December 2015. Similarly, a shared Risk Management Strategy is being developed across the three areas by Risk Managers from each authority and the NHS. Following completion of this document, a local statement on risk appetite and management will be further developed. Local Asset Management plans are also still to be considered.
- 2.1.5 In order to provide assurance over the operation of the IJB it is important the Financial Regulations, Risk Management Strategy and Asset Management Plans are finalised and agreed with partners in advance of 1 April 2016.

Recommendation

The Chief Officer should ensure the Financial Regulations, Risk Management Strategy and Asset Management Plans are finalised and agreed with partners in advance of 1 April 2016.

Service Response / Action

Agreed. Financial Regulations and the Risk Management Strategy are in line to be finalised by 1 April 2016. Asset management plans are not statutorily required, and there is limited capacity to deliver these in advance, therefore it is not anticipated they will be delivered prior to delegation of powers to the IJB. Existing processes will be relied upon until new plans are put in place.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2016	Chief Officer	Significant within audited area

- 2.1.6 A draft Strategic Plan has been prepared, and was issued for consultation on 1 October 2015, with the intention of agreeing the final Plan in February 2016. It is anticipated that the Plan will be adjusted annually to take account of future changes planned by the IJB. It sets out high level themes and objectives: although it gives examples of ideas and potential initiatives associated with relevant national outcomes, it does not clearly specify plans, programmes or projects that the IJB intends to progress. Performance and outcomes are mentioned, but there is no reference to how they will be measured. The document notes an update is planned by 31 March 2016, supplemented by a Joint Commissioning Plan to show the intentions in more detail. This may be late for providing direction and assurance over the IJB's plans.
- 2.1.7 Although key priorities have been listed, they are all ranked equally, and there is limited detail on the functions which will deliver them. There is limited discussion of resources, other than the total current cost of delegated services. As a result it may be difficult to assign resources and budgets on the basis of the plan alone. This contrasts with statements in the Integration Scheme that the Strategic Plan would support business cases for the level of resources required by the IJB.
- 2.1.8 Although officers stated that the budget is expected to be set to provide the same position as if services were not being delegated, there is a risk that without a detailed and costed Plan the IJB will have no case for additional resources to do what it wants to do, and will have to manage within the resources the partners elect to delegate.

Recommendation

The IJB should ensure the Strategic Plan is supported with documents detailing the proposed activities and anticipated costs and resources required for its delivery.

Service Response / Action

Agreed. However, it is not considered that this is required to meet the statutory handover requirements. Detailed plans cannot be developed until the Strategic Plan has been agreed by the newly formed IJB. A strategic planning group will form in Spring 2016 to take this forward, and it is anticipated plans will take 6-12 months to develop. In the interim, budgets are being allocated on the basis of existing spending patterns. Change in the first year is intended to be transitional, rather than transformational.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2017	Chief Officer	Significant within audited area

- 2.1.9 Under the Act, the IJB must be formally established by 1 April 2016 at which time it will become responsible for delegated functions. The Aberdeen City Shadow IJB was established in January 2015. It is intended that, subject to the relevant Scottish Government order, the delegation of functions to the IJB will be effective from 1 April 2016.
- 2.1.10 The sIJB is regularly presented with reports on progress with integration, and agrees or notes the content and arrangements. Although the Council's Standing Orders, updated in October 2014, state the Health and Care Integrated Joint Board would be a Core Council Committee from 1 April 2015, the Orders of Reference are stated as "To Be Agreed By TLG/Council/NHS Board", and there are no further updates demonstrating the specific powers delegated. Orders of Reference need to be formally approved by Full Council. The Service has stated that powers have not been formally delegated to the sIJB, and therefore it cannot agree actions on behalf of its partners: accordingly it is only

asked to approve positions on taking forward the structures to support integration – not to direct functions and services which in due course will be delegated to the IJB.

- 2.1.11 A timetable was set out at an early stage in order to identify the key milestones leading up to 1 April 2016. Officers have provided updates on various aspects of delivery and via standing items on the sIJB agenda, including regular work plan updates, and Chief Officer reports.
- 2.1.12 At the point the IJB takes responsibility for delegated functions, it will need to ensure relevant structures are in place, including management, staff, infrastructure, systems and data. Whilst many functions will be able to continue as they currently operate, at least in the short term, there are likely to be management and operational issues which will need to be resolved. The Service has stated that it only intends to put in place the necessary structures to meet the legislative requirements from 1 April 2016, and therefore reliance will be placed on existing arrangements for service delivery until new processes and governance arrangements have been developed and agreed by the IJB once it has formed. Although workstreams have been identified, and funding set aside for a number of these, the sIJB has not received much information on progress with each.
- 2.1.13 Risks to meeting the ‘go-live’ date are being managed through a risk register held by the Chief Officer. The project risk register has been presented to the sIJB quarterly, and has been reported to the Council’s Audit Risk and Scrutiny Committee in September 2015. A number of items have been given an ‘Amber’ status to demonstrate that there was a higher than acceptable risk of them not being achieved, but that this is being managed and mitigated. More recent updates have included details of action and progress in addressing the risks, or progressing with implementation, however not every line with an ‘Amber’ status has an update, and the explanations are not regularly revised to demonstrate that changes have occurred as planned. If progress is not being made, the risk to the programme will increase. The sIJB has not regularly received consistent and comprehensive formal updates on progress with each of the workstreams.
- 2.1.14 Aberdeen City Council’s Programme Management Office has recently collated data and developed a new format of programme plan in respect of progress towards implementation of the IJB. This is intended to capture additional data regarding progress with each of the workstreams supporting delivery of the final outcome, and to provide more assurance to the partners that targets are being met. It is planned that this will be provided to the sIJB monthly from December 2015.

Recommendation

The Chief Officer should ensure the sIJB and partners are provided with regular, consistent, detailed information regarding progress with all elements of the Integration plan.

Service Response / Action

Agreed. Progress reporting to date has focused on those aspects of the programme necessary to meet the legislative requirements and the ‘go-live’ date. The PMO approach is intended to provide a consistent overview of progress for the sIJB.

Implementation Date
Implemented

Responsible Officer
Chief Officer

Grading
Significant within audited area

2.2 Lessons Learned

- 2.2.1 Few localities have made any further progress than Aberdeen City with implementing arrangements for Integration, from which lessons may be learned. The Chief Officer has

close links with networks across Scotland via the Chief Officers Group, which meets bi-monthly. Similarly, Finance officers are taking part in meetings of the Integration Finance Leads Network set up by the Scottish Government. As demonstrated by e.g. the shared work on Risk Management and Financial Regulations, the three partnerships within the former Grampian area have met on a number of occasions to share best practice, and to agree a common approach to issues which affect the whole area. Work is also progressing in developing a North East Partnership Steering Group to coordinate cross-partnership services across the area.

- 2.2.2 Finance has noted that the “lessons learned” section of the Guidance issued for Integration Financial Assurance, based on the experience in Highland, was considered by Finance officers in drafting the finance section of the Integration Scheme.

2.3 Budget Setting

- 2.3.1 The Integration Scheme set out which areas of service were to be delegated to the IJB. It naturally follows therefore that the sections of the budget allocated for these services should be transferred from partners to the IJB. Reports presented to the Transitional Leadership Group in May and November 2014 outlined that it would be expected that the sections of the budget allocated for these services would be transferred from partners to the IJB, and also gave indicative budgets based on this assumption.

- 2.3.2 The Integration scheme sets out that in the first year of operation, each partner will follow their existing budget setting process to develop a baseline for the cost of delegated functions. Thereafter any variations to the baseline for delegated functions will be negotiated between the Chief Officer and the partners, based on business cases tied back to the Strategic Plan, and agreed by each partner in accordance with their normal budget setting process – by February each year. As set out at 2.1.6-8 above, there may be difficulties in assessing priorities until the plans and resources required to meet them are more fully developed.

- 2.3.3 It is vital therefore that the IJB and partners have assurance over each budget setting process (Council, NHS and IJB) to ensure that appropriate and adequate resources are in place to continue to deliver the existing functions in the short term, and that sufficient scope has been built in to the budgets, or can be through the budget process, to develop the functions in line with the IJB’s strategic intentions in the medium to long term.

- 2.3.4 This audit can only provide assurance over the budget setting process followed by Aberdeen City Council. No opinion is being expressed as to the adequacy of the resources transferred by partners – it is up to the partners, and members of the IJB, to determine whether or not this is the case, and to act accordingly.

- 2.3.5 The Council has already delegated responsibility and budgets for Adult Social Care services to the Integration Chief Officer, therefore plans for this budget are already built in to the Council’s budget setting process.

- 2.3.6 The Finance Service within the Council has commenced the 2016/17 budget setting process. £1.5 million of savings were taken out during the 2015/16 budget setting process, following underspends in both 2013/14 and 2014/15 across Adult Social Care. Although there are substantial variances within budget headings, including £3.5 million anticipated overspend within Learning Disabilities, where agreed budget savings for service redesign are not being achieved; and £2.8 million underspend on Older People, Physical and Sensory Disabilities commissioned care; year to date budget monitoring (to October 2015) suggests that overall City Adult Social Care expenditure will be broadly in line with budget. However, there are potential risks, as small variations in demand can have significant impacts on expenditure.

- 2.3.7 Further savings are required from the 2016/17 budget, to balance a number of potential risk areas where increased costs are anticipated. At 3 November 2015, around £2.8 million of savings options, and £3.2 million of growth items had been tabled, and will be subject to further consideration and challenge through the Council's budget process, alongside options presented for other Council Services. The Social Care growth items are largely comprised of anticipated cost increases for commissioned services. A number of savings have been built in to reflect the IJB's share of planned corporate cost reductions.
- 2.3.8 There is a risk to the Council if it agrees a budget for the IJB which is not affordable in the longer term, as this will impact on the Council's ability to continue to provide other services. It may prove difficult to substantially alter the budget in future years once a baseline level has been committed to.
- 2.3.9 Unless the IJB is given a budget which is sufficient to cover current or anticipated costs, it may not be able to continue providing services in the short term, or be able to invest in required changes for the future. However, there needs to be an incentive for the IJB to provide efficient and economic services. It should be required to meet a fair and equitable share of any resource impacts resulting from a reduction in grant aided expenditure from the Scottish Government, or unfunded increases in costs. If it cannot do so, then there is a risk, through application of relevant clauses of the Integration Scheme that the partners will have to fund any overspend on the IJB annual budget retrospectively.
- 2.3.10 In the first year, overspends would be funded by the original owner of the budget – i.e. the Council would fund any overspend in former Social Work budgets. In future years it is likely that (unless one partner volunteers payment) an overspend would be shared in proportion to the total budgets originally transferred by each partner. This means that the cost of an overspend in the former Social Care services may be part funded by NHS Grampian, and an overspend on former Health Care services may be part funded by Aberdeen City Council.
- 2.3.11 It is unlikely that either partner will have budgeted for such an overspend, particularly if it arises under the other partner's former operations. Reserves may have to be utilised, or resources diverted from other activities which had been prioritised.

Recommendation

The Service should ensure adequate mechanisms are in place to ensure overspends are avoided or resolved amicably between the Partners and the IJB.

Service Response / Action

Agreed. It is considered that the Integration Scheme contains sufficient provision for reporting on budget monitoring and risks associated with spending pressures, setting a reserves strategy, and agreeing recovery plans in the event of an overspend. Once budgets have been passed to the IJB it is intended that they no longer maintain their former identity of either Health or Social Care, therefore the risk to the Council should be seen as a risk that the IJB will overspend its budget not that the Council is being asked to fund an NHS overspend (or vice-versa that the NHS is being asked to fund a Council overspend).

Audit Position

There remains a risk to the partnership and therefore to the Council if delegated services cannot be delivered due to a budget shortfall. Partners will then have to agree, or resolve via the provisions included in the Integration Scheme, how this is to be funded. As highlighted by the Highland Partnership's experience,

Grading

Significant within audited area

where difficulties and misunderstandings were experienced in respect of risk sharing, as set out in the Scottish Government's Guidance for Integration Financial Assurance document (May 2015), this may not be straightforward.

- 2.3.12 The sIJB has been provided with joint budget monitoring reports, at a high level, on expenditure against both NHS and Council budgets for 2015/16 in July 2015, and thereafter resolved to receive this information bi-monthly. Variance notes have been provided for information, and the sIJB has been advised of the risks posed to current and future services and budgets as a result of increased costs and demand, and the assumptions on which forecasts have been based.
- 2.3.13 The budget monitoring paper for September 2015 notes that Hosted Services provided across the Grampian area are not apportioned between each of the IJB's responsible for them – instead the Integration partnership in which the Service is hosted is reporting the expenditure in full. This has the potential to distort the budget monitoring information, particularly if these areas are subject to variances in forecast outturn. As the split of services has not yet been confirmed, this anomaly cannot yet be resolved. Similarly the 'large hospital services set aside' for services provided by NHS Grampian have still to be determined. Until these aspects have been resolved, the budget monitoring will not provide the whole picture of the IJB's financial performance.

Recommendation

Finance, in conjunction with counterparts in Aberdeenshire, Moray and NHS Grampian should ensure that shared Grampian wide services are budgeted and monitored appropriately.

Service Response / Action

Agreed. This work is underway, being led by the Deputy Director of Finance for NHS Grampian.

Implementation Date

February 2016

Responsible Officer

Chief Officer

Grading

Significant within audited area

- 2.3.14 Budget monitoring for each partner has continued to be reported to the relevant committees within each organisation. Figures for Adult Social Care reported to Finance, Policy and Resources Committee, and Education and Childrens' Services Committee, include NHS resource transfer funding income, budgeted at £18 million. This transfer has been netted out of the budget monitoring figures presented to the sIJB in order to avoid double counting.
- 2.3.15 Although budget monitoring for Adult Social Care continues to be reported to Council Committees, details of current expenditure against the entire sIJB budget is not shared between the partners except to the extent it is reported to the sIJB. Councillors therefore have had limited opportunity to view and understand the potential risk to Council budgets through the joint budget implications of Health and Social Care Integration. In order to provide additional transparency it was recommended by Internal Audit that sIJB budget monitoring be presented to an appropriate Council Committee, however Finance has noted that due to the imminent changes an alternative approach to providing financial due diligence information will be pursued instead.
- 2.3.16 In previous years a draft budget would have been provisionally set by December, with revisions and updates progressed through the normal process prior to seeking Full Council approval in February 2016. Finance has noted that details of the anticipated Scottish

Government funding settlement for the Council have still to be released, and therefore the required resources for achieving a balanced budget are still not known. This may mean that only a final budget paper will be produced.

- 2.3.17 It is a requirement of the IRAG guidance that all parties have had sight of relevant budget information from the other party and the underlying process for deciding them. Given the IJB has no formal powers to receive this information on behalf of the partners, in order to meet the requirements Full Council will need to be given information on the IJB's budget setting process (from both NHS and Council funds).

Recommendation

Finance should ensure that Full Council is given details of the key assumptions and risks underlying the IJB budget from both partners including current expenditure patterns and budget pressures.

Service Response / Action

Agreed. Key assumptions and risks will be incorporated into the Council's budget setting report or a separate report to Council on the due diligence process on the budgets to be delegated by the Council and NHS Grampian.

Implementation Date

February 2016

Responsible Officer

Head of Finance

Grading

Important within audited area

2.4 Performance Measures

- 2.4.1 There is a set of 9 national outcomes, against which performance of the IJB will be measured. It is intended that a suite of local indicators will be developed to complement these.

- 2.4.2 Although work is progressing on developing performance measures there has to date been no formal output from this workstream. As a result, it is not possible to determine whether baseline data for these measures can be or has been obtained. Baseline data could be difficult to obtain if it is not measured in advance of changes. It may therefore be difficult to provide assurance that Integration has met its objectives, beyond measuring whether or not as a whole it has remained within budget.

Recommendation

The Service should ensure performance metrics are developed and baselines recorded in advance of April 2016.

Service Response / Action

A number of performance measures are already in place and data is being collected in respect of existing services. The Service is awaiting guidance from the Scottish Government on national performance indicators, agreement of the Strategic Plan, and approval from the IJB when it has formed, to determine the appropriate measures. It is not planned that this will be in place prior to 1 April 2016.

Audit Position

There is a risk that without clear measures from the outset, it will be more difficult to drive and demonstrate achievement of the IJB's strategy.

Grading

Significant within audited area

- 2.4.3 The intention, per the Strategic Plan, is to deliver services on a locality basis, (subject to consultation) with alignment based on existing GP clusters. There have been no decisions made to date regarding the planned management and budget structure. It is anticipated

that there will be a mix of geographic and specialist budgets. The Service has stated that early proposals are still being discussed by officers, and it will ensure these are contained within the level of current financial resources. It is important that budgets are appropriately split and responsibility is determined and assigned by the point the IJB commences delivery of services, in order to ensure budget holders can be appropriately held to account for financial performance. This is also a requirement of the Scottish Government's localities guidance.

Recommendation

The Service should review how budgets are going to be devolved in advance of April 2016.

Service Response / Action

Existing budget holders will continue to be accountable for budgets within the current management structure until any revised management structure is put in place. It is not anticipated that the new management structure will be in place by April 2016. It is also not anticipated that work to allocate budgets across Localities will be completed by April 2016. Work has commenced within Finance to give a broad indication of locality splits, but further development is required to determine how this will operate in practice.

Audit Position

Until new structures are in place, and budgets aligned with them, it will be more difficult to drive and demonstrate achievement of the IJB's strategy.

Grading

Significant within audited area

AUDITORS: D Hughes
C Harvey

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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Internal Audit Report

Finance

Council Tax

Issued to:

Richard Ellis, Director of Corporate Governance
Steven Whyte, Head of Finance
Wayne Connell, Revenues and Benefits Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Council Tax was introduced in April 1993 as a means for Local Authorities to collect contributions from households towards the cost of Local Authority services. It is a property tax, with the amount set locally by Councils and charged according to the valuation band of the individual property. Each of the 32 local Councils within Scotland is a valuation authority and responsible for appointing an Assessor who must in turn compile and maintain a Valuation Roll and a Council Tax Valuation List which places each domestic dwelling in one of eight valuation bands which reflect the market value of the property as at April 1991 and its physical state and locality as at April 1993.

There can be exemption from Council Tax liability such as student residences and specific unoccupied dwellings and discounts are available for single occupancy residences, and in other circumstances. Where appropriate the Council Tax bill will incorporate water and waste water charges, which are collected on behalf of Scottish Water.

The Council administers Council Tax through the Academy system. As at 31 March 2015 there were a total of 113,875 live Council Tax properties within the Aberdeen City area and the net amount collected for Council Tax for 2014/15 was £105.5 million, a collection rate of 95.4%.

The objective of the audit was to ensure that billing and collection arrangements are robust and adequately applied.

Appropriate procedures have been developed for managing all aspects of Council Tax and these were found to be operating well, with control being exercised over payments. Recommendations to review and correct outstanding entries on the system suspense account, as well as those identified as part of the reconciliation between the Council Tax system, bank statement and financial ledger were agreed by the Service. The Service has also agreed to undertake a reconciliation of property information to the Assessors information prior to the billing process.

1. INTRODUCTION

1. Council Tax was introduced in April 1993 as a means for Local Authorities to collect contributions from households towards the cost of Local Authority services. It is a property tax, with the amount set locally by Councils and charged according to the valuation band of the individual property. Each of the 32 local Councils within Scotland is a valuation authority and responsible for appointing an Assessor who must in turn compile and maintain a Valuation Roll and a Council Tax Valuation List which places each domestic dwelling in one of eight valuation bands which reflect the market value of the property as at April 1991 and its physical state and locality as at April 1993.
- 1.1 There can be exemption from Council Tax liability such as student residences and specific unoccupied dwellings and discounts are available for single occupancy residences, and in other circumstances. Where appropriate the Council Tax bill will incorporate water and waste water charges, which are collected on behalf of Scottish Water.
- 1.2 The Council administers Council Tax through the Academy system. As at 31 March 2015 there were a total of 113,875 live Council Tax properties within the Aberdeen City area and the net amount collected for Council Tax for 2014/15 was £105.5 million, a collection rate of 95.4%.
- 1.3 The objective of the audit was to ensure that billing and collection arrangements are robust and adequately applied.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Wayne Connell, Revenues and Benefits Manager and Phyllis Kennedy, Council Tax and Recovery Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 General

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Council Tax written procedures are stored electronically on Enlight, an online web procedure manual provided and maintained by Destin Solutions. The procedures cover processes from Valuation and Liability to Payments Processing and Appeals. The written procedures are clear and comprehensive, although not up to date. The Service advised that updating of the manuals was suspended whilst technical work is undertaken on the online web application. However, the procedures satisfactorily covered all aspects of the processes to be followed, and staff are encouraged to raise questions with assigned mentors or Team Leaders. The procedures update will be completed by end October 2016.
- 2.1.3 Before being given access to the Academy System, staff are required to complete a Statement on Viewing Accounts form. This form advises staff that information may be viewed for business purposes only and disclosure of information to unauthorised persons will result in disciplinary action. The form requires staff to detail their current and former addresses within Aberdeen City. The Operations team then set up the user account so that the Council tax accounts associated with that name and those addresses cannot be amended by that user. The account numbers are added to the form by the Operations officer responsible for inputting the data, who initials and dates the form to indicate that it has been actioned. The form is then filed by the Operations team.
- 2.1.4 Ten statement forms were reviewed. All had been completed and appropriately signed, dated and initialled. There are currently two versions of the form being used at the same time, one contains a simple declaration, and the other includes action boxes that are completed by Operations staff when setting up access to the system. Three of the ten forms reviewed contained the action boxes.

Recommendation

The Service should ensure that prospective Academy and URB users complete the most comprehensive version of the Statement on Viewing Accounts form.

Service Response / Action

The old Statement on Viewing Accounts Form has been removed. The updated form is now the only form available to use.

