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ABERDEEN
CITY COUNCIL

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

Town House,
ABERDEEN 20 April 2016

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Council Chamber - Town House on **THURSDAY, 28 APRIL 2016 at 2.00 pm**.

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

1 Deputation Request

2 Minutes, Workplan and Decision Tracking Sheet

2.1 Minute of Previous Meeting of 9 March 2016 (Pages 5 - 18)

2.2 Workplan (Pages 19 - 28)

2.3 Decision Tracking Sheet (Pages 29 - 30)

3 Performance and Improvement

3.1 Internal Audit Progress Report - Report by the Internal Auditor (Pages 31 - 50)

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3.4 Data Protection Reporting September to December 2015 - Report by the Interim Director of Corporate governance (Pages 65 - 70)

4 Risk Management System

4.1 Corporate Governance Risk Register - Report by the Interim Director of Corporate Governance (Pages 71 - 90)

4.2 Fraud Annual Report - Report by the Interim Director of Corporate Governance (Pages 91 - 134)

4.3 Scottish Public Services Ombudsman Complaint Recommendations - Report by the Interim Director of Corporate Governance (Pages 135 - 140)

5 Control Environment and Assurance - Internal

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5.3 Secondary Schools - Report by the Internal Auditor (Pages 175 - 190)

5.4 Teachers Payroll - Report by the Internal Auditor (Pages 191 - 202)

5.5 Rent Collection - Report by the Internal Auditor (Pages 203 - 214)

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5.7 Social Work Tendering - Report by the Internal Auditor (Pages 233 - 246)

6 Control Environment and Assurance - Audit Follow Up

6.1 Audit Scotland - Borrowing and Treasury Management in Councils - Report by the Interim Director of Corporate Governance (Pages 247 - 254)

6.2 Due Diligence Process for the Establishment of the Aberdeen City Health and Social Care Partnership Budget - Report by the Interim Director of Corporate Governance (Pages 255 - 270)

6.3 Public Performance Reporting - Report by the Chief Executive (Pages 271 - 280)

6.4 Outstanding Internal Audit Recommendations pre 2015/16 (pwc) - Report by the Internal Auditor (Pages 281 - 286)

6.5 Internal Audit Follow Up on Recommendations Against the 2015/16 Internal Audit Plan - Report by the Internal Auditor (Pages 287 - 292)

6.6 External Audit Outstanding Recommendations - Report by the External Auditor (Pages 293 - 306)

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

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 9 March 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE**.** Present:- Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Carle (as substitute for Councillor Reynolds), Cooney, Copland, Lesley Dunbar (as substitute for Councillor Crockett), Flynn, Graham, Grant (as substitute for Councillor Nathan Morrison) (until item 5.3), Greig, Hutchison, Lawrence, Malik, Jean Morrison MBE, Townson and Young (as substitute for Councillor Nathan Morrison) (from item 5.3).

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=3811&Ver=4

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that items 9.1, 9.2 and 9.3 of today's agenda (articles 26, 27 and 28 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, 27 and 28 so as to avoid disclosure of exempt information of the class described in paragraph 1 to the Act.

MINUTE OF PREVIOUS MEETING OF 26 NOVEMBER 2015

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

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

WORKPLAN

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

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

DECISION TRACKING SHEET

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

The Committee resolved:-
to note the content of the decision tracking sheet.

MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 28 AUGUST 2015

5. The Committee had before it for information, the minute of meeting of the Corporate Health and Safety Committee of 28 August 2015.

The Committee resolved:-
to note the minute.

MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 27 NOVEMBER 2015

6. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 27 November 2015.

The Committee resolved:-
to note the minute.

DECLARATIONS OF INTEREST

Councillor Lawrence declared an interest in the subject matter of the following article by virtue of his position as a Council appointed Director to the Board of Sport Aberdeen but chose to remain in the meeting as Sport Aberdeen was a body being a company established wholly or mainly for the purpose of providing services to the local authority, and which had entered into a contractual arrangement with the local authority for the supply of goods and/or services to the local authority, as set out in paragraph 5.18(2)(d)(i) and (ii) of the Councillors' Code of Conduct.

Councillor Cameron declared an interest in the subject matter of the following article by virtue of his position as a Board member of Aberdeen Sports Village but chose to remain in the meeting during consideration of the item.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

ALEO GOVERNANCE HUBS - CG/16/027

7. The Committee had before it a report by the Interim Director of Corporate Governance which summarised the significant matters raised at the December meetings of the Arm's Length External Organisation (ALEO) Governance Hub.

Councillor Townson sought clarification relating to recent allegations relating to Garthdee Alpine Sports, whereupon the Convener advised that the matter would be discussed in private session.

Councillor Graham sought information as to when the Scottish Parliaments Local Government and Regeneration Committee would be releasing their report in relation to ALEO's, whereupon the Senior Democratic Services Officer advised that it had been published that morning and would be circulated to all members of the Committee.

The report recommended:
That the Committee –
(a) note the report and the appended minutes;
(b) note that the Governance Hub would begin meeting quarterly during 2016 and would commence scrutiny of tier 2 ALEOs in May; and
(c) refer 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.

The Committee resolved:-
(i) in relation to a question from Councillor Townson relating to Garthdee Alpine Sports, to note that information would be provided in private session;
(ii) in relation to a question from Councillor Graham relating to the Scottish Government publication on Arm's Length Organisations, to note that the report was published on the morning of 9 March and would be circulated to all members of the Committee; and
(iii) to otherwise approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS AND PERFORMANCE

8. 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 Committee resolved:-
(i) in relation to a question from Councillor Grieg regarding when the audit report on Corporate Policies and Procedures in Aberdeen and Aberdeenshire Councils would be presented to Committee, to note that it would be submitted to the next meeting in April 2016;

(ii) in relation to a question from Councillor Greig regarding when the audit report on Academy Visits would be presented to Committee, to note that it would be submitted to the next meeting in April 2016;
(iii) to otherwise note the content of the report.

INTERNAL AUDIT PLAN 2016/17

9. The Committee had before it a report by the Internal Auditor which presented the Internal Audit Plan for 2016/17.

The report recommended:
that the Committee approve the Internal Audit Plan for 2016/17.

The Committee resolved:-
to approve the recommendation contained in 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

EXTERNAL AUDIT PLAN 2015/16

11. The Committee had before it a report by Audit Scotland, External Auditor, which presented the External Audit Plan for 2015/16.

The Committee resolved:-
to approve the External Audit Plan for 2015/16.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINT RECOMMENDATIONS - CG/16/040

12. The Committee had before it a report by the Interim Director of Corporate Governance which (i) provided details of all Scottish Public Services Ombudsman (SPSO) decisions received during the first three quarters during 2015/16 relating to

Aberdeen City Council complaints; and (2) presented the SPSO Local Authority 2014/15 annual statistics table.

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

CROSS SERVICE - ALEO'S

13. The Committee had before it a report by the Internal Auditor, which presented an audit into the governance arrangements in place between the Council and its ALEO's and included the determination of sources of assurance regarding risk management, internal controls and staff and information governance.

Councillor Flynn sought clarification relating to the lack of a definition of an ALEO, whereupon the Senior Democratic Services Manager advised that there were currently four definitions for an ALEO and that one was currently used locally.

Councillor Hutchison stated that he had requested information from Bon Accord Care however the request was being dealt with as a FOI request and sought clarification if that was the correct process, wherein the Senior Democratic Services Manager advised that he would discuss the matter with Councillor Hutchison outwith the meeting.

The Convener requested information on how to raise members' enquiries with individual ALEO's as they weren't always being dealt with in the same manner. The Customer Experience Officer advised that she would circulate guidance to all Elected Members in due course.

The Committee resolved:-
(i) in relation to a question from Councillor Hutchison regarding a request for information from Bon Accord Care and how the request was being dealt with, to note that the Senior Democratic Services Manager would discuss the issue with Councillor Hutchison outwith the meeting;
(ii) in relation to a question from the Convener regarding how to raise members enquiries relating to ALEO's, to note that the Customer Experience Officer would issue guidance to all Councillors in due course; and
(iii) to otherwise note the content of the report and endorse the recommendations for improvement.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

EDUCATION AND CHILDREN'S SERVICES - PAYMENT CONTROLS IN CHILDREN'S SOCIAL WORK

14. The Committee had before it a report by Internal Auditor, which presented an audit, as requested by the Service, into the effectiveness of contracting and payment controls within Children's Social Work.

Councillor Yuill sought clarification over when the original urgent notice had been issued to budget holders and how long before the further notice was issued to the outstanding returns from the budget holders, wherein the Performance and Delivery Manager advised that she would source the information and provide it directly to Councillor Yuill and the Committee.

The Convener welcomed the report and the action plan in place to deal with the issues highlighted in the audit. She requested that the report be submitted to the next meeting of the Education and Children's Services Committee for them to consider the content of the audit report and the action plans in place.

The Committee resolved:-

(i) in relation to a question from Councillor Yuill regarding when the urgent notice was issued to budget holders and the time that had passed before a further notice was issued, to note that the Performance and Delivery Manager from Education and Children's Services would provide details to Councillor Yuill and the Committee;

(ii) to refer the audit report to the next meeting of the Education and Children's Services Committee for their consideration; and

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

HEALTH AND SOCIAL CARE INTEGRATION PRE-INTEGRATION FINANCIAL ASSURANCE

15. The Committee had before it a report by the Internal Auditor which presented the findings in relation to financial assurance for the pre-integration of health and social care.

The report advised that in May 2015, the Scottish Government issued final guidance for Integration Financial Assurance which placed specific requirements on the Audit Committees of the partner organisations within the pre integration shadow period, which included:

- The finance provisions to be included in the integration scheme;
- The plans for financial governance and financial assurance and risk;
- That lessons had been learned from other integration projects;

- That the financial metrics to be used in future to assess whether integration has met its objectives had been identified and that a process for obtaining baseline data was in place.

The report further advised that that a further report from NHS Grampian Internal Auditors would outline the separate work undertaken in respect of the areas controlled and influenced by NHS Grampian, a copy of which would be shared with members of this Committee in due course.

The Committee resolved:-
(i) to note that an updated report would be submitted to the Integrated Joint Board on 29 March 2016 and then to this Committee at its meeting in April 2016;
(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

FINANCE - COUNCIL TAX

16. The Committee had before it a report by the Internal Auditor which presented an audit into the effectiveness of the billing and collection arrangements to ensure they were robust and adequately applied.

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

CREMATORIUM

17. The Committee had before it a report by the Internal Auditor which presented an audit into the effectiveness of the new practices which had been implemented at the Crematorium as a result of the recommendations contained in the report published following the Infant Cremation Commission established by the Scottish Government and to ensure that they were working as intended and addressed the concerns in the report by the Scottish Government.

The Committee resolved:-
(i) to request the Head of Public Infrastructure and Environment to thank staff based at the Crematorium for their achievements especially under current difficult circumstances;
(ii) to otherwise note the report and endorse the recommendations for improvement.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

HOUSING - SHELTERED HOUSING

18. The Committee had before it a report by the Internal Auditor which presented an audit into the review of the implementation of revised arrangements for the usage of Sheltered and Very Sheltered Housing complexes within the City as outlined in a report presented to the Housing and Environment Committee in January 2013.

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

PUBLIC INFRASTRUCTURE AND ENVIRONMENT - TRADE WASTE

19. The Committee had before it a report by the Internal Auditor which presented an audit into whether adequate control was in place covering income and expenditure; that appropriate agreements and other paperwork was in place; and that accounting arrangements were robust in relation to trade waste.

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

CROSS SERVICE - RECRUITMENT PROCEDURES

20. The Committee had before it a report by the Internal Auditor which presented an audit into whether all Council Services were complying with procedures relating to recruitment and document retention and that recruitment was being undertaken in the most efficient manner.

Councillors requested clarification relating to teachers being employed prior to the relevant pre-employment checks taking place, wherein the Director of Education and Children's Services advised that a risk assessment had been undertaken and all teachers as part of their GTC registration would hold a PVG certificate and that needed to be updated for employment at the Council.

Councillor Yuill requested clarification as to how many teachers at the start of the school term in August 2015 did not hold the updated PVG, wherein the Head of Policy, Performance and Resources advised that he would provide the information directly to Councillor Yuill.

The Convener sought agreement from the Committee that a report be submitted to the Education and Children's Services Committee and the Finance, Policy and Resources Committee at their June meetings in respect of the recommendations and observations presented in the audit report.

The Committee resolved:-
(i) in relation to a question from Councillor Yuill regarding what the position was at the start of the school term in August 2015 for teachers having been PVG checked, to note that the Head of Policy, Performance and Resources would provide the information to Councillor Yuill;
(ii) to instruct the Interim Director of Corporate Governance and the Director of Education and Children's Services to submit a report to the Education and Children's Services Committee on 2 June 2016 and the Finance, Policy and Resources Committee on 7 June 2016 in respect of the observations and recommendations made by Internal Audit on PVG checks in their internal audit report Recruitment and Selection; and
(iii) to otherwise note the content of the report and endorse the recommendations for improvement.

INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015/16 (PWC)

21. The Committee had before it a report by the Internal Auditor which advised of the 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.

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

INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS AGAINST THE 2015/16 AUDIT PLAN

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.

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.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

EXTERNAL AUDIT OUTSTANDING RECOMMENDATIONS 2014/15

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.

The External Auditor advised that in relation to item 1 (National Fraud Initiative) that a detailed report would be presented to this Committee at its meeting in April.

The Committee resolved:-
(i) to note that a report would be submitted to the next meeting in April relating to National Fraud Initiative;
(ii) to otherwise note the content of the report.

LEASED COMMUNITY CENTRES - PROGRESS REPORT - CHI/16/022

24. The Committee had before it a report by the Director of Communities, Housing and Infrastructure which advised on the progress made with implementing the outstanding audit recommendations in relation to Leased Community Centres.

Councillors sought clarification relating to the position at various Community Centres specifically those whose lease was due to expire. The Service Manager advised that a mutually agreed position would have to be reached on how to move forward with those Centres with their lease due to expire.

Councillor Hutchison enquired as to the maintenance at one of the Community Centres and whether finance had been allocated to undertake the works, wherein the Service Manager advised that there was nothing scheduled at present for the Centre.

Councillor Graham sought clarification as to where future information would be reported, wherein the Service Manager advised that reports would be submitted to the Communities, Housing and Infrastructure Committee.

The report recommended:
that the Committee note the report.

The Committee resolved:-
(i) to note that further reports relating to Leased Centres would be submitted to the Communities, Housing and Infrastructure Committee;
(ii) to otherwise note the content of the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

ANNUAL ACCOUNTS 2015/16 - ACTION PLAN AND KEY DATES - CG/16/016

25. The Committee had before it a report by the Interim Director of Corporate Governance which provided high level information and key dates in relation to the 2015/16 Annual Accounts including linkages to the plans and timetables of the Councils External Auditors.

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

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

OVERVIEW OF LOCAL GOVERNMENT 2015 - REPORT BY THE CHIEF EXECUTIVE

26. The Committee had before it a report by the Chief Executive which provided 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".

The Corporate Performance and Transformation Manager advised that a report on the Best Value Audit would be submitted to this Committee at its meeting in April.

The report recommended:
That the Committee –
(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 action as appropriate.

The Committee resolved:-
(i) to note that a report relating to the Best Value Audit would be submitted to this Committee at its meeting in April; and
(ii) to otherwise approve the recommendations contained in the rep[ort.

LOCAL SCRUTINY PLAN 2016/17

27. The Committee had before it a report by Audit Scotland, External Auditor which presented Aberdeen's draft Local Scrutiny Plan for 2016/17.

The Committee resolved:-
to note the content of the draft Local Scrutiny Plan.

AUDIT, RISK AND SCRUTINY COMMITTEE
9 March 2016

EXEMPT INFORMATION

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

CROSS SERVICE - TIME SHEETS

28. The Committee had before it a report by the Internal Auditor which presented an audit into whether timesheets across the Council had been completed, authorised and paid correctly in line with the Council's terms and conditions and Financial Regulations.

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

WINDOWS REPLACEMENTS

29. With reference to article 26 of the minute of its meeting of 26 November 2015, the Committee had before it a report by the Internal Auditor which advised on the outcome of an audit relating to the process for dealing with complaints against officers. The report had appended the original report and associated appendices relating to windows replacements.

The report recommended:
That the Committee is requested to review, discuss and comment on the issues raised within the report.

The Convener sought agreement from the Committee on a number of recommendations that she had discussed with the Convener of Finance, Policy and Resources Committee prior to the meeting, those being:

That the Committee:
(a) notes the contents of the report
(b) notes the extracts from the Managing Discipline Guidance for Managers regarding suspension as noted in Appendix A of the report;
(c) notes that the Conveners of Audit, Risk and Scrutiny Committee and Finance, Policy and Resources Committee raised concerns about the operational and strategic management of the housing repairs services separately and independently with the Chief Executive and the Director of Communities, Housing and Infrastructure;
(d) notes the concerns regarding operational and strategic management of the housing repairs services raised by the Trade Unions separately and

independently of Elected Members with the Chief Executive and the Director of Communities, Housing and Infrastructure;

(e) note that there was no specific policy or procedure to deal with complaints against officers;

(f) instructs the Director of Corporate Governance to develop a new policy for dealing with complaints against officers, in liaison with trade unions to ensure a consistent approach was maintained across the Council regardless of officer grades; and

(g) instructs the Director of Corporate Governance to report to the Finance, Policy and Resources Committee on 7 June 2016 with proposals for a new policy relating to complaints against officers.

The Committee resolved:-
to approve the recommendations as outlined by the Conveners of Audit, Risk and Scrutiny Committee and the Finance, Policy and Resources Committee.

MATTERS UNDER INVESTIGATION

30. With reference to article 7, resolution (i) of this minute, the Internal Auditor and the Head of Policy, Performance and Resources provided information in relation to the investigation undertaken in respect of alleged complaints with an ALEO.

The Committee resolved:-
in response to a question from Councillor Townson relating to an ALEO to note the information provided.