Implementation Date

Implemented

Responsible Officer

Wayne Connell, Revenues
& Benefits Manager

Grading

Important within audited
area

2.2 Liability

- 2.2.1 The Grampian Valuation Joint Board (Assessor) holds a record of all domestic properties within Aberdeen City. This information is passed to the Council Tax team to allow for the creation of properties and associated liable parties within the Academy system. Any exemptions or discounts are applied, before Council Tax notices are produced by the

system.

- 2.2.2 Twice yearly, in March and October, a full extract of the Assessors database is provided to the Council Tax team. This information is reconciled to the information contained within Academy matching the property reference, property banding and effective date. Any mismatches are investigated and corrected.
- 2.2.3 The Service advised that whilst a reconciliation was carried out in September 2014, problems with the annual billing process prevented the March 2015 review (see para 2.3.3, below). The October 2015 reconciliation was completed on 9 November 2015 and signed off by The Council Tax and Recovery Manager on 11 November 2015.

Recommendation

The Service should ensure that the Academy data is reconciled to the Assessors report regularly and before the annual billing process.

Service Response / Action

This is scheduled to be completed during February 2016 prior to Annual Billing.

Implementation Date

February 2016

Responsible Officer

Wayne Connell, Revenues
& Benefits Manager

Grading

Important within audited
area

- 2.2.4 New properties and changes in banding throughout the year are notified to the Service through a report from the Assessors. Ten amended accounts within the current financial year were reviewed and it was confirmed that all were timeous and appropriate, the new notices of liability were correct and issued within 28 days.
- 2.2.5 Aberdeen City Council is compelled by statutory instrument (currently the Water & Sewerage Services to Dwellings (Collection of Unmetered Charges by Local Authority) (Scotland) Order 2014) to collect unmetered water and waste water charges on behalf of Scottish Water. This is done by incorporating them into the Council Tax bills issued to customers. The proportion of charges owed to Scottish Water is calculated by a formula (which is detailed in statute) and includes the deduction of a set collection fee, by the Council Tax & Recovery Manager. This is confirmed by the Revenues & Benefits Manager and paid to Scottish Water in 12 monthly instalments, each preceded by a letter of advice showing the amount to be paid and the calculations. The calculation for 2014/15 and 2015/16 was reviewed and found to be arithmetical accurate. The collection fee for 2015 amounted to approximately £760,000.

2.3 Billing

- 2.3.1 Council Tax Bills are raised annually based on the domestic property banding. The values attributable for each banding for 2014/15 are as follows, including charges collected on behalf of Scottish Water:

Band	Valuation (as at 1 April 1991)	Council Tax £	Water £	Waste Water £	Total £
A	Up to £27,000	820.26	126.78	147.12	1094.16
B	£27,001 - £35,000	956.97	147.91	171.64	1276.52
C	£35,001 - £45,000	1,093.68	169.04	196.16	1458.88
D	£45,001 - £58,000	1,230.39	190.17	220.68	1641.24
E	£58,001 - £80,000	1,503.81	232.43	269.72	2,005.96
F	£80,001 - £106,000	1,777.23	274.69	318.76	2,370.68
G	£106,001 - £212,000	2,050.65	316.95	367.80	2,735.40
H	£212,000 and over	2,460.78	380.34	441.36	3,282.48

- 2.3.2 Per s.30 of the Local Government Finance Act 1992, rates for the forthcoming financial year should be agreed by 11 March and published in a local newspaper within 21 days. Rates for 2015/16 were approved at a Full Council meeting relating to the Revenue Budget on 5 February 2015 and published in local newspapers and on the Council website shortly thereafter, in advance of the March deadline.
- 2.3.3 The Operations team, under the Revenues Support Manager, is responsible for the Annual Billing process and ensuring that a Council Tax Demand Notice (bill) is issued to each domestic property within Aberdeen City per legislation. The bills must be issued under the legislation “as soon as practical” after the rates are set and at least 14 days prior to the due date. The due date of the full payment or first instalment was 1st, 5th, 15th, 20th or 28th April, depending on the method of payment selected, and the notices were issued between 11th and 26th March. The delay in printing was reviewed in Internal Audit report AW1601.
- 2.3.4 Since the issue of annual bills in March 2015 the Service has confirmed that a new process, enabled through use of the bulk printing Paris Pro Print system, has been fully implemented. This ensures that there is a four-way reconciliation between the Council Tax System, Paris Pro Print, the Design and Print Team, and prior to issue. An officer with primary responsibility for supervising this during the year end process (Quality Assurance and Systems Liaison Officer) was appointed in November 2015.
- 2.3.5 Customers may enrol to use the secure Self Service Facility which enables access to their account details. Through this they can check their payment status, create or amend a Direct Debit mandate and opt for paperless billing. If e-billing is requested a circumstance code is entered on the account in Academy indicating that no bill should be printed at year end.
- 2.3.6 Thirty demand notices for properties liable for Council Tax in 2015/16 issued in March 2015 were reviewed. The amounts charged were in accordance with the rates applicable to the property banding, and accurate water and waste water charges had been applied. The property information matched the Assessor’s report.

2.4 Reliefs

- 2.4.1 A variety of Council Tax exemptions and discounts are available to qualifying properties. Applications need to be made in writing; an email stating the grounds for the application is acceptable unless further confirmation is required e.g. medical verification or proof of benefits. Thirty accounts which had been awarded exemptions or discounts were reviewed and it was confirmed that they were accurately calculated, applied correctly and were adequately supported.

2.5 Payments

- 2.5.1 Council Tax customers are given the option to pay their liability in full on or before 1 April, or by instalment in ten payments from April to January inclusive. All instalments, unless paid by Direct Debit on the 5th, 15th, 20th or 28th of the month, are due for payment on or before the first of each month. If an instalment is not paid on or before its due date, the account will go into arrears.
- 2.5.2 Monthly instalments can be paid in cash, by cheque or by card at a Customer Access Point, Post Office or Paypoint site; online through the secure web payment facility; by direct debit or standing order; or by card over the dedicated telephone payment line or through the Customer Service Centre. All income received is recorded within the Council’s Icon Cash Collection System, with payment details interfaced daily to the Academy System and the payers council tax account is updated.

- 2.5.3 30 payments made during September 2015 covering all payment types were extracted from the ICON system and compared to the Academy System. It was confirmed that they were reflected timeously in the correct account and accurately showed the payment type.
- 2.5.4 Prior to July 2015 the management of rent and council tax payments was undertaken by one team within Corporate Governance. This has subsequently been split into two distinct teams each with separate responsibilities for rents and council tax. The Council Tax Payments Control Team was formed in November 2015 and is responsible for identifying and investigating failed direct debit payments and for managing the Council Tax suspense account.
- 2.5.5 Failed direct debit (DD) payments are logged through the Icon cash receipting system when the "ARUDD" report is returned from BACS two to three days after the original payment was requested. The Operations team posts these to the Academy system. Depending on the reason for the failure, a letter may be generated automatically ("refer to payer") or will have to be produced by an officer via a workflow task (all other reasons, e.g. no such account). Only one letter will be sent regarding a failed DD payment.
- 2.5.6 If a DD payment fails, the next payment instruction will include the amount of the missed payment if this has not already been made. If the payment fails a second time, the instruction will be cancelled and the full amount becomes due unless a new payment arrangement is agreed. The returned direct debits for September 2015 was significant at over £125,000.
- 2.5.7 Where a payment is received but cannot be attributed to a correct Council Tax account, it will be accepted and reflected in the Council Tax bank account and posted to a suspense account within Academy. The Service advised that this account should be regularly reviewed, entries investigated and corrected through the ICON cash receipting system.
- 2.5.8 As at 27 October 2015 the balance on the suspense account was over £34,000 and included transactions dating back to April 2014. If transactions are not re-credited correctly an account may appear to be in arrears when in fact a payment has been made. The Service advised that the function was not being operated as fully as it should due to the team restructuring issues discussed in 2.5.4 above; however an officer in the Payments Control team has now been tasked with investigating and clearing transactions on a daily basis, although it is anticipated that the backlog will take time to clear. A recommendation is included to track progress.

Recommendation

The Service should ensure that transactions held in the suspense account are investigated and cleared on a regular basis.

Service Response / Action

This is being undertaken on a daily basis and the backlog will be completed by April 2016.

Implementation Date

April 2016

Responsible Officer

Wayne Connell, Revenues & Benefits Manager

Grading

Important within audited area

- 2.5.9 Council Tax refunds are created when a customer either pays more than their annual liability, or an exemption or discount is applied to an account part way through the year. The Academy system will automatically calculate a credit when a member of the Council Tax team updates an account, or payments made by a customer exceed the liability.

- 2.5.10 As part of the annual billing process, credit balances are automatically transferred to the new financial year to be offset against liability. However, should the customer request a refund, the balance will not be included in the bulk transfer of credits, and will be processed as a refund. The refund process is initiated on URB, and will be processed on Academy.
- 2.5.11 A sample of 10 refunds was reviewed and it was confirmed that they were correctly calculated, supported by documentation, appropriately authorised, and that the refund was made to the correct payee through BACS.
- 2.5.12 The Corporate Debt Team is responsible for the recovery service for Council Tax Debt, Service Income Debt, Penalty Charge Notice Debts, Business Rates Debt and Housing Benefit Overpayments. The contract for debt collection services was last awarded following a tender process in July 2013 to Scott & Co. As part of the contract four Council Tax staff are based in Scott & Co's office as part of a joint working project and four within Marischal College as well as the Council Tax Team who pursue Council Tax only.
- 2.5.13 Customers agree to a payment plan of either 1 or 10 instalments, as discussed in 2.5.1 above. If a payment is missed a reminder letter is issued requesting payment of the missed instalment be made within 7 days. If payment or a new payment arrangement is not made, the full amount outstanding becomes due for payment within 14 days of the date of issue of the reminder letter. No further reminder is issued. If there is no attempt to pay within the 14 days, a Summary Warrant application will be made (adding a 10% surcharge in terms of legislation) and the debt will be passed to Sheriff Officers via a system interface. No notification of the granting of the Summary Warrant is made, as this is described in the initial reminder letter.
- 2.5.14 Only two reminders will be issued in a financial year. If a third payment is missed, even if payments have been made in the interim, no reminder will be issued and the debt will progress straight to the Summary Warrant stage.
- 2.5.15 A sample of 10 accounts which had been subject to recovery action within the last 12 months was reviewed. All were being monitored and dealt with appropriately and timeously.

2.6 Reconciliations

- 2.6.1 Information from ICON (the cash receipting system), Academy and the financial ledger is input to a spreadsheet on a daily basis to allow for a monthly reconciliation to be undertaken by the Bank Reconciliations Team. These reconciliations are then checked by an accountant.
- 2.6.2 The September 2015 reconciliation was reviewed. There were two variances reflected within the reconciliation, one between Academy and Icon and the other between the ledger and Academy. Whilst both were less than £5,000, there was no explanation as to why the variance had arisen. Accountancy advised that variances of this value are considered immaterial and are not investigated. Whilst it is acknowledged that the variance is very small, when compared to the £13,000,000 collected in September 2015, the lack of understanding as to the reason for the variance could be concealing greater compensating variances.

Recommendation

The Service should investigate and correct any variances as part of the reconciliation process.

Service Response / Action

The Bank Reconciliation Team and the Revenues and Benefits Service will work together to investigate any variances. This will commence straight away.

Implementation Date

September 2016

Responsible Officer

Wayne Connell, Revenues & Benefits Manager
Richard Burnett, Income Support Officer

Grading

Significant within audited area

2.7 Bad Debts and Write Offs

2.7.1 Per Financial Regulation 5.3.4, debts considered uncollectable up to the value of £10,000 may be written off by authorised officers and up to £25,000 by the Head of Finance. Debts valued over £25,000 must be reported at least annually to the Finance, Policy & Resources Committee for approval before they can be discharged. Annual reports on Council Tax debts valued at less than £10,000 which have been written off should be submitted to the Committee for information.

2.7.2 A Request Form to write off a debt must be fully completed by either a Council Tax and Recovery Assistant or Recovery Assistant and then authorised by a Team Leader. Bad debts are accounted for in the Service budget by the Accounting team. A sample of 4 debts pending write off was reviewed. All were fully supported and had been appropriately approved, and recovery action had been halted. Since all 4 write off requests were made during the current financial year, none had yet been reported to Committee, as this is done annually in September.

2.7.3 A provision is made within the annual accounts for bad Council Tax debts. In 2014/15 this provision was £2.2 million. Provision is made for bad debts in the annual budget by the Accountancy Team. This is calculated by the Accountancy team by comparing the previous year's collected cash figures as compared to the total Council Tax payable and the percentage increase in banding to estimate the shortfall between money owed and cash likely to be collected.

2.8 Performance Monitoring

2.8.1 Council Tax live property and collection statistics are monitored by the Council Tax and Recovery Manager and are submitted annually to the Local Government Benchmarking Framework. The data submitted for collection statistics shows the net Council Tax collected as a percentage of collectable Council Tax. Aberdeen City Council was reported as collecting 94.2% in 2013/14, the most recent year available for benchmarking, compared to an average of 95.2% for Scotland. The Service reported this increased to 95.2% in 2014/15 compared to a Scottish average of 95.4%.

AUDITORS: D Hughes
M Beattie
L Jarvis

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.



Internal Audit Report

Communities, Housing & Infrastructure

Crematorium

Issued to:

Angela Scott, Chief Executive
Pete Leonard, Director of Communities, Housing & Infrastructure
Richard Ellis, Director of Corporate Governance
Mark Reilly, Head of Public Infrastructure and Environment
Steven Whyte, Head of Finance
Graham Keith, Performance & Development Manager
Angus Beacom, Crematorium Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Following concerns raised over the recovery of baby ashes from Crematoriums across Scotland, the Scottish Government established an Infant Cremation Commission chaired by Lord Bony, which published its report on 17 June 2014. The report made a number of recommendations for change in relation to practice in order to maximise the recovery of babies ashes.

The objective of this audit was to ensure that new practices which have been implemented at Aberdeen Crematorium as a result of the aforementioned report and subsequent recommendations, are working as intended and have addressed the concerns which were raised in the report.

28 of the 64 recommendations made in the report required direct action from Aberdeen Crematorium. Of these 21 have been actioned and changes to practice have been duly implemented. 6 require legislation to be passed at National Government level before they can be finalised while the remaining action requires the finalisation and publication of the National Cremation Investigation Report.

Changes to practice at the Crematorium have been driven not only by the recommendations in the report but also by visits to other Crematoriums within Scotland and the adoption of 'best practice' observed. Since adoption of these revised practices, all babies ashes to date have been recovered at the Crematorium.

Procedures at the Crematorium are updated following any amendment to practice directed by National Bodies, meetings attended by Management with other Crematorium where improved techniques are discussed or following any recognised training which staff have attended. Staff are encouraged at all levels not to deviate from the procedures but are also encouraged to challenge any practices in the Procedures which they feel are incorrect.

It is important that at all stages, instructions from the applicant are followed and that these are appropriately recorded. To this end a selection of cremations were 'followed' from application to cremation. Minor recommendations were made in regards to the recording of information within the current process. These have been accepted and adopted in amended procedures at the Crematorium. Additionally the Performance and Development Manager selects a random sample of cremations and follows these through from application to cremation every 6 months with the results being recorded on a database. To date, no issues have been found.

During a visit to the Crematorium, Internal Audit observed practices that were clear and logical. Management within the Service have overseen, accepted and implemented a number of changes to core practice and methodology at the establishment and appear to be positive and accepting of the need for adaption and change where required. While no guarantees can be given that an incident will not occur again in the future, the Service has taken significant steps in addressing the concerns which were raised and current practice should, as far as possible, minimise the likelihood of any recurrence of previous incidents.

1. INTRODUCTION

- 1.1 Following concerns raised over the recovery of baby ashes from crematoriums across Scotland, the Scottish Government established an Infant Cremation Commission chaired by Lord Bonyon, which published its report on 17 June 2014. The report examined procedures at crematoriums and sought to establish good practice for future implementation to ensure that baby ashes could be recovered. It also recommended changes and new bodies at a national level, to be covered by future legislation.
- 1.2 The objective of this audit was to ensure that new procedures which have been put in place at the Crematorium are working as intended and that they have addressed the national concerns which were raised in 2014/15. This involved establishing whether actions in response to relevant recommendations from the Infant Cremation Commission report have been implemented, changes to procedures have been effective, and appropriate records are being maintained.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Head of Public Infrastructure and Environment, and Graham Keith, Performance & Development Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 The Infant Cremation Commission Report

- 2.1.1 The report from Lord Bonomy was published on 17 June 2014, and made 64 recommendations. Of these, 28 were relevant for individual crematoriums, with the remainder intended for action by the Scottish Government, NHS Scotland and professional organisations which support the cremation process.
- 2.1.2 A number of the recommendations related to ensuring that the physical procedures regarding the cremation of babies be aligned with best practice which was demonstrated at other crematoriums demonstrating higher rates of ashes recovery. This has been reflected in the Service's procedures.
- 2.1.3 Due to the different techniques which were to be employed it was recommended that risk assessments should be carried out and that health and safety guidelines would have to be updated to reflect these new techniques. Internal Audit was able to verify that the new procedural guidelines in place at the crematorium contain reference to safe handling of equipment in light of the new techniques, that risk assessments for staff have been carried out, and all staff currently involved in cremations have signed documentation to confirm they have read and understood the procedures and guidelines.
- 2.1.4 The report recommended that a new policy statement be produced which should include a commitment to the sensitive treatment of baby ashes and that this should be published and made available to the general public. It was also recommended that this policy be passed to Funeral Directors and healthcare staff to be included in guidance which can be given to families. The Service confirmed that the policy which has been produced and approved at Committee in March 2015 has been passed to both Funeral Directors and the NHS for distribution and inclusion in materials which can be given to families. Additionally the policy has been published on Aberdeen City Council's website which contains links to specific procedures relating to the cremation of babies. This has been included to allay fears of malpractice in the cremation of babies and to provide clarity over the process.
- 2.1.5 Recommendations as to the treatment of ashes were also made, specifically that ashes must not be scattered unless at least 14 days written notice has been given by the applicant of the deceased. Application forms have been amended to include a section which specifically makes mention of the fact that ashes will be scattered in the Garden of Remembrance where ashes have not been collected or no written instruction has been received within 8 weeks of the cremation. It was also recommended that forms make clear that there is a chance that no ashes will be recovered. The amended forms in use make this clear.
- 2.1.6 All documentation relating to cremations must now be retained for a minimum period of 50 years. There are currently 17 years of documents retained and the Service confirmed that they would comply with the requirement to retain all documentation for the required 50 years. The Records Management Officer is currently investigating options for more efficient long term retention of these records: scanning of the documentation is being investigated as this would provide a more space effective solution. Currently paper records are held at the crematorium.
- 2.1.7 A further recommendation required that Local Authorities facilitate, where requested, discussions between themselves and families of the deceased to discuss potential memorials. The Service confirmed that discussions had been held with the Stillbirth and Neonatal Death Society (SANDS) and one parent who had asked for discussions to commence. Consideration is being given to construction of a memorial although this has been delayed until after the publication of the National Cremation Investigation Report,

which commenced in June 2014 led by The Right Honourable Dame Elish Angiolini DBE QC. This National Investigation intends to investigate all cremation cases lodged with them and provide parents with an individualised response. Evidence is being analysed and witnesses interviewed throughout 2015.

- 2.1.8 Of the 28 applicable recommendations from Lord Bonomy's report, it was reported to Committee on 18 March 2015 that 14 had been completed, 5 were in progress and 9 required legislation before they could be implemented.
- 2.1.9 Of the 5 in progress, 4 have since been completed whilst the remaining one is awaiting the publication of the National Cremation Investigation Report in order to allow all parents affected by the cremations of babies at Aberdeen Crematorium to discuss a potential memorial.
- 2.1.10 Of the 9 which were awaiting legislation, 3 have been implemented, and 3 have been progressed as far as possible and await the implementation of legislation before the process can be finalised. The remaining 3 require legislation: specifically the passing of the Burial and Cremation Bill (Scotland) which was recently introduced to the Scottish Parliament and will require to be discussed and amended prior to being implemented.

2.2 Records

- 2.2.1 It is important that instructions from cremation applications are carried through to the instructed action. A sample of 6 cremations were examined to determine if the records which were present were full and complete and able to be traced from application to records of collection or scattering of ashes.
- 2.2.2 In all cases forms were fully completed and the instructions on the application forms were mirrored in the schedules for the day at the crematorium. As per the recommendations contained within Lord Bonomy's report a senior member of staff within the Crematorium ensures that all details are correct prior to proceeding with the cremation. A 'yellow identification card' has been produced which is required to be signed by a senior crematorium staff member to say that everything is in order and the cremation can proceed. In all instances this card had been signed.
- 2.2.3 The card additionally contains boxes for signatures to confirm that the ashes have either been collected or scattered in accordance with the applicant's wishes. Again in all cases the cards had been fully completed.
- 2.2.4 Requests for cremation times are usually received from Funeral Directors and confirmed following a check of available times and from this the initial Daily Schedule is compiled at the crematorium. The actual application forms for cremation and any supporting documentation is received at the Bereavement Services Office. For the 6 examples selected all applications and supporting documents were present. Once all of the information which has been received has been verified as correct an Operator Sheet is produced based on the information from the application forms and the Daily Schedule. Following this a confirmation sheet is produced which confirms that a further check has been performed between the applications, Operator Sheet and Daily Schedule and that all information is correct.
- 2.2.5 Confirmation sheets had been completed for the 3 days which were chosen in which the 6 cases were present. The BACAS system which the Service uses generates a unique reference number for each cremation and this is entered on to the 'yellow card' and also on the Operator Sheet, and should additionally be added on to the Daily Schedule sheet. The Operator and Daily Schedule sheets are kept together at the Crematorium and the

Daily Schedule sheet is used as a working paper to record actions taken in conjunction with the 'yellow card'.