- **COUNCILLOR JACKIE DUNBAR, Convener**

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AUDIT, RISK and SCRUTINY COMMITTEE

WORKPLAN

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
28 APRIL 2016				
Performance and Improvement				
1.	26/02/15 article 9	Internal Audit Progress and Performance against 2015/16 Audit Plan	Standing Item	Internal Auditor
2.	09/03/16 Article 11	External Audit Progress and Performance	Standing Item	External Audit
3.		Data Protection Reporting September to December 2015	Standing Item	Team Leader, CG
Risk Management System				
4.		Corporate Governance Risk Register		Performance and Risk Manager
5.		Fraud Annual Report		Corporate Investigation Manager
6.		SSPO Recommendations	Standing Item	Customer Experience Officer
Control Environment and Assurance – Internal				
7.	26/02/15 article 9	Cross Service Corporate Policies and Procedures	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Education & Children's Services Secondary Schools	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Education & Children's Services Teachers Payroll	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
10.	26/02/15 article 9	Housing Rent Collection	Internal Audit Plan agreed.	Internal Auditor
11.	26/02/15 article 9	Transportation Vehicle and Driver Records	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Social Work Tendering	Internal Audit Plan agreed	Internal Auditor
13.		Audit of Best Value and Community Planning		Corporate Performance and Transformation Manager
Control Environment and Assurance – External				
14.	09/03/16 Article 11	National Fraud Initiative		External Auditor
Control Environment and Assurance – Audit Follow Up				
15.	26/02/15 article 9	Audit Recommendations Outstanding pre 15/16	Standing Item	Internal Auditor
16.	26/02/15 article 9	Audit Recommendations Outstanding against the 2015/16 approved Audit Plan	Standing Item	Internal Auditor
17.	09/03/16 Article 11	External Audit Outstanding Recommendations	Standing Item	External Auditor
Exempt Report				
18.		Matters Under Investigation	Standing Item	
27 JUNE 2016				
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance		Internal Auditor
2.	09/03/16 Article 11	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting January to March 2016		Team Leader CG

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
4.	26/06/15 article 11	Data Protection Annual Report		Team Leader CG
5.		ALEO Governance Hubs		Senior Democratic Services Manager
6.		Annual Audit, Risk and Scrutiny Committee Report		Corporate Performance & Transformation Manager
Risk Management System				
7.		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				
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.	09/03/16 article 9	Following the Public Pound	Internal Audit Plan agreed	Internal Auditor
12.	09/03/16 article 9	Data Protection	Internal Audit Plan agreed	Internal Auditor
13.	09/03/16 article 9	Housing – Building Maintenance	Internal Audit Plan agreed	Internal Auditor
14.	09/03/16 article 9	Cleaning Payroll	Internal Audit Plan agreed	Internal Auditor
15.	09/03/16 article 9	Purchasing and Creditors	Internal Audit Plan agreed	Internal Auditor
16.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Self Directed Support	Internal Audit Plan agreed	Internal Auditor
17.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
		Regulations		
18.	26/02/15 article 9	Education & Children's Services Family and Community Support – Family Centres	Internal Audit Plan agreed	Internal Auditor
19.	26/02/15 article 9	Education & Children's Services Out of Authority Placements	Internal Audit Plan agreed –	Internal Auditor
Control Environment and Assurance – External				
20.	09/03/16 Article 11	Managing Capital Projects – Follow Up	External Audit Plan agreed	External Auditor
Control Environment and Assurance – Audit Follow Up				
21.	26/02/15 article 9	Audit Recommendations Outstanding pre 15/16	Standing Item	Internal Auditor
22.	09/03/16 Article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
23.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
24.		Unaudited Annual Accounts 2015/16	To present the unaudited accounts.	Head of Finance
25.	09/03/16 article 11	External Audit Interim Report on 2015/16 Audit		External Audit
Value for Money				
26.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
27.		Matters Under Investigation	Standing Item	
27 SEPTEMBER 2016				
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
2.	09/03/16 Article 11	External Audit Progress and Performance	Standing Item	External Audit
3.		Data Protection Monitoring – April to June 2016	Standing Item	Team Leader, CG
4.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
5.		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.	09/03/16 article 9	Compliance with Procurement related Legislation and Financial Regulations	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Infosmart System	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Scottish Welfare Fund	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Public Records (Scotland) Act	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Roads Payroll	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – External				
11.				
Control Environment and Assurance – Audit Follow Up				
12.	09/03/16 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
13.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
14.		Annual Audited Accounts 2015/16		Head of Finance

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
15.	09/03/16 article 11	Annual Report to Members and the Controller of Audit on the 2015/16 Audit - September committee		External Audit
Value for Money				
16.				
Exempt Report				
17.		Matters Under Investigation	Standing Item	
24 NOVEMBER 2016				
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.	09/03/16 Article 11	External Audit Progress and Performance	Standing Item	External Audit
3.		Data Protection Monitoring – July to September 2016	Standing Item	Team Leader, CG
4.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
5.		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.	09/03/16 article 9	Budget Setting Process	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Business Rates	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Cash Receipting System	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Agency Staff	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16	Carefirst	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	article 9			
Control Environment and Assurance – External				
11.				
Control Environment and Assurance – Audit Follow Up				
12.	09/03/16 Article 9	Internal Audit Recommendations Outstanding	Standing Item	Internal Auditor
13.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
13.				
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	
FEBRUARY 2017				
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.	09/03/16 Article 11	External Audit Progress and Performance	Standing Item	External Audit
3.		Data Protection Monitoring – October to December 2016	Standing Item	Team Leader, CG
4.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
5.		System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance –				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Internal				
6.	09/03/16 article 9	Council Owned Land and Property	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	ALEO's	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Timesheets/Allowances	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Treasury Management	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Primary School Visits	Internal Audit Plan agreed	Internal Auditor
11.	09/03/06 article 9	Transportation – Vehicles	Internal Audit Plan agreed	Internal Auditor
12.	09/03/16 article 9	Integration of Health and Social Care	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – External				
13.				
Control Environment and Assurance – Audit Follow Up				
14.	09/03/16 Article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
15.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
16.				
Value for Money				
17.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
18.		Matters Under Investigation	Standing Item	
APRIL 2017				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.	09/03/16 Article 11	External Audit Progress and Performance	Standing Item	External Audit
3.		Data Protection Monitoring – January to March 2017	Standing Item	Team Leader, CG
4.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
5.		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.	09/03/16 article 9	Benefits	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Disclosure Checks	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Commissioning of Children's Social Work Services	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Fostering and Adoption Allowances	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Transportation - Tendering Procedures	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – External				
11.				
Control Environment and Assurance – Audit Follow Up				
12.	09/03/16 Article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
13.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Financial Reporting				
14.				
Value for Money				
15.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
16.		Matters Under Investigation	Standing Item	

AUDIT, RISK and SCRUTINY

DECISION TRACKING SHEET

28 April 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.

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
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	A report is on the agenda
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	A report is on the agenda
4.	Audit, Risk and Scrutiny	**Internal Audit Progress Report – ALEO's** Guidance to be issued to all Councillors relating to how to raise	L McKenzie	Human Resources and Customer Service	

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
		members enquiries with ALEO's			
5.	Audit, Risk and Scrutiny	**Health and Social Care – Pre-Integration Financial Assurance** (i) to note that an updated report would be submitted to the Integrated Joint Board on 29 March and then to this Committee at its meeting in April 2016	P Dixon/ J Proctor		A report is on the agenda

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	28 April 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 and 2016/17 Internal Audit plans.

2. RECOMMENDATIONS

2.1 The Committee is requested to:

2.1.1 Agree to the postponement of the 2015/16 audit of Out of Authority Placements as requested by Education and Children's Services for the reasons detailed in Appendix A; and

2.1.2 Otherwise 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 and progress against the plan has been reported to each subsequent meeting of the Committee.

4.2 Appendix A to this report shows progress with the remaining outstanding audits contained in the plan and a summary is shown in the following table:

Planned Audit Status	As at 18 April 2016 by Original Target Committee Date					%age
	29.09.15	26.11.15	25.02.16	28.04.16	Total	
Complete	7	6	4	1	18	56.3
Draft Report Issued	0	1	3	0	4	12.5
Work in Progress	0	0	0	2	2	6.3
(*) To be Postponed	0	0	0	1	1	3.0
(**) Moved to 2016/17 / Cancelled	1	1	3	2	7	21.9
Total	8	8	10	6	32	100.0

(*) As per recommendation 2.1.1 in this report
(**) As agreed at the Audit, Risk and Scrutiny Committee on 9 March 2016.

4.3 Reasons for previous delays in progress have been reported to Committee previously.

4.4 The Internal Audit plan for 2015/16 had a contingency for additional works and investigations. The following table provides a summary of these to date whilst more detail is shown in the attached appendix relating to the one that has not been reported to Committee previously:

Additional Work Status	As at 18 April 2016
Complete	7
Draft Report Issued	0
Work in Progress	1
Total	8

4.5 The Internal Audit plan for 2016/17 was approved by this Committee on 9 March 2016. The plan included an indicative Committee date by when it was planned to report each audit.

4.6 Appendix B to this report shows progress with the audits contained in the plan and a summary is shown in the following table:

Planned Audit Status	As at 18 April 2016 by Original Target Committee Date						%age
	Jun 16	Sep 16	Nov 16	Feb 17	Apr 17	Total	
Complete	0	0	0	0	0	0	0.0
Draft Report Issued	0	0	0	0	0	0	0.0
Work in Progress	5	0	0	0	0	5	18.5
To Start	0	5	5	7	5	22	81.5
Total	5	5	5	7	5	27	100.0

5. REPORT AUTHOR DETAILS

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APPENDIX A

PROGRESS WITH 2015/16 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
CROSS SERVICE AUDITS					
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* *Draft report issued*	*17.08.15* *13.08.15*	*Green*	*The draft Internal Audit Report was discussed by Aberdeen City and Aberdeenshire's Joint Senior Management Team on 09.12.15.*
		Management response due *Reminder sent* *Various Management responses received between*	*14.09.15* *14.12.15* *21.12.15 & 19.01.16*	*Amber*	
		Updated draft report issued *Requests from management regarding report content* *Revised draft issued*	*20.01.16* *01.02.16* *16.02.16*	*Green*	
		Management response received Final report issued	24.03.16 28.03.16	Amber Green	
		Original target Committee date Actual submission to Committee	29.09.15 28.04.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

CROSS SERVICE AUDITS

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.	Draft report due to be issued Draft report issued	25.02.16 07.03.16	Amber	*Obtaining access to the data, and in the format, required to undertake the audit took longer than anticipated.*
		Management response due CH&I response received	06.04.16 29.03.16	Green	More information being provided by Service and further discussion with C&PS required.
		E&CS response received	08.04.16	Amber	Further discussion underway with Service.
		Reminders sent CG response received H&SCP response received	14.04.16 N/A N/A	 Amber Amber	
		Original target Committee date Anticipated submission to Committee	26.11.15 27.06.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
CORPORATE GOVERNANCE					
Finance					
Bank Reconciliations	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	Draft report due to be issued Draft report issued	08.04.16 18.04.16	Amber	*Delays in Internal Audit caused by Auditor leaving the Council* and clearing other Internal Audit reports
		Original target Committee date Anticipated submission to Committee	25.02.16 27.06.16	Amber	
Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Original target Committee date Anticipated submission to Committee	28.04.16 27.06.16	Amber	See below:
Finance has requested that this audit be delayed in recognition that Finance staff are required to prioritise year end work in order that timescales in relation to the 2015/16 Annual Accounts are achieved. Although work has commenced, the resultant report will be delayed					
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.	Draft report due to be issued Draft report issued	14.03.16		Progress has been delayed pending receipt of Disclosure Scotland Checks for the Internal Audit staff involved in this audit.
		Original target Committee date Anticipated submission to Committee	28.04.16 27.06.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
EDUCATION AND CHILDREN'S SERVICES					
Secondary Schools	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Draft report due to be issued Draft report issued	30.10.15 26.10.15	Green	
		Management response due Management response received	23.11.15 05.01.16	Red	
		Final draft issued Reminders issued to Service Management response received	07.01.16 21.01.16 15.02.16 09.03.16 29.03.16	Green Red	
		Final draft report issued Management response received and various discussions	30.03.16 Between 06.04.16 & 13.04.16	Green	
		Final report issued	14.04.16	Green	
		Original target Committee date Actual submission to Committee	25.02.16 28.04.16	Amber	
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 Draft report issued	11.03.16 10.03.16	Green	*Delays in Internal Audit caused by additional work undertaken and resource issues.*
		Management response due Management response received	11.04.16 11.04.16	Green	Further discussion with Head of Service required
		Original target Committee date Anticipated submission to Committee	25.02.16 27.06.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

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 Draft report issued	04.03.16 21.03.16	Amber	
		Management response due E&CS response received Corporate Governance response	01.04.16 01.04.16 04.04.16	Green	
		Final report issued	05.04.16	Green	
		Original target Committee date Actual submission to Committee	28.04.16 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	N/A	*Commencement of audit under discussion with Service.* See below:

The Service has requested that the audit of Out of Authority Placements be postponed for the following reasons:
Burden to the Service:

- The Service is in the throes of an Independent Multi-Agency Review, which is of high priority
- The 2015 integrated children's services inspection identified this issue, and the Service has a detailed improvement action plan with associated budgetary savings. This has been reported to the Education and Children's Services Committee and the Integrated Children's Board.
  As part of the above the Service has stated that it:
  - Has undertaken a rigorous review of 38 out of authority placements that has considered rationale for decision making; plans for return to Aberdeen where and if possible; lessons learnt; actions going forward eg. Shared education/social work learning event (now in process).
  - Are reviewing the systems, processes and documentation that inform out of authority decision making processes
- Three Internal Audits of Social Work in a three month period

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES **Housing**					
Rent Collection	Consider whether rent collection and arrears processes are robust and are being complied with.	Draft report due to be issued Draft report issued	25.09.15 27.01.16	Red	*Delays in Internal Audit*
		Management response due Management response received	29.02.16 29.02.16	Green	
		Final version of report discussed	From 14.03.16 to 06.04.16		
		Final report issued	07.04.16	Green	
		Original target Committee date Actual submission to Committee	29.09.15 28.04.16	Amber	
COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued) **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 Draft report issued	23.12.15 22.01.15	Amber	
		Management response due Reminder issued Meeting held to discuss issues Management response received	08.02.16 15.02.16 04.03.16 07.04.16	Amber	
		Final report issued	08.04.16	Green	
		Original target Committee date Actual submission to Committee	25.02.16 28.04.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
ADULT SOCIAL WORK / INTEGRATION JOINT BOARD					
Social Work Tendering	Consider whether robust, documented procedures are in place to adequately control tendering and selection processes. Consider whether robust, documented procedures are in place to adequately control tendering and selection processes.	Draft report due to be issued Draft report issued	02.10.15 01.12.15	Amber	*Additional work being undertaken in respect of Children's Services requested by Chief Executive*
		Management response due Management response received	22.12.15 22.12.15	Green	*Response resulted in further consultation with other Services.*
		Further draft issued Management response (partial) received	15.01.16 22.01.16	Amber	
		Updated draft issued Management response due	12.02.16 26.02.16		
		Various discussions between Services and Internal Audit	Between 12.02.16 and 08.04.16		
		Final report issued	08.04.16	Green	
		Original target Committee date Actual submission to Committee	26.11.15 28.04.16	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD (continued)

Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	Draft report due to be issued Draft report issued	04.03.16 23.03.16	Amber	*Audit delayed at request of Service due to external inspection*
		Management response due Management response received	13.04.16 13.04.16		Further discussion underway.
		Original target Committee date Anticipated submission to Committee	25.02.16 27.06.16	Amber	

GENERAL

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 being undertaken are detailed in the following tables.

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 27.06.16	Amber	

APPENDIX B

PROGRESS WITH 2016/17 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable
CROSS SERVICE					
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.	Anticipated submission to Committee	February 2017		
ALEOs	Consider how Services manage their ALEOs including payments and performance.	Anticipated submission to Committee	February 2017		
Compliance with Procurement related Legislation and Financial Regulations.	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.	Anticipated submission to Committee	27.09.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

CROSS SERVICE (continued)

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.	Anticipated submission to Committee	February 2017		
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.	Draft report due to be issued	04.05.16		
		Anticipated submission to Committee	27.06.16		
Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	Draft report due to be issued	18.05.16		
		Anticipated submission to Committee	27.06.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE

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.	Anticipated submission to Committee	27.09.16		
Budget Setting Process	Review procedures used in setting the Council's budget.	Anticipated submission to Committee	24.11.16		
Treasury Management	Consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.	Anticipated submission to Committee	February 2017		
Business Rates	Consider whether billing and collection arrangements are robust and adequately applied.	Anticipated submission to Committee	24.11.16		
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.	Anticipated submission to Committee	24.11.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

Scottish Welfare Fund	Consider whether administration arrangements are robust and being complied with.	Anticipated submission to Committee	27.09.16		
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.	Anticipated submission to Committee	April 2017		
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.	Anticipated submission to Committee	April 2017		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

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.	Anticipated submission to Committee	24.11.16		

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.	Anticipated submission to Committee	27.09.16		

EDUCATION AND CHILDREN'S SERVICES

Commissioning of Children's Social Work Services	Consider whether arrangements in place are adequate.	Anticipated submission to Committee	April 2017		

Primary School Visits	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Anticipated submission to Committee	February 2017		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

EDUCATION AND CHILDREN'S SERVICES (continued)

Fostering and Adoption Allowances	Consider whether adequate procedures are in place to control calculation, award and payment of allowances, and that correct rates are applied and any overpayments are recovered timeously.	Anticipated submission to Committee	April 2017		

COMMUNITIES, HOUSING AND INFRASTRUCTURE

Building Maintenance Procurement	Consider whether adequate control is in place regarding procurement of materials.	Draft report due to be issued	18.05.16		
		Anticipated submission to Committee	27.06.16		

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.	Draft report due to be issued	18.05.16		
		Anticipated submission to Committee	27.06.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

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.	Anticipated submission to Committee	February 2017		
Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Anticipated submission to Committee	April 2017		
Roads Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours.	Anticipated submission to Committee	27.09.16		

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

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.	Draft report due to be issued	18.05.16		
		Anticipated submission to Committee	27.06.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 18 April 2016		Red Amber Green	Comment where applicable

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD (continued)

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.	Anticipated submission to Committee	24.11.16		

Health and Social Care Partnership	Post Integration review of Health and Social Care Intervention as required by Integration Resource Advisory Group (IRAG) Guidance.	Anticipated submission to Committee	February 2017		

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			

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	28 April 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Charter
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek agreement to amending the Internal Audit Charter from 28 April 2016.

2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Charter for implementation from 28 April 2016.

3. FINANCIAL IMPLICATIONS

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

4. OTHER IMPLICATIONS

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

5. BACKGROUND / MAIN ISSUES

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

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

and Scrutiny Committee) approves the Internal Audit Charter.

5.3 The Standards define the Charter as follows:

"The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board."

5.4 In relation to the public sector, it must:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

5.5 On 25 February 2015, prior to inception of the shared Internal Audit Service between Aberdeen City and Aberdeenshire Councils, the Audit, Risk and Scrutiny Committee approved a new Internal Audit Charter, which covered both Councils. During the first year of operation, some changes have been made to the way in which Internal Audit reports its outcomes in Aberdeen City and, therefore, the Charter no longer reflects actual practice. In view of this, it has been decided that, rather than continuing with one Charter covering both Councils, a separate one will be created for each.

5.6 The Internal Audit Charter, which is attached as an appendix to this report, is based on the requirements of the PSIAS the main requirements of which are:

5.6.1 Relationships between the chief audit executive (Chief Internal Auditor), chief financial officer, chief executive, the audit committee and other key officers are defined.

5.6.2 The purpose, authority and responsibility of Internal Audit must be formally defined in the Charter which must be consistent with the Definition of Internal Audit, the Code of Ethics and the Standards.

5.6.3 The nature of assurance services provided to the organisation must be defined.

5.6.4 The mandatory nature of the *Definition of Internal Auditing,* the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter.

5.7 Other important considerations include establishing Internal Audit's independence and ensuring that it is free from interference in determining the scope of internal auditing, performing work and communicating results. This includes the reporting of any impairment to that independence (either in fact or appearance), scope limitations, and restrictions on access to records, etc to appropriate parties.

6. REPORT AUTHOR DETAILS

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Appendix A

ABERDEEN CITY COUNCIL
INTERNAL AUDIT CHARTER

INTRODUCTION

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

It is a requirement of PSIAS that the Charter be approved by the "Board". Within Aberdeen City Council, the Board is the Audit, Risk and Scrutiny Committee.

ROLE

Internal Audit's primary role is to provide independent and objective assurance on the Council's entire control environment (including risk management). This involves a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of the control environment. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny Committee, except where they relate to the Pension Fund, in which case the report is provided to the Pensions Committee. Along with other evidence, these reports are used in forming annual opinions on the adequacy of the control environment.

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

PROFESSIONALISM

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

AUTHORITY

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

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

The Chief Internal Auditor has free and unfettered access to the Council's Chief Executive, and Convener of the Board. The Chief Internal Auditor has the right to report direct to Council in any instance where he or she deems it inappropriate to report direct to the Director of Corporate Governance, Chief Executive, or Audit, Risk and Scrutiny Committee.

ORGANISATION

The Chief Internal Auditor will report functionally to the Audit, Risk and Scrutiny Committee and administratively (i.e. day to day operations) to the Director of Corporate Governance, who is a member of the Council's Corporate Management Team.

In this context functional reporting means the Audit, Risk and Scrutiny Committee will:

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

The Chief Internal Auditor's annual review will be undertaken by the Director of Business Services in Aberdeenshire Council. The Director of Corporate Governance will be asked to contribute to this and will review the outcome. The Convener of the Audit, Risk and Scrutiny Committee will be asked to provide input to the review.

INDEPENDENCE AND OBJECTIVITY

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

Internal Audit will remain free from interference by any element in the organisation in the matter of audit selection (including scope, procedures, frequency and timing), and content of reports thereon to permit maintenance of a necessary independent and objective mental attitude. Notwithstanding this, Internal Audit will consult with management regarding the scope, timing and outcome of each assignment.

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

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

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

The Chief Internal Auditor will confirm to the Audit, Risk and Scrutiny Committee, at least annually, the organisational independence of the Internal Audit function.

RESPONSIBILITY

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

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

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

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

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

The Council's Financial Regulations require that the Head of Finance and Head of ICT and Transformation be advised of any suspected irregularity affecting the finances, property, services or policy of the Council and that the Head of ICT and Transformation investigate such matters as appropriate.

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

INTERNAL AUDIT PLAN

On an annual basis, the Chief Internal Auditor will consult with senior management in developing an Internal Audit plan for submission to the Council's Corporate Management Team (in terms of PSIAS "senior management") and Audit, Risk and Scrutiny Committee for review, comment and approval by the latter. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the period covered by the plan.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's Corporate Management Team and Audit, Risk and Scrutiny Committee. Any significant deviation from the Internal Audit plan will be communicated to the Council's Corporate Management Team and Audit, Risk and Scrutiny Committee through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each audit and this shall be distributed as appropriate. Internal Audit results will be reported to the Audit, Risk and Scrutiny Committee, except where they relate to the Pension Fund, in which case they will be reported to the Pensions Committee. Where reports relate to consultancy requested by management for operational purposes, the

results will be reported to the Audit, Risk and Scrutiny Committee where they relate to governance or control issues.

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

Internal Audit will monitor action taken by management to implement agreed recommendations and will provide this information to the Audit, Risk and Scrutiny Committee / Pensions Committee.

PERIODIC ASSESSMENT

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

In addition, the Chief Internal Auditor will communicate to the Council's Corporate Management Team and Audit, Risk and Scrutiny Committee regarding Internal Audit's quality assurance and improvement program, including results of ongoing internal assessments and external assessments which must be conducted at least every five years.

Approved by the Audit, Risk and Scrutiny Committee on …

External Audit Progress Update – 2015/16 Audit

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

Purpose of this report

1. This report aims to provide an update of progress with the external audit of the 2015/16 financial year. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update at each meeting. Our roles and responsibilities were set out in our 2015/16 annual audit plan which was considered by the Committee in March 2016. A significant element of our work relates to gathering the assurances required to support our opinion on the council's financial statements.

Summary of planned audit work for 2015/16

2. For 2015/16, our planned work includes:
   - an audit of the financial statements and provision of an opinion on whether:
     - they give a true and fair view of the financial position of Aberdeen City Council as at 31 March 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 was developed following the Local Area Network's (LAN) consideration of new evidence in terms of its impact on existing risk assessments and identifying scrutiny activity for the council during 2016/17

- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including: internal controls; the adequacy of internal audit; arrangements for Statutory Performance Indicators; national study follow-up work; and a follow up review of the ICT environment
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- review of National Fraud Initiative arrangements

Matters for Members' attention

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

4. **Local Scrutiny Plan**

Publication of 2016/17 Plan

4.1. The Local Scrutiny Plan for 2016/17 was considered by the committee in March 2016. At that point the plan was in final draft form. Following a meeting with the chief executive, additional context was added to the body of the report which included further detail on the development of the Aberdeen integrated joint board, an update on the status of the inspection of services for older people and the positive outcome of a routine visit to the council by the Scottish Housing Regulator which had taken place after the LAN meeting. In terms of scrutiny, there were no major changes to the scrutiny plan attached to the report. One additional entry was made to reflect site visits planned by Audit Scotland colleagues to all City Deal authorities with a view to gathering intelligence on e.g. governance arrangements, funding mechanisms and potential risks. This intelligence will inform a briefing note to the Accounts Commission in May/June 2016 in preparation for a potential performance audit study next year. As there was no significant change to the overall plan, it was not considered necessary to bring the final plan back to the committee.

4.2. The 2016/17 local scrutiny plans for all 32 councils together with the national scrutiny plan have now been published on Audit Scotland's website and can be found by the following link: http://www.audit-scotland.gov.uk/our-work/scrutiny-improvement/scrutiny-plans

4.3. The direct link to Aberdeen's published local scrutiny plan is as follows: http://www.audit-scotland.gov.uk/uploads/docs/report/2016/lsp_160331_aberdeen.pdf

Review of the shared risk assessment process

4.4. The plan is the combined result of a shared risk assessment undertaken on an annual basis by the Local Area Network and national inspection programmes developed by scrutiny partners. The council's management team has expressed frustrations in the past about the apparent absence of co-ordination of scrutiny activity and the scheduling of work in such a way that the council felt it was experiencing a continuing burden of scrutiny. Members may recall that we exchanged correspondence with the Care Inspectorate in summer 2015 in an attempt to delay the planned inspection of older peoples' services in Aberdeen as it was coming so soon after the inspection of children's services and the best value audit. While we were unsuccessful in influencing any amendment to the Care Inspectorate's timetable, in common with my colleagues, we have regularly provided feedback internally within Audit Scotland on local experiences and frustrations from the process.

4.5. Audit Scotland has led an annual review of the process for producing local scrutiny plans. This year however, the Strategic Scrutiny Group (senior representatives from each of the scrutiny bodies) has agreed to a more fundamental review which will consider a range of matters including the future scope of the shared risk assessment process and the relationship between local and national scrutiny risk assessments. We will keep the committee informed of developments arising from this review which will inform the next round of shared risk assessments which normally commence from October each year.

5. Aberdeen City Integrated Joint Board (IJB)

5.1. Our 2015/16 audit plan included a review of the work carried out by the council to meet its responsibilities in preparing for the transfer of devolved responsibilities and budgets to the integrated joint board with effect from April 2016. We made some initial remarks within the Local Scrutiny Plan and we will comment further in our Annual Audit Report.

5.2. The Aberdeen City IJB was formally established on 6 February 2016, although operational responsibility was deferred until 1 April 2016. However, the IJB is required to prepare financial statements covering the accounting period from the establishment date to 31 March 2016. Due to the short accounting period and the status of the IJB at 31 March 2016, it will only have a handful of transactions and balances. The IJB is regarded as a separate audit and consequently, we have prepared a separate annual audit plan for the audit of the IJB's 2015/16 financial statements. We will report our findings and conclusions from this work directly to the IJB in due course.

Progress of 2015/16 audit work – planned audit outputs

6. In agreeing our fee for the audit with the Head of Finance, we agreed to deliver the following outputs in relation to the 2015/16 audit. A summary of progress against our plans is set out below.

Planned outputs	Target date for ARSC	Actual date	Complete	Comments
Governance				
Annual Audit Plan including agreement of our fee for the audit	9 March 2016	9 March 2016	Yes	Considered by Audit, Risk and Scrutiny Committee on 9 March 2016
Local Scrutiny Plan 2016/17	9 March 2016	9 March 2016	Yes	See paragraphs 4.1 to 4.3 in this report
Interim report on 2015/16 audit – covers internal controls and a follow up of 2014/15 Interim Action Plan	27 June 2016			
Managing Capital Projects – follow up activity	27 September 2016			
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	27 September 2016			
Independent auditor's report on the financial statements	27 September 2016			
Audit opinion on charitable trusts	27 September 2016			

Progress of 2015/16 audit work – returns

7. We are required to certify/submit the undernoted returns to Audit Scotland and/or the Scottish Government but we do not routinely bring these documents to the committee. We will however use our discretion when concluding these pieces of work to highlight areas of interest and /or concern for the committee's attention. Such matters would be reported either through this regular progress report and/or our annual audit report:

Planned outputs/Related activity	Target date for submission	Actual date	Complete	Comments
Financial Statements				
Audit opinion on Whole of Government Accounts (WGA) The audited WGA pack is submitted to the Scottish Government which transfers it to HM Treasury for upload to the system which brings together the consolidation of all UK local government accounts. The WGA pack is a series of spreadsheets completed by Finance using the council's group accounts. It requires a detailed list of inter-public sector transactions and debtor and creditor balances to be identified which is used in the consolidation process to eliminate corresponding balances.	30 September 2016			
Performance Audit				
Workforce planning – follow up of Audit Scotland's national performance audit report *Scotland's Public Sector Workforce*, published in November 2013.	30 June 2016			Local findings will be reported through our interim report/annual audit report.

Planned outputs/Related activity	Target date for submission	Actual date	Complete	Comments
Grants				
Education Maintenance Allowances	31 July 2016			
Criminal Justice Services Returns	30 September 2016			
Non Domestic Rates Income return	7 October 2016			
Housing Benefit and Council Tax Benefit Subsidy	30 November 2016			

Anne MacDonald, Senior Audit Manager
email: amacdonald@audit-scotland.gov.uk
April 2016

ABERDEEN CITY COUNCIL

COMMITTEE	AUDIT & RISK COMMITTEE
DATE	28TH APRIL 2016
INTERIM DIRECTOR	RICHARD ELLIS
TITLE OF REPORT	DATA PROTECTION REPORTING – OCTOBER-DECEMBER 2015
REPORT NUMBER:	CG/16/041
CHECKLIST RECEIVED	YES

1. PURPOSE OF REPORT

The purpose of this report is to provide to Committee an overview for quarter 3 (October to December 2015) of the Council's activities and statistics in the following areas:

a) Subject Access Request statistics
b) Data Breaches
c) Data Protection training
d) General update

2. RECOMMENDATION(S)

It is recommended that the Committee note the report.

3. FINANCIAL IMPLICATIONS

There are no financial implications at this time.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

a) Subject Access Request statistics

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

Party Requests (requests for personal information made by third parties) received by the Council be recorded and reported to the appropriate Committee. As previously advised, these figures will be reported to the Audit & Risk Committee on a quarterly basis. The figures for the latest complete quarter, October to December 2015, are detailed below.

In the reporting quarter, Aberdeen City Council received **19** Subject Access Requests and **61** Third Party Requests for personal data held by it (by way of comparison: for April – June 2015, there were 20 SARS and 51 Third Party Requests; and for July – September 2015 there were 18 SARS and 52 Third Party Requests). Third Party requests are usually received by other agencies, such as the Care Inspectorate, Disclosure Scotland, Scottish Social Services Council as well as Police Scotland and other local or central government agencies. The numbers reported evidence that requests of this nature remain consistent.

By Service:

Service:	**SAR Numbers**	**3rd Party Numbers**
Corporate Governance	2	0
Education & Children's Services	1	4
Communities, Housing & Infrastructure	4	5
Office of Chief Executive	0	0
Aberdeen City Health and Social Care Partnership	12	52
Sub Total	19	61
Total Received	**80**	

In the quarter, **80** requests have been received. The requirement of the Data Protection Act 1998 is that requests are responded to within 40 days. **67** requests were responded to within 40 days in the reporting quarter, some **83.75%** of requests responded to (by way of comparison: for April – June 2015 this figure was 91% and for July – September 2015 it was 87%). The reason for the decrease in response times on previous reporting periods is due to there being an increase in SAR's being submitted, particularly in the Education and Children Services' Directorate. Access requests to this Directorate can involve checking and redacting multiple volumes of case files to ensure they meet Data Protection guidelines. The Directorate is currently reviewing its processes to assess whether further improvements can be made.

The Council can charge a fee (maximum of £10), prior to responding to a Subject Access Request. In the reporting period fees were charged in respect of **2** such requests (by way of comparison: for April – June

2015 this figure was 2 and for July – September 2015 it was 0). Each Directorate determines whether it will charge the fee. For example, Education and Children's Services generally do not charge the fee as they encourage transparency in decision making. However, where they receive repeated requests from the same client, they will request that the fee is charged.

b) Data Breaches

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

In the current reporting quarter, the following breaches occurred:

By Service:

Service	Number of Breaches
Aberdeen City Health and Social Care Partnership	1
Communities, Housing & Infrastructure	2
Corporate Governance	0
Education & Children's Services	0
Office of Chief Executive	0
TOTAL	**3**

By Breach Type:

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

Comparing the number of Breaches and Breach Type reported within the current reporting period this is a decrease with the reporting period 1 April – June 2015, where there were 8 breaches reported. However, of the breaches reported, "Human Error" still remains the predominant Breach Type with 3 instances recorded for the current reporting period and 6 being recorded in the reporting period 1 April -1 June 2015.

When data breaches are reported to the Head of Legal and Democratic Services, in accordance with the Procedure, these are forwarded to Solicitors in the Governance team, Legal Services who will review the breach, make contact with the Service where necessary to ensure that advice is provided and training offered where this seems appropriate.

Data Protection breaches are dealt with according to the nature and potential seriousness of the breach, with regard being had to ICO guidance. Where there is significant actual or potential detriment as a result of the breach, whether because of the volume of data, its sensitivity or a combination of the two, the Council as Data Controller will normally 'self-report' the breach to the ICO.

During the current reporting period, **0** self-reports were made to the ICO.

The regular reports to this Committee will also provide an opportunity to update Members in relation to any significant breaches, including those where the Council has self-reported and/or where there may have been media coverage.

There have been **0** determinations by the ICO of outstanding breach investigations during the reporting period.

A full review of the Aberdeen City Council Corporate Data Protection Policy and Procedures was approved at Committee on 15th September 2015.

A request from members was also made that in future reports we highlight details on late responses to SARs:

- What Service responded late; and
- The extent of the delays.

This has now been implemented.

There were 3 late responses in this period:

Directorate	Type (SAR/3rd Party)	Response
Social Care & Wellbeing	Subject Access Request	44 days
Social Care & Wellbeing	Subject Access Request	95 days
Social Care & Wellbeing	Subject Access Request	77 days

The three late responses listed above were due to the Directorate Team having an increased workload due to having to take on additional

open SAR cases. That, together with the extensive staff resource in examining multiple voluminous records to remove third party data and make appropriate redactions, has resulted in the above requests being responded to late.

c) Data Protection Training

As previously reported to Committee, a review of induction Data Protection training has been undertaken. Information on overarching Data Protection responsibilities has been included in the content of an e-Induction module which is to be undertaken by all new staff. Further, all staff who have responsibility for the processing of personal information will be required to complete the Data Protection essentials training which has been redesigned to provide an overview of the law and a focus on the responsibilities and expectations on individual staff members.