- 2.2.6 It was noted that on 2 occasions the unique BACAS generated number had not been transferred to the Daily Schedule while on a further occasion the Daily Schedule had not been annotated to confirm that ashes had been scattered, although the 'yellow card' had been updated with this information. It would provide greater assurance if all records were fully completed, as in the event of the 'yellow card' being mislaid and the ashes having been already disposed of, full assurance could not be gained as to what had happened to the ashes.

Recommendation

The Service should ensure that BACAS unique reference numbers are present for all records on Daily Schedule Sheets.

The Service should ensure Daily Schedule Sheets are always updated to confirm that the instructions for ashes have been complied with.

Service Response / Action

Agreed. The above recommendations have been implemented and the procedures added to the Crematorium's Operational Procedure Guidelines.

Implementation Date

Implemented

Responsible Officer

Angus Beacom,
Crematorium Manager

Grading

Important within audited
area

2.3 Procedures

- 2.3.1 Following on from the recommendations in Lord Bonyon's report officers from Aberdeen City Council visited Seafeld Crematorium in November 2013 to observe techniques, specifically the cremation and recovery of baby ashes. These techniques were implemented promptly thereafter at Aberdeen Crematorium. Officers then visited crematoriums in Inverness, Craigton and South Lanarkshire in May 2014 to further observe and share practice. It was subsequently reported to the Communities, Housing and Infrastructure Committee in March 2015 that since the new procedures were implemented, to date all ashes from baby cremations have been recovered.
- 2.3.2 Detailed procedures have been drafted and are held at the crematorium which detail all aspects of the cremation process. This document is described by the Service as a living document in that it will be updated following any amendments to procedures or change in practice. Following changes, all staff sign to state they have read and will comply with the specific instructions which are given in the guidance.
- 2.3.3 In addition to the instructions at the crematorium, draft instructions for the completion and checking of forms have recently been drawn up for staff at the Bereavement Services Office. These are still subject to consultation before they are finalised and issued to all staff.
- 2.3.4 The Service has been proactive in ensuring that procedures and techniques are of a high standard. An audit of practices at the crematorium was commissioned in July 2015 from the Federation of Burial & Cremation Authorities (FBCA), a professional organisation of which the majority of crematoriums in the United Kingdom are members. The purpose of the audit was to provide technical guidance and to audit procedures and techniques currently in place and being practiced. The FBCA visited the crematorium in September 2015, and provided a report on 12 October 2015.

- 2.3.5 The report noted that staffing levels at the crematorium were sufficient and that staff were appropriately certified to operate the equipment. The equipment onsite was additionally noted as being of a high specification. It was observed that equipment was being used in an effective and efficient manner with the operators demonstrating a comprehensive understanding. Advice was offered and concluded in recommendations at the end of the report with regards to minor alterations when cremating infants in order to maximise recovery of ashes.
- 2.3.6 The Service has confirmed that these recommendations have been incorporated in to revised Procedural Guidelines as of October 2015 and that practices have also been amended.
- 2.3.7 In addition to the assurance which can be taken from the FBCA audit, during a visit to the Crematorium, Internal Audit were given a walkthrough of the processes from the removal of the coffin in the Service area to the storage of ashes and it was noted that the process was clear, logical and in keeping with the procedures described in the guidelines.
- 2.3.8 It is important that all documentation is present, with application forms fully completed and instructions as to the treatment of ashes complete, prior to cremation. One of the recommendations from Lord Bonomy's report related to ensuring that a senior member of staff at the crematorium could satisfy themselves that all information was present and correct before commencement of the cremation. Prior to any cremation either the Manager or a senior member of the crematorium staff confirms that all paperwork is present and they sign the 'yellow card' which has a unique identification number on it, to confirm that they are satisfied the cremation can commence.
- 2.3.9 It was observed that this 'yellow identification card' is used to identify either boxes of pre 24 week fetuses, baby coffins or adult coffins and is present with the coffin or boxes and is placed in a card holder on the cremator during cremation. On completion of the cremation the remains are transferred to a further machine (except the ashes of babies) for further reduction and the card is placed in a cardholder on that machine. Finally the ashes are then placed in an urn to which is attached a pre-printed label containing the unique identifying number which is also present on the 'yellow card'. The urn and the 'yellow card' are transferred to a storage room to await collection or scattering. This ensures that the ashes can be identified at any time.
- 2.3.10 Whilst the Service records all actions taken electronically (on the BACAS system), this is only completed at the point the 'yellow card' and any supporting documentation is returned to the Bereavement Services Office - following collection or scattering of the ashes. In the interim there may be a risk of loss or damage to the card, which could mean loss of this information. To mitigate against this loss, the Service might consider updating the electronic records at this point in the process, or storing the 'yellow cards' separately from the ashes.

Recommendation

The Service should consider updating electronic records at this point in the process, and storing Urns and identification cards separately to mitigate against the risk of any physical loss.

Service Response / Action

The updating of the electronic Cremation Register records at the Crematorium following the final outcome of the ashes has been considered. This would mean increasing the number of officers accessing and updating the Cremation Register and this may compromise the control and accuracy of the record keeping. As this is an extremely important task, it has been decided that the updating of this register will remain under the control and responsibility of the Bereavement Services Registrar.

To mitigate the physical loss/damage of the Yellow Instruction Card, the final outcome of the ashes will also be added to the Daily Schedule as per the previous recommendation at 2.2.6. This procedure has been implemented and added to the Crematorium's Operational Procedure Guidelines.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented.	Angus Beacom, Crematorium Manager	Important within audited area

2.4 Future Assurances

- 2.4.1 It is important from a reputational perspective and also from the perspective of having due respect for the general public in what will be a difficult time for them, to ensure that future practices at the Crematorium are of a consistently high standard.
- 2.4.2 The Federation of Burial and Cremation Authorities (FBCA) and the Institute of Cemetery and Crematorium Management (ICCM) have both been tasked with overseeing cremations of babies and non-viable foetus's and are to provide Crematoriums with advice. Both the Crematorium Manager and the Performance and Development Manager attend meetings of both groups on a regular basis where issues are discussed and best practice is shared which is gleaned from all crematoriums across Scotland. This information is then shared with staff at the crematorium and written in to the procedural documentation.
- 2.4.3 The Procedural Document is additionally described as a live document and staff are encouraged to challenge anything in the document where they feel it may be inaccurate, although they are not encouraged to deviate from the procedures in the document. Staff along with their mentors are to attend training on a regular basis which will be facilitated by the FBCA and they are encouraged to share procedures and any new techniques with Management and other staff and for this to be incorporated in to the procedural documentation.
- 2.4.4 Additionally the Performance and Development Manager selects a random sample of 10 to 15 cremations every 6 months and follows the procedure through from application to cremation to ensure that actions taken were correct and that ashes have either been collected or scattered in accordance with the applicants wishes. The Performance and Development Manager confirmed that were any issues to be discovered during this testing then additional random samples would be checked and procedures amended if necessary. Records of audit checks on random samples are maintained on a database.
- 2.4.5 The Service has to date implemented all procedures which it is capable of doing without additional legislation. Practices have been amended at the Crematorium which have led to the recovery of all ashes from baby cremations. Staff are undergoing continuous training and the Procedural Manual is being updated on a regular basis with the most current techniques. Additionally the Service has requested and received an independent audit from the FBCA to gain additional assurances over techniques being practiced at the Crematorium.
- 2.4.6 While it is not possible to gain 100% assurance that the current culture within the Crematorium will prevent any incidents in the future, the Service has taken relevant and timely actions to address the concerns raised by Lord Bonomy's report. The practices witnessed during Internal Audit's visit to the Crematorium suggested a culture which is reactive and accepting of change where required.

AUDITORS: D Hughes, C Harvey and D Henderson

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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Internal Audit Report

Communities, Housing & Infrastructure

Sheltered Housing

Issued to:

Pete Leonard, Director of Communities, Housing & Infrastructure
Richard Ellis, Director of Corporate Governance
Donald Urquhart, Head of Communities & Housing
Steve Whyte, Head of Finance
Graham Souter, Housing Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

In January 2013 a report on the Housing for Varying Needs Review was presented to the Housing & Environment Committee. This gave details of proposed future usage for all Sheltered and Very Sheltered Housing complexes within the City based on projected future needs for various types of housing. A brief summary of each complex was given, including the number of apartments contained within each complex, and a scoring matrix was used to identify priorities for change.

The objective of this audit was to review the implementation of revised arrangements following the January 2013 report. The Service has not progressed with implementation as originally set out, which means that many of the assumptions and plans are no longer appropriate and will have to be reviewed. Financial and staffing implications have not yet been fully identified, and progress is difficult to measure due to the way in which costs have been recorded.

The Service intends to bring forward a report to the Communities, Housing and Infrastructure Committee no later than May 2016 outlining lessons learned and recommendations for the way forward, and a clear implementation timetable. The Service will work with Finance to ensure the programme has a clear budget which can be monitored at a detailed level to provide assurance over costs and progress with each housing complex.

1. INTRODUCTION

- 1.1 In January 2013 a report on the Housing for Varying Needs Review was presented to the Housing & Environment Committee. This gave details of proposed future usage for all Sheltered and Very Sheltered Housing complexes within the City based on projected future needs for various types of housing. A brief summary of each complex was given, including the number of apartments contained within each complex, and a scoring matrix was used to identify priorities for change.
- 1.2 The objective of this audit was to review the implementation of revised arrangements following the January 2013 report. Internal Audit has consulted with the Housing Manager, Senior Housing Officer, and Finance Partner to obtain evidence and explanations in respect of progress with implementation of the project.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Graham Souter, Housing Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Progress

- 2.1.1 A report was presented to the Housing & Environment Committee on 15 January 2013 entitled 'Housing for Varying Needs Review'. The purpose of this report was to inform Committee of assessments which had been performed on each Sheltered and Very Sheltered Housing complex and to suggest future use for each complex, in light of significant variances between current provision and demand, and forecasts of future demographic changes which were anticipated to impact on demand for various types of accommodation. However, no final decision has yet been made regarding the usage of all of the properties listed.
- 2.1.2 Committee approval was obtained to let properties within 10 Sheltered Housing developments as Amenity Housing. Amenity Housing differs from Sheltered Housing only in respect of the requirements for provision of warden and emergency call services.
- 2.1.3 A subsequent report was presented to Committee on 12 March 2013 which gave details of specific actions which the Service intended to undertake for the following 2 years:
- Upgrade a maximum of 5 specified Sheltered Housing complexes to Very Sheltered Housing
 - Decommission a maximum of 2 specified Sheltered Housing complexes to mainstream housing.
- 2.1.4 The main complex at Provost Hogg Court was to be converted from Sheltered Housing to Very Sheltered Housing with the cottages which are attached to the complex to remain as Sheltered Housing. Differences between Sheltered Housing and Very Sheltered Housing include the need to have 24 hour onsite provision of a Warden and to provide a meal. Meals may be brought in, but the preference is for them to be prepared onsite in an area suitable for the preparation and storage of foodstuffs taking into account health and safety requirements.
- 2.1.5 The Service confirmed that they have not been able to complete the conversion to Provost Hogg Court due to uncertainty surrounding ownership of an area of the building which was formerly used to provide day care services. The Service has stated that the Property Service has been contacted in order to establish ownership of this area of the building, as work cannot start to convert the area to a food preparation area to enable meals to be provided onsite until this matter is resolved.

Recommendation

The Service, in conjunction with the Property Service, should ensure the conversion of Provost Hogg Court is completed timeously.

Service Response / Action

Agreed. Issues regarding the legality of the HRA funding the upgrade to allow the main complex to become very sheltered have been resolved. Plans agreed and contractors to start on site in January 2016 for completion by the end of this financial year.

Implementation Date

April 2016

Responsible Officer

New Projects Officer
(Kenny Paterson)

Grading

Significant within audited
area

- 2.1.6 Over 19 months later, no decisions have been made regarding the remaining 4 buildings originally identified for conversion to Very Sheltered Housing between 2013 and 2015 following completion of Provost Hogg Court, and therefore no work has commenced. The

Service has confirmed that progress in this respect has been limited to property surveys to identify whether or not the existing kitchen facilities are suitable for the storage and preparation of foodstuffs.

2.1.7 The Report to Committee in March 2013 identified Smithfield Court as being the first Sheltered Housing property to be decommissioned and returned to mainstream housing. The Service has confirmed that this has been completed.

2.1.8 A further 11 properties were listed as options for decommissioning to mainstream housing or to be converted to Amenity Housing following the completion of Smithfield Court, of which one was to be selected and progressed between 2013 and 2015. The Service has stated that it does not wish to commence work on further properties until it has confirmed current demand for the different types of property. This calls into question whether the data obtained in January 2013 is still relevant, meaning that further analysis and decisions may be necessary.

2.1.9 There is a risk that further delays in progressing with the planned upgrades and decommissioning will result in further reduced confidence in the data obtained to support these plans. This in turn is likely to result in additional delays.

Recommendation

The Service should consider whether or not the proposals contained within the Report of January 2013 should be revised in light of current demands.

The Service should ensure that any planned changes to proposals are reported to Committee.

The Service should ensure that if no changes are required, an option from the March 2013 report is selected and progressed for decommissioning timeously.

Service Response / Action

Agreed. The initial phase has allowed for hard evidence to be gathered as to the costs and timescales for the upgrading to very sheltered or the part-decommissioning to amenity or full decommissioning to mainstream. Whilst continuing with the initial recommendations is still an option it would be prudent to confirm whether or not the original assessments are still valid and whether or not the recommendations are still appropriate. In addition, it would be beneficial to review the impact of continuing with a phased approach. The intention is to bring forward a report to the Communities, Housing and Infrastructure Committee no later than May 2016 outlining lessons learned and recommendations for the way forward.

Implementation Date

May 2016

Responsible Officer

Housing Manager
(Graham Souter)

Grading

Significant within audited area

2.1.10 Plans for progressing upgrades and decommissioning were never formally scheduled, beyond '2013-2015' as stated in the report. Without a set timetable, there is increased risk of project slippage.

Recommendation

The Service should develop a timetable to expedite the conversion of identified properties.

Service Response / Action

Agreed. A firm timetable would be beneficial and also provide residents with a degree of certainty. This has not been possible to date with the phased transformation of the

blocks in the initial implementation phase. This will be covered in the report to the Communities, Housing and Infrastructure Committee by May 2016.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

2.2 Staffing

2.2.1 With the planned changes of use for properties there is likely to be an impact on staffing requirements. Staffing is currently provided via a contract with Bon Accord Care which provides the requisite staff at each site. Details of this contract including the number of staff and the number of years the contract runs for were sought from Finance on the advice of the Service but no response to this request has been received to date.

2.2.2 The Service confirmed that there has been minimal movement of staff as only one building has been decommissioned from Sheltered Housing to mainstream housing. As the review progresses and further changes to use of buildings commences there is likely to be a further impact on staffing. The Service has suggested that staffing requirements are likely to largely balance out, as although there will be less requirement for staff where Sheltered Housing complexes are decommissioned, this will be balanced out by the requirement for additional staff for complexes which have been upgraded to Very Sheltered Housing. There will also be an additional requirement for staff through the increased use of telecare systems which will require Responder Wardens.

2.2.3 The Service confirmed that there have been no net savings to the staffing budget and where staff have no longer been required at complexes they have been reallocated to other posts. Although it is too early to be sure of the overall effect on staffing requirements due to the possible change of planned usage of buildings it is of concern that the Service does not have any detailed plans of the proposed or anticipated effect on staffing levels and costs. Having such plans in place would enable the Service to more accurately determine the levels of staffing required and would be a driver in determining future contractual agreements.

Recommendation

The Service should ensure that a detailed prediction of staffing levels is undertaken and any forecasts from this are used in future planning for budgeting, staffing levels and negotiations with Bon Accord Care.

Service Response / Action

Agreed. Discussions are ongoing with Bon Accord Care regarding the impact on their services since initial implementation. Bon Accord Care are a key partner in the review and the direction of travel and will provide critical information for the planned report to the Communities, Housing and Infrastructure Committee by May.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

2.3 Income and Expenditure

2.3.1 It is important to monitor project costs to ensure that these remain within budget, and to provide a financial overview of progress with implementation. Without specific monitoring of the project costs there is a risk that costs may be allowed to escalate unchallenged and that expenditure will not match actual progress, which may lead to deficits in the future.

Underspends may also highlight a lack of progress with planned work, or resources committed to projects which do not currently require them.

- 2.3.2 Information was sought from the Service and Finance in respect of budgets for the proposed work. It was confirmed that the work is paid for from the capital budget for Housing. There is however no specific monitoring of costs in respect of the upgrade and decommissioning projects. Costs for this are collated along with expenditure incurred on improvements to properties to meet revised Sheltered and Amenity housing standards. The Accountant confirmed that project costs specifically related to the project are not easily identified from the ledger.

<u>Recommendation</u>		
The Service, in conjunction with Finance, should ensure that detailed monitoring of project costs is regularly undertaken and reported.		
<u>Service Response / Action</u>		
Agreed. There would be no costs involved in the decommissioning to amenity standard. Costs associated with full decommissioning can be ascertained at the outset with the exception of void rent loss. Upgrading to very sheltered is managed through the capital improvements team and is monitored by the project officer. The Project Lead, New Projects Officer and Finance Partner will review recording of expenditure to ensure costs are regularly monitored and reported.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2016	Housing Manager (Graham Souter) New Projects Officer (Kenny Paterson); Finance Partner (Helen Sherrit)	Significant within audited area

- 2.3.3 Where works are able to be undertaken in-house by departments then this should be the preferred option in order to reduce costs. The Service confirmed that all works had been performed in-house with the exception of the provision and installation of the telecare system. Confirmation of this was not however able to be obtained from Finance without a detailed examination of the ledger due to the way in which expenditure is recorded.

<u>Recommendation</u>		
The Service, in conjunction with Finance, should consider how costs are recorded in order to aid identification of specific expenditure.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2016	New Projects Officer (Kenny Paterson); Finance Partner (Helen Sherrit)	Important within audited area

- 2.3.4 While complexes are decommissioned or have their usage changed they may be unoccupied, leading to a loss of rental income for that period. The Service confirmed that an estimate of £10,000 per annum had been used, based on average rental lost over a four week period for conversions to Amenity Housing. This same figure was used in the March 2013 report. This had been arrived at by calculating the number of terminations the previous year at transitional blocks (complexes which are having apartments

converted from one use to another), the average time taken to complete the conversion and the average weekly rent. However, the Service noted in its report to the Communities Housing and Infrastructure Committee in March 2015 that the equivalent void rent loss from Smithfield Court was £151,398, which is substantially in excess of previously reported figures. If this is replicated in future projects, due to further delays, there is a risk of substantial income loss through voids.

Recommendation

The Service should identify a realistic cost for anticipated voids as a result of the conversion programme and ensure Committee is advised.

Service Response / Action

Agreed. The projected void rent loss for Smithfield Court was based on a fairly unique situation. The building had a significant level of voids at the time, approximately 1/3 of the complex was to transfer to the Clashieknowe facility resulting in only 18 residents requiring to be rehoused. Future void rent loss projections would be based on the lessons learned from decanting a relatively small number of residents. Void rent loss projections for full decommissioning in the same manner as for Smithfield Court does not appear affordable and this will be included in the proposed report to Committee in May.

Implementation Date

May 2016

Responsible Officer

Housing Manager
(Graham Souter)

Grading

Significant within audited area

2.3.5 It is important that the Service, while progressing with planned changes to the use of buildings, is seen to be addressing concerns which may be raised by tenants. Throughout the proposed changes the Service has consulted with tenants in order to address concerns, although they have reported that no changes have specifically been made to the program as a result.

2.3.6 There have been changes to the proposed use of buildings however: the Service has stated that the Communities, Housing & Infrastructure Committee determined that Sheltered Housing tenants should not be housed in the same complexes as mainstream housing tenants. The Service has been asked to provide details of this decision being minuted, but has so far been unable to do so. This reduces the ability of the Service to decommission parts of Sheltered Housing developments to mainstream housing in advance of full decommissioning. As a result there are likely to be further delays, and potentially additional costs through lost rental income through properties being held void until all properties in a development have ceased to be occupied by Sheltered Housing clients.

Recommendation

The Service should confirm with the Communities, Housing and Infrastructure Committee whether it is appropriate for parts of Sheltered Housing developments to be decommissioned to mainstream housing.

Service Response / Action

Agreed. Committee debated the proposals and whilst satisfied that transition to amenity was a reasonable and realistic shift whereby the client group was unlikely to cause significant differences in lifestyles already evident in sheltered accommodation, this was unlikely to be the case where full decommissioning was being progressed. Committee was anxious to protect existing residents from any nuisance, distress or alarm by allocating vacancies to a client group likely to be substantially different from current residents. Committee members concerns and requirement for a sensitive allocation

policy expressed in the debate is not reflected in the minuted decision. Full clarity will be provided in the report to Committee in May.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

- 2.3.7 The Service has committed to compensatory payments and reimbursements for additional expenditure incurred in respect of tenants moving from the affected properties. Reimbursements include payments for removal costs, flooring, mail redirection, internet and phone connection charges, in addition to a set compensatory payment of £1,500. A report to Housing & Environment Committee in August 2013 suggested that the maximum reimbursement should be in the region of £3,100 per tenant based on previous relocations.
- 2.3.8 Following the decommissioning of Smithfield Court from Sheltered Housing to mainstream housing 18 of 19 tenants incurred average costs of £2,722 each, which is within the anticipated cost range. The total maximum estimated charge for Smithfield Court was predicted to be £58,900 while actual total costs were £49,000.

AUDITORS: D Hughes
C Harvey
D Henderson

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.



Internal Audit Report
Public Infrastructure and Environment
Trade Waste

Issued to:

Pete Leonard, Director of Communities, Housing and Infrastructure
Richard Ellis, Director of Corporate Governance
Mark Reilly, Head of Public Infrastructure and Environment
Peter Lawrence, Waste and Recycling Manager
Steven Whyte, Head of Finance
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Under the Environmental Protection Act 1990, local authorities have a statutory obligation to collect waste if requested to do so. Aberdeen City Council provides waste and recycling collection services for businesses in Aberdeen. In addition the Council leases and sells bins, and compostable bin liners. The Commercial Waste budget for expenditure in 2015/16 has been set at £811,228, with the corresponding budget for income set at £1,746,896 to realise a net surplus of £935,668.