The launching of these revised training packages is still ongoing and is being co-ordinated by the HR Service. The e-Induction module is due to be launched on 4 April 2016. Further consideration will be given to how completion rates for this training will be monitored.

d) Complaints about Data Handling

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

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

The second stage, if a complainant remains dissatisfied, is where a data subject can make a complaint to the ICO. The ICO will invite the Council to detail its handling of the issue under consideration and thereafter investigate such complaints and determine whether or not it is likely that the Council has fulfilled its obligations and duties under the Data Protection Act 1998.

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

In the reporting period, **0** complaints were received by the Council from data subjects. One complaint from the previous quarter is ongoing.

Further, in the reporting period, there have been **0** notifications from the ICO regarding complaints about the Council.

6. IMPACT

None

7. MANAGEMENT OF RISK

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

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	28 April 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Corporate Governance Directorate Risk Register
REPORT NUMBER	CG/16/060
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The report presents the Committee with the Corporate Governance Risk Register.

2. RECOMMENDATION(S)

The Committee are asked to:

(i) Note the content of the risk register, the current status of each risk's control compliance and the mitigating actions through which enhanced control will be delivered (Appendix 1);
(ii) Note the planned activity to improve the structure and operation of risk management across the Council;
(iii) Advise any further action as appropriate

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from the report but proper management of risk provides control assurance around the strategic management of the Council's resources.

4. OTHER IMPLICATIONS

There are no other implications arising specifically from the report, although proper management of the service's risks serves to mitigate negative impacts on the delivery of our statutory responsibilities and policy commitments, management of personnel, property and environmental matters and the effectiveness of our Health and Safety management system.

5. BACKGROUND/MAIN ISSUES

5.1 Identifying Risk

As a directorate, Corporate Governance underpins the achievement of the Council's strategic goals: improving customer experience, improving staff experience and use of resources. These are being led by distinct teams within the Directorate and the risk register documents risks with the potential to impact those goals. Corporate Governance functions also govern many strategic functions for the Council and where a risk has a specifically strategic impact, this is recorded in the register.

5.1.1 Management of risk is a component part of the Corporate Governance Directorate Plan and the achievement of goals is dependent on our agenda to modernise, innovate and transform the ways in which we deliver services. In addition, by completing a SWOT analysis in our planning process, threats, weaknesses and opportunities have been identified. From the totality of the planning process therefore, a comprehensive suite of risks has been identified.

5.2 Assessing Risk

An assessment of the effectiveness of controls for each risk has been carried out. Against each control, a percentage indicates the current strength of completeness of that control. From this, the level of risk is documented through the current risk matrix which accompanies each risk. The matrix is constructed on a 6 X 4 basis, which accords with long established practice. Likelihood of risk occurrence is scored as 1 to 6 where 1 is 'almost impossible' and 6 is 'very likely'. Impact is scored as 1 to 4 where 1 is 'negligible' and 4 is 'very serious.'

RISK MATRIX

Impact	Score ↓						
Very Serious	4	4	8	12	16	20	24
Serious	3	3	6	9	12	15	18
Material	2	2	4	6	8	10	12
Negligible	1	1	2	3	4	5	6
	Score →	1	2	3	4	5	6
	Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

5.3 Responding to Risk

The assessment of the current level of risk allows the identification of those mitigating actions which require to be undertaken in order to bring the risk to a status where the control environment becomes most effective. When this process is complete, the risks should be reassessed as 'controlled' and this will be reflected in the green area of the risk matrix as 'residual assessment.' Mitigating actions will either be documented in service or improvement plans where possible, to allow for effective monitoring of progress with completion.

5.3.1 The risk register will be reviewed quarterly by the Corporate Governance Senior Management Team after progress with the completion of mitigation has been measured and the control completeness reassessed. Through this process, the rate at which risks are brought into control can be effectively monitored. In many cases, the mitigating actions documented in the risk register will be existing or planned improvement actions managed throughout the Directorate, which allows for debate covering performance and risk management issues by managers, against the background of strategic and service planning.

5.4 Risk categorisation

The risks in the register have been categorised according to criteria established by the UK Treasury: Governance, Capacity/Capability and Delivery.

5.5 Control Compliance

The risk register details the level, of compliance each control has reached. This is based on discussion with risk owners and an assessment of the current status of Directorate Plan and Improvement Plan actions.

5.6 Risk Management Review

A review of governance structures is currently under way and a key component of this review will be the effectiveness of the Council's risk management arrangements. These structures provide the framework within which risk is identified, assessed and responded to by reference to key policy documents including risk strategy and risk appetite. The aim is to ensure that as part of our overall governance effectiveness, we maintain a high quality and robust approach to the management of risk across the Council.

6. IMPACT

Improving Customer Experience –

The importance of this commitment is evidenced by the fact that it is a key driver for 12 of the 14 risks detailed in the register.

Improving Staff Experience –
Improving the customer experience is dependent on the commitment and effectiveness of our workforce. Improving staff experience is therefore a driver for 9 of the risks in the register.

Improving our use of Resources –
The management of scarce resources in the face of increasing demand for services and a changing policy environment, frames most of our risks. All but 2 of the risks in the register are directly driven by this strategic priority.

Corporate -
Achieving our strategic and business priorities requires effective management of risk. Starting from the perspective of the Corporate Governance Directorate Plan and the linkages to our Strategic Business Plan – *Aberdeen the Smarter City*, risks have been identified which have the potential to impact on the delivery of our priorities. By fully detailing the causes and impact of each risk, the current status of control compliance and those further actions to bring the risks to a tolerable level, we can ensure that the overall risk of not delivering our policy commitments is minimised.

Public –
The report may be of interest to the public because of the direct relationship between the management of risk and the delivery of the Directorate Plan. In addition some of the actions identified in the report as mitigation against risk are themselves outlined as improvement actions in the Plan.

No EHRIA or PIA was required for the report.

7. MANAGEMENT OF RISK
The report documents the Corporate Governance risk register through which the risks to the delivery of our priorities are managed.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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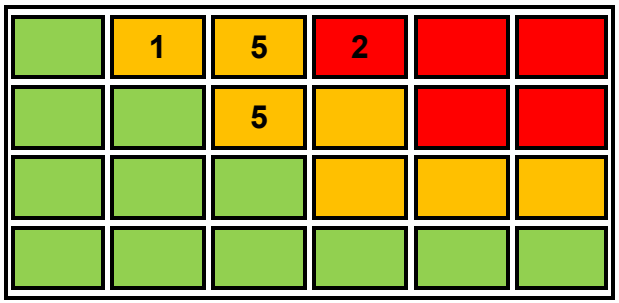
Appendix 1

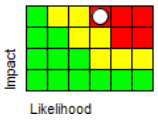
Corporate Governance Operational Risk Register

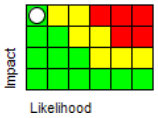
April 2016

Service Risk Profile

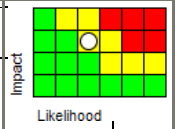


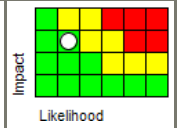
Category - Governance

Risk CG001	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that Business Continuity Planning is not managed or tested **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard public services and to protect communities. **BCPS are required for Critical Functions in respect of** 1. Human welfare or the environment 2. The finances of the Council 3. The Council's statutory obligations 4. The Council's reputation 5. The Council's ability to respond to emergencies.	**Internal:** • Inability to operate key systems (IT, Financial, HR, Legal and Commercial and Procurement. • Inadequate disaster recovery. • Inability to collect revenue • Inability to pay creditors • Reputational damage **External:** • Serious harm / loss of life to members of the community. • Essential frontline services not delivered	1 Absence of effective Business Continuity Planning Policy 2 No clear ownership of BCPs or review by management 3 No review programme 4 No regular testing of BCPs 5 Inadequate disaster recovery planning across the range of Corporate Governance business critical and non-critical functions. 6 Disaster Recovery and BCP not adequately audited 7 Non-critical functions not covered by BCPs 8 Poor governance (committee assurance) of BCP	1 Business Continuity Policy in place 100% 2 Clear ownership of BCPs 70% 3 Quarterly review by SMT 0% 4 Regular testing regime 0% 5 Robust disaster recovery arrangements and structures in place 100% 6 Regular Internal audit of BC Planning and Disaster recovery. 100% 8 Annual assurance by Audit, Risk and Scrutiny Committee. 0% **Non-critical functions** 7 Suite of BCPs in place for all non-critical functions 0% 8 Annual committee oversight of BCPs established 0%	 Very serious Significant

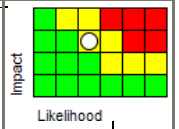
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Embed BCP ownership and accountability • Implement rigorous testing regime to support continuing fit for purpose BCM • Establish quarterly reporting to SMT • Overview of critical and non-critical BCPs to be reported to AR&S • Review regime for critical BCPs to be devised.	Richard Ellis **Risk Manager** Martin Allan	Risk will inform a collective corporate risk	 Very serious Almost impossible

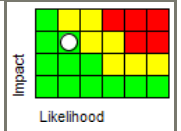
Category - Governance

Risk CG002	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of poor performance management structures **Drivers** Improving customer experience Improving use of resources **Definition** Performance management supports an effective compliance culture and change and improvement processes.	• Inability to measure effectiveness of impacts and outcomes • Inconsistent approach to the transformation and improvement agendas • Censure by government agencies • Reputational damage • Inability to evidence Best Value delivery • Public Performance Reporting falls short of acceptable standards • Governance –assurance and accountability absent	1 Lack of buy-in to robust performance culture 2 Accounts Commission Guidelines not met 3 Inconsistent performance reporting framework KPIs do not suppor service improvements 4 Poor benchmarking activity 5 Inadequate target-setting 6 KPIs do not inform service improvemen 7 Performance management is not aligned to Strategic priorities 8 Committees do not oversee performanc management and improvement	1 Management buy in to risk management is embedded 50% 2 Robust PPR structures meeting Accounts Commission guidelines 50% 3 Consistent corporate performance management and reporting framework embedded at all levels 20% 4 5 Strong benchmarking activity leading to robust target-setting 40% 6 KPIs established to support plan delivery 80% 7 'Golden thread' ensures strategic priorities are properly measured 30% 8 Robust governance structure at committee level 70%	 Serious Low

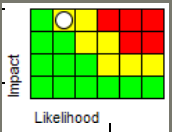
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Implement consistent performance reporting framework covering SMT, CMT, 1-2-1 and committee levels • Embed robust performance indicator identification which supports business priorities, outcome evidencing and transformation • Establish proper sourcing of benchmarking information to support stretching targets • Ensure PPR requirements set out by Accounts Commission are met • All service planning follows 'Golden Thread' between objectives and priorities	Richard Ellis **Risk Manager** Martin Allan		 Serious Very Low

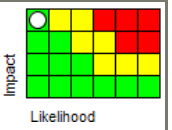
Category - Governance

Risk CG003	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of poor risk management arrangements **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** Risk management is a necessary process in the delivery of essential services, protecting communities from harm and meeting compliance requirements.	• Emerging risks not identified leaving Council and communities exposed to hazards • Emerging opportunities not identified leading to sub-optimal performance • Council unaware of critical areas of the operating environment • Financial impact • Reputational impact • Legislative impact	1 Failure to understand the importance of risk identification and control to delivery of services and carrying out of functions – absence of coherent strategy 2 Poor guidance to staff 3 Risks not linked with performance and service planning and seen as a stand-alone function 4 Risk management not benchmarked or monitored or subject to review in line with assessment levels 5 Poor horizon-scanning and risk identification processes 6 Poor risk management skills at key operational tiers 7 No defined risk appetite	1 Quality assured risk management strategy 80% 2 Regularly updated risk guidance management manual 80% 3 Risk Registers prepared and managed consistently across the organisation 40% 4 Benchmarking of risk management leading to improvement actions 80% 5 Internal audit of risk management activity 100% 6 Strong risk management skills base at relevant levels of management 40% 7 Clear defined risk appetite in place 0%	 Serious Low

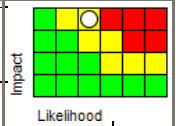
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Review of Risk Management Strategy (in alignment with Governance Review) • Update of Risk Management Manual • Renewal of benchmarking activity through ALARM/CIPFA • Deliver risk training to key personnel • Implement a consistent risk management framework across the organisation • Define and agree clear statement of risk appetite	Richard Ellis **Risk Manager** Neil Buck		 Serious Very Low

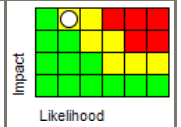
Category - Governance

Risk CG004	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of poor financial compliance **Drivers** Improving use of resources **Definition** The Council is bound to comply with financial stewardship requirements	• Inability to deliver essential services • Government censure • Special measures • Reputational damage • Negative financial impact	1 Failure of council tax billing / collection 2 Failure of NDR billing / collection 3 Qualified accounts 4 Failure to set balanced budget 5 Critical financial procedures not followed	1 Key financial procedures adhered to 100% 2 Corporate round table process 100% 3 Internal and external audit assurance 100% 4 Governance – assurance framework / robust delegated powers framework 80%	 Very Serious Very Low

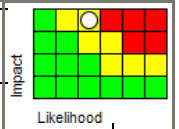
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Reviewed and embedded scheme of delegation in place (Governance Review)	Steve Whyte **Risk Manager** Steve Whyte		 Very Serious Almost Impossible

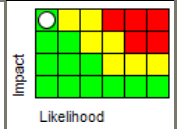
Category - Governance

Risk CG005	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of inadequate information and data management **Drivers** Improving customer experience Improving use of resources **Definition** The Council is required by law to evidence that appropriate management of its information and Data protection legislation binds the Council to hold data securely and only for the purpose it was collected.	• Service disruption • Inadequate performance information • Inability to share services • Reduced capability to deliver customer facing services • Unlawful disclosure of sensitive information • Individual placed at risk of harm • Prosecution –penalties imposed • Reputational damage	1 Inconsistent approach to information and data management and security 2 Lack of capability and / or non-compliance by individuals 3 Lack of connectivity between corporate information management requirements 4 Inadequate information management systems	1 Establishment of comprehensive Information Governance Board 25% 2 Monitoring and reporting of mandatory training and compliance exceptions 50% 3 Embedded Senior Information Risk Officer role 60% 4 Quarterly SIRO reporting to CMT 75% 5	 Very Serious Low

Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Embed SIRO role including reporting relationships and structures • Council-wide training and awareness programme • Implement Master Data Management programme • Establish comprehensive Information Governance Board • Implement Information Management Strategy programme • Establish reporting relationship between SIRO and Responsible Officer • Modernise the corporate record stores	Simon Haston **Risk Manager** Simon Haston	Risk has strategic impact	 Very Serious Very Low

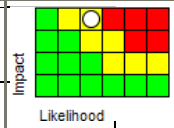
Category - Governance

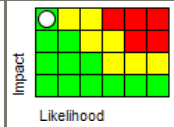
Risk CG006	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of non-compliance with health and safety management system **Drivers** Improving staff experience **Definition** The Council is required by law to safeguard its employees and members of the public to ensure their health and safety through effective implementation of the Health and Safety Policy.	• Fatality or serious injury to employee or member of the public • Corporate Health and Safety Policy breached • Increase costs due to absence levels and agency costs • Prosecution for failings (criminal) • Compensation claims (civil) • Enforcement action – cost recovery of regulator time • Poor service delivery due to high absence levels • Reputational damage	1 Lack of control management of H&S Risk 2 Lack of identification and completion of suitable training 3 Poor communication and co-ordination of H&S risk 4 Non-reporting and recording of incidents and near misses 5 Poor or no investigation resulting in identification of remedial action to prevent reoccurrence 6 Compliance with health and safety management system is not monitored 7 No realistic targets set for Improvement 8 Poor health and safety culture of organisation 9 Lack of acceptance of responsibility for health and safety through employees, managers, HOS, directors – elected members.	1 Plan, Do, Check, Act approach based on known risk adopted in the Health and Safety Policy 100% 2 Effective training regime in place for all key staff 70% 3 Implemented Directorate Health, Safety and Wellbeing Improvement Plans including embedded reporting and recording arrangements 70% 4 Corporate health, safety and wellbeing development programme contributes to a competent workforce 30% 5 Proactive and reactive monitoring of health and safety performance management e.g. Management assurance provided via Directorates and HSW team 40% 6 H&S risk-intelligent organisation 5% 7 Health and Safety Committee structure in place for co-ordination and consultation process 100%	 Very Serious Low

Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Ensure all incidents competently investigated • Embed regular review of risk assessments • Ensure electronic reporting consistently used • Implementation of Maximising Attendance Improvement Plan • Performance indicators used to measure implementation of improvement plan actions • Create a culture of H&S competence throughout workforce • Establish management assurance of control of risk; • Identify exact H & S training needs for every employee from job profiles; • Develop and implement electronic management system to ensure identified actions closed off;	Ewan Sutherland **Risk Manager** Mary Agnew		 Very Serious Almost Impossible

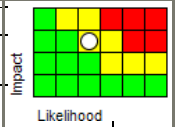
• Process implemented to ensure all employees and agency workers have desired competencies.			

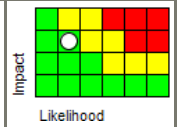
Category - Governance

Risk CG007	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that legislative and policy changes are not anticipated or planned for **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** The Council must be aware and plan for changes in legislation and policy and ensure that risks to functions and services are managed and opportunities seized.	• Negative impact of changes to Non-Domestic Rates administration • Procurement legislation not implemented consistently through Council Group • Negative impacts of changes introduced through Community Empowerment legislation • Children and Young People Act – named person requirement inhibits recruitment • Inability to prepare sufficiently for changes to local taxation	1 Poor horizon-scanning 2 Dysfunctional relationships with legislative bodies 3 Absence of clear negotiation opportunities with Scottish Governme over fiscal matters 4 Lack of robust internal communicatior processes 5 Poor strategic and service planning processes	1 Embedded legislation and policy tracking 100% 2 Effective consultation with legislative and policy-making bodies which draws on both member and officer input 70% 3 Effective communication between directorates and from OCE & Legal Services 70% 4 Robust 1-2-1 structure (CE-Director) which includes legislation / policy monitoring 80% 5 Understanding of and willingness to embrace opportunities arising from legislation 50%	 Very Serious Low

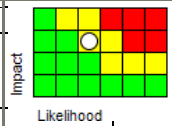
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Ensure the culture supports key managers respond timeously and comprehensively to consultations • Political sign-off from key elected members is received in all required matters before responses are delivered to legislators and policy makers	Richard Ellis **Risk Manager** Martin Murchie	Risk has strategic impact	 Very Serious Almost Impossible

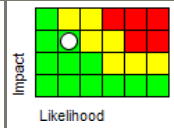
Category – Capacity / Capability

Risk CG008	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that workforce planning is ineffective **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.	• Service quality deteriorates • Workforce attrition • Over-reliance on agency support • Council not seen as an employer of choice	1 Workforce planning is not aligned with business need 2 Absence of development opportunities leads to poor morale and retention deficits 3 Recruitment practices are flawed 4 Training is not aligned to business need 5 Knowledge capture processes not in place	1 Workforce Planning Strategy 100% 2 Workforce planning fully aligned with financial and business planning 20% 2 Service workforce plans in place and fully implemented 50% 3 Recruitment practices are based on sound training 50% 4 PR&D process supports effective staff development 80% 5 Staff turnover falls within 'healthy' ratio in key occupational categories 50%	 Serious Low

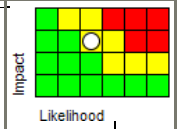
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Deliver corporate overview of workforce planning focussing on established corporate actions • Build workforce planning into financial planning • Build workforce planning into business planning • Monitor completion of recruitment training for new managers • Monitor through performance management staff turnover ratio • Continue to develop and improve PR&D process.	Ewan Sutherland **Risk Manager** Mike Lawson	Risk has strategic impact	 Serious Very Low

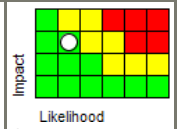
Category – Capacity / Capability

Risk CG009	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of poor employee engagement levels **Drivers** Improving customer experience Improving staff experience **Definition** Internal and external influences on the management of change in the delivery of services and core functions may impact negatively on workforce morale.	• Poor retention levels • Difficult to attract / recruit key staff • Deteriorating service quality • Increased customer complaints	1 Lack of development opportunities 2 Reducing financial resources – heavy workloads 3 Increasing customer demands – increasing workloads 5 Poor management / supervisory skills	1 Robust career progression levels 40% 2 Appropriate training modules responding to identified skills gaps through PR&D process 60% 3 Reward system which identifies and responds positively to good achievers 20% 4 Engagement culture focussing on inclusive approach to decision making 50% 5 Healthy staff turnover ratio appropriate to key occupational categories 60%	 Serious Low

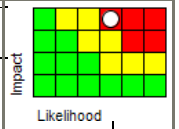
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• 21 key occupational categories identified – services supported to manage workforce planning specific to these areas. • Reward system • Transformation engagement system re 'good ideas' taken forward • Training needs identified from PR&D aligned with provision and monitored for delivery • Monitor and report staff engagement levels through opinion surveying against improvement target.	Ewan Sutherland **Risk Manager** Mike Lawson		 Serious Very Low

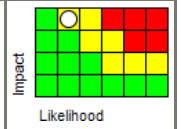
Category – Capacity / Capability

Risk CG010	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that change is not delivered **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** The Council is committed to a culture where transformation, innovation and improvement are forefront in delivering services in a constantly changing environment.	• Strategic and service commitments not met • Poor outcomes for local people • Scarce resources used ineffectively • Firefighting required to rescue service delivery failures • Increased costs • Increased financial pressures	1 Lack of support for transformation and improvement agendas 2 Transformation and improvement workstreams not aligned with business planning 3 Poor information management 4 Poor workforce planning 5 Inconsistent approach to programme management 6 Poor cross-service levels of understanding	1 Effective and dynamic leadership of a transformational and innovative culture which embraces transformational projects 60% 2 Proactive approach to change projects in the budget setting process 60% 3 Information and data management supports business intelligence approach to decision making 50% 4 Visionary forward planning which takes account of projected workforce and skills needs 50% 5 Sound governance and structures supporting transformation 50%	 Serious Low

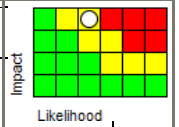
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Ensure all projects sit within a unified PMO governance structure • Ensure collaborative, cross-cutting delivery embedded • Ensure robust performance management of delivery established • CMT oversight of delivery	Richard Ellis **Risk Manager** Craig Innes	Risk has strategic impact	 Serious Very Low

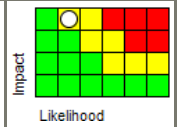
Category – Capacity / Capability

Risk CG011	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk of poor contract management **Drivers** Improving customer experience Improving use of resources **Definition** An effective and properly maintained contracts register underpins good supplier management and efficient use of resources	• Emergency supplier sourcing • Essential services not supported • Scarce resources inefficiently used • Duplication of effort • Negative audit outcomes • Pool of suppliers reduces • Litigation • Reputational damage • Financial targets not met	1 Absence of properly maintained contracts register 2 Contract expirations not managed 3 Poor supplier relationship management 4 Poor contract management skills levels	1 Regularly updated contracts register 70% 2 Delegation of powers in standing orders to ensure correct authorisation levels in place 80% 3 Contract management procedures 60% 4 Robust skills in place for contract managers including commercial awareness / understanding of framework agreements 50% 5 Focus on continuous improvement and cost reduction 50%	 Very Serious Significant

Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Revision of Standing Orders • Identify key personnel and deliver contracts management OIL training • Ensure contracts management procedures focus on business critical contracts • Complete population of contracts database • Launch procurement website • Publication of contracts register • Deliver reduction in off-contract spend	Craig Innes **Risk Manager** Craig Innes		 Very Serious Very Low

Category – Delivery

Risk CG012	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that Strategic and Directorate Business Plan commitments are not delivered **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** The Strategic, Directorate and Team Plans set out our commitments to improved service delivery and the achievement of better outcomes in a Best Value culture.	• Service delivery deteriorates • Staff are disengaged from stated commitments • Reputational damage • Resources are wasted / used ineffectively • Improved outcomes are not achieved	1 Objectives and actions are unrealistic or badly scoped 2 Performance measures are inadequate to evidence improved outcomes 3 The 'golden thread' is absent and required linkages are not made 4 Consideration of risk is not properly taken 5 Staff are not fully engaged with Planning 6 Performance management frameworks (CMT, SMT, 1-2-1, committees) do not support delivery 7 Transformation and innovation workstreams are not aligned with plans	1 Objectives are SMART 60% 2 Performance management framework supports effective strategic and service planning 60% 3 Governance arrangements serve to maintain momentum of plan delivery 70% 4 Risk management framework is fully aligned with business planning cycle and includes clear appetite statement 50% 5 Effective employee engagement strategies in place 50% 6 Accountabilities are clear and in place and PR&D objectives are linked to strategic and service planning 80% 7 Governance arrangements serve to maintain momentum of strategic plan delivery 70%	 Very Serious Low

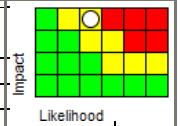
Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Implement consistent performance management reporting framework • Ensure all required reporting matters are covered in corporate reporting framework • Ensure 'golden thread' is present in all strategic planning activity and reporting • Revise risk management framework and scope risk appetite • Align PR&D objectives with strategic planning	Richard Ellis **Risk Manager** SMT	Risk has strategic impact	 Very Serious Very Low

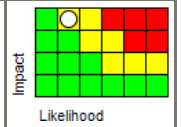
Category – Delivery

Risk CG013	Potential Impact	Causes	Control Compliance	Current Risk Assessment
Risk that financial resources are not managed effectively **Drivers** Improving customer experience Improving use of resources **Definition** The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources	• Major capital projects are not delivered effectively • Budgets are not controlled or managed effectively • Censure by government and its agencies • Reputational damage • Essential service delivery jeopardised through poor management of finances • Strategic Planning objectives are not achieved	1 Inadequate communication between capital project management and Corporate Governance 2 Lack of risk management skills in major projects 3 Poor adherence to collaborative planning, budgeting and forecasting requirements 4 Internal / external audit assurance absent 5 Poor governance of strategic planning by senior managers	1 2 3 4 5 To be completed	

Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
To be completed	Richard Ellis **Risk Manager** Steve Whyte		

Category – Delivery

Risk CG014	Potential impact	Causes	Control Compliance	Current Risk Assessment
Risk of major IT business systems failure **Drivers** Improving customer experience Improving staff experience Improving use of resources **Definition** Secure, well-functioning business systems are critical to carrying out statutory functions, providing essential services and ensuring legal compliance.	• Customers cannot contact the CCC • Essential services not delivered • Critical functions including payroll not carried out • Suppliers not paid • Contracts not managed • Workforce not managed • Reputational damage	1 Inadequate firewalls to protect internal systems from attack 2 System obsolescence 3 Power fluctuations 4 Communications systems failure 4 Inadequate backups 5 Poor IT skills base 6 Poor processes for data storage 7 Systems housed in poor environments	1 Best practice security controls 70% 2 Regular business systems review 60% 3 Full, maintained contracts register 80% 4 Tested Business Continuity Plans in place 80% 5 Robust Disaster Recovery arrangements (including testing) 95% 6 Robust customer-led governance structures 60% 7 IT staff trained in all essential skills areas 50% 8 Regular business systems reviews 60%	 Very Serious Low

Mitigating Actions (to fill the compliance gaps)	Risk Owner	Notes	Residual Risk Assessment
• Upgrade of core infrastructure as part of digital strategy • Ensure application reviews and resilience testing in place • Implement new governance model for IT • Ensure total cost of ownership • Implement Best practice life cycle management • Rationalise applications and upgrade aging systems • Ensure secure network engineering	Simon Haston **Risk Manager** Sandra Massey	Risk has strategic impact	 Very Serious Very Low

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	28 April 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Fraud Annual Report 2015/16
REPORT NUMBER	TBC
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 To provide the Committee with an update on activity by the Corporate Investigation Team (CIT) during 2015/16. This has been a transitional year for the CIT, following its creation in April 2015. On 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption.

1.2 To provide a response to the National Fraud Initiative (NFI) report by Audit Scotland and make recommendations for improvement.

1.3 The report is being presented to Committee as per the requirement of section 4.4 of the Fraud, Bribery and Corruption Policy, the outstanding external audit recommendations and due to good practice based on Audit Scotland guidance in respect of the National Fraud Initiative.

2. RECOMMENDATION(S)

i). To note the Fraud Statistics Annual Report in Appendix 1.

ii) To note the response to the NFI report from Audit Scotland in Appendix 2 in respect of the report itself in Appendices 3a and b

iii.) To endorse the approach to reviewing working practices on NFI as set out in section 3 of Appendix 2.

iv.) To receive a report on the Fraud Business Plan in June 2016 and 6 monthly updates on Fraud and NFI activity from September 2016.

v.) To continue to endorse and sponsor progress towards the good practice measures contained in the National Fraud Authority Self-

Assessment Checklist and paper “Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error”.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

3.2 The further reporting and strengthening of counter fraud activity will enhance that currently in place and provide further protection against financial losses arising from fraud, bribery and corruption.

4. OTHER IMPLICATIONS

4.1 Services will need to review and revise the approach being taken to fraud, bribery and corruption and update their processes to ensure strengthening compliance with the revised policy. The review of working practices on NFI will result in transfer of work and revised working practices.

5. BACKGROUND/MAIN ISSUES

5.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in April 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.

5.2 Appendix 1 to this report sets out an Annual Report showing the considerable activity that has been undertaken by the CIT during the year from April 2015 to March 2016. This is both in respect of major internal staff investigations and response to fraud referrals.

5.3 During the year, the responsibility for NFI activity was passed to the CIT. Due to the transitional nature of the year and difficulties in resourcing the initiative in prior years, there are a number of issues raised in the Audit Scotland report on this activity (in Appendices 3a and 3b). A response to these findings is set out in Appendix 2. It is recognised that it is critical to prioritise responding to these findings in a prompt manner.

This raises a number of significant issues that need to be urgently addressed including:

- Reporting of NFI progress

- Reviewing and closing off matches
- Making improvements to the approach to NFI
- Engagement with the process

In respect of the red risks, the CIT proposes to address these with the following timeline:

1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees?	Further to this report, the progress and outcomes will be reported on a 6 monthly basis to Audit, Risk and Scrutiny Committee. Significant outcomes will also be reported to senior management and relevant staff.
2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately? b) If not can the reasons why this is the case be provided?	Subject to the recommendation of a co-ordinated approach and alignment of resources in the team, this work will be prioritised so that significant progress will have been made in a 6 month period.
4 b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise?	It is anticipated that the recommendations in Section 3 of Appendix 2 will be examples of good practice, such as a co-ordinated approach, access to cross cutting datasets, the Application Checker, and consultation with services to align this work with the wider work of the fraud team.
5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)?	Following implementation of the recommendations in Section 3 of Appendix 2 including planning through the Fraud Business Plan, reallocation of resources internally and through support of the accounting team and pro-active response, it is anticipated that the level of engagement with NFI will significantly

	improve over the next 6 months.

6. IMPACT

Improving Customer Experience –

6.1 Fraud, whether organised or opportunistic, has the potential to affect all Council Services to some degree and we all have a duty to protect the public purse. Improving our response to fraud has a positive impact on the experience for the majority of customers who would wish to see fraud effectively controlled in the Council.

Improving Staff Experience –

6.2 Effective prevention of fraud protects staff and improves the motivation and morale of staff in the Council. The reporting of fraud prevention activity is reassuring to staff. The proposals in this report are for a more effective and streamlined approach to NFI that will benefit the staff experience.

Improving our use of Resources –

6.3 Prevention of fraud, bribery and corruption is critical to good resource management. Dedicating resource to this activity achieves benefit for the Council in terms of improved controls, staff motivation and productivity and prevention of financial losses.

Corporate –

6.4 This report aligns to the Smarter Aberdeen priority of Smarter Governance. The development of the Council's response to fraud is within the Corporate Governance Directorate Plan and the Finance Service Plan.

Public -

6.5 Having this policy in place demonstrates the Council's commitment to ensuring proper stewardship of the public funds with which it is entrusted and is likely to be of interest to the public.

7. MANAGEMENT OF RISK

The implementation of the recommendations in this report will further enhance the council's ability to mitigate against the risk of financial or other losses arising from fraud, bribery or corruption.

8. BACKGROUND PAPERS

Policy and Strategic response to Fraud, Bribery and Corruption (CG/15/113 – September 2015)

"Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error". (Scottish Government – June 2015)

9. REPORT AUTHOR DETAILS

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Corporate Investigation Team

Fraud Statistics
Annual Report 2015/2016

Brian Muldoon
Corporate Investigation Team
March 2016

1.0 Background

1.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.

1.2 Part of the Policy and Strategic Response was a requirement to provide a report on all allegations of fraud, bribery and corruption. This report contains the activity for 2015/16.

1.3 The CIT is responsible for leading the authority's response to preventing, detecting and investigating fraud, bribery and corruption. This responsibility covers all areas of corporate fraud including that initiated by staff, Members, customers, and contractors. They oversee managing proactive, reactive and intelligence led investigations. They are responsible for promoting an anti-fraud culture by introducing new corporate counter fraud practices and working with services to reduce the Council's exposure to fraud.

1.4 The Council is self-regulating in respect of its counter fraud activities. Where fraud has occurred it is important stop the fraud as soon as possible and look at whether weak controls have been exploited. In addition to investigating the fraud, the CIT liaise closely with service managers and make recommendations to improve internal controls in consultation with internal audit.

1.5 In June 2015 the Scottish Government produced a paper "Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error". This paper endorses the need for a multi-agency approach across public sector agencies and set outs out five key objectives; Awareness, Prevention, Teamwork, Investigation and Enforcement. The CIT is working towards this

approach, and as part of the approval of the policy the council is working towards achieving the good practice measures contained in the National Fraud Authority Self-Assessment Checklist.

1.6 In addition to the response to referred fraud activity, the CIT have been pro-active in developing their role. New ideas that have been implemented include:

- A new website
- Developing a response to cyber fraud
- Building relationships with external partners and other local authorities to share best practice
- A fraud awareness OIL course
- A training plan for team leaders on conducting investigations
- A contribution to the E Induction programme
- An Investigators Code of Practice
- The concept of a post investigation report giving wider recommendations for services and audit
- Building relationships with the new internal audit team
- Building on the new line management in the Accounting service by sharing knowledge with staff involved in banking, controls and the Finance Partners

Other ideas still under development include:

- Building a database of fraud prevention information linked to master data management
- Rolling out the fraud policy more fully with events for staff
- Strengthening the approach to National Fraud Initiative information and other high risk fraud areas
- Further building links to partners

The team also have sessions where they discuss new ideas for the future as well as reflecting on progress of their core tasks.

1.6 In 2015 the CIT took on responsibility for preparing the National Fraud Initiative response. A recent NFI Auditor Questionaire for 2014/15 has indicated that there are a number of areas of concern. These are being addressed and are the subject of Appendix 2.

1.7 It is proposed to strengthen further the response to fraud, a business plan under development. Following consultation with service managers this is anticipated to be presented for approval to the next meeting of the Audit, Risk and Scrutiny Committee. It is further proposed to present 6 monthly on fraud activity, with particular emphasis on National Fraud Initiative activity.

2.0 Referrals of Fraud, Bribery and Corruption

2.1 Allegations of fraud, which are received by CIT are recorded and then reviewed by the CIT manager. There are a number of avenues available to report suspicions:

- The online *report it* facility, which allows for anonymous reporting
- In person to a member of the team
- By e-mail to fraudadmin@aberdeencity.gov.uk
- By phone on 01224 523526
- By reporting the allegation to a line manager
- By writing to us at Corporate Investigation Team, Corporate Governance, Hub 6, Level 1 South, Marischal College, Broad Street, Aberdeen AB10 1AB

Referrals are also received from

- Other local authorities and government departments,
- The National Fraud Initiative
- Pro active operations.