The objective of this audit was to consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust. Whilst there are controls in place, a number of recommendations for improvement have been made, and actions agreed with the Service.

In contrast to Financial Regulations, which state that wherever possible money should be collected prior to service delivery, charges to trade waste customers are largely in arrears. Approval from the Director and Head of Finance is required for such arrangements, which the Service will seek to obtain.

The Service intends to replace a number of database and paper-based processes with a new Waste Management System. It is anticipated that this will provide better management information to provide assurance over the accuracy of charges made on the basis of estimates, and facilitate reconciliation of services provided with income received to ensure full recovery can be demonstrated.

Maximum and minimum charges for trade waste are approved by Full Council annually as part of the budget setting process, leaving the Service with the option to reduce charges where it considers it appropriate to attract business. There is currently limited data or evidence in support of these adjustments. The Service will review costs to verify that reductions remain affordable and appropriate, and ensure consistent evidence is retained of agreement to individual reductions.

No costs are charged for collection of waste from Council premises, therefore there may be less incentive for them to reduce waste. Finance has stated that the cost of internal trading outweighs the potential benefits. The Service is keen to obtain more detailed financial data in order to better demonstrate Best Value, and will engage with Finance to identify how this can be obtained.

A 25 year contract with SITA commenced in 2000, for management of the Council's landfill sites, civic amenity sites and treatment facilities. SITA negotiates contracts for the sale of recyclates and, under the present contract, remits approximately 10% of its income to the Council. The contract is being renegotiated to develop facilities and services that will allow the Council to fulfil statutory obligations, implement policy and provide improved services to householders and businesses.

The Waste Contracts Manager committed to further expenditure with SITA of £265,000 per annum, without seeking Committee approval in compliance with Standing Orders, or ensuring this was built in to the budget in advance. The Service will ensure future contract changes are approved appropriately and that budget implications are considered timeously.

There is currently no record maintained of expected against actual payments to SITA, although variances would be identified through the budget monitoring process. The Service will introduce a mechanism to provide additional assurance over the accuracy of invoices before they are paid.

There are currently no checks on the accuracy of charges to the Service for fuel. The Service, in conjunction with Fleet, will implement a reconciliation between charges and receipts, and in the interim will remind drivers that premium fuel should not be used.

There is currently no stock control system covering bins and parts held at Waste depots. The Service will implement stock controls to provide assurance over these items.

1. INTRODUCTION

- 1.1 Under the Environmental Protection Act 1990, local authorities have a statutory obligation to collect waste if requested to do so. Aberdeen City Council provides waste and recycling collection services for businesses in Aberdeen. The collections provided include glass; mixed recycling for paper, cardboard, plastic containers and metal tin cans; food waste recycling; general waste and special collections. In addition to the collection services, the Council leases and sells bins, and sells compostable bin liners.
- 1.2 Aberdeen City Council has a 25 year contract with SITA, which commenced in 2000, for accepting deliveries of waste from the Council, and for receiving and managing the waste deposited at civic amenity sites. The contract also covers SITA's management of the Council's landfill sites, civic amenity sites and treatment facilities, and the maintenance and operation of the plant listed in the contract. SITA also negotiates contracts for the sale of recyclates and, under the present contract, remits approximately 10% of its income to the Council.
- 1.3 The Council is in the process of renegotiating the contract with SITA to develop facilities and services that will allow the Council to fulfil statutory obligations, implement policy and provide improved services to householders and businesses. This may also lead to the Council receiving more of SITA's income, whilst bearing more of the base costs. SITA would be expected to pass on any cost savings to the Council.
- 1.4 The Commercial Waste budget for expenditure in 2015/16 has been set at £811,228, with the corresponding budget for income set at £1,746,896 to realise a net surplus of £935,668.
- 1.5 The objective of this audit was to consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust. The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Head of Public Infrastructure and Environment, and Peter Lawrence, Waste and Recycling Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Income

- 2.1.1 Aberdeen City Council has several streams of income in relation to the collection of commercial waste. In addition to providing waste and recycling collection services for businesses in Aberdeen, compostable bin liners are sold, and bins are leased and sold.
- 2.1.2 The majority of the Service's income comes from the uplift of wheeled bins and recyclates for which each trade customer has an agreement with the Council. Some customers are billed monthly, and others are billed quarterly, whilst some may receive monthly invoices for one service, and quarterly invoices for another. Monthly bills are charged in arrears, whilst quarterly bills are charges which are partly in advance and partly in arrears.
- 2.1.3 The Council's Financial Regulations are integral to its governance arrangements. Adhering to the Regulations ensures that all financial transactions of the Council are conducted in a manner which demonstrates openness, integrity and transparency.
- 2.1.4 Paragraph 5.3.1 of Financial Regulations states that: "Wherever possible monies owed should be collected prior to the supply of the goods and services... Where a service or business need exists invoicing in arrears is permitted, however this should be clearly documented and approved by the Director, and the Head of Finance should be notified so that appropriate accounting treatment can be applied to that area of Service."
- 2.1.5 The arrangements for the collection of income in arrears are historical, and the Service cannot confirm whether or not they were approved by the Director and Head of Finance. This means that the Service is unable to provide assurance that they are operating in compliance with Financial Regulations.
- 2.1.6 As charges are based on a pre-agreed level of service, invoices could be raised in advance. Although credits are applied for missed collections, this could be administered more efficiently through a reduced frequency of billing. This would need to be balanced with any impact on cashflow and customers.

Recommendation

The Service should review billing arrangements for trade waste customers. If an element of billing in arrears is agreed, the necessary approval of the Director and Head of Finance should be obtained per Financial Regulations.

Service Response / Action

Agreed. The Service has previously explored the option of utilising Direct Debits as a means of obtaining pre-payment and to ensure that the service can operate flexibly in a competitive environment, however it has not been possible to implement this to date. The Service will therefore seek approval to invoice in arrears.

Implementation Date

April 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

- 2.1.7 Where the Council is requested to uplift special collections from trade customers, most common items are listed on a charging schedule, and payment is taken when the request is received. In the case of alternative items, a Supervisor will visit the customer to view the items to be uplifted, and to estimate the length of time to complete the job, and thereafter a quotation is provided. The price is not adjusted to reflect the actual time taken. The accuracy of the charge made is, therefore, dependent on the load not being altered

between the Supervisor's visit and the uplift, and on the accuracy of the Supervisor's estimate of the time required to complete the job.

2.1.8 Although job cards are retained, they are not used to record actual hours, and there is currently no routine monitoring of cost against cost estimates for special uplifts to determine the accuracy of the estimation process, or to ensure costs are being recovered.

2.1.9 Charges are raised by invoice in arrears, therefore it should be possible for the charge to more accurately reflect the actual work done, rather than the original estimate. However, as discussed above charging in arrears is contrary to the principles set out in Financial Regulations.

Recommendation

The Service in conjunction with Finance should review the charging system for extraordinary uplifts.

Service Response / Action

Agreed. The new Waste Management System can be configured to record actual activity much more simply and efficiently than the current paper-based approach.

Implementation Date

June 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Important within audited
area

2.1.10 To ensure the proper stewardship of Council funds, all Services should have assurance that all income due to them for the goods and services provided is received, and that it is accounted for correctly. There are weaknesses in control over income for commercial waste services. Where requests are made for special collections of items listed on the schedule of charges, payment is taken electronically at the customer contact centre. Payment for all requests for bins and bio liners, and for the collection of any items not listed on the schedule of charges is administered within the Service. The completed job cards are returned to administrative staff, and the details are logged in the Service's database which holds all of the details required to raise the invoices. An account slip is completed and passed to the officer responsible for raising invoices as notification that an invoice should be raised. However, there is no reconciliation of job cards issued with invoices raised or with income posted to the Service's ledger codes from the contact centre. The Service is therefore not obtaining assurance that invoices have been raised or payments received for all chargeable services provided.

Recommendation

The Service should implement reconciliations between records of work completed, work invoiced, and income received, to ensure that income has been received for the provision of all goods and services.

Service Response / Action

Agreed. The new Waste Management System can be configured to manage this.

Implementation Date

September 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

2.1.11 The database contains details of all Commercial Waste collections, and information contained within the database forms the basis of all invoices. The process for raising debtors' invoices for routine collections of Commercial Waste is initiated by administrative staff whose assumption is that the information contained within the database is complete.

Reliance is placed on the system to produce an accurate and complete request for invoices to be raised.

- 2.1.12 No checks are performed to ensure that invoices are being requested either timeously or for the correct amounts, and there is no reconciliation of expected income with the income received.

<u>Recommendation</u>		
The Service should introduce checks to ensure the accuracy and completeness of all invoices raised.		
<u>Service Response / Action</u>		
Agreed. The new Waste Management System can be configured to make this activity straightforward.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2016	Waste and Recycling Manager	Significant within audited area

- 2.1.13 Charges for trade waste are approved by Full Council annually as part of the budget setting process. These are however detailed as maximum and minimum charge levels. The Trade Waste Co-ordinator, and the Trade Waste Officer therefore have some latitude to reduce charges to trade waste customers as a lever to try to retain or attract business. However, there has been no comparison of the cost of uplifts for trade waste against the level of charges set, therefore there is insufficient data to demonstrate that this makes sound commercial sense. The Service has noted that historically there have been difficulties separating out costs for trade and residential waste, and that plans are being progressed to analyse these costs in more detail.

<u>Recommendation</u>		
The Service should review the cost of uplifts against charge rates, and determine whether or not it is appropriate for reduced charges to be offered to either attract or retain customers.		
The Service should develop a framework to provide a clear audit trail on decisions made to adjust individual charges.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2016	Waste and Recycling Manager	Important within audited area

- 2.1.14 The Council's Waste Service collects waste from other Council properties. The cost of this service, other than services provided to the Housing Revenue Account, is absorbed entirely by the Waste Service, and not passed on to individual Services occupying these properties. This could impact on incentives for internal customers to reduce the amount of waste they are producing, or for them to dispose of waste correctly.

- 2.1.15 This also means that the total cost of each Service is likely to be under-reported. The CIPFA Service Reporting Code of Practice (SERCOP) states that the total cost of Services should be recorded, and this includes all expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation.

- 2.1.16 Finance has stated that the cost of internal trading outweighs the benefits, that estimated allocations are completed annually to comply with SERCOP, and no issues have been raised by External Auditors in this respect.
- 2.1.17 The Service however is keen to collect and utilise more detailed financial information in order to demonstrate commercial viability, and drive efficiencies. More comprehensive data could improve the ability of the Service to demonstrate Best Value and to develop fully informed business cases for change.

Recommendation

The Service should identify its financial management information requirements, and in conjunction with Finance, develop a plan for its delivery.

Service Response / Action

Agreed.

Implementation Date

June 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Important within audited
area

2.2 Expenditure

- 2.2.1 During the audit, sixteen payments were tested. With the following exceptions, the results of testing were considered satisfactory.
- 2.2.2 Expenditure on fuel totalling £37,000 was charged to the Commercial Waste budget in 2014/15. Fuel cards are used throughout the Service. Each vehicle has been allocated a fuel card, and the driver is expected to obtain a receipt, and to submit it to the administrative staff in Waste where the details are logged on a spreadsheet.
- 2.2.3 Invoices for fuel are received and paid by Fleet without verification. Recharges are carried out by journal entry to the ledger system, details of which are provided to the Service by the Accountant. The accuracy of charges to Commercial Waste is however not checked against the spreadsheet maintained by administrative staff. There is, therefore, a risk of incorrect payments being made and not identified.

Recommendation

The Service should periodically reconcile fuel charges against fuel receipt records.

Service Response / Action

Agreed. Data is now being obtained from Fleet to do so.

Implementation Date

Implemented

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

- 2.2.4 Review of fuel invoices highlighted a number of regular instances of premium fuel and car-wash facilities having been used. Although these were not material sums in relation to the overall cost of fuel supplied, these demonstrate additional costs incurred which may have been avoidable.

Recommendation

The Service should ensure drivers are aware that only standard fuel should be used for Council vehicles.

Service Response / Action

Agreed.

Implementation Date

January 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

- 2.2.5 The Service has a Service Level Agreement with Fleet Services which states that Fleet must notify the Service of the cost of rechargeable repairs to vehicles before the work is carried out. This arrangement is intended to afford the Service the opportunity to control its costs by identifying and addressing any obvious causes. E.g. if there are certain drivers who are frequently damaging vehicles, they may offer training in a bid to redress the issue.
- 2.2.6 However, notifications and subsequent recharges from Fleet are not always timely, which means the Service has difficulty managing the budget for vehicle repairs. This recharge mechanism is at variance with the practice operated by the Waste Service, and advocated by Finance, for internal service provision as discussed at 2.1.13-15 above.

Recommendation

The Service, in conjunction with Finance should review the Fleet charging mechanism and budget allocation to services for non-contract repairs.

Service Response / Action

Agreed. This is currently being reviewed as part of the Fleet finance work stream. A project team is in place to take this forward.

Implementation Date

June 2016

Responsible Officer

Head of Public
Infrastructure and
Environment

Grading

Important within audited
area

- 2.2.7 In order to manage the contract with SITA for waste disposal facilities, the Waste Contracts Manager has been granted unlimited authority to approve SITA invoices. In November 2013 the Manager committed the Council to expenditure of £265,000 per annum in respect of a management fee for new facilities at The Grove Nursery Household Waste and Recycling Centre (HWRC) from 28 January 2014 until a variation to the SITA contract had been worked out and agreed. He also committed the Council to payment towards staffing and security costs of £19,500, which exceeds the amount of £15,000 originally requested by SITA.
- 2.2.8 Commercial and Procurement Services has confirmed that the commitment to SITA with reference to the new HWRC should have been authorised by Committee – not by an individual officer.
- 2.2.9 The Service has stated that the additional costs were included as a pressure in the budget which was approved by Full Council. However, this was omitted from the budget in 2014/15. Costs, which the Service described in their growth bid as a contractual obligation rather than new services, have been included in the budget for 2015/16.

Recommendation

The Service should ensure new contracts are approved at the correct level.

The Service should ensure budget resources are available for all contracts before seeking approval for their commencement.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Waste and Recycling
Manager

Grading

Major at a Service Level

2.2.10 The Waste Contracts Manager is responsible for authorising all payments to SITA. However, there is no mechanism for controlling these payments other than the Contracts Manager manually reviewing the list of invoices paid to ensure that no duplicate payments are made. The authorisation process is further complicated through application of corrections, rebates and credits. In the absence of the Waste Contracts Manager, it would be difficult for another officer to verify an invoice prior to authorisation of its payment.

2.2.11 A record of expected payments under contract, against which invoices received could be checked, would provide more assurance over the accuracy of these payments.

Recommendation

A record of expected and actual payments to SITA should be maintained.

The payments should be analysed regularly to ensure they are in line with expectations.

Service Response / Action

Agreed. The Service does monitor expenditure on the Waste Management Service Contract closely through the Monthly budget management processes and outturn projection. A further mechanism will be introduced as recommended.

Implementation Date

January 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

2.2.12 The Trade Waste Co-ordinator raised a concern that purchase orders raised by Supervisors in the purchasing system (PECOS) are sent to multiple individuals for authorisation. As well as being inefficient, there is an inherent risk with this process that orders may be authorised by someone who does not have sufficient knowledge of or authority over the budget and purchase being approved.

Recommendation

The Service should ask ICT to review the settings within PECOS which are causing the purchase orders raised by Supervisors to be sent to multiple authorised signatories for approval.

Service Response / Action

Agreed.

Implementation Date

January 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Important within audited
area

2.3 Stock

2.3.1 Financial Regulations require adequate records to be kept in order to maintain control over stock. There are stocks of bins and parts at the depot at Potterton, but there is no stock system or record of stock movements. As a result it is not possible to confirm the existence or value of the stock at any particular point in time. In the absence of such controls there is an increased risk of loss or theft of items not being identified and addressed.

Recommendation

The Service should implement a stock control system.

Service Response / Action

Agreed.

Implementation Date

April 2016

Responsible Officer

Waste and Recycling
Manager

Grading

Significant within audited
area

AUDITORS: D Hughes
C Harvey
A Taylor

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.



Internal Audit Report

Recruitment & Selection

Issued to:

Richard Ellis, Director of Corporate Governance
Gayle Gorman, Director of Education and Children's Services
Ewan Sutherland, Head of HR and Customer Service
Euan Couperwhite, Head of Policy, Performance and Resources
Steven Whyte, Head of Finance
Mike Lawson, HR Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

In the period January to July 2015 the Council advertised 831 Council jobs through TalentLink. This resulted in 6,855 applicants registering over 14,300 applications.

In order to ensure that the risks of failing to comply with legislative requirements when recruiting new employees, it is important that robust procedures are in place and that these are complied with. The objective of this audit was to consider whether all Services are complying with procedures relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.

In order to do this, Internal Audit reviewed the Council's procedures and tested a total of 47 recruitment exercises. In addition, 10 secondments, 10 teacher incentive payments, and 10 higher duty payments were reviewed. This identified a number of variations from established procedures and recommendations have been made, as detailed in the body of this report, to either improve compliance or review the procedures in place. Management's responses to these recommendations have generally been positive with action planned to take effect up to the end of March 2016 to address the issues raised. Where recommendations have not been agreed, management's responses are considered by Internal Audit to be proportionate.

One area of particular concern relates to Education allowing staff to commence in post before completion of all pre-employment checks. Although a risk assessment is undertaken, this does not comply with corporate policy and could, in certain circumstances, result in additional costs to the Council and issues with its insurance premiums / excesses. It has been recommended that the Service be required to comply with policy on these matters. However, the Service accepts the risk, as identified in the report, of continuing current practice, stating that this helps address the issues of curriculum delivery resulting from the unacceptably high number of teacher vacancies in Aberdeen.

1. INTRODUCTION

- 1.1 To assist Services in complying with the Council's Recruitment and Selection procedures, the recruitment process is managed using the COSLA hosted national recruitment portal and vacancy management system TalentLink. When a post is created on TalentLink, a unique portal ID is generated by the system. Details pertaining to the job and the applicants, short leets, interview times, and email correspondence are held within the system.
- 1.2 From January to July 2015 there were 831 Council jobs advertised through TalentLink. This resulted in 6,855 applicants registering over 14,300 applications. A more detailed breakdown can be viewed in Appendix 2.
- 1.3 The objective of this audit was to consider whether all Services are complying with procedures relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mike Lawson, Human Resources Manager, and Euan Couperwhite, Head of Policy, Performance and Resources in Education and Children's Services.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 There is a current Service Agreement Recruiting and Resourcing which details the roles and responsibilities of Services and the Recruitment Team in the recruitment process.
- 2.1.2 The agreement is supported by guidance notes related to the recruitment and selection process. The main document is Managing Recruitment and Selection which provides the step by step guidance from identifying a vacancy through to filling the post.
- 2.1.3 The Managing Recruitment and Selection document is dated June 2010 and states “These guidelines need to be continually reviewed and updated to take account of legal requirements and developments in what is widely regarded as being best recruitment and selection practice.” The document also references a number of statutory acts and regulations that govern the process, which are no longer current. This would indicate that the document has not been updated since 2010. Procedures should be reviewed regularly to ensure accuracy and compliance with statutory obligations.

Recommendation

The Service should review and, where applicable, update information in the Managing Recruitment and Selection document, and should consider how often and by whom this document is reviewed in the future.

Service Response / Action

Agreed. The review is underway with the aim of ensuring that recruitment and selection guidance is tailored to customer needs and can more easily be updated and developed when necessary.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Keith Tennant)

Grading

Important within audited area

- 2.1.4 It was noted that a number of the Service’s guidance documents are not dated, do not have any form of version control, and do not contain details of the author. There is also a lack of consistency in the description of the documents, with some being referred to as a protocol, procedure or guidance, whilst others have no designation. To allow staff to be confident that documents are current, and to be able to contact someone with any queries, the documents should be annotated to provide this information. In order to ensure clarity, a consistent approach should be adopted in the naming of documents.

Recommendation

Documents being published for use should be dated with an author’s name or post, and the next proposed review date.

The Service should ensure consistency when classifying documents as policies, procedures, protocols.

Service Response / Action

Agreed. For version control, HR already now states a review date and version number on policies and procedures and although the document to which this recommendation refers is guidance rather than policy it is nonetheless good practice to apply the same standard to management guidance notes for the reasons stated above. The updated version of, and any future updates to, our recruitment and selection guidance will follow this standard. This will extend to including the author’s name and post as

recommended.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader (Keith Tennant)	Important within audited area

2.1.5 Accessible, comprehensive and up to date written procedures can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.

2.1.6 At present, there is no procedure manual for recruitment team staff, although they do receive on the job training from others within the team. This has resulted in variations in working practices, as found in the file naming conventions and paperwork completion such as the recruitment checklist. Whilst there is no suggestion that this has impacted on the provision of the recruitment provision, it could lead to inefficient practices or mistakes being made.

Recommendation

A staff procedure manual should be created and issued to staff.

An agreed document, filing and naming convention should be agreed and followed.

Service Response / Action

Agreed. A new Development Team has been created within the HR Service Centre. Part of their remit will be to develop guides/flowcharts for each of the transactional teams to support staff development and improve customer service.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader (Tracy Runcie)	Important within audited area

2.1.7 Due to restrictions on storage space, personal files and supporting documentation are generally held electronically in PDF format as one electronic document with no indexing of individual documents. The recruitment paperwork is also scanned and filed in folders held on the HR part of corporate servers. The lack of a mandatory or fixed structure has meant that files, folders and documents vary within the recruitment team. Documents can be duplicated and in some cases the folder structure or naming convention makes it difficult to determine if all the documents are present without opening each of them to check. Whilst it is recognised that a new system would have financial implications, the Council does have document management system capability, and it may be that this could be adopted at a lower cost. However, should the current procedure be retained, it is important that it is formalised and applied consistently.