2.2 Every allegation of fraud is reviewed and a decision made on whether it is suitable for further investigation. Where allegations fail to meet the required criteria they will be forwarded on to the relevant service or external organisation for them to follow up as appropriate.

2.3 Although responsibility for investigation of housing benefit fraud transferred to the Single Fraud Investigation Service we still receive referrals from members of the public. Managing DWP referrals is resource intensive however we will continue to offer this service until 31 December 2016.

2.4 The collection and reporting of fraud statistics will assist in the management of fraud by identifying patterns and trends of fraudulent behaviour. By undertaking this analysis it will allow us to concentrate resources in high risk areas. This can only happen if all instances of fraud or abuse of council resources are reported and collated at a central point. Further work will be undertaken during the coming year to promote the Council's zero tolerance policy to fraud and to help ensure all allegations are reported in the prescribed manner.

2.5 As this is the first report there is insufficient data to perform an in-depth analysis or investment return calculation at this time. We are currently working in developing a wider data matching program and the information in this report will be used as a baseline.

2.6 More research is now being undertaken than ever before into managing fraud. Many recognisable organisations, such as CIPFA and PWC regularly produce reports into fraud issues that are reviewed by the CIT. The most widely held view is that organisations must actively demonstrate that they have measures in place to address fraud, bribery and corruption across the organisation. This report demonstrates that the Council are monitoring and recording incidents in some situations but not all.

2.7 As the Council introduces more anti-fraud measures additional data will be captured and reported in future reports.

2.8 In consultation with the Head of Finance, CIT will produce a key findings report for major investigations and will issue these to the Head of Legal and to the Chief Auditor. Where the loss of public money exceeds £5,000 a report will be made available to the external auditor.

2.9 As part of our performance management a monthly summary report will be submitted to the Head of Finance.

3.0 Analysis of Results

3.1 Appendix A provides data relating to internal investigations undertaken by CIT in respect of Council staff. For ease of reporting investigations have been defined as follows:

Minor: Where there has been one possible breach of Council Policy and where it is concluded following a review that it is not necessary to investigate at the major level.

Major: Where more than two possible breaches of Council Policy have taken place **or** an allegation which may require a significant amount of time to investigate. Each investigation is allocated an operational name. These investigations involve considerable resource and will involve interviewing all relevant witnesses, this may then lead to further elements of investigatory work, evidence gathering, write up and report collation. The major investigations undertaken to date have taken a minimum of 100 working days.

Misconduct: An investigation relating to an allegation of staff misconduct. Very complex misconduct investigations are now referred to the CIT. These investigations involve considerable resource and will involve interviewing all relevant witnesses.

As we continue to develop we will be able to further refine the criteria.

3.3 Appendix B provides data on the number of referrals relating to fraud against Council Services. The volume of referrals made is encouraging as it demonstrates that both staff and members of the public are aware that the Council has a dedicated reporting facility.

3.4 Appendix C provides an analysis on where the referrals against Council Services originated from.

3.5 Appendix D provides data on the outcome of referrals. These figures show that the majority of referrals are being sent to DWP as they are allegations relating to Housing Benefit. It is expected that this figure will fall as we will no longer provide this service from 31 December 2016. No action required allegations are where there has either been insufficient information or where we have forwarded the referrals onto another section. It was not possible to

undertake investigations in 40 cases due to resourcing and the major investigations that were undertaken/ongoing. 35 cases are currently pending evaluation.

3.6 Appendix E provides data on investigations undertaken by the Blue Badge Fraud Investigator. The projected saving for blue badge fraud, based on the figure at section 4.2 is £20,500.

4.0 Investment Return

4.1 It is important to demonstrate that the Council's anti fraud activities have a financial saving. The methodology for calculating this saving is still under development and will be presented more fully in future reports..

4.2 The National Fraud Initiative provides a calculation method for estimated outcomes.

Blue Badge:	Number of badges confirmed as deceased multiple by £500 to reflect lost parking fees.
Residential Care Homes:	£7000 per case based on the average weekly cost of residential care multiplied by 13
Tenancy Fraud:	£93,000 per property recovered based on average three year fraudulent tenancy. This sum includes temporary accommodation for genuine applicant; legal costs to recover property; re-let costs; and rent lost during the void between tenancies.
Right to Buy:	£52,000 per application withdrawn to reflect average value of discount.

4.3 It is difficult to place a financial return on staff misconduct investigations unless the matter under investigation relates to a monetary amount
Example:

- A member of staff who is investigated for abusing the flexible working system or claiming overtime can have a direct cost attributed to it.

- A member of staff who is investigated for breaching the Data Protection Act cannot have a financial loss attributed.

National organisations are developing the approach to benchmarking and assessing the benefit from more complex fraud and this research will be reviewed by the team for application in Aberdeen City Council.

Appendix A

Internal Investigations undertaken by CIT

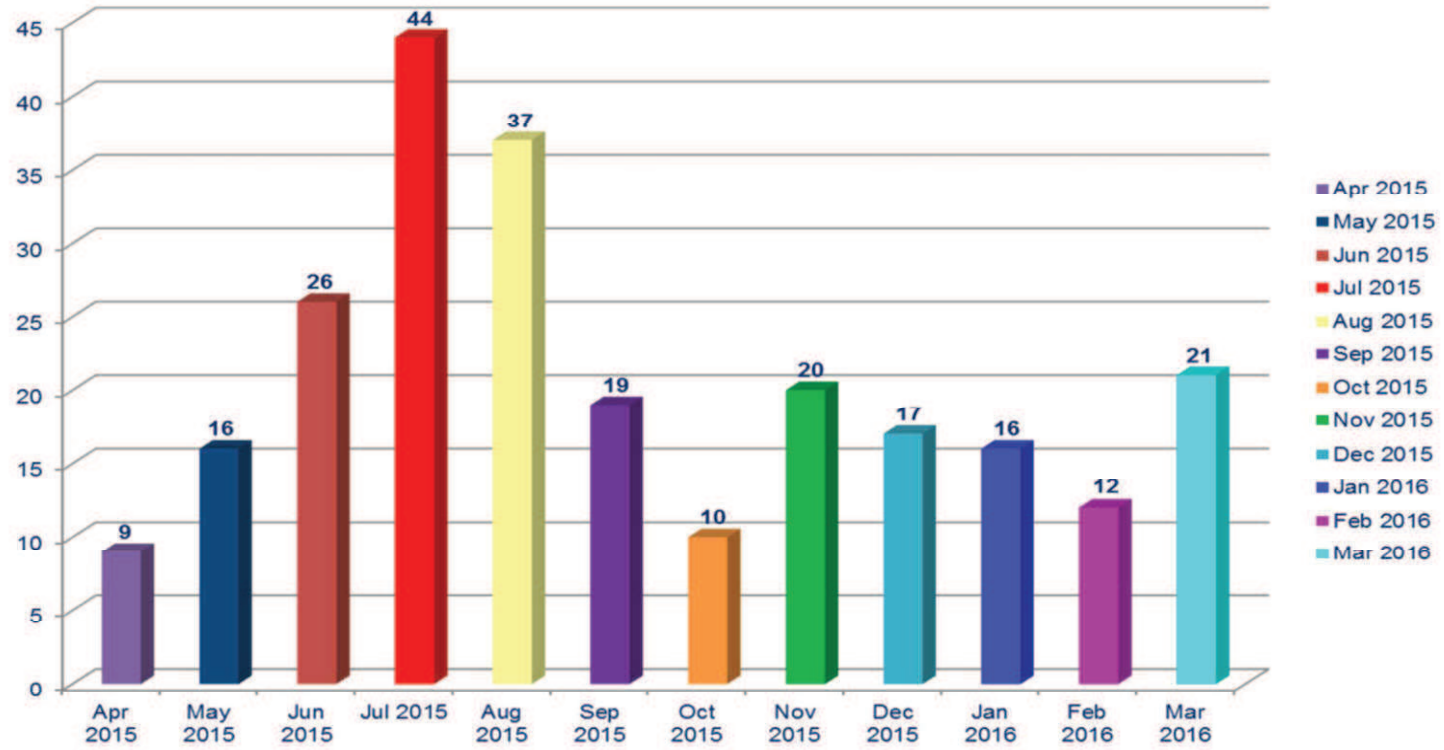
Type	Allegation	Opened	Closed	Ongoing	Outcome
Major	3	3	1	2	Closed case resulted in a staff misconduct investigation
Minor	1	1	1		£100 recovered due to administrative error by private company.
Staff misconduct	2	2	2	0	(1). Officer resigned. As a result of the enquiry several other areas of concern were brought to the attention of the Service. Information will be passed to Internal Audit to follow up. A recommendation was also made that an additional misconduct investigation be undertaken (2). Officer received a written warning at disciplinary hearing

The misconduct enquiries could have been classed as fraud referrals when the allegation was made. No evidence was found during the investigation that officers personally benefited from their actions hence the enquiries were managed under the Managing Discipline policy

Not included in the list, but for information, is one case of alleged bribery which was referred to Police Scotland. The allegation related to a member of staff from another public organisation contacting at least one Aberdeen City Council's service user offering to alter a house valuation for a fee.

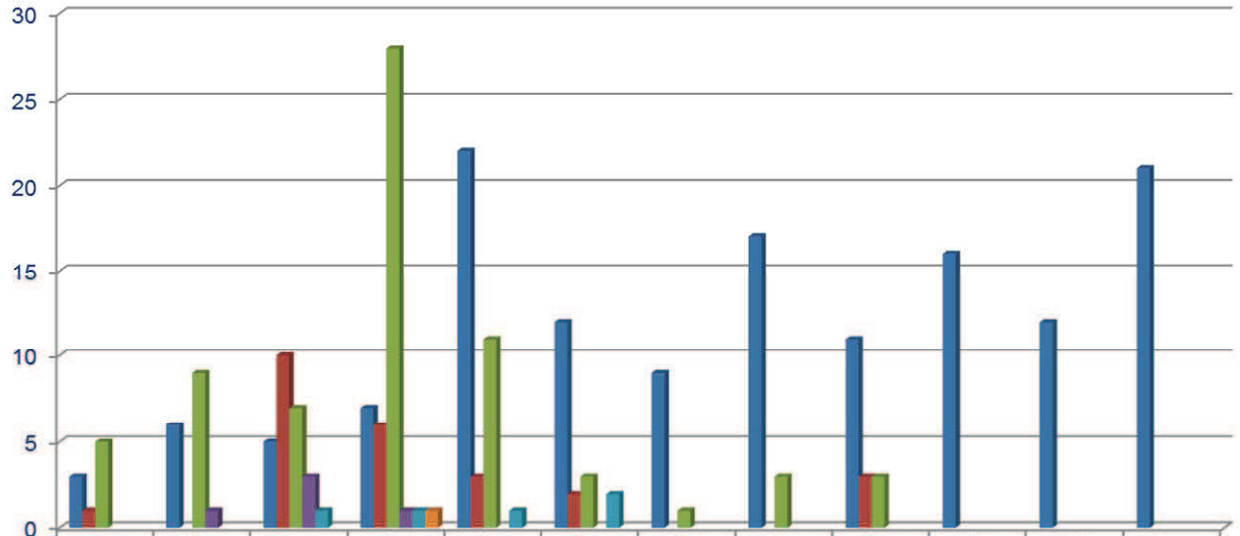
Appendix B

Cumulative Referrals received by CIT



Appendix C

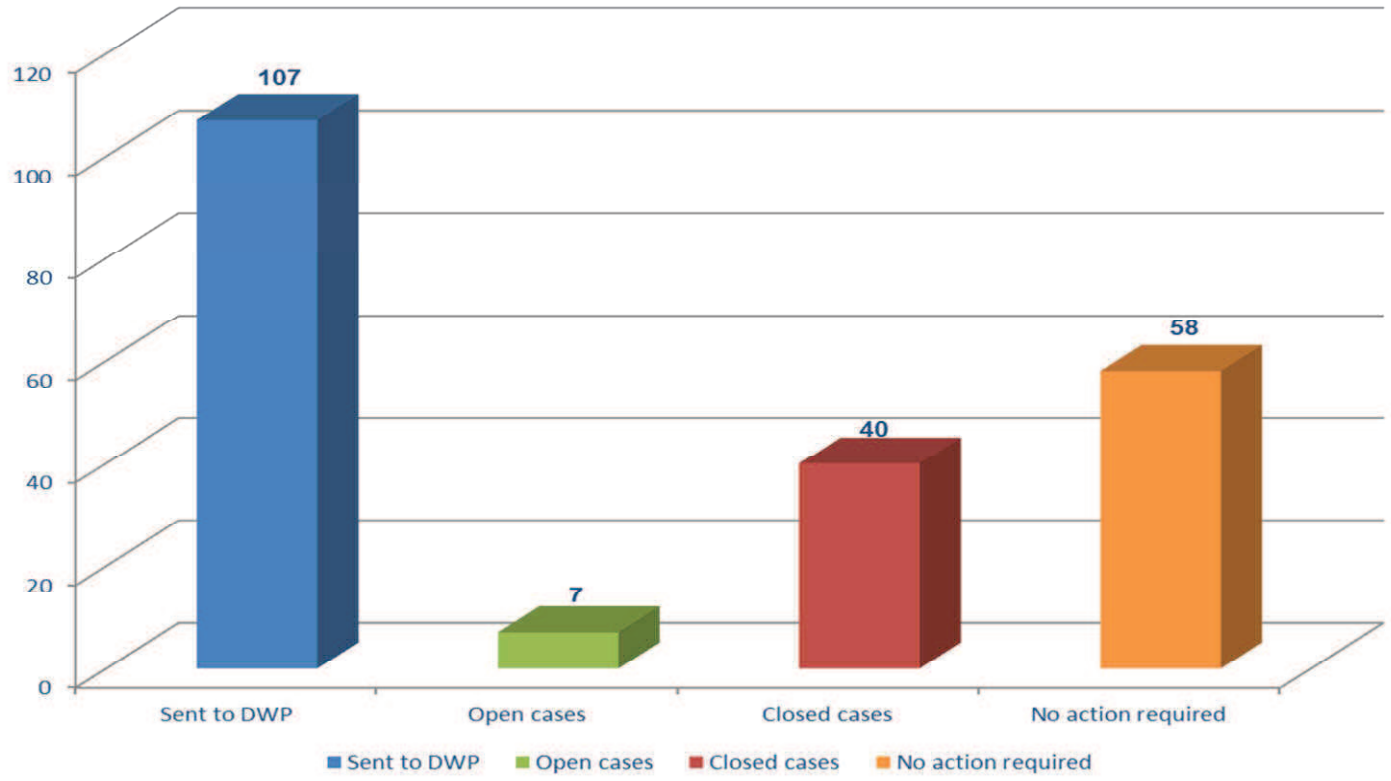
Source of referrals



	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016
Online	3	6	5	7	22	12	9	17	11	16	12	21
Hotline	1		10	6	3	2			3			
Staff	5	9	7	28	11	3	1	3	3			
External Partners		1	3	1								
Letter			1	1	1	2						
Walk-in				1								

Appendix D

Outcome of referrals relating to fraud against the Council



Appendix E

Investigations undertaken by blue badge investigator

Type	Allegation	Opened	Closed/ No action	Ongoing	Warning issued and/or badges confiscated	Referred to Procurator Fiscal
Expired Badge	20	20	5	1	14	
Fake Badge	2	2	1		1	
Appear to be healthy	8		8			
Parking Misuse	2	2			**2**	
Parking Space Misuse	4	3	1	2		
Sale of parking Permit	1	1	1			
3rd Party Misuse	68	65	25	10	24	6

ABERDEEN
CITY COUNCIL

Corporate Investigation Team

National Fraud Initiative – moving forward

Brian Muldoon
Corporate Investigation Manager
March 2016

1.0 Background

1.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.

1.2 The National Fraud Initiative is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. It has been run every two years since 1996 and, to date, has been used to identify fraud and overpayments totalling £1.17 billion. Participating bodies submit data to the Cabinet Office who undertake the matches. The aim of the initiative is to ensure that, while upholding and protecting citizens' rights in relation to their personal data at all times, the NFI continues to serve the public interest by:

(a). safeguarding public money against losses from fraud or misappropriation

and

(b). making an effective contribution to the wider fight against fraud and, potentially, other crime.

The purpose of NFI data matching is to identify inconsistencies that may indicate fraud. Where a match is found, it indicates that there may be an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out by the participant.

1.3 A response from Audit Scotland to the National Fraud Initiative (NFI) questionnaire was received in February 2016. NFI is an initiative primarily focussed on using data matches between different sets of customer and staff information to identify potentially fraudulent activity. This is shown in Appendix 3 to the main report. This raises a number of significant issues that need to be urgently addressed including:

- Reporting of NFI progress
- Reviewing and closing off matches
- Making improvements to the approach to NFI
- Engagement with the process

In respect of the red risks, the CIT proposes to address these with the following timeline:

1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees?	Further to this report, the progress and outcomes will be reported on a 6 monthly basis to Audit, Risk and Scrutiny Committee. Significant outcomes will also be reported to senior management and relevant staff.
2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately? b) If not can the reasons why this is the case be provided?	The progress and outcomes will be Subject to the recommendation of a co-ordinated approach and alignment of resources in the team, this work will be prioritised so that significant progress will have been made in a 6 month period.
4 b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise?	It is anticipated that the recommendations in Section 3 of Appendix 2 will be examples of good practice, such as a co-ordinated approach, access to cross cutting datasets, the Application Checker, and consultation with services to align this work with the wider work of the fraud team.

5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)?	Following implementation of the recommendations in Section 3 of Appendix 2 including planning through the Fraud Business Plan, reallocation of resources internally and through support of the accounting team and pro-active response, it is anticipated that the level of engagement with NFI will significantly improve over the next 6 months.

1.4 Operational responsibility of the National Fraud Initiative transferred to the Corporate Investigation Manager in 2015. As the latest set of data matches had been received in January 2015, the transfer of duties did not allow for a full evaluation of current working practices to take place. When arrangements for the transfer were put in place no allowance was made that the Manager would have been involved in undertaking several major investigations. In retrospect the timing of the transfer could have been delayed until nearer the next match in 2017.

1.5 The Council has historically delegated the responsibility to services to review data matches within their own area, however this approach is no longer considered to be the best use of resources and has contributed to the adverse comments from Audit Scotland. The specialist knowledge required to review matches and take action is now felt to reside within the CIT since its establishment and it is proposed that a more structured approach be implemented. The developments in data management being proposed as part of the wider development of CIT would also enable this work to be more effectively carried out centrally.

1.6 The Council has a zero tolerance approach to fraud and the NFI is a significant source of information. It is therefore important that we review our current working practices to ensure we are doing as much as possible to stop fraud entering the system.

2.0 NFI activity in 2015 and 2016 - Review of Matches.

2.1 From January 2015 to April 2015 the Corporate Investigation Manager was involved in arranging for the migration of housing benefit fraud investigations

to the Department for Work and Pensions. During this period active monitoring of NFI was limited to reviewing the progress of matches. After April 2015 the team were involved in several misconduct investigations and with a member of the team leaving it was not possible to allocate a dedicated resource to the NFI. Regular meetings, however, did take place with the Revenues and Benefits managers as they had received the highest volume of matches.

2.2 The Corporate Investigation Team undertook the data matches relating to ACC employees.

2.3 In June 2015 the community safety service appointed an investigator to undertake blue badge investigation. From June until November he undertook his training with the corporate investigation team. During this period some work was undertaken on the blue badge NFI fraud referrals, however before this was completed the officer was recalled back to the community safety team.

2.4 Two meetings were held with Audit Scotland to review progress on the Council's management of the NFI. Following the June 2015 Audit, a new system of monitoring was put in place by the investigation manager. As stated above due to other high priority work and resourcing issues it was not possible to devote as much time as was required.

2.5 In some services it was not possible to allocate appropriate resources to manage the volume of matches received.

2.6 Periodically throughout the year NFI publishes updates to data such as mortality and immigration but as we have been unable to timeously manage the current workload, no further action has been taken on this.

3.0 Proposals for review of working practices

3.1 While there has been some positive progress we need to put in place measures to ensure that we manage future NFI matches appropriately.

3.2 Following discussions with the Head of Finance, it is proposed to transfer responsibility for reviewing and investigating the matches from services (except pensions and housing benefit) to the Corporate Investigation Team.

3.3 This transfer of work will allow the CIT manager to be directly responsible for the allocation of matches and be able to allocate appropriate resources. This will ensure that the Council is able to action the data matches in a structured manner. i.e, high priority cases first as well as allowing us to monitor fraudulent trends. The capability to undertake the matches is there within the CIT, the difficulty has been in 2015 finding sufficient resource and structuring work plans to manage the workload. With the additional member of staff in place, the CIT business plan and flexibility to use Accounting resource when required, it is proposed that a new focus can get the NFI work to the standard expected by the organisation in the next year in the most effective way. The CIT manager would wish to also reserve the option of going back to services to make available additional resource to help with the matching process for matches in their service area where there is a high volume.

3.4 To progress authorisation for CIT to have access to all relevant databases and systems required for reviewing the NFI data. This will enable a co-ordinated approach and be aligned with Master Data Management principles.

3.5 Participation in the NFI allows us to find irregularities however this is a reactive approach and does not allow us to stop potential frauds from entering the system at the outset. Application Checker is new function, available through the NFI website which is designed to be a fraud prevention tool. It allows us to interrogate data held by other organisations and is designed to identify inconsistencies and prevent potential fraud before an application for a council service is approved. Any matches returned should provide enough information to establish whether the inconsistency needs further investigation; and, if so request further information from individuals to evaluate their application against the inconsistency.

3.6 In line with Audit Scotland's recommendation a six monthly update report on NFI activity will be presented to Audit, Risk and Scrutiny committee. This is felt to be particularly important to allow Members to monitor progress and ensure that the backlog and improvements are made. It is proposed to consult with services on the detailed approach and develop a work plan for

the transfer of activity and renewed focus that will be reported to the committee in September.

AUDIT SCOTLAND

Aberdeen City Council

2015/16 Audit

National Fraud Initiative

Prepared for Members of Aberdeen City Council's Audit, Risk and Scrutiny Committee

April 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Introduction

1. This report is intended to give our observations on the council's level of preparedness for responding to the 2014/15 National Fraud Initiative (NFI) data matching exercise and its progress in investigating these matches.

2. NFI is intended to help the participating bodies to identify possible cases for fraud, and detect and correct any consequential under or overpayments. If data processing notices are used to full effect, they can further act as a means of deterring fraud.

3. One hundred and twenty seven bodies participated in the fifth exercise in 2012/13 including councils, health boards, police and fire authorities, the Scottish Government, the Scottish Public Pensions Agency (SPPA) and the Student Awards Agency for Scotland (SAAS).

Background

4. Computerised data matching systems compare data submitted by each of these bodies to detect areas of possible fraudulent activity (e.g. comparing student loans to housing benefit claimants to identify anyone who may have fraudulently neglected to declare their student status when applying for housing benefit).

5. Across the UK, the cumulative outcomes from the NFI exercise now exceed £1.17 billion. Within Scotland, cumulative outcomes are around £94 million with the 2012/13 exercise alone identifying £16 million.

6. It is expected that outcomes from the NFI exercise should decrease as time goes on, indeed outcomes in 2012/13 were down 19% on those identified in 2010/11. Approximately a third of the value of outcomes identified in the 2012/13 exercise were as a consequence of the follow up of matches identified in the 2010/11 exercise. If the 2010/11 data had been appropriately reviewed, any outcomes in 2012/13 should only have been ongoing for the previous 2 years. Furthermore, any internal control weaknesses identified during an NFI exercise would be expected to be promptly reviewed and strengthened.

2014/15 NFI Exercise

7. The 2014/15 NFI exercise commenced in October 2014 when participating bodies were required to submit their datasets to the encrypted NFI website. Once the Audit Commission completed the data matching exercise, output was available on a secure website to the relevant bodies for consideration and investigation from January 2015.

8. Around a year after the matches are available, Audit Scotland publishes a national report setting out progress made by the different bodies in reviewing matches and the overall messages from running the initiative. In order to inform the content of the 2016 report, local auditors were asked to complete two questionnaires and provide conclusions in a number of areas using a traffic light assessment. The first questionnaire was submitted in June 2015 and the second in February 2016. In both cases, we concluded that the council had made unsatisfactory progress in dealing with the data matches.

Main Report

Key Contact and Responsibilities

9. The NFI exercise requires each participating body to have a key contact who will have the following responsibilities:
    - fulfilling data protection requirements – they should be in direct communication with their organisation's data protection officer or equivalent
    - ensuring that the data formats guidance and data specifications are followed
    - nominating appropriate users to upload data submissions, investigate the matches and act as the point of contact for other bodies about a match (preferred dataset contact)
    - coordinating and monitoring the overall exercise
    - ensuring that outcomes from the investigation of matches are recorded on the web application promptly and accurately.

10. The key contact for the 2014/15 exercise changed in February 2015 from the Financial Services Manager to the Corporate Investigation Manager. In June 2015, the Corporate Investigation Manager was nominated as the key contact. We felt this was an appropriate officer for the role as he has a number of years' experience in investigating benefit fraud and due to his new role in the council, we felt there would be sufficient time and authority to carry out the necessary work. With hindsight, it was unfortunate that the key contact changed at the time a new investigation team was being established. The team was focused on setting up new arrangements within the council leaving insufficient time to deal with the NFI.

Dataset Submission

11. Mandatory data requirements from councils for 2014/15 included the following information:-
    - Housing - benefits, housing tenants, right to buy
    - Payroll and pensions
    - Blue badges
    - Private supported care home patients
    - Personal budget direct payments
    - Trade Creditors
    - Council Tax
    - Electoral Register.

12. The council chose not to submit two mandatory datasets from the above list, creditor payments and personal budget direct payments. The creditor payments database was not deemed to be necessary as the accounts payable section already use duplicate payment software on a daily basis. Personal budget direct payments were however omitted from the mandatory datasets submitted due to an oversight by the council.

13. Each year there is an option for participating bodies to submit risk based datasets along with their mandatory ones. Bodies are encouraged to take up the opportunity of these additional matches

as they provide an opportunity to identify further cases of potential fraud and error. The only optional risk based dataset selected by Aberdeen for the 2014/15 exercise was insurance claimants.

14. In 2013/14, the NFI provided councils with the opportunity to review matches between council tax single person discounts and the electoral register. Due to a delay in considering these matches, the council paid for the data matching exercise to be re-run using updated information. This was subsequently undertaken in the latter part of 2015.

Initial progress in investigating matches

15. Matched data was available to participating bodies on 29 January 2015. Data is sorted on the NFI secure website into:
    - recommended matches - those deemed to be most high risk
    - non-recommended matches.

16. It is up to participating bodies to devise their own strategies for investigating matches although it is expected that priority is placed initially upon recommended matches.

17. Data matches are sorted into reports as per the date that has been compared e.g. payroll to payroll within bodies or housing benefit claimants to pension payroll between bodies. Once work has started on investigating data matches, the report status is shown as 'open'.

18. The NFI website gives information to the user showing what data has led to matches having occurred to aid investigation. A 'comments' box is available to record investigation strategies and outcomes and can be used to contact other participating bodies where linked cases are involved.

19. At June 2015, Aberdeen City Council had a total of 3,999 matches with 1,186 of them listed as priority recommended matches.

20. Updates of the database over the latter part of 2015 and early 2016 revised these numbers to 4,173 total matches and 1,193 recommended matches respectively.

21. A summary of the matches identified and those examined at June 2015 and February 2016 is provided in Table 1. Overall, only 21% of the recommended matches had been reviewed by February 2016.

Table 1 NFI Match Results – Number at February 2015 and June 2015

Category	Total Matches		Total processed and as % of total Matches		Total recommended Matches		Recommended Matches processed and as % of total recommended		Unopened reports with recommended Matches and as % of all reports with recommended Matches	
	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015
Housing Benefit	2,227	2,133	627 (28.2%)	49 (2.3%)	379	373	191 (50.4%)	49 (13.1%)	7 (26.9%)	22 (88.0%)
Pensions	677	674	150 (22.2%)	150 (22.3%)	185	184	24 (13.0%)	0 (0%)	2 (66.7%)	2 (66.7%)
Payroll	55	55	32 (58.2%)	1 (1.8%)	2	2	2 (100%)	1 (50%)		
Housing Tenants	488	412	82 (16.8%)	1 (0.2%)	35	35	4 (11.4%)	1 (2.9%)	4 (66.7%)	5 (83.3%)
Right to Buy	418	417	1 (0.2%)	1 (0.2%)	368	368	1 (0.3%)	1 (0.3%)	4 (80%)	4 (80%)
Blue Badges	189	189			177	177			2 (100%)	2 (100%)
Residents Parking Permits	26	26			17	17			2 (100%)	2 (100%)
Private Residential Care Homes	87	87	28 (32.2%)		27	27	27 (100%)	0 (0%)		1 (100%)
Personal Licences	1	1								
Insurance Claimants	5	5			3	3			1 (100%)	1 (100%)
Total	**4.173**	**3,999**	**920 (22.0%)**	**202 (5.1%)**	**1,193**	**1,186**	**249 (20.9%)**	**52 (4.4%)**	**22 (46.8%)**	**39 (84.8%)**

Source: NFI 2014/15 Database

22. At the time of our second review in February 2016, we noted the following points:

- the Corporate Investigation Manager advised us that he was aware of at least 2 areas, blue badges and private residential care homes, where work had been carried out but the database was not up to date.
- pensions to payroll match reports had not been reviewed by the Pensions section as they were considered redundant due to pensions no longer being abated on re-employment. While not considered unreasonable, no global comment had been recorded on the database to this effect and the relevant reports had not been closed.

23. In respect of housing benefit, Table 1 shows significant progress in dealing with recommended matches between June 2015 and February 2016 with the numbers processed increasing from 13% to 50%. Overall however, only 21% of all recommended matches were dealt with by February 2016 and there were still a high number of reports with recommended matches (22 in total representing 47%) which had not been opened at all.

Recommendation 1

24. Work on Council Tax Single Person Discounts was much more successful. Once the council obtained revised data matches, work was quickly progressed with the result that 63.2% of matches had been reviewed (3,200 out of 5,060). From this 973 errors were identified which equated to £405,759 in financial terms and for which the council has issued revised council tax bills.

25. Table 2 summarises the errors identified from the exercises. The majority of these are potentially recoverable by the council.

Table 2: NFI Errors - June 2015 and February 2016

	Feb 2016 Number / (£)	June 2015 Number / (£)
Main Exercise	52 £80,235	1 £5,949
Council Tax to Electoral Register	973 £405,759	n/a

Source: NFI 2014/15 and Flexible Matching Databases

Management Commitment

26. In both questionnaires, we reported that progress in reviewing matches from the main NFI database was slow. In February 2016, we also highlighted that the key contact, the Corporate Investigation Manager, may not have sufficient authority over colleagues in services to ensure that matches are reviewed promptly. We therefore concluded that the process would benefit from senior management support to increase awareness of the initiative and promote their expectations from services in terms of commitment in dealing with the data matches.

Recommendation 1

27. The previous national NFI report was published by Audit Scotland in June 2014 and provided a self-appraisal checklist for audit committees, key contacts and services to use in monitoring councils' arrangements for planning and responding to the NFI. In respect of the 2015 exercise in Aberdeen, there were no progress reports to either the management team or the Audit, Risk and Scrutiny Committee (ARSC).

28. The Corporate Investigation Manager discussed progress with the Revenues and Benefits Manager and Benefits Processing Manager during the year to highlight results in relation to housing benefit. In addition, there were more general discussions on the process when he met with his line manager.

29. In order to get the best results from the data matching exercise, priority matches should be examined promptly. We have generally found that regular progress reporting increases the impact of the initiative. A successful NFI:

- provides those charged with governance with assurance over the effectiveness of a council's fraud policies when assessing the content of the annual governance statement
- acts a deterrent to fraud
- raises staff awareness of the importance of internal controls.

Recommendation 2

Appendix 1: Action Plan

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/23 and 26	Progress with review of the matches in the main NFI database has been slow. Following our second review of progress with the exercise in February 2016, we concluded that while the key contact, the Corporate Investigation Manager, liaises with service departments carrying out the match reviews, he may not have sufficient authority to ensure that matches are promptly dealt with. ***Risk: Errors are not identified timeously and monies are lost.*** Recommendation: Senior management raise the profile on NFI activity and set out their expectations from services in terms of the commitment and priority to be given to dealing with matches.	The report and recommendations to Audit, Risk and Scrutiny Committee set out a new approach to undertaking matches. The Corporate Investigation Manager and officers understand the importance of reprioritising this work. With the approval of the measures set out in the report, there is confidence that at the 6 month review period, considerable progress will be made in terms of the priority and progress on matches. In the longer term it is desirable to set up systems that enable earlier identification of matches through the council's own systems and this is being discussed with the Head of IT and Transformation.	Corporate Investigation Manager	September 2016

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
2/29	There was no formal reporting of progress with the NFI exercise, either to ARSC or to management teams in respect of the 2015 exercise. ***Risk: Those charged with governance are not provided with the assurances on internal controls that could be provided by an effective NFI exercise.*** Recommendation: Progress reports should be provided throughout the period of the NFI.	A Fraud Report has been prepared for the first time covering 2015/16 and is included on the April agenda for ARSC. This report is prepared by the Corporate Investigation Team within Finance and provides a summary of fraud investigations carried out during the year including any lessons learnt. It is anticipated that in future this report will also include any breaches of the Bribery Act which may arise. This makes reference to the progress on NFI alongside the report from Audit Scotland. As at September 2016 a further update on progress on NFI will be prepared that should give a higher level of assurance on this work.	Corporate Investigation Manager	September 2016

NFI Auditor Questionnaire 2014/15 (February 2016 - auditors for participating bodies only).

Background

1. In June 2015, auditors were asked to complete and submit a questionnaire in regard to their audited bodies' engagement with the NFI 2014/15 exercise at that point in time. Auditors should now follow up their June findings and complete the following questionnaire and return it to Owen Smith at osmith@audit-scotland.gov.uk by **29th February 2016.**

2. Auditors should consult the 2015/16 Audit Planning Guidance to confirm which audited bodies are participating in the current NFI exercise. Auditors may also refer to the Instructions for Participants and read the published NFI report which provides further background and information on the exercise, including a self-appraisal checklist and tips on how to work more efficiently in investigating matches (both designed to assist audited bodies in managing workloads and maximising the impact of this work).

3. Council auditors completed an earlier questionnaire on the council tax to electoral register matches (to identify wrongful claims for single person discount) - any further developments in this work since the June questionnaire should be reported on this questionnaire (question 6).

Outputs

4. The results from both questionnaires will inform the next NFI report to be published in June 2016. The NFI report is presented to the Parliamentary Audit Committee and the Accounts Commission. The local auditor contribution on the effectiveness of NFI arrangements is therefore very important. Accurate and timely feedback from auditors will also enable follow up action to be taken at relevant bodies.

5. The NFI matches can also be an important source of audit evidence for auditors undertaking their risk assessments of internal control systems for 2015/16. A large number of recommended matches in key NFI reports may indicate weak or ineffective internal controls. If an audited body is not actively investigating these, local auditors need to judge and document what this means for their overall assessment for these systems.

6. Auditors should report on the results of their NFI review work in their 2015/16 annual audit reports as part of their consideration of audited bodies' arrangements for the prevention and detection of fraud. The NFI is an important tool to help auditors conclude on their view on this area but the NFI exercises are not a substitute for wider fraud audit work necessary to support their view.