Recommendation

The Service should formalise and ensure consistency in the current system, and consider whether a document management system would provide benefits.

Service Response / Action

Agreed. Initial discussions took place with ICT several months ago around storage of records and we will ask for an update on any recommendations in this respect. In the meantime, will look to create a protocol which allows (as far as possible) consistency in the current system. This may not always be achieved given the variety of different sources of information and systems/versions sent from (e.g. preferred candidates and managers).

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader/ICT (Tracy Runcie)	Important within audited area

2.2 New Posts

2.2.1 When wishing to change their staffing complement, Services should comply with “Approval Process – Changes to Establishment” (October 2014) procedure. A written business case must be prepared and then agreed with both Finance and HR before a vacancy can be advertised. This process should also be followed where a temporary position is to be made permanent or where the total FTE is to be increased. Between January and July 2015, two teaching and seventeen local government additional posts were created and advertised.

2.2.2 A review of the process followed for the teaching posts and seven of the local government (LG) posts found that business cases were present for the LG posts but not for the teaching posts. Both HR and Education advised that staffing in schools is part of the DSM scheme which allows schools the flexibility to determine the teaching and management posts appropriate to their establishment. This arrangement for educational establishments is, however, not reflected in the approval process.

Recommendation

The Service should ensure that the Approved Process – Changes to Establishment accurately reflects the approval process for all Services.

Service Response / Action

Agreed. The above procedure will be updated accordingly to reflect actual practice.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader (Karen Templeton)	Important within audited area

2.2.3 The business cases that support the creation of a new post are held by the Service’s HR Business Partners, rather than centrally in a single location. To allow for greater visibility of the business cases to all HR staff involved in the recruitment process these should be filed in one area.

Recommendation

The business cases should be filed electronically within the Recruitment electronic filing system.

Service Response / Action

Agreed. However, not all business cases result in a recruitment process being carried out e.g. changes to establishments or job titles which affect existing staff or structure. All business cases have involvement from Business Partner Team’s and they should forward those which have staffing implications to the HR Service Centre. Where these impact on appointments, a copy should be saved to the personal file of the appointed person/s.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	Business Partners / HR Team Leader (Tracy Runcie)	Important within audited area

2.3 Compliance With Procedures

- 2.3.1 In the period January to July 2015, 294 local government (LG) and 73 teaching staff were appointed by the Council. Compliance with Managing Recruitment and Selection guidance was considered for a sample of 30 LG and 17 teaching new starts. Whilst, in general, the recruitment and selection process is working well there are some areas that could, even if only happening occasionally, lead to legislative repercussions or reputational risk. The following paragraphs provide detail of these and recommendations to address them.
- 2.3.2 The post criteria are reflected in a job profile, which replaced previously used job descriptions and person specifications. This document mirrors the Council's organisational behaviours and includes measurable minimum requirements for the job. For teaching posts, Education are still using the old format of job description and person specification. Within the person specification there are 19 essential criteria, of which only 2 are clear and easily measured. If the new job profile is a corporate format then this should include teaching staff to ensure consistency throughout the organisation. The minimum requirements should also be easily measurable to ensure that it can be fully demonstrated within the application or interview process.

Recommendation

Education should use the corporate job profile template for teaching posts.

Service Response / Action

Agreed. Recruiting managers must ensure that they use the correct recruitment documentation and up-to-date formats. HR Business Partner for Education & Children's Services will reinforce this requirement to the E&CS senior management team.

Implementation Date

March 2016

Responsible Officer

HR Business Partner
for E&CS (Kirsten Foley)

Grading

Important within audited area

- 2.3.3 TalentLink is used to manage and record each step of the recruitment process, and allows for the automatic notification of successful and unsuccessful candidates. If a candidate is unsuccessful at any stage of the recruitment process, a reason for rejection can be recorded on TalentLink. A selection of rejected candidates within the sample of vacancies reviewed, did not have a reason reflected on the system. Whilst not mandatory within the system, to ensure consistency of information given to candidates when requesting further information, and to minimise the risk of challenge, reasons should be recorded.

Recommendation

The Service should ensure that reasons for rejection are recorded on TalentLink.

Service Response / Action

Agreed. Recruiting Manager should update on system and this requirement will be reinforced to recruiting managers. While the HR Service Centre receives very few queries from candidates, any such request for feedback is passed to the Recruiting Manager to deal with which they are able to do by referring to their candidate assessment records.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Significant within audited area

- 2.3.4 Within the sample reviewed was an agency member of staff working within the Council who was appointed to a permanent position. The recruitment process was not followed and no proof of identity, right to work in the UK or qualifications obtained, nor were any references sought. As the recognised employer it is incumbent on the Council to ensure that it has all the necessary information and confirmations prior to appointing someone to post. This may also be reflected in the appointment of other agency staff.

Recommendation

The Service should ensure that this employee provides the relevant information for retention on the personal file.

The Service should review the appointment of other agency staff and confirm that the required documentation is held or arrange for it to be obtained.

The Service should ensure that appointing Services are aware that all appointments to vacant positions follow the agreed process.

Service Response / Action

Agreed. The case mentioned above refers to an appointment made in Communities Housing & Infrastructure who have an approved business case which allows for the conversion of agency workers to staff for certain categories of work. In all cases whilst we may not advertise as a vacancy, we would expect to have all of the post offer documentation in place. This requirement will be reinforced to relevant recruiting managers.

Implementation Date

March 2016

Responsible Officer

Business Partners / HR
Team Leader
(Tracy Runcie)

Grading

Significant within audited area

- 2.3.5 The job profile of one of the posts reviewed required that applicants hold a minimum of a degree qualification. The candidate appointed to the post did not meet this criteria, and should have been rejected prior to the interview stage. The Service, when contacted, stated they had not focused on this element when recruiting. As part of the recruitment process the Service is required to review and where necessary amend the job profile prior to advert, therefore the requirement for a degree should have been removed prior to advertising thereby ensuring a more equitable recruiting process. Minimum requirements should always be considered as part of the applicant assessment process, and Services should seek advice from HR when wishing to appoint someone who doesn't meet the criteria.

- 2.3.6 A job evaluation is undertaken prior to the creation of a post to determine the salary scale appropriate to the qualifications and tasks required of the role. In this case, HR has confirmed that removal of the degree qualification did not impact on the salary grade of the post.

Recommendation

Services should be reminded to review and amend, where appropriate, job profiles prior to advertising a vacant post.

Service Response / Action

Agreed. This is a standard question on the Recruiting Advertising Form (RAF) which seeks confirmation from the Recruiting Manager that the job profile has not changed since last advertised. This should be easier to manage/control when the RAF is on YourHR (the Council's online HR portal) so managers have to complete each step of the process before a job can be submitted for advertising. HR will also include this

requirement when refreshing the online recruitment and selection course as it relates to the steps **before** advertising and when uploading recruitment flowcharts on the intranet. In the meantime, the requirement to review the job profile and job requirements prior to advertising will be reinforced to Recruiting Managers.

Implementation Date

March 2016

Responsible Officer

Business Partners / HR
Team Leaders / YourHR
(Tracy Runcie / Dorothy Morrison)

Grading

Significant within audited area

Recommendation

Services should be reminded that only applicants that meet the minimum criteria should be interviewed, and if minimum criteria are to be bypassed advice and approval should be sought from HR.

Service Response / Action

Agreed. The importance of this will be reinforced to Recruiting Managers. HR will also include this requirement when refreshing the online recruitment and selection course as it relates to shortlisting.

Implementation Date

March 2016

Responsible Officer

Business Partners / HR
Team Leader
(Tracy Runcie / Dorothy Morrison)

Grading

Significant within audited area

2.3.7 The UK government requires that employers obtain and retain a copy of documents that prove an employee's identity and eligibility to work in the UK. Failure to comply can result in civil penalties. The Council's procedures set out the documents that will satisfy the minimum requirements to satisfy both these requirements.

2.3.8 Of the new appointments reviewed, proof of right to work in the UK had been obtained when required, however sufficient proof of identity was not obtained in two instances. Whilst it is the interviewers' responsibility to obtain and copy the documents, the lack of adequate documents should have been identified by HR when completing the recruitment check list.

Recommendation

Services should be reminded to refer to the acceptable document list for proving a candidates identify.

Service Response / Action

Agreed. The HR Service Centre will update documentation to make this clear to Recruiting Managers.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Significant within audited area

Recommendation

The Service should ensure that staff completing the recruitment checklist understand what is required of them.

Service Response / Action

Agreed. The HR Service Centre will update documentation to make this clear to

Recruiting Managers. In addition, once the appointments process has been added to YourHR, there will be required fields to complete which will prevent parts being missed out inadvertently.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader / YourHR (Tracy Runcie)	Significant within audited area

- 2.3.9 With the exception of the instances in para 2.3.8 the remainder of the sample tested had the required level of proof copied and filed in the HR folders. However, per Border Agency guidelines it is also a requirement that those taking the copies “*check that the documents are genuine, that the person presenting them is the prospective employee, the rightful holder and allowed to do the type of work on offer*”. By doing these checks the Council will have an excuse against liability for a civil penalty.
- 2.3.10 To aid this checking process the Border Agency has published a Right to Work Checklist which provides a step by step guide on what to check and to show that those checks have been carried out. It also records the date the documentary evidence checks have been carried out, which is also a requirement.
- 2.3.11 Currently all documents returned by the interviewing service should be accompanied by a signed interview return slip, on which the interviewing manager indicates the required documents that are being passed to HR. However, this slip does not provide documented assurance that the required checks have actually been carried out. It is noted that in some other local authorities the covering form often has a declaration, to the effect that the proof of identification and right to work, have been confirmed as relating to the candidate who attended the interview.

<u>Recommendation</u> The Service should introduce a process whereby the interviewing Service certify that the documents provided relate to the actual candidate interviewed in accordance with the Border Agency right to work checklist..		
<u>Service Response / Action</u> Agreed. The HR Service Centre will update documentation to make this clear to Recruiting Managers and include a ‘sign off’ section.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader (Tracy Runcie)	Significant within audited area

- 2.3.12 Interview panel members are required to complete an assessment form for each candidate interviewed. This is the documentary evidence of the interview and subsequent decision making process. A review of assessment forms for the sample selected found a variation in completeness and quality of information. To protect staff in the event of a complaint being made, it is important that the information reflected in the assessment form is robust and would stand scrutiny from an independent review.

<u>Recommendation</u> The Service should provide guidance on completion of candidate assessment forms.		
<u>Service Response / Action</u> Agreed. The assessment form included in the recruitment and selection guidance is only an example form to cover all levels/types of Council roles. It is not mandatory to complete this version and indeed recruiters use a variety of different assessment forms for recording candidate performance and suitability. These are usually tailored		

to the type of role being recruited to. While it is not our intention to introduce a standard assessment form for all posts, we will reinforce within the revised recruitment guidance the need for recruiters to record adequate information on their interview assessment forms for future reference and include advice about how to use such forms. HR will also include this requirement when refreshing the online recruitment and selection course as it relates to interviewing

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leaders (Keith Tennant / Dorothy Morrison)	Important within audited area

- 2.3.13 Salary placement guidance indicates that new staff should be placed on the first point of the salary scale for the post unless consultation has been had with HR to place on a higher point. There were five instances in the sample tested where new staff were placed on a higher scale point but there was no evidence that HR had been consulted.

Recommendation

The Service should ensure that Salary Placement guidance is complied with.

The Service should retain reasons for higher placement on an employee's personal file.

Service Response / Action

Agreed in part. The guidance will need to be updated to reflect current practice, which is to give Recruiting Managers discretion about the salary placing they wish to offer new recruits without the need to refer to HR if they wish to offer beyond the first scale point. Recruiters need this flexibility in order to compete for and recruit the best candidates and we need to be able to speed up the process where possible. With this discretion, they do not need to justify salary offers above the first scale point and therefore there would be no need to retain reasons for salary offers in employee files as that would only create an additional and an unnecessary step to an already bureaucratic process.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leaders (Karen Templeton)	Significant within audited area

- 2.3.14 Whilst there is an element of discretion with salary placement of local government staff, GTC registered staff have a nationally agreed salary placement process. This is based on length of qualifying service after full GTC registration. HR should use an assessment form to record the qualifying service which may have been achieved within another authority or different country, however for the 17 teaching new starts that were reviewed no salary assessment forms were held within the employees personal file, although all had been placed on a point commensurate with length of service. Whilst no errors were found, the form is there to ensure that a consistent and correct process is followed and that staff are always placed on the correct salary point.

Recommendation

The salary assessment form should be completed and retained within the employee's personal file.

Service Response / Action

Agreed. Assessments are undertaken, these will be filed in the employee's personal file. The HR Service Centre's Recruitment Team will undertake this going forward.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	Team Leaders (Tracy Runcie)	Important within audited area

2.4 Chief Officials

- 2.4.1 The recruitment and selection of Chief Officials is not covered in the Managing Recruitment and Selection procedure and the Service is currently drafting a set of procedures to cover this. The main differences in the process are: the use of an external agency to advertise, and an assessment centre evaluation prior to interviews. The interview panel composition is decided by an Appointments Committee and is made up of Councillors who make the decisions supported by non-voting HR staff along with subject experts.
- 2.4.2 Within the period reviewed during the course of the audit, there were two appointments to chief official posts. All relevant paperwork was present for both appointments although as highlighted in paragraph 2.2.3, above, this is not held centrally.
- 2.4.3 Candidate assessment forms had been completed by the panel and scores, percentages and gradings were recorded on some of the forms. There was, however, no legend to indicate whether each question was identically weighted, or whether application forms formed part of the assessment. There was no overall assessment summarising the decisions of the panel to evidence the final decision.

Recommendation

The Service should consider including a template within the proposed Chief Official recruitment procedures to summarise and consolidate the scores recorded on each candidate assessment sheet.

Service Response / Action

Elected Member Appointment Panels are already given a standard interview assessment form to help them assess candidates. This allows them to assess how candidates perform when delivering their opening presentation and also how they answer each of the questions they ask each candidate. Example 'answers' are provided to assist Panel members. The Panel arrive at their selection decisions through open discussion and after hearing feedback from how candidates performed at the Assessment Centre. The Panel are not required to score candidates in order to rank them, hence the reason why this facility does not exist within the evaluation form. There are no plans to introduce a scoring system so therefore it is not intended to take this recommendation forward.

All relevant paperwork is either held by Legal or HR so it can be easily located if required. Going forward, to provide clarity about the precise location of recruitment paperwork for Chief Officer appointments, HR will retain the paperwork.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
N/A	N/A	Important within audited area

2.5 PVG

- 2.5.1 The Council's "Protecting Vulnerable Groups Scheme and Police Act Disclosure Protocol" document details its obligations and guidance for compliance with legislation. It includes a flowchart showing the process to be followed in the recruitment and selection assessment, where a PVG has been identified as a requirement for the post.

2.5.2 It is recognised as good working practice for a current certificate to be obtained prior to the preferred candidate taking up post, however the guidance from the Education and Children’s Service allows for line managers to undertake a risk assessment and where appropriate allow for the employee to commence before the certificate is obtained. The protocol covers the requirement for a risk assessment where a received PVG is not clear. However, neither this protocol, the Managing Recruitment Selection, or the Policy and Guidance on the Recruitment of Ex-Offenders makes any mention on the process for risk assessments for PVG required posts to allow a new start to take up post before the certificate has been received. Due to the very nature of the posts requiring a PVG to be carried out it is essential that all procedures that are being allowed should be fully documented to ensure that staff within the recruitment and selection process are fully aware of their responsibilities.

Recommendation

The Council’s agreed procedures regarding staff taking up a PVG assessed post prior to the certificate having been received should be fully documented and made available to those undertaking recruitment and selection.

Service Response / Action

Agreed. All appropriate recruitment documentation relating to PVGs should be held on file for reference purposes. This requirement will be reinforced to Recruiting Managers who are responsible and accountable for the recruitment decisions they take and for ensuring they provide a safe working environment for the people for whom they have a duty of care.

Implementation Date

March 2016

Responsible Officers

Recruiting Managers / HR
Team Leader (Tracy
Runcie)

Grading

Significant within audited area

2.5.3 During the review of Education appointments it was identified that risk assessments were being undertaken to determine whether or not staff could take up a post prior to completion of all pre-employment checks. The Service has advised that no appointment can be made to a teaching post without a GTCS registration being in place, and that approval through the PVG process is mandatory before GTCS registration is granted. The Service advised that newly qualified and, therefore newly GTCS registered, teachers, as well as teachers who have been PVG checked by a previous employer, may be employed to work in a school before a PVG check relating to their employment with Aberdeen City Council is obtained, provided a risk assessment is completed and measures such as team teaching are put in place to ensure that staff are not left to work alone with children until a satisfactory PVG record obtained.

2.5.4 The Senior Insurance Officer was contacted to ensure that this practice did not invalidate the terms and conditions of the Council’s Public Liability Insurance Policy or Fidelity Guarantee. On seeking advice from the Council’s insurance providers, the Senior Insurance Officer advised that whilst the insurer wouldn’t withdraw cover in situations where the complete recruitment checks (eg up to date PVGs) hadn’t been done, in the event of a claim there would be no defensibility and very high legal costs. For an insurer, claims defensibility is paramount as it will restrict the amount payable under their insurance policies – the insurance premium the Council pays is a direct reflection of the assessment of the risk that the Council poses to the insurer.

2.5.5 Any actions by an employee for which full employment checks had not been carried out which resulted in an injury to a member of the public or pupil or any monies being misappropriated would be added to the Council’s claims experience, and would result in an increased premium in the following year as a result of the poor risk management.

Any excess under the policy would be payable directly by the Service (estimated for 2016/17 to be £50,000 per claim).

- 2.5.6 The Senior Insurance Officer has, as a result of the above, recommended that this practice is stopped with immediate effect to prevent the Council being exposed to potential large losses / claims and reputational damage.
- 2.5.7 The current guidelines require a list of checks to be undertaken prior to appointment to a post, and as such all Services should adhere to these guidelines. Should these not be considered fit for purpose these should be revised and agreed through the correct Corporate process.

Recommendation

The Education Service should be instructed to comply with Managing Recruitment and Selection Guidelines and ensure that all checks are undertaken prior to a new member of staff taking up an appointment.

The Service should provide updated guidance to schools to reflect the risk management practices which are in place to ensure that teaching staff are employed under controlled circumstances.

Service Response / Action

The Service accepts the identified risk of continuing current practice, as this helps address the issues of curriculum delivery resulting from the unacceptably high number of teacher vacancies in Aberdeen.

The Service will provide specific guidance to schools to reflect the risk management practices put in place to ensure that teachers are employed under controlled circumstances during the period of difficulty in recruiting to teaching posts.

Implementation Date

March 2016

Responsible Officers

Head of Policy,
Performance and
Resources Education and
Children's Services
(Euan Couperwhite)

Grading

Major at a Corporate Level.

- 2.5.8 Disclosure Scotland requires that all responsible bodies maintain a policy on the secure handling, use, storage, retention and destruction of disclosure information. The Council has a policy based on the model template issued by Disclosure Scotland; this document is in addition to the protocol.
- 2.5.9 The protocol states that the Council "*do not keep Disclosure information on an individual's personal file. It is kept securely, in lockable, non-portable storage containers*" whilst the Policy states that the Council "*do not keep disclosure information on an individual's personal file other than the top portion only, and any conviction or vetting information is destroyed (shredded).*" Currently the top portion is scanned and held electronically within the employee's personal file. As there is a spreadsheet maintained with the salient information from the certificate, which is in accordance with the Disclosure Scotland legislation, there appears no valid reason for retaining any part of the paper certificate. There is also a risk that as part of the scanning process the whole document is copied and retained on file.

Recommendation

The Service should ensure that the protocol is in accordance with the policy.

Service Response / Action

Agreed. Reminder to be issued to HR Service Centre team to check if previous PVG is provided as ID (e.g. address), also when we are processing them that vetting information is removed. Services also to be advised not to retain copies of such documents on site where they have been provided at interview – scan, send to HRSC and shred.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Significant within audited area

Recommendation

The Service should review policy with regard to keeping any part of the certificate.

Service Response / Action

This is our agreed process and will continue to retain on file. The Care Inspectorate undertook an audit recently and were looking for these on file to ensure that we had been the interested party named on certificate. This is important to evidence that we would be notified of any conviction or consideration for barring.

Implementation Date

N/A

Responsible Officer

N/A

Grading

Significant within audited area

2.5.10

It was also noted that some schools and Services are also keeping copies of a candidates PVG certificates received as part of any previous employment. Disclosure Scotland do not differentiate between current or previous certificates within their model retention policy and it is Internal Audit’s opinion that the policy covers any certificate, unless clarification has been received by HR from Disclosure Scotland. Services have stated that the older certificates are being held, not as proof of disclosure, but as part of the identity checks. However, a PVG Certificate is not an approved form of identity under Home Office legislation.

Recommendation

Unless the Service can provide a valid reason for retaining any disclosure certificates that has been verified with Disclosure Scotland then all should be destroyed in accordance with the model policy.

Services should be reminded that they should not retain any copies of certificates and should destroy them in a secure manner.

Service Response / Action

Agreed. Services to be advised not to retain copies of such documents on site where they have been provided at interview – scan, send to HRSC and shred.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Tracy Runcie)

Grading

Significant within audited area

2.6 Recruitment Panels

- 2.6.1 The composition of recruitment panels for LG and teaching appointments is specified in the Managing and Recruitment Selection document. Whilst the local government requirement is a minimum of two staff, one of which should have line management responsibility for the post, the recruitment panel for a teaching post varies according to the grade of the post.
- 2.6.2 Along with the composition of the panel, the document states that “As a purely interim measure therefore, Services must ensure that at least one of the selection panel has been appropriately trained and one of those persons must be the chair,” the document is dated June 2010 and does not state what the interim period is.

Recommendation

The Service should review and, where appropriate, update the Managing and Recruitment Selection document.

Service Response / Action

Agreed. A review of the recruitment and selection guidance is already underway to ensure it reflects existing and of course best practice, and allow some degree of flexibility where appropriate. Recruitment is a daily activity and due to the large number of people involved in the process it is not feasible nor practicable to require all members of selections panels to be fully trained before they interview, otherwise it would cause significant delays to a recruitment process which we need to make faster where possible. Having said that, it remains critical that **at least one** of the selection panel are fully trained to oversee the process and ensure that it is carried out fairly and properly in accordance with the Council’s procedures and guidelines. Until such time as those yet to be trained have undergone training they must familiarise themselves with the Council’s guidelines, in particular their legal and equality duty. The revised guidance will include this requirement.

Implementation Date

March 2016

Responsible Officer

HR Team Leader
(Keith Tennant)

Grading

Important within audited area

- 2.6.3 In all but the recruitment of primary school teachers, the recruitment panels for the appointments reviewed during the course of the audit were as per the guidance. In the appointment of primary school teachers, the recruitment panel should be composed of the Head Teacher of the school and two Management Team members (from another school if necessary). Eight primary school appointments were not composed of the correct panel. In all cases the Head Teacher and one Management Team member conducted the interview. Panel compositions for teaching posts are not covered under SNCT guidelines but have been devolved to LNCT. The LNCT website does not have a local agreement on panel members.

Recommendation

The Service should consider whether to enforce the panel composition for primary school teachers or amend it to reflect current practice.

Service Response / Action

Agreed. The HR Business Partner for the education service will confirm the position with senior management which we expect will be to update the recruitment guidance to reflect existing practice. In future all interview panels will consist of two staff members.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader / HR Business Partner (Keith Tennant / Kirsten Foley)	Important within audited area

- 2.6.4 Of the 45 appointments reviewed (excluding Chief Officials), the panel members on 9 interviews are not currently recorded on the training database as having completed Recruitment and Selection training. Some staff when contacted indicated that they had attended training in the past but this does not appear to be reflected in the database. As this is the only record of who has attended training, it cannot be fully confirmed whether it is the database that is incomplete or that staff have not been trained.

<u>Recommendation</u>		
The Service should ensure that all staff undertaking interviews are aware of the training requirement.		
<u>Service Response / Action</u>		
Agreed. The requirement for all recruiting managers to undergo recruitment and selection training will be reinforced during the induction (onboarding) stage which is currently under significant review. Regarding training records, we will look at how we can utilise YourHR (our online HR portal) to improve recording.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader / YourHR (Dorothy Morrison)	Significant within audited area

2.7 Secondments

- 2.7.1 Where short term vacancies arise the Service may wish to offer up the opportunity as a secondment, allowing a member of staff to fill the vacancy but still retain their ability to return to their substantive post at the end of the vacancy. The Council has a Secondment Procedure (revised June 2015) which details the required process that should be followed in such instances. It requires that the Council's recruitment process be followed for filling the post although it is possible to restrict the pool of employees who can apply. Such positions can be placed on TalentLink or advertised on the Zone. As at 10 August 2015, there were 54 staff in seconded posts per the HR system: 4 to external bodies, 8 teachers and 42 Local Government posts.
- 2.7.2 To check compliance with the Secondment Procedures a sample of 10 local government and 8 teaching posts was reviewed. Six of the sample had been managed through TalentLink, which has an audit trail of the advertising and recruitment process. The remaining 12 had been advertised through The Zone or by internal emails to relevant staff. The supporting documentation varied between post resulting, in some instances, in an incomplete audit trail of the process.

<u>Recommendation</u>
TalentLink should be used to manage all secondment recruitments.
<u>Service Response / Action</u>
This is not feasible due to the design of the online national recruitment portal. Whilst Talentlink should be used to advertise secondment opportunities available to all Council employees, the system does not have the capacity to advertise secondment opportunities where application pools are restricted. As identified above, it is possible to ring fence secondment opportunities to certain pools of staff where it is appropriate to do so (e.g. where the skills and qualification requirements are contained within a

specific service or team; for staff development/succession planning; to achieve a smooth transition and where speed is of the essence). In such cases, other methods of advertising the opportunity and inviting applications or expressions of interest are put in place. Once noted interests in the opportunity are gathered, a competitive selection process is expected. Services will be reminded of the need to retain records of secondment appointments.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Business Partners (Kirsten Foley)	Significant within audited area

- 2.7.3 The Secondment Procedures do not indicate any rules regarding the pay grade that a member of staff taking on a secondment should be placed on. However, it does require that the normal recruitment process is followed. The Managing Recruitment & Selection procedures and the Guidance on Salary Placement state that new employees should be placed on the first point of the post's pay grade. Any decision to offer a higher rate should first seek advice from HR. Of the 18 tested only 3 had been placed above the first point, but no indication was present that this placing had been discussed with HR. If Services do not seek advice from HR there could be instances of inequity between services and staff.

Recommendation
Where a secondment is to be placed above the first point of the new grade then it should be authorised by HR.

Service Response / Action

Agreed in part. The guidance will be updated to reflect current practice, which is to give managers discretion about the salary placing within the higher grade they wish to offer when appointing secondees. This discretion is necessary in order to offer a salary which is commensurate with the higher duties and level of responsibility. For example, the difference between the max of one grade and the first point of the next grade can be minimal. Under this discretion, managers are not required to refer to HR if they wish to offer beyond the first scale point.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leaders (Karen Templeton)	Significant within audited area

- 2.7.4 As part of the secondment process a secondment agreement should be prepared and signed off by the employee, and their current and new line manager. This document provides details of the position, salary, length of secondment and the obligations on both sides. It also provides assurance regarding the employee's right for returning to their substantive post. Three teaching posts and one HR post secondment did not have this information held on the employee's personal file.

- 2.7.5 Whilst Teaching secondments are governed by SNCT guidelines, and not by the Council's secondment procedures, there is still a requirement to complete the responsible authority's paperwork. When the Service was contacted regarding the three staff who had no agreement they confirmed that paperwork should be in place and arranged for this to be completed and passed to HR. The Acting Service Manager also confirmed that the Service had issued instructions at the beginning of August 2015 to all line managers reminding them as to the paperwork required in such circumstances.

- 2.7.6 HR advised that they did not consider the appointment as a secondment rather it was a member of staff filling a higher duty vacant post for a fixed period of time elsewhere in

the Service. It was also stated that the post had been advertised by email internally and the person would return to their substantive post at the end of the work.

Recommendation

HR should ensure that the secondment process is adhered to.

Service Response / Action

This was an unusual arrangement that is not covered by the secondment agreement, although there are obvious similarities which explains why it may appear that the required secondment arrangements had not been followed. An existing G13 position post has been converted to a G14 position **within the same team** for a fixed term period to take the lead on a significant corporate project. At the end of the fixed term, the post will revert to a G13 post. This opportunity was restricted to the team. So, although the person appointed has technically been seconded to take this lead role, it is in effect an extension of her substantive role, albeit with additional responsibilities, and it would not have been appropriate to put the usual secondment arrangements in place (e.g. the “parent” and “host” manager who need to agree the terms of the secondment is in effect the same person),

Implementation Date

N/A

Responsible Officer

N/A

Grading

Significant within audited area

2.8 Higher Duty Payments

- 2.8.1 The Guidance on Higher Graded Duties Payments provides details on the procedures that should be followed when making such payments. It states that the payment should be used as a short term measure to deal with issues including long term sickness absence, temporary additional duties and continued service delivery during a recruitment process. The timescale for such payments should not exceed six months, unless an extension is approved by the Head of HR&OD. The opportunity should be circulated to all relevant employees and that any payment is based on the first point of the higher graded post.
- 2.8.2 The HR system (PSE) does not hold information regarding the position that the higher graded payment relates to. This information is recorded on the authorisation form that is submitted through the Head of HR&OD. This form also shows the new grade at which the employee will be paid for undertaking the duties.
- 2.8.3 As at 12 August 2015, there were 68 members of staff in receipt of higher duty payments. Of these, 30 were set up to last beyond the 6 month limit, with 9 due to last over 12 months. It was also found that 12 had been placed at a higher scale point that point one of the higher grade.
- 2.8.4 While the forms provide reasons as to why the higher duty payment is required, they do not provide reasons why the 6 month normal maximum is being exceeded and why a recruitment process, or secondment process is not being followed. It also does not provide a reason for the employee being placed above the first point of the higher grade. If, as the guidance states, “*the higher graded duty arrangement should NOT be used as a substitute for normal recruitment procedures to fill a post*”, and “*the payment is based on the first point of the higher graded post*” the reasons for either of these being exceeded should be detailed on the form.

Recommendation

All higher duty authorisation forms should include a section which allows for an explanation as to why the six month period is exceeded or placement above the first point on the scale to allow for HR to assess the validity of the request.

Service Response / Action

Partially agreed. This would also apply to Temporary Responsibility P's (for Teachers). Looking at a YourHR Development for this which would prompt further information and/or restrict period or flag up when being extended. When extending a higher duty arrangement, we expect managers to explain the reasons under the section entitled '**Justification for Recommendation**'. To ensure managers use this section to justify extensions beyond 6 months we will change the title to 'Justification for Recommendation or Extension Beyond 6 months' (or words to that effect). Please refer to response at 2.7.3 regarding salary placings for secondments

Implementation Date

March 2016

Responsible Officer

HR Team Leader /
YourHR (Tracy Runcie)

Grading

Significant within audited area

- 2.8.5 Sample checking of the personal files of 15 of the staff receiving payments found that 3 did not have a higher duty form on file, although a letter had been issued to the employee notifying them of their entitlement to the payment. The lack of an authorisation form removes the internal control that all such payments are being paid legitimately.

Recommendation

The Service should ensure that an authorised form is present to support all payments made, and it is filed in the personal file.

Service Response / Action

Agreed. There is sometimes a time lag in this being added to the file. The HR Service Centre generate the letter and pass Higher Graded Duties form to the payroll team for processing. They may undertake calculations on the form and at month end information is scanned to file.

Implementation Date

Implemented

Responsible Officer

N/A

Grading

Significant within audited area

- 2.8.6 The guidance also requires that "details of higher graded duties should be circulated to relevant employees" to allow them to register their interest. Where more than one employee registers an interest then the line manager should either interview then appoint, allocate the duties on a percentage split, or on a rota basis. For the sample tested, no paperwork was being held with the authorisation form to demonstrate this procedure had been followed, and Services, although stating they had followed the process, could not easily support the decisions with any documentation. To provide a full audit trail of the process and ensure that staff are all being treated equitably, the paperwork and emails relating to the process should be submitted with the authorisation form and filed in the personal file.

Recommendation

The paperwork relating to the offering and filing of the higher duty post should be submitted with the authorisation form and filed in the personal file.

Service Response / Action

Agreed. While this is a service based decision, HR will remind services to retain records for a prescribed period where a higher graded duties payment has been awarded following a competitive selection process. The Higher Graded Duties Authorisation Form could be used to evidence the process used to select the recipient of the higher duty payment so HR will look at redesigning the form accordingly. It is also expected the higher duty payments process will become fully automated as part of developing YourHR for automating such HR processes. .

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Team Leader / YourHR (Tracy Runcie)	Significant within audited area

2.9 Teacher Incentive Payments

2.9.1 In an attempt to increase the number of teachers applying and taking up posts, and to retain them once they have started, the Council agreed in 2013 to introduce a Recruitment and Retention Incentive payment for Teachers. A protocol was issued detailing the principles and provisions of the scheme. As at 31 July 2015, the following number of payments had been made under the scheme:

LOCATION	13/14	14/15	15/16	Total
ACADEMY	3	4	0	7
PRIMARY	12	20	1	33
TOTAL	15	24	1	40

2.9.2 As the protocol states “the purpose of the scheme is to attract additional teachers to the city” it would be appropriate that each advert highlight the fact that an incentive payment is available in order to encourage applicants. Testing of 10 payments made between January 2014 and April 2015 found that 4 had not been advertised, and that the incentive payment had only been offered after a preferred candidate had been chosen. The only way to possibly attract more applications would be to advertise the payment to attract those applicants. This principal would also hold true for the newly introduced Key Worker Housing scheme.

Recommendation

Education should ensure that any incentive scheme should be highlighted within the request for a job to be advertised.

Service Response / Action

Agreed. The incentive scheme only applies in restricted circumstances. It is only payable where there have been a number of unsuccessful attempts to fill teaching posts, or where the preferred candidate will only accept the offer if the incentive payment is to apply. Routinely advertising the incentive scheme within adverts for teaching posts could therefore be misleading and raise false candidate expectations.

The availability of the scheme will usually be included in the advert if it is known in advance that it will apply, but it would be inappropriate to advertise the scheme in bulk adverts for multiple schools. Nonetheless, the relevant HR Business Partner will discuss this further with Service to explore ways of promoting the scheme in teaching adverts without guarantees (alongside Key Worker Housing) as a means of improving our pool of job applicants.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2016	HR Business Partner (Kirsten Foley)	Significant within audited area

- 2.9.3 The Council's Scheme of Delegation (updated February 2015) states, under Head of Education Services, "13) To offer recruitment and retention incentive payments for hard to fill teaching posts." A sample of 10 of the payments made was tested to ensure that they had been appropriately authorised. Five of the payments had been authorised by the Director, two by an acting Head of Service, and three did not have the authorising form present in the employee's personal file.
- 2.9.4 The protocol sets out five principals under which an incentive payment should be offered. However, the authorisation form does not indicate under which of the principles the payment is actually being offered. To show that payments are only been made where one of these principals has been met, it should be recorded on the authorisation form.

Recommendation

An authorisation form detailing the reason for the incentive payment should be submitted in all cases and filed in the personal file.

Service Response / Action

Agreed. The relevant HR Business Partner to discuss further with Service to look at method of approval/evidence for file in relation to incentive payment.

Implementation Date

March 2016

Responsible Officer

HR Business Partner
(Kirsten Foley)

Grading

Important within audited area

AUDITORS: D Hughes
M Beattie
G Flood

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

Appendix 2 TalentLink Statistics from 1 January - 12 August 2015

Organisation Name Level 2	Total Adverts	Open	Closed	Closed / Filled	Unfilled	Withdrawn	Cancelled	Applicants	Jobs with No Apps
Education Culture and Sport	452	147	60	158	78	7	2	5,545	50
Enterprise Planning and Infrastructure	82	46	4	32				1,791	1
Officer of Chief Executive	9	3	1	5				258	3
Corporate Governance	78	20	3	50	5			2,554	2
Social Care and Wellbeing	80	37	3	29	7	1	3	1,394	2
Housing and Environment	130	68	5	57				2,818	4
	831	321	76	331	90	8	5	14,360	62

POSITION TYPE

	Total Of Job Number	Casual /Relief	Full Time	Job Share	Part Time	Term Time Full Time	Term Time Part Time
Education Culture and Sport	452	17	90		55	231	59
Enterprise Planning and Infrastructure	82	2	55		17	2	6
Officer of Chief Executive	9		8		1		
Corporate Governance	78		61		17		
Social Care and Wellbeing	80		66		14		
Housing and Environment	130		123	1	6		
	831	19	403	1	110	233	65

CONTRACT TYPE

	Total Of Job Number	Permanent	Casual/Relief	Fixed Term	Permanent & Temporary	Permanent & Temporary & Casual	Summer Student	Supply
Education Culture and Sport	452	356	16	78	1			1
Enterprise Planning and Infrastructure	82	65	2	9	4	1	1	
Officer of Chief Executive	9	8		1				
Corporate Governance	78	48		28	1			
Social Care and Wellbeing	80	56		16	8			
Housing and Environment	130	107		21	1			
	831	640	18	153	15	1	1	1

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	9 March 2016
DIRECTOR	N/A
TITLE OF REPORT	Outstanding Internal Audit Recommendations Pre 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress Services have made with implementing recommendations agreed in Internal Audit reports issued by PWC.

2. RECOMMENDATION

- 2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

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

4. FOLLOW UP OF RECOMMENDATIONS

- 4.1 The details relating to recommendations made previously by PWC, which were due to be implemented by the end of December 2015, are shown in the attached appendix.

5. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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(01224) 664184

Outstanding Internal Audit Recommendations

Appendix A

<u>Report Title</u>	<u>Date Issued</u>	<u>Recommendation and Risk Rating</u>	<u>Update</u>	<u>Responsible Officer</u>	<u>Original Due Date</u>	<u>Revised date</u>
Community Centres	Apr-14	<p><u>Risk Rating – Medium</u> The Council should take action to ensure that all leased community centres sign up to the new lease and management agreement. If necessary, payment of the Development Grant should be withheld until signed lease and management agreements are in place.</p>	<p>A report was taken to Communities, Housing and Infrastructure Committee in February 2015 recommending that the development grant was held for those Centres yet to sign up. The Committee did not accept this recommendation and a further report is expected to go to CHI on this issue at a future date. The further delay is in order to allow Committee Conveners to discuss the issue.</p> <p><u>Update as at January 2016:</u> The report is scheduled to go the March 2016 meeting of the Audit, Risk and Scrutiny Committee.</p>	Service Manager, Communities and Partnership	31-Dec-14	<p>Previously advised 31-Oct-15, then 31-Jan-16</p> <p>Now 31-Mar-16</p>
Complaints Handling	Sep-14	<p><u>Risk Rating – Low</u> A complaints handling training package should be developed and included as mandatory training for any staff members involved in complaints handling. Management could consider utilising SPSO training materials as an alternative to developing a bespoke training package. These training materials should form a part of the induction process for</p>	<p>Procedural improvements are being implemented before rolling the training out across the organisation, so that all council employees are being trained using a consistent corporate approach.</p> <p>An online interactive learning (OIL) course has been developed and as recommended, the content is based on the SPSO training material. The OIL course will form part of the</p>	Customer Experience Officer	31-Dec-14	<p>Previously advised 31-Dec-15</p> <p>Now 31-Mar-16</p>

		<p>new joiners. Refresher training should be mandatory for all staff members involved in the complaints handling process. This should include a reminder of best practices in complaints handling, and details of new or updated procedures.</p>	<p>corporate training programme which will commence once a complaints web form is launched, providing a corporate method for all council officers to logging Frontline Complaints. Development of the online form is currently ongoing. Face to face training will then also be undertaken with frontline teams to reinforce the procedures and coaching provided to responding officers to improve the quality of responses. These actions are planned to commence before the end of 2015.</p> <p><u>Update as at January 2016:</u> Complaints handling training has been undertaken with a range of services over the last few months and will be rolled out on a wider scale once a corporate procedure for logging complaints is in place. This is to be achieved through the use of an online form which will be launched by the end of the financial year. A Complaints Handling Toolkit has been developed and is now available on the Zone to support all members of staff in complaint handling. The resources in the toolkit are designed to support best practice as outlined by the Scottish</p>			
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			Public Services Ombudsman (SPSO). It provides policies, case studies, procedural checklists and other useful templates that should be used to deal with complaints.			
ALEOs Tier 2 review	Feb-15	<u>Risk Rating – Medium</u> All monitoring officers will be advised that they are required to undertake suitable training and to make use of expertise available in the Council, as determined by management, to enable them to fully execute their duties as set out in the Following the Public Pound guidance.	Progress with this recommendation is under discussion between the Service and Internal Audit.	Team Leader, HR&OD	31-Dec-15	
Carefirst	Feb-15	<u>Risk Rating – Medium</u> 1. Management should assign responsibility for reviewing and actioning the unmatched transactions report. Management may consider creating a dedicated role for this task as it would benefit from a technical understanding of CareFirst, knowledge of the Council's financial arrangements with suppliers and all client groups. 2. Agreement will be reached on the criteria/ parameters to be used for deciding whether transactions should be investigated or not. The unmatched transaction report will be modified by the CareFirst Team to ensure it only includes the transactions for assessment before it	1. The identification of a dedicated person with relevant experience remains outstanding, however, some data tidy up work has been undertaken by the CareFirst Team which will result in fewer unmatched transactions being created. Will be picked up as part of the Care Management Transformation Project. 2. As for 1	Head of Joint Operations <u>Update for March 2016 Committee:</u> This work stream will sit with the Integrated Social Care Partnership Responsible Officer will be Lead Service Manager (Older People).	30-Jun-15	31-Mar-16 On completion of Care Management Transformation Project <u>Update for March 2016 Committee:</u> Progress has been further delayed by the long term absence of a service manager resulting in the lead for the

		<p>is issued to the individual responsible for reviewing and actioning.</p> <p>3. Dummy invoices will be processed in CareFirst to remove illegitimate transactions. This will not impact actuals (which are reported through e-Financials) and will allow for accurate commitment reporting. The individual responsible for the unmatched transaction report should also be responsible for this task.</p> <p>4. To ensure temporarily suspended care packages do not accrue costs, the person responsible for reviewing and actioning the unmatched transactions report should enter variances to offset the amount. A list of users who are not closing care packages as per the guidelines should be issued to Service Managers for appropriate action.</p> <p>5. The completed unmatched transaction report should be reviewed and signed off by the responsible person's line manager on a monthly basis.</p> <p>6. Consideration will be given to separating the roles of those who assess and manage frontline client needs and those who are sourcing the supply of care and subsequently recording the care on the</p>	<p>3. As for 1</p> <p>4. As for 1</p> <p>5. As for 1</p> <p>6. This issue is part of the new Planning and Development Manager's workload and discussions are being held across the various sections to ensure that this is actioned.</p>			<p>project having to cover operational services.</p>
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		system.				
IT Asset Management	Feb-15	<u>Risk Rating – Low</u> A repair function will be built into the specification of the new IT Service Management Tool, in order to enable ACC to identify repair trends. This will allow reports to be run to see if there are particular assets which have high repair costs.	Implementation awaiting signing of contract due early January 2016.	IT Manager	31-Dec-15	30-Apr-16
IT Disaster Recovery	Feb-15	<u>Risk Rating – Low</u> System Owners should consider and document the risk of not testing their systems during disaster recovery testing of the data centre. IT will ensure that they request and retain copies of risk assessments prior to all future IT Disaster Recovery exercises	Disaster Recovery (DR) testing rescheduled due to Data Centre Migration using recommended DR approach.	IT Manager	30-Nov-15	30-Apr-16
Service review	Feb-15	<u>Risk Rating – High</u> The definition, requirements and timeliness of a review under the Care Management Standards should be re-communicated to Care Workers via team meetings.	This issue has been discussed with service managers and team leaders at a service development day on 6 July with instructions to action the advice given by PWC immediately. Reviews form part of the Care management transformation project that is currently being undertaken by the planning and development manager in OP services.	Chief Officer, Health and Social Care <u>Update for March 2016 Committee:</u> This work stream will sit with the Integrated Social Care Partnership Responsible	28-Feb-15	31-Dec-15

				Officer will be Lead Service Manager (Older People).		
Services review	Feb-15	<p><u>Risk Rating – High</u></p> <p>1. Management should formally assess the staffing issues within SC&W and consider increasing the resource budget if appropriate.</p> <p>2. The following reports should be run on a monthly basis and distributed to the relevant teams who will action the closing or reassignment of the activities:</p> <p>a. A report detailing open activities which have no open service agreement. and;</p> <p>b. A report detailing open activities which are not assigned to the care worker who is currently assigned the care package.</p>	<p>1. Management has assessed the staffing issue with service managers and team leaders. Since the audit managers have carried out a recruitment drive and made changes to the scheduling of reviews within work loads. Work is ongoing to define levels of reviews that are appropriate to the activities being carried out.</p> <p>2. On-going piece of development work. Some data tidy up has already been undertaken and it will be concluded in the processes that form part of the Care Management transformation project.</p> <p><u>Update for March 2016 Committee:</u> Two of the four overdue recommendations have been implemented but progress has been further delayed by the long term absence of a service manager resulting in the lead for the project having to cover operational services.</p>	<p>Team Manager, Performance Management and Systems Development Officer</p> <p><u>Update for March 2016 Committee:</u> This work stream will sit with the Integrated Social Care Partnership Responsible Officer will be Lead Service Manager (Older People).</p>	20-Jun-15	31-Dec-15
Services review	Feb-15	<p><u>Risk Rating – Medium</u></p> <p>Users should be instructed to record all reviews in the CareAssess form.</p>	<p>This will be picked up as part of the Care management transformation project that is currently being</p>	<p>Team Manager – Performance</p>	31-Aug-15	31-Dec-15

		This electronic form allows observations to be created and has reporting functionality.	undertaken by the planning and development manager in OP services. Action currently on hold pending outcome of above. <u>Update for March 2016 Committee:</u> Form has been completed and waiting on completion of the care management review.	Management and Service Managers		
ICT Governance	May-15	<u>Risk Rating – Medium</u> 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 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. <u>Update as at January 2016:</u> The Digital Strategy is going through the governance process prior to next Finance Policy and Resources Committee cycle.	Head of IT and Transformation	31-Mar-15	31-Mar-16
Section 75 Planning	Apr-15	<u>Risk Rating – Low</u> Heads of Service will appoint an appropriate 'point of contact' for their service with responsibility for responding to requests regarding Section 75 agreements.	The review of the Development Management Service is proceeding and the implementation of the agreed Action Plan for Improvement commenced in January 2016. This includes improved case management discipline to achieve clarity, consistency of good practice and timely outcomes. This will apply to Section 75 processes and will	Head of Planning and Sustainable Development	30-Sep-15	31-Mar-16

			provide appropriate contact information for each case. In parallel with this process, discussions with Aberdeenshire Council are proceeding in relation to the review and refinement of the SLA relating to the involvement of its Development Obligations Team, with a view to a conclusion in March 2016.			
Roads Construction Consent	May-15	<u>Risk Rating - Low</u> On initial acknowledgement of the application, if a full and complete 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. 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.	A new system to deal with Planning and Building Standard application is in the process of being purchased and introduced, with a current timescale for going live of end 2015. The incorporation of RCC into that system would follow and would be projected for end of first quarter 2016.	Transportation Manager	31-Jul-15	31-Mar-16
Compliance with the Public Records (Scotland) Act	Jun-15	<u>Risk Rating – Low</u> 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. Management will finalise updating the Council's Data Protection policy	Revised Data Protection Corporate Policy & Procedures were approved by the Finance, Policy & Resources Committee 15th September 2015. However, owing to staff absence / shortage, redevelopment of the Data Protection pages on the Zone (including development of an 'Information Sharing' section to	Information Governance Officer	30-Sep-15	Previously advised TBC Now 31-Jan-16

		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	include the publication, from existing Legal Services records, of a Register of Information Sharing Protocols) has been delayed. <u>Update as at January 2016:</u> The Revised Data Protection Corporate Policy & Procedures are due to be published on The Zone by 22 January. A Register of Information Sharing Protocols (ISPs) has been completed and is due to be published on The Zone, with links to the individual ISPs, by 29 January.			
Compliance with the Public Records (Scotland) Act	Jun-15	<u>Risk Rating – Advisory</u> 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.	Commercial & Procurement Services are, as part of the Procurement Achieving Commercial Excellence (PACE) Improvement programme, reviewing procurement policies and procedures and will mode the appropriate contract language to ensure that those engaging with the Council are contractually obligated to comply with the Council's information management standards. The revision of the Standing Orders/Financial Regulations is key to finalisation of this programme and it is expected that the revised Standing Order will be tabled at Council meetings in December and January respectively for Aberdeen	Head of Procurement	30-Sep-15	Previously advised 31-Jan-16 Now 31-Mar-16

			<p>City and Aberdeenshire Councils.</p> <p><u>Update as at January 2016:</u> Both authorities would like the Standing Orders to be part of the overall governance reviews and this has delayed the tabling at Council. Therefore, the revised SOs will be tabled at meetings in March 2016.</p>			
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 March 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress with implementing agreed recommendations contained in reports issued in relation to the 2015/16 Internal Audit plan and any additional work undertaken.

2. RECOMMENDATION

- 2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

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

4. PROGRESS WITH IMPLEMENTING AGREED RECOMMENDATIONS

- 4.1 Appendices A and B show progress made by Services with completing agreed Internal Audit recommendations, based on assurances received from officers tasked with their implementation and independent checks where appropriate.
- 4.2 Where these have not been completed by their original due date, reasons are provided along with the grading applied to the recommendation in the original Internal Audit report. An explanation of the gradings used is shown at appendix C.

5. REPORT AUTHOR DETAILS

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APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 29 FEBRUARY 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. The total not fully complete, which had an original due date of before 31 January 2016, is 1. Full details relating to progress, on a report by report basis, are shown in appendix B.

Recommendations							Grading of Overdue Recommendations		
SERVICE	Agreed in reports shown in Appendix B	Due for completion by 31.10.15	Confirmed complete by Service	New in November 2015 to January 2016	Confirmed complete by Service	Not fully complete by original due date of 31.01.16	Major	Significant	Important
Cross Service	0	0	0	0	0	0	0	0	0
Communities, Housing and Infrastructure	7	1	1	5	5	0	0	0	0
Corporate Governance	20	2	2	2	1	1	0	1	0
Education and Children's Services	0	0	0	0	0	0	0	0	0
Total	27	3	3	7	6	1	0	1	0

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 29 FEBRUARY 2016

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.01.16	Confirmed Implemented by Service	Not implemented by original due date	

COMMUNITIES, HOUSING AND INFRASTRUCTURE

AC1603	Council House Rent Setting	July 2015	4	3	3	0	0
AC1613	Crematorium	November 2015	3	3	3	0	0

CORPORATE GOVERNANCE

AC1601 AW	Council Tax Billing 2014/15	July 2015	2	2	2	0	0
AC1602	Payroll System	October 2015	3	0	0	0	0
AC1606	Creditors System	November 2015	6	2	1	1	1 Significant

The overdue recommendation (*graded "significant within audited area"*) was due to be implemented by the end of December 2015 and relates to the Service ensuring that all staff complete required training in data protection and information security. The Service has stated that the courses are taking longer to complete than anticipated and, due to experiencing a busy period of processing, this will take longer for the Team to complete. In view of this it is anticipated that training will be complete by April 2016.

AC1614	Risk Management	November 2015	9	0	0	0	0
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APPENDIX C

Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level / within audited area	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited. Financial Regulations have been consistently breached.
Significant within audited area	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.



Aberdeen City Council

Outstanding External Audit Recommendations



February 2016

Introduction

This report brings together the issues and risks included in action plans agreed with management as part of the 2014/15 audit. At the request of the Audit, Risk and Scrutiny Committee this is a standing report on the committee's agenda and actions will be reported upon until they are addressed.

On the whole, we have confirmed with officers that action is progressing in respect of the majority of recommendations including those with target dates still some months away. In most cases, the recommendations relate to significant pieces of work which external audit has an ongoing interest in. Consequently, we have work planned between March and June 2016 (interim audit activity) which will enable us to undertake relevant work (e.g. review of documentation, action plans and/or samples of projects) to confirm that appropriate action has been implemented. Where such further work is planned, we will provide an update for the outstanding recommendation but not close it off until the planned work has been satisfactorily completed.

Anne MacDonald

February 2016

Progress against outstanding recommendations

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
1	Interim	In order to benefit more from the National Fraud Initiative (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	The high risk cases have been prioritised, the initial investigation has been completed and follow up action where required is in progress. The low risk cases are now being progressed. In total, 30% of high risk cases have been progressed and overall, around 20% of recommended matches have been progressed over the 12 months since the data was received. On a more positive note, a single person discount matching exercise has been carried out. This identified 973 errors from 3,200 matches and amounted to £405,759 in financial terms. Plans are in place to issue revised council tax bills.	While the single person discount exercise has proved successful, the council has generally been slow to respond to the NFI data matches. We have just concluded a questionnaire on the council's engagement with the NFI process to inform Audit Scotland's national report due in summer 2016. In view of the mixed results, I would propose a fuller report on the subject to the next meeting of the committee.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
2	Interim	The Fraud and Corruption Strategy should be refreshed and promoted to staff on a regular basis.	Strategy to be approved and promoted. Head of Finance	30 September 2015	The Finance, Policy & Resources Committee on 15 September 2015 considered and approved the "Policy and Strategic Response to Fraud, Bribery & Corruption". Planning for the rollout and promotion of this across the organisation is underway.	Action implemented.
3	Interim	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.	Report to be prepared for the ARSC Head of Legal & Democratic Services	31 March 2016	We have suggested that this action be implemented as part of the council's annual governance statement which the committee considers in June each year.	Carried forward to June 2016
4	Interim	Risk assessments undertaken in response to the requirements of the Bribery Act should be	Risk assessments to be evaluated and any issues highlighted to be addressed as appropriate.	31 December 2015	Implementation of the council's new response to fraud, bribery and corruption included adoption of the National Fraud	The new fraud, bribery and corruption framework includes the requirements of

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
5	Interim	evaluated and addressed as appropriate.	Head of Legal & Democratic Services	31 March 2016	<p>Body's checklist and self-assessment</p> <p>Use of the checklist will further enhance the council's ability to mitigate against the risk of financial or other losses arising from fraud, bribery or corruption</p>	<p>the bribery act and makes provision for appropriate risk assessments to be undertaken. We have yet to sight an action plan setting out the timeline for the different activities identified in the policy and self-evaluation checklist.</p>
		Plans should be formalised for the development of a consistent approach for reporting performance information to elected members.	<p>Proposals for implementing a consistent approach will be developed and presented to elected members for approval.</p> <p>Head of IT and Transformation</p>		<p>The council's refreshed corporate plan was approved by the full council on 26 February 2016. Thereafter, a review of the performance management framework has now commenced. The April/May 2016 committee cycle will see the introduction of a revised framework for performance reporting, with further developments expected to take place throughout 2016.</p>	<p>We will monitor developments during the 2015/16 audit (March to September 2016) and provide further updates.</p>

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
6	Interim	Arrangements for the refresh of 'Aberdeen Performs' should be put in place.	'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 Communications and Promotion	31 March 2016	A report on the arrangements for the refresh of 'Aberdeen Performs' is expected to be presented to the Audit, Risk and Scrutiny Committee in April 2016. Further developments are expected to take place throughout 2016.	We will monitor developments during the 2015/16 audit (March to September 2016) and provide further updates.
7	Interim	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 by senior management. Revenues & Benefits Manager	30 September 2015	The second reconciliation for the year has been completed and signed off by a senior manager.	This recommendation will be considered as part of our interim activities for the 2015/16 audit.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
8	ICT	<p>A new ICT service strategy needs to be developed and implemented. In due course, delivery should be monitored within the council's PMO arrangements.</p> <p>Risk: until a new strategy is published, a perception could develop that the council is not taking a long-term approach to ICT services.</p>	<p>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.</p> <p>Head of Service (IT and Transformation)</p>	March 2016	<p>A draft strategy was considered by Management Team in January 2016 and is scheduled to be considered by Finance, Policy and Resources Committee in April 2016.</p>	<p>Strategy will be reviewed as part of our 2015/16 interim audit activity.</p>
9	ICT	<p>The council has opted to enter a joint procurement exercise with Aberdeenshire Council for the provision of data centre services by a third party.</p> <p>Risk: delivery of this solution is likely to be complex, with dependency on third parties. This may give</p>	<p>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.</p>	July 2016	<p>A new datacentre contract has been agreed with Brightsolid with bases in Aberdeen and Dundee. A transition period is now in operation.</p>	<p>Arrangements will be reviewed as part of our 2015/16 interim audit activity.</p>

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<i>rise to delay, the need for an interim data centre and increased costs.</i>	IT and Technology Services Manager			
10	ICT	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	Fortnightly Programme Board is in place to review projects, priorities and progress.	Our 2015/16 interim audit activity includes a review of the council's project management arrangements for a sample of capital and IT projects.
11	ICT	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	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	For initial pilot work: March 2016. Resources and timescales for full roll-out will be calculated on completion of pilot.	A Master Data Management business case was given approval at Finance, Policy and Resources Committee on 3 December 2015	Progress will be reviewed as part of our 2015/16 interim audit activity

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
12	ICT	<p>Email and internet borne security incidents highlight the importance of effective refresher training to maintain levels of electronic security awareness in all staff.</p> <p>Risk: as people grow increasingly trustful of the performance and convenience of new technology, they may become less cautious in using their electronic equipment.</p>	<p>council. Records Manager</p> <p>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</p>	March 2016	There is a range of information about information security on the council's intranet (the Zone) and regular opportunities are taken to remind staff of the importance of information security.	Ongoing

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
13	ICT	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 (DR) 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	As part of the council's transition of assets from Atos to the new Brightsolid Datacentre contract, it has installed production environment in the Aberdeen Data Centre and has physically moved DR equipment to Dundee data centre, although it is not yet configured to meet current requirements. Storage and Backup is provided through the contract and theoretically can be restored to either Aberdeen or Dundee if required at short notice. The next phase of the Datacentre transition is to configure DR at Dundee. This is scheduled for first major testing in June 2016. In the meantime, regular system test restores will be carried out internally.	Arrangements will be reviewed as part of our 2015/16 interim audit activity

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
14	Annual Report	<p>Shared Section 95 Officer arrangement</p> <p>The shared arrangement will have operated for 12 months by December 2015. A review of the pilot period is expected at that point.</p> <p>Risk: the review may not cover all the critical factors</p> <p>Recommendation: All aspects of the shared arrangement should be considered across both councils e.g. development opportunities, all costs, geography.</p>	<p>The review will consider the perspectives of both councils and the officers involved, taking account of all relevant aspects, including the extent to which both consider they are deriving value from the arrangement. Initial discussions have taken place with the relevant Director in SIC and this will be followed up as part of the review to be reported to committee in December 2015.</p> <p>Head of Human Resources & Customer Services</p>	31 December 2015	<p>A report was considered by the Finance, Policy and Resources Committee on 3 December 2015. This set out Shetland's intended plans to recruit a section 95 officer with effect from April 2016. In the interim, Aberdeen would continue to support Shetland through the secondment of an officer,</p>	<p>The recommendation has been overtaken by events.</p> <p>No further action required.</p>

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
15	Annual Report	<p>Financial position The council has a significant task ahead in meeting the funding shortfall set out in its 5 year business plan.</p> <p>Risk: the ongoing need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.</p> <p>Recommendation: the council needs to develop its strategy for delivering the savings required over the next 5 year period. This should bring together the different strands of work which are in progress e.g. shared service opportunities, outcome budgeting and service targets.</p>	<p>Work is well underway to progress the 2016/17 and indicative 5 year budgets. The council's approach to financial planning, incorporating the Extended Corporate Management Team into the process, ensures that all options are considered in developing a strategy to deal with future financial pressures. Progress is also being made in the development of an outcome based budgeting approach for future years.</p> <p>Head of Finance, in conjunction with the Corporate Management Team & Extended Management Team</p>	Update position in February 2016	On the basis of the Scottish Government's financial settlement announcement, the council in common with others produced a one year budget for 2016/17. Plans are in place to commence work early for the 2017/18 budget.	We will monitor developments and comment in our Annual Audit Report in September 2016.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
16	Annual Report	<p>Long term financial planning Longer term horizon scanning through the development of long term planning will support the strategic infrastructure plan but also give a more rounded view of the financial landscape. In addition, links should be made with workforce plans.</p> <p>Risk: financial difficulties arise through unexpected events</p> <p>Recommendation: Long term planning continues to be developed.</p>	<p>The importance of long term financial planning is acknowledged and will continue to be developed.</p> <p>Head of Finance, in conjunction with the Corporate Management Team</p>	Update position in February 2016	See Action Point 15	See Action Point 15
17	Annual Report	<p>ALEOs The first round of hub meetings have now taken place with a plan to meet on a six monthly basis.</p> <p>Risk: the bedding in</p>	<p>The first meeting of officers to consider requirements for the next round of hubs will take place by 30 September 2015 so whilst the formal hub meetings may be every 6</p>	Ongoing	Hub meetings will now take place on a 6 monthly basis commencing in May 2016. At that point the hubs will extend to Tier 2 ALEOs.	<p>We are observing hub meetings and will comment on their operation in our Interim Report in June 2016.</p>

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<p><i>period may be too long and momentum lost so that it is some time before an effective scrutiny routine is in place.</i></p> <p>Recommendation: consider more meetings in the initial period until everybody is up to speed and the initial teething problems have been sorted out.</p>	<p>months, officers are working in the intervening period on the actions from the previous meetings and developing plans for the next one. Officers are aiming to improve the quality and robustness of the process and the meetings.</p> <p>Head of Democratic Services</p>			
18	Annual Report	<p>Health and social care integration</p> <p>Preparations are moving apace for the implementation of the integration board with effect from 1 April 2016, including the identification of necessary resources, and discussions are taking place around the scrutiny requirements.</p>	<p>Arrangements have been in place for some time to progress integration which includes regular engagement between the slJB and officers. This will continue throughout the year to ensure that what is a statutory timescale will be met. A work plan is in place with regular updates on progress being reported to the slJB. The team are also working closely</p>	1 April 2016	<p>The slJB meets on a regular basis (six times a year). Arrangements have now been put in place for an Audit and Performance Systems Committee which will meet four times a year.</p> <p>Plans are in place to appoint a chief finance officer. In the interim the Director of Finance (NHS Grampian) will take responsibility for the role.</p>	Ongoing monitoring

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<p>Risk: the required actions are not completed and the Board is unable to take responsibility from April 2016.</p> <p>Recommendation: regular engagement continues between the Shadow Integration Joint Board (SIJB) and officers to ensure that priorities are delivered.</p>	<p>with the Scottish Government to get approval of the Scheme of Delegation.</p> <p>Chief Officer, Aberdeen Health & Social Care Partnership</p>		<p>Internal audit will be provided by David Hughes, Chief internal auditor (Aberdeenshire Council)</p>	
19	Annual Report	<p>Marischal Square Development</p> <p>In responding to economic conditions, the council may mitigate risks by providing financial support, for example, rental assistance to encourage city centre investment.</p> <p>Risk: the council's rationale for offering</p>	<p>Each regeneration investment decision will have a full business case prepared which will examine the case for proceeding with the investment decision and will clearly state the financial implications and risks associated with it.</p> <p>Corporate Management Team</p>	<p>Update by 31 March 2016</p>	<p>This is incorporated within the council's revised project management framework.</p>	<p>We have plans to review a sample of capital projects against the project management framework as part of 2015/16 audit</p>

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<p>support lacks transparency</p> <p>Recommendation: The council's should set out a framework which explains the type and level of regeneration investment it wishes to financially support.</p>				

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	9 th March 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Progress Report regarding Leased Community Centres signing up to the new Lease & Management Agreement
REPORT NUMBER	CHI/16/022
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report advises the Committee of progress against the Outstanding Audit Recommendations in relation to Leased Community Centres.

2. RECOMMENDATION(S)

The Committee is requested to

- 1) Note the Report

3. FINANCIAL IMPLICATIONS

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

5. BACKGROUND/MAIN ISSUES

Background

The PWC Audit Report recommended that all Leased Community Centres should sign up to the new lease and management agreement and if necessary, payment of the Development Grant should be withheld until these signed agreements are in place.

A report was taken to Communities Housing and Infrastructure Committee in February 2015 recommending that the development grant was withheld for those centres not signing up. The Committee did

not accept this recommendation and a follow up report is expected to be taken to Communities Housing and Infrastructure.

During the period from February 2015 to the point of writing this report the Community Centre Liaison Officer has been in regular communication with the Leased Centres with a view to them signing up to the new lease and management agreements, which are co-dependent.

The current position, as at the point of writing this report, is that the following 5 Leased Centres, out of the 23, are not signed up to the new agreements:

Community Centre	Reason for not signing	Comments
Airyhall	The Management Committee can't see any benefits in moving to the new agreements.	The Management Committee would be happy to sign the new management agreement now, and then sign the new lease when their current lease expires in March 2019.
Danestone	The Management Committee can't see any benefits in moving to the new agreements do not view the matter as a priority.	The Management Committee's current lease expires in July 2040.
Ferryhill	The current Chairperson of the management committee is an Elected Member and the Management Agreement does not allow Elected Members to hold an office bearer position within the Management Committee.	The Management Committee's current lease expires in November 2019.
Hanover	The Management Committee do not wish to sign the new lease until the flooring in the main hall is replaced. Under the terms of the current lease this is a Council responsibility, as landlord, and the Management Committee, as tenant, has requested that the Council replaces the hall floor. The Council has not carried out this work due to budgetary constraints and priorities for repairs.	The Management Committee's current lease expires in March 2018.
Kingswells	The Management Committee is still reviewing their position regarding the new style lease agreement and cannot see any advantage for them to move to the new lease.	The management committee's current lease expires in March 2018.

Current position and future actions for resolution:

There have been an increasing number of operational issues arising with the implementation of the Lease and Management Agreement concerning the Leased Centres that have signed up to the new agreements.

Therefore Officers in Communities & Housing and Asset Management are working in partnership with the Leased Centres to identify issues requiring attention in the current agreements as well as identifying how we can develop our partnership to ensure maximum community benefit.

We are jointly planning a workshop to involve all leased centres, likely to be held in February 2016, with the ultimate aim to move towards fit for purpose agreements that all parties will accept; as well as looking at supporting maximised community use of the assets.

Officers will update both the Communities Housing and Infrastructure Committee and Audit, Risk & Scrutiny Committee with respect to progress.

7. MANAGEMENT OF RISK

There are two risks arising:

1. We fail to reach an agreement and the status quo remains
2. Leased Centres currently not signed up to the new Lease and Management Agreements are currently not subject to compliance monitoring.

Mitigation:

1. The partnership approach should improve relationships and therefore we have a better chance to come to a mutually acceptable position on the agreements as well as working together more effectively to enhance community impact
2. The 5 Leased Community Centres not signed up to the Lease and Management Agreements have returned their PVG declarations so they are complying with the terms of the management agreement in this high risk area, as previously identified as a risk by the PWC report.

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	9 March 2016
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	Annual Accounts 2015/16 – Action Plan and Key Dates
REPORT NUMBER	CG/16/016
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2015/16 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.

2. RECOMMENDATION(S)

It is recommended that the Committee note the contents of this report.

3. FINANCIAL IMPLICATIONS

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

4. OTHER IMPLICATIONS

There is a statutory requirement for the Council to produce both draft and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. BACKGROUND/MAIN ISSUES

- 5.1 The Annual Accounts 2015/16 will summarise the Council's transactions for the period 1 April 2015 to 31 March 2016 and its financial position at the year end 31 March 2016. They will be prepared in accordance with the International Financial Reporting (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and in accordance with The Local Authority Accounts (Scotland) Regulations 2014. There are no changes to either of the

mentioned Codes in 2015/16 which will have any significant impact on the Annual Accounts.

5.2 There are a number of key dates and these are summarised as follows:-

31 March 2016	End of the financial year 2015/16
March – Sept 2016	Information from Group Entities (including ALEO's)
17 June 2016	Public Notice for the Public Inspection Period to be issued
27 June 2016	Audit, Risk and Scrutiny Committee to consider the draft Annual Accounts
30 June 2016	Statutory deadline for the Proper Officer to sign the draft Annual Accounts, submit to the Auditor and publish on the website
1 – 21 July 2016	Public Inspection Period for the draft Annual Accounts
30 July 2016	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
27 September 2016	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
27/28 Sept 2016	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
28 September 2016	Deadline for submission of the signed audited Annual Accounts to the Auditor
Early October 2016	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2016	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
16 December 2016	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

5.2.1 31 March 2016

Transactions relating to goods and services received or provided by the Council by 31 March 2016 should be recorded in the 2015/16 financial year.

To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, and meetings between accounting staff and budget holders.

5.2.2 March – September 2016

The Council is required to consider its interests in all types of entity and prepare Group Accounts which incorporate the material transactions and balances of those entities identified as subsidiaries, associates and joint ventures. A number of the entities included are also referred to as ALEO's (Arm's Length External Organisations). Throughout this period there are a number of deadlines for these entities to provide management accounts, draft financial statements with detailed working papers as necessary and audited Annual Accounts.

5.2.3 17 June 2016 and 1-21 July 2016

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. The latest date by which the public inspection can start is 1 July and a public notice must be issued by 17 June, giving at least 14 days' notice before the start of the inspection period.

5.2.4 27 June 2015

The Audit, Risk and Scrutiny Committee will receive the draft Annual Accounts 2015/16, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. As the body charged with governance it allows you the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

5.2.5 30 June 2016

The Local Authority Accounts (Scotland) Regulations 2014 only requires the draft Annual Accounts to be signed by the Proper Officer (Head of Finance) prior to submission to the Auditor. 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.

5.2.6 27 September 2016

The Audit, Risk and Scrutiny Committee will receive the audited Annual Accounts for consideration. The Local Authority Accounts (Scotland) Regulations 2014 require that the committee aim to approve these accounts prior to their signature by the Proper Officer, Chief Executive and Council Leader having regard to any report made on the accounts and any advice given by the Proper Officer or the Auditor. The committee will also receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2015/16 audit" for debate and consideration. This report sets out the auditor's finding and conclusions from all audit activity undertaken during the year, highlights the significant issues arising from the audit of the financial statements and informs Elected Members of the proposed audit opinion in advance of the accounts being certified.

5.2.7 31 October 2016

The Local Authority Accounts (Scotland) Regulations 2014 set out the requirements for publication of the audited Annual Accounts by 31 October, including the signed accounts and audit certificate and all auditor reports relating to those signed accounts. In addition, the Council must publish the accounts of its subsidiaries either on its website or through a link to the relevant page on the company's

website. All published documents have to be available for at least five years.

- 5.3 Audit Scotland's "Annual Audit Plan 2016/17" is also presented to this meeting and Elected Members should note that the Accounting Manager and her staff have already engaged with the external audit team as part of planning for the production of the accounts and the audit thereof. This engagement will continue throughout the accounts and audit processes. This will ensure that any issues arising with the accounts are highlighted and dealt with promptly and that information provided to the auditors is relevant, timely and of a suitable standard to enable them to carry out their work efficiently and effectively.

5.4 Local Authority Charities

- 5.4.1 There is a requirement for full compliance with the Charities Accounts (Scotland) Regulations 2006 which means that a full audit is required for all registered charities where the Council is the sole trustee irrespective of the size of the charity. The Accounts Commission has appointed the current auditor of the Council as the auditor of its relevant charities.

There are a number of statutory provisions in relation to record keeping and preparation of accounts for such charities as well as the duties of charity trustees in relation to accounting records. The Local Authority Accounts (Scotland) Regulations 2014 also make provision for such bodies in a number of areas.

Taken together this effectively means that separate accounts and audit opinions are required for charities and this is subject to the same requirements and timetable as detailed above for the Council's accounts.

- 5.4.2 Subsequent to the submission of the 2014/15 audited charity's accounts, the Council received notification from The Scottish Charity Regulator (OSCR) highlighting an omission from the notes to these accounts, stating "In addition to the income and expenditure there should be full information for the balance sheet of each charity. The notes should be amended to include this information next year."

It is important to understand that this omission relates only the notes to the accounts and in no way affects the main financial statements or the numbers contained therein.

The Regulator is prepared to accept the accounts for 2014/15 but requires that this matter be brought to the attention of **all** the charity trustees.

Therefore, in addition to highlighting the matter to this committee, the omitted note will be prepared and issued to all councillors with an explanatory letter from the Head of Finance.

6. IMPACT

Improving Customer Experience –

No direct impact arising from this report.

Improving Staff Experience –

No direct impact arising from this report.

Improving our use of Resources –

No direct impact arising from this report.

Corporate –

There is a statutory requirement to produce both draft and audited Annual Accounts. The publication of these demonstrates the Council's proper stewardship of and accountability for the public funds with which it is entrusted.

Public –

This report may be of interest to the public as it provides information on preparation and publication of the Annual Accounts and related public inspection dates.

7. MANAGEMENT OF RISK

There are no direct risks arising from this report.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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COMMITTEE	Audit, Risk & Scrutiny
DATE	8 th March 2016
LEAD OFFICER	Angela Scott
TITLE OF REPORT	Overview of Local Government 2015
REPORT NO:	CG/16/038

1. PURPOSE OF REPORT

To provide the Committee with an overview of the Council's position with respect to the recommendations in Audit Scotland's report "An Overview of Local Government in Scotland 2015".

2. RECOMMENDATION(S)

The Committee is asked to:

- a) consider the attached position statement with respect to the recommendations in Audit Scotland's report "An Overview of Local Government in Scotland 2015"; and
- b) agree that the issues identified are being addressed within broader improvement programmes, or to instruct further actions as appropriate.

3. FINANCIAL IMPLICATIONS

There are no direct implications arising from this report.

4. OTHER IMPLICATIONS

There are significant implications for the work programmes themselves, including long term resource planning and decision making. These are not, though, dependent on this report.

5. BACKGROUND/MAIN ISSUES

- 5.1 Audit Scotland undertakes an annual review which identifies issues which it considers Scotland's local authorities should be addressing. The report and recommendations are directed towards each of Scotland's 32 local authorities. Each of the local authorities having its own local context, the recommendations vary in their applicability.
- 5.2 The 2014/15 report has been considered by the Council's Audit, Risk & Scrutiny Committee. The Committee referred the recommendations to the consideration of CMT to determine whether actions, over and above those already in place or planned, were required.
- 5.3 The attached position statement draws comments and inputs from a variety of colleagues.
- 5.4 For each of the recommendations, commentary is provided advising that appropriate arrangements are in place or that improvement actions have already been identified and are being implemented. Monitoring of the improvement actions will be integrated within current and developing scrutiny arrangements.

6. IMPACT

As per "Implications", the impact of the improvement and transformation programmes for resource planning and workforce, which are included within the attached statement, will clearly be significant. The impact of this report is to strengthen awareness and governance of the issues raised by Audit Scotland so that risks are assessed and controlled.

7. MANAGEMENT OF RISK

The Committee's formal consideration is one element of ensuring, and demonstrating, risk awareness. Any significant risks highlighted by Audit Scotland should be included within appropriate risk registers, if not already recorded.

8. BACKGROUND PAPERS

Overview of Local Government in Scotland 2015, Audit Scotland

9. REPORT AUTHOR DETAILS

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An Overview of Local Government in Scotland 2015 – Recommendations for Elected members

	Recommendation	Comments / Actions	Date	Lead Service Area	Link to BV Audit Improvement
1.	Assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance;	<p>Training needs are assessed and training is given on an ongoing basis. Over the last 12 months a revised programme of training on scrutiny and risk has been delivered to members of the Audit, Risk & Scrutiny Committee and is now being rolled out to all members. Risk Management training was offered on 2nd November and Procurement training also delivered on 7 December. Scrutiny of Shared Services is to be provided in 2016.</p> <p>A comprehensive elected member development programme for 2016/17 is in place. ALEO training is taking place on 22 March 2016. Currently Financial Capability training and Treasury Management has also been arranged, with more to be added to the development programme for 2016.</p> <p>2017 development dates have been arranged for Elected Members, development for these dates is still to be decided.</p>	Ongoing	Organisational Development	
2.	Ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and	<p>The 2015 Best Value Audit noted that financial management in the Council is sound and it has a robust medium-term budget-setting process in place.</p> <p>i. Increase the impact of the Finance</p>		Accounting, Budget holders and all staff	<ul style="list-style-type: none"> • Implement plans to refocus performance measurement on outcomes • Ensure clear links between the performance information

	<p>up-to-date performance data and making good use of benchmarking. Performance information should also be clearly reported to the public to help them understand their council's performance;</p>	<p>Framework;</p> <ul style="list-style-type: none"> ii. Continue to streamline and strengthen our capital financial management processes; iii. Strengthen feeder systems that transfer information into the financial system including data, information and controls; iv. Strengthen financial information, for example by continued development of Business Objects. <p>A review of current performance reporting is ongoing, linking to work to establish the "Golden Thread".</p> <p>The Council's policy priorities, included SIP and capital projects, are reported regularly to CMT, Admin Leaders and the FP&R committee for scrutiny and information.</p>	<p>Dec 2015</p> <p>April 2016</p> <p>Dec 2016</p> <p>Dec 2016</p> <p>May 2016</p> <p>Ongoing</p>		<p>submitted to members for scrutiny and the council's strategic plans</p>
<p>3.</p>	<p>Ensure that councils, when developing their priorities, use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be targeted towards agreed priorities, including those designed to prevent or reduce service demand in future;</p>	<p>1. <u>Strategic Assessment (SA)</u> - Community Planning Senior Analyst has been employed to complete a SA for Aberdeen City. SA is supported by data analysts and researchers from partners. There will be both partner and community consultation exercises, designed through partnership and the strategic assessment will be used to identify citywide priorities, support the new SOA and target Participatory Budgeting opportunities.</p>	<p>Feb 2016</p>	<p>CHI</p>	<ul style="list-style-type: none"> • Review how the political priorities of Aberdeen: the Smarter City, the SIP, the City Region Deal and the City Centre Masterplan are linked through to service plans

		<p>2. <u>Budgeting for Outcomes</u> - We will build on our budget process and implement Outcome Budgeting.</p> <p>Building on Priority Based Budgeting, the Council's pilot "Budgeting for Outcomes" approach uses CIPFA guidance and wide research nationally and internationally. It builds on the development of outcome maps linking outputs, activities and inputs and uses evidence from performance information, stakeholders, cost drivers to refocus resources to priorities. Outcome budgeting pilots have been run in 5 varied service areas and an overarching pilot has commenced concentrating on staff, customer and resources.</p> <p>Findings of the initial pilots have been generally positive with comments from service managers including: "Would definitely use this tool again"; "gaps in performance identified"; "shines light on specific activities".</p> <p>Next steps are identified as follows:</p> <ul style="list-style-type: none"> • Link overall outcome approach to refreshed Strategic Plan as an overall prioritisation tool; • Document end to end process; • Collect performance information 	Feb 2017	Accounting	
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		<p>from pilots in a consistent way and make recommendations for improvement;</p> <ul style="list-style-type: none"> • Finalise work on pilots and develop champion role; • Roll out to further services. <p>Work on outcome budgeting has been deferred during the 16/17 budget setting process and is due to start again soon. It is now an integral part of the Use of Resources Programme and Finance Service Plan.</p> <p>3. <u>Participatory Budgeting</u> - The Community Planning Aberdeen Board agreed:</p> <ol style="list-style-type: none"> i. the establishment of a “participatory budgeting” Steering Group with representation from key stakeholders; ii. the re-allocation of budget underspend into a Participatory Budgeting “pot” to allocate. <p>Following the above:-</p> <ol style="list-style-type: none"> a) Training was delivered to CPA partners from PB Partners as part of a Scottish Government Support Package; b) Finance Policy & Resource Committee allocated £100,000 under spend towards PB 	tbc	CHI	
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		<p>methodology for youth work in Tillydrone, Seaton, NorthField Total Place and Torry. All school age young people, living in the areas, participated in voting events;</p> <p>c) PB Partners are conducting an evaluation;</p> <p>d) Further PB opportunities could arise from Fairer Aberdeen and the HRA. PB partners will support delivery and evaluation. Best practice will be established and presented to the CPA Board to consider wider implementation.</p>			
		<p>4. <u>Strategic Planning</u> - The Council has refreshed its Strategic Business Plan (February 2016). The Plan reflects the Council's agreed priorities and builds on a suite of corporate strategies, each of which is based on an analysis of socio-economic data. Resource allocation, including budgeting, follows the planned activity to deliver these priorities. Throughout 2016/17, work will continue to update and align strategies with priorities.</p>	2016/17	CG / OCE	
4.	Ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They	As part of project proposal governance, a more robust option appraisal approach has been built in to the gateway review process and is a fundamental part of the business case development. All options are considered, scored and measured against	Ongoing	PMO	

	<p>should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change;</p>	<p>the business need, desired outcomes, benefits and risks to allow an informed decision to be made.</p> <p>Through the Programme Management approach, currently being developed further within the council, decisions on proposals and business cases will be made in conjunction with the current programmes of work and existing resource requirements, in order for all impacts and interdependencies to be considered and realised as part of the decision making process.</p> <p>That approach is also adopted as part of the change control process.</p> <p>Benefits are identified as part of the business case development, which are linked to the business need and/or strategic outcome that the business case is trying to achieve. The project planning process builds on this to develop benefit realisation dashboards. Benefits dashboards can be at programme and/or project level as appropriate. Robust monitoring, challenge and reporting of benefits and outcomes is currently being looked at as part of our change activity governance review.</p>			
5.	<p>Ensure that their council has financial plans covering the short term (1-2 years), medium term (3-5 years) and</p>	<p>Through further analysis of the economic position and linking budgeting to outcomes, we will strengthen our long term financial planning process.</p>	Feb 2017	Accounting plus budget holders and all staff	

	<p>longer term (5-10 years). These plans should set out the council's financial commitments, identify any challenges with the affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period;</p>	<p>Financial plans are currently in place. The 2015 Best Value Audit noted that the Council has <i>"recognised the need for long-term financial planning by setting out the social and economic factors likely to impact on its financial plans up to 2050. This long-term view of the challenges ahead will provide a useful context for considering the impact of potentially difficult decisions ahead."</i></p> <p>The Council's long term financial plan has been developed.</p>			
6.	<p>Review their council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the council;</p>	<p>1. A full governance review is underway. This will review the Council's risk and governance systems, based on the 7 CIPFA principles of good governance. The end result will be an Aberdeen City Council Constitution, including:</p> <ul style="list-style-type: none"> • Revised Standing Orders/Scheme of Delegation • Reviewed reporting procedures to achieve consistency and compliance • Reviewed and revised system of risk management • Reviewed and revised elected member development programme, including induction • Review of ALEO monitoring arrangements. 	March 2017	Legal Services	<ul style="list-style-type: none"> • Fully implement arrangements for enhanced scrutiny of ALEOs through the governance hub. • Ensure the necessary organisational capacity for transformation is in place in readiness for anticipated budget reductions • build on the use of cross-party groups to help maintain political consensus and commitment to the council's long-term priorities • build further elected member

		<p>2. Officers are fully implementing and monitor the revised governance arrangements for ALEOS as agreed by the Audit, Risk and Scrutiny Committee. The ALEO Governance Hub has now met twice under the new arrangements, with the next cycle of meetings being held in May 2016. In addition to commencing scrutiny of tier 2 ALEOs, the Hub will now meet quarterly, with the subsequent cycle scheduled for August. The performance of the Hub will be considered as part of the Governance Review being taken forward by Corporate Governance.</p> <p>3. The Audit, Risk and Scrutiny Committee have considered reports on the Health & Social Care services pre-integration financial assurance.</p> <p>4. Our Performance Review and Development framework enables us to identify skills, competency and knowledge gaps and the training and development required to bridge those gaps.</p> <p>5. Our corporate strategic workforce plan and individual directorate workforce plans (see 7. below) set out strategies and actions to source our future leaders including an ambitious and innovative</p>	<p>Ongoing</p> <p>Sept 2015</p> <p>Ongoing</p> <p>Ongoing</p>	<p>ALEO Governance Hub</p> <p>IJB / Internal Audit</p> <p>HR</p> <p>HR</p>	<p>and staff engagement in the change programmes.</p>
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		<p>internal development programme (called “Aspire”) to tackle succession at senior management level.</p> <p>6. A more robust programme management approach has been introduced for SIP and Capital Plan delivery, monitoring and reporting all major programmes of work giving the senior management visibility of progress, interdependencies, issues and risks. A review is currently underway to build on this and establish appropriate governance and methodology for all change activity.</p>	Ongoing	PMO	
7.	<p>Ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that the council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.</p>	<p>A 5 year corporate strategic workforce plan has been produced which is updated annually and presented to Council when it approves its annual budget. It is an essential component of the Council’s Integrated planning framework including financial planning, improvement planning and workforce planning. Our plan sets out how we will continue to attract, develop and retain the right number and quality of employees we need with a strong focus on improving how we do business. Our workforce plan is regarded as an “exemplar” by the Improvement Service.</p> <p>Each directorate has its own workforce plan aligning workforce requirements to the corporate Business Plan and their own</p>	Ongoing	HR	<ul style="list-style-type: none"> • Consider the capacity and capability required to deliver the strategic priorities against the recruitment challenges experienced in the North East.

		<p>service plans. These workforce plans forecast future service demands, analyse workforce demand and supply, include action plans to bridge any current or anticipated workforce gaps and explain how success against those actions will be measured. A summary of each Directorate's analysis of current and future trends and resourcing/development needs is included in the corporate strategic workforce plan.</p> <p>We will develop succession plans for key occupational groups within our workforce i.e. hard-to-fill, business critical posts.</p> <p>We will increase the number of young jobseekers (e.g. school-leavers, apprentices and graduates) we employ to fill gaps. This will include increasing the number of apprenticeship/trainee schemes, placements in support of our Aberdeen Guarantee pledge, school pupil placements and exploring the possibility of becoming an accredited SVQ Training Centre, possibly as a shared arrangement with Public Sector Partners.</p> <p>We will ensure that a more cost effective investment in recruitment and/or training and development is made with a long-term objective;</p> <p>We will create potential career paths for</p>			
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		<p>internal staff and retain talent.</p> <p>Key Worker Housing Scheme introduced whereby the Council has made available a limited supply of Council-owned flats for providing temporary accommodation for key workers to assist with recruitment and relocation</p> <p>We will tackle the critical shortage of primary teachers through long term, sustainable solutions - Internal staff offered the opportunity to retrain as primary teachers through sponsorship by Aberdeen City Council. 15 employees started the course in 2015. (Note: It is hoped the Council, will be in a position to offer the same opportunity in September 2016)</p> <p>We will plan for succession for leadership roles – 12 more aspiring leaders have been added to the <i>Aspire Future Leaders Programme</i> which is in its second year.</p>			
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