7. Please remember that the NFI is a relatively simple concept:
   - Bodies submit data as required by the Instructions
   - Data is processed with other data from participating bodies
   - Matches are made and graded to indicate any that are high priority

- Bodies risk assess returned matches and investigate
- Bodies take appropriate action on conclusion of investigation
- Bodies record results in the NFI system
- Auditors review arrangements

The outcomes from this NFI exercise will be reported based on what has been recorded in the NFI system as at the 31 March 2016. It is therefore very important that the participating bodies record their outcomes in the system before this date to ensure that accurate outcomes are reported for this exercise.

Methodology

8. A traffic light system is included against each question for the auditor to conclude whether arrangements are:
   - **satisfactory** (green),
   - **mostly adequate** but areas for improvement (amber) or
   - **unsatisfactory** where improvement is required as a priority (red).
9. The 'response' section of the questionnaire must provide commentary and/or evidence to support conclusions. Feel free to attach or supply relevant supporting evidence. Responses should be discussed with relevant staff at audited bodies to confirm the factual accuracy of information provided and should reflect the auditor's views on participating bodies' arrangements (discussed with and reviewed by senior audit manager).
10. Where bodies have taken part in other data-matching exercises outwith the NFI (e.g. through a private provider) please report this to us and, where possible, the costs involved. (Note that the cost of NFI participation is included in the audit fee).
11. If you have any queries when carrying out this work, please get in touch with the Audit Scotland NFI team as follows:

    - Owen Smith, Senior Manager, osmith@audit-scotland.gov.uk 0131 625 1914
    - John Gilchrist, Manager, jgilchrist@audit-scotland.gov.uk 0131 625 1659

NFI Questionnaire (2)

Name of auditor who completed the questionnaire:

Name of manager who reviewed this questionnaire:

Date completed:

Question	Response	Conclusion (green/amber/ red or n/a)
1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees? *Support for the NFI by those charged with governance - as part of corporate policies for preventing and detecting fraud and error – is indicative of good practice. Publishing NFI outcomes acts as a deterrent to fraud and raises staff awareness of the importance of internal controls.*	No reporting, either internal or external, or at any level, in the year to date.	Red
2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately? b) If not can the reasons why this is the case be provided? *It is important that the results of investigations carried out by bodies are recorded on the system to enable accurate reporting of this NFI exercise.* *It is also important the reports are closed off when investigations are complete.* *The NFI web app has a help tab where the NFI guidance is contained. This includes a*	a) Partially. Only 9 reports have been closed to date, the majority of which have less than 20 matches. As 16/02/16, 920 matches had been processed out of a total of 4,173. Of those processed, 249 were recommended matches, compared with a total of 1,193 (21.1%). The focus of these matches has been on those which are high quality forming 93.2% and 82.3% of all and recommended matches processed respectively. The majority of the results of match investigations are recorded on the databases. However, from speaking to the Investigations Manager he was aware of at least 2 areas, blue badges (reports 170-172) and private residential care homes	Red

Question	Response	Conclusion (green/amber/ red or n/a)
section on 'recording outcomes'.	(report 173), where work had been carried out but the database was not fully up to date. We are also aware that Pensions to Payroll match reports, reports 54, 55 and 78 (containing a total of 527 matches) have not been reviewed by the Pensions section as they are considered redundant due to pensions no longer being abated on re-employment. This is not considered unreasonable. No global comment has however been recorded on the database to this effect or the reports closed. b) Although the Investigations Manager is the key contact for NFI and liaises with the service departments carrying out the matches, he ultimately does not have sufficient authority over service staff to ensure the matches are reviewed. The exercise would benefit from greater commitment from Senior Manager level in future exercise to ensure matches are reviewed timeously after they have been received.	Red
3 a) Has your audited body taken appropriate action in cases where fraud is alleged? b) Where frauds or errors have been identified are they recovering funds effectively? *This may include disciplinary action, penalties/cautions or reporting to the procurator fiscal. For NHS bodies this*	a) n/a - All the errors identified to date are in respect of benefit cases. The Revenues and Benefits Manager and Benefit Processing Manager made a decision not to defer potential frauds to the DWP unless considered very serious. No cases have fallen into this category to date. b) Overpayments are being raised in respect of errors identified and pursued through the normal overpayment recovery	n/a Green

Question	Response	Conclusion (green/amber/ red or n/a)
should involve the expertise of the NHS Scotland Counter-Fraud Service. *Overpayments should be recovered where appropriate. If a body is not recovering recoverable overpayments their reasons should be provided.*	process. Of £80,235 errors identified, £80,227 are being recovered. The non-recoverable amount is a single case and is due to the amount being less than £10.	
4. a) Please provide details of any significant or interesting cases arising from the NFI exercise e.g. fraud and/or large overpayments. b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise? *We are always looking to report interesting cases and examples of good practice that come from the NFI exercises.* *Participating bodies should be using the results of NFI to improve internal controls.*	a) The 2 most significant cases are:- • £9,293 overpayment resulting from HB to Student Loans match (report no. 2) where the claimant was found to have not been an eligible student across periods in 2 financial year. • £5,949 overpayment resulting from HB to payroll match (report no. 13) - amendments to earnings and tax credits resulted in overpayment. No interesting cases have however been identified. b) No examples of improvements made to date.	n/a Red
5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)? *Note that the auditor's view on this should be reflected in the Annual Auditor Report where the Code of Audit Practice requires a view to be expressed in relation the audited body's arrangements for the prevention and*	Planning As noted in the initial questionnaire return (June 2015), the data submission for the exercise was largely on time, but little progress had been made with matches, although there were some mitigating circumstances e.g. - change of key contact - involvement of key contact in transfer of	Red

Question	Response	Conclusion (green/amber/ red or n/a)
detection of fraud. NFI participation is part of an organisation's overall strategy for protecting against fraud and error. It is not, however, a substitute for these wider arrangements	benefit fraud responsibility to SIFIS Progress Progress has been made since, with 968 matches now having been processed compared with 202 as at 17/06/15. However, this still only amounts to 22% of all matches. In addition, progress with recommended matches has been poor, with only 249 (21.2% of the total recommended) compared with the June 2015 position of 191 (16.1% of total recommended). On a more positive note, the majority of focus has been on high quality matches. We also commented on slow progress in review of matches in our review of the 2012/13 NFI exercise. Resources As noted at 2b), the Investigations Manager does not have sufficient authority over service staff with regard to review of the matches. This and the limited progress on the review of matches noted above has resulted in an insufficient level of resources being devoted to the exercise. Response to Outcomes Response to errors identified, as noted at 3. and 6. above considered to be satisfactory. Improvements as a result of errors identified have still to be considered.	Red Red Amber
6. Please provide any other comments or observations on this NFI exercise.	After the initial match data was deemed too out of date to review, the council paid	Green

Question	Response	Conclusion (green/amber/ red or n/a)
E.g. *The Assistant Auditor General wrote to certain bodies in October 2015 raising concerns on their engagement and participation in this NFI exercise. Relevant auditors were copied in. We would expect to see an update on the concerns raised in these letters here where applicable.* *Update on CTAX/SPD 2013/14 exercise (councils only).*	to have a new single person discount to electoral register match exercise to done in 2015. Of the resultant two reports, one identified 4,797 matches. As at 16/02/16, of the 3,200 matches which had been reviewed, 973 errors were identified amounted to £405,759 in financial terms. The largest single error is £7,115, which relates to cancellation of a single person discount. The council plan to raise bills to collect the additional council tax resulting from the errors. The 2nd report (rising 18s) which has 263 matches has not been reviewed to date. This is not considered unreasonable given review of the first report is ongoing.	

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	28th April 2016
DIRECTOR	Richard Ellis (interim)
TITLE OF REPORT	Scottish Public Services Ombudsman Complaint Recommendations
REPORT NUMBER	CG/16/055
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report provides details of all Scottish Public Services Ombudsman (SPSO) decisions made during 2015/16 Q4 relating to Aberdeen City Council complaints.

2. RECOMMENDATION(S)

It is recommended that Committee notes the details of the report, identifies any systemic issues 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 Q4, the SPSO made 2 decisions relating to Aberdeen City Council complaints that were referred to the Ombudsman for consideration. 1 complaint was upheld and 1 complaint was partially upheld.

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

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. 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. All SPSO decisions are therefore shared with the appropriate service(s).

Improving Staff Experience –

The outcomes of complaint decisions are 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 is also 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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01224 34976

Appendix A

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Directorate	Decision	SPSO Recommendations	Completion Date
23 December 2013	1 February 2016	1. The Head of the school did not deal with the issue raised in December 2012 as they said they would *(not upheld)*; 2. The Council did not reasonably investigate the complaints raised by the pupil and parents; *(upheld)* 3. The Council did not communicate reasonably with the parents regarding the investigation of their complaints. *(upheld)*	Education and Children's Services	Partially Upheld	1. Demonstrate to the SPSO that education and schools staff have been made aware of the new guidance and processes for complaints; 2. Take steps to ensure that complaints handling staff routinely consider which policies may be relevant to the complaint 3. Write to the complainants to clarify what action was taken in response to the upheld parts of the Stage 2 complaint 4. Apologise to complainants for the overall failings found in the SPSO investigation.	24 February 2016
21 July 2015	9 March 2016	The Council unreasonably failed to explain the rationale behind the offer of compensation for the loss of the complainant's late father's personal effects.	Communities, Housing and Infrastructure	Upheld	Apologise to the complainant and their sibling for the additional distress and inconvenience caused by the delay in explaining the rationale behind the compensation offer.	28 March 2016

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	28 April 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Best Value
REPORT NUMBER	OCE16018

1. PURPOSE OF REPORT

The purpose of this report is to update the Committee on the progress made in addressing findings from the 2015 Audit of Best Value & Community Planning.

2. RECOMMENDATION

It is recommended that the Committee consider the attached progress report and agree:-

i. to receive regular updates on the implementation of actions to address the findings of the 2015 Audit of Best Value & Community Planning; and

ii. to note that Audit Scotland will introduce a new approach to auditing Best Value from October 2016.

3. FINANCIAL IMPLICATIONS

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

4. OTHER IMPLICATIONS

There are implications associated with a council's delivery of Best Value. These relate to the level and nature of inspection and regulation as well as the efficient, effective and economic delivery of services.

5. BACKGROUND / MAIN ISSUES

2015 Audit of Best Value and Community Planning

The Council was subject to an audit of Best Value and Community Planning during 2015 and the audit report was considered by Council at their meeting in August 2015. The report contained a number of specific

"findings" as well as "Areas for Improvement". The areas for improvement included addressed issues related to:-

- Linking strategic priorities with objectives, targets and service plans;
- Aligning performance management and ensuring consistent performance reporting;
- The engagement and ownership from elected members and staff, as appropriate, with strategic planning arrangements;
- Elected members' development to help them fulfil their roles;
- Political consensus and commitment to the Council's long-term priorities;
- Member-to-member and member-to-officer working;
- Organisational capacity for transformation.

Full details of the "findings" and "Areas for Improvement" are listed in the table at Appendix A. The table shows progress made to date in addressing each of these, as well as identifying further actions.

Future Auditing of Best Value

The Committee at their meeting in March 2016 considered a report from the Council's external auditors which advised that The Accounts Commission would begin introducing a new approach to auditing Best Value. From October 2016, the start of the next five year audit appointment of external auditors, 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.

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.

6. IMPACT

Improving Customer Experience – All aspects of the Council's approach to Best Value has an impact on customers, by balancing service delivery on the triple aims of improving customer experience, staff experience and use of resources.

Improving Staff Experience – As well as the balanced triple aims, referred to above, many of the actions taken in response to the Best value Audit have a specific intent to improve staff experience, including supporting capacity and capability issue.

Improving our use of Resources – As well as the balanced triple aims, referred to above, many of the actions taken in response to the Best Value audit have a specific intent to improve the Council's use of resources, including aligning resources to clear strategic priorities and the capacity to deliver transformational change.

Corporate – The actions taken in response to this Audit, and the Council's overall approach to delivering best value are clearly corporately supportive of Aberdeen – the Smarter City vision, Community Plan, the Strategic Infrastructure Plan, and individual Service Plans.

Public – This report provides members with an opportunity to apply scrutiny to the delivery and efficacy of previous decisions. No EHRIA or PIA are, therefore, required.

7. MANAGEMENT OF RISK

Not adhering sufficiently to the legislative requirements of Best Value carries reputational, financial and organisational risks. This report is a mitigation of those risks by reporting specific actions which respond to the findings of the 2015 Best Value audit.

8. BACKGROUND PAPERS

Aberdeen City Council – Audit of Best Value & Community Planning, 2015

9. REPORT AUTHOR DETAILS

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Appendix A

Best Value Audit Report – Follow Up

Findings	Progress	Further Actions
F1 Ensure the Council's vision is translated into clear objectives and targets with links to service plans.	1. Political priorities have been consolidated through updating "Aberdeen: the Smarter City" with significant commitments since 2012;	Complete.
	2. SMART objectives, reflecting agreed priorities have been agreed and have informed the refresh of the Council's Strategic Plan;	Complete.
	3. An organisational strategic purpose and vision (Shaping Aberdeen) has been agreed and launched to all managers. Briefing sessions for all staff are currently ongoing.	Complete.
	4. A consolidated Strategic Framework has been developed linking vision; priorities; objectives; strategies; and plans.	Complete.
	5. The Strategic Business Plan, incorporating all of the above, has been refreshed and approved by Council;	Complete.
	6. Directorate Plans have been refreshed and aligned to the Strategic Business Plan.	Complete.
	7. Service Plans are being completed and will be submitted for approval by Committees.	April 2016
	8. Peer review of Directorate and Service Plans is being undertaken to provide additional assurance on the "golden thread".	April 2016
	9. Performance Review & Development is linking priorities to individuals' objectives.	Common objectives have been agreed and instructions issued for all staff
	10. A strategic assessment has been completed to provide the evidence base for a review	

	of the Single Outcome Agreement. The draft Strategic Assessment was issued February 2016 and a priority setting workshop for partners held March 2016. 11. The Council has entered into an agreement with Tricordant to develop strategic capacity. 12. Regional Economic Strategy Approved. 13. City Centre Masterplan agreed. 14. Review of all major strategies has begun and will be completed during 2016. 15. A CMT development session is planned on building cohesive strategic leadership/capacity clarify roles; alignment with corporate vision; establish "brand" and culture.	SOA to be updated by August 2016 Programme of work including simulation events will run through 2016. Complete. Complete. 2016/17 tbc
F2 Take further steps to encourage and consolidate elected members' ownership of the Council's vision.	1. Strategic Plan approved by Council and reflects political priorities. 2. Admin Leaders / CMT meetings agendas reflect Strategic Plan. 3. Convener / Director meetings agendas format reflects Strategic Plan and Directorate Plans. 4. Service Plans to be approved by elected members. 5. Performance reporting to elected members is under review.	Complete. Complete. Complete. April 2016. Framework to be agreed and revised reporting to begin June 2016.
F3	1. Elected Member development programme is being reviewed as part of the wider	Development and

Make better use of the development framework for elected members so that members' development needs are being met to help them fulfil their roles; and ensure elected members are receiving consistent information on service performance to enable them to discharge their scrutiny role effectively.	Governance Review. This will look at training and development requirements for the remainder of the current term and beyond. 2. A review of the performance reporting framework to align with the refreshed strategies and plans (see F1 above)	delivery will be ongoing. Framework to be agreed and revised reporting to begin June 2016.
F4 Review and strengthen arrangements for employee engagement and communication to ensure all employees have a full understanding of the Council's vision and priorities.	1. Shaping Aberdeen Vision - the purpose and desired culture of the organisation have been defined under the Shaping Aberdeen vision. 2. Engagement events to communicate the vision, hosted by the Chief Executive, have been held for Senior Managers and Headteachers. A programme of open events for all staff is now in place and is scheduled to run throughout 2016. 3. Shaping Aberdeen vision forms part of the Corporate Employee Induction and is also included in the new eInduction module – to be completed by all staff. 4. A network of 3rd tier managers has been established, ensuring that managers are aware of and contribute to priorities and implement these within their services. 5. A golden thread has been established cascading priorities from the Corporate Strategic Plan, the directorate plans, service plans to individual plans through	Complete. Initial events complete. Engagement will continue throughout 2016. Inclusion complete. Inductions are ongoing. Establishing network complete. Programme will be ongoing. Service plans to be

	Performance Review and Development.	completed by April 2016. PR&D ongoing.
	6. Following the recent Employee Opinion Survey, staff have been actively engaged in determining the priorities for action within their service areas through Directorate workshops. These action plans are with Directorates for implementation.	Plans complete. Implementation ongoing.
	7. The Chief Executive's blog is now well established and is used to communicate current initiatives and priorities to staff. A number of Directors and Heads of Service also have similar blogs.	Establishing Blogs complete. Communication is ongoing.
	8. Various Directorates have also developed their own means of keeping staff advised and informed such as conferences, achievement ceremonies, regular podcasts etc.	Ongoing.

Findings	Progress	Further Actions
vision and strategic direction I1 Review how the political priorities of *Aberdeen: the Smarter City*, the SIP, the City Region Deal and the City Centre Masterplan are linked through the service plans.	As F1 above	As F1 above
vision and strategic direction I2 Consider the capacity and capability required to deliver the strategic priorities against the recruitment challenges experienced in the North East	1. We will develop succession plans for key occupational groups within our workforce i.e. hard-to-fill, business critical posts. 2. 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. 3. We will ensure that a more cost effective investment in recruitment and/or training and development is made with a long-term objective. 4. We will create potential career paths for internal staff and retain talent. 5. 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. 6. Tackling the critical shortage of primary teachers through long term, sustainable	2016/17. Progress will be reported to CMT 6 monthly. As above. As above. As above. Complete.

	solutions. Internal staff offered the opportunity to retrain as primary teachers through sponsorship by ACC. 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) 7. Plan for succession for leadership roles. 12 more aspiring leaders added to the *Aspire Future Leaders Programme* which is in its second year. (NB programme expected to re-open later this year)	Complete. Complete.
leadership and working relationships I3 Build on the use of cross-party groups to help maintain political consensus and commitment to the Council's long-term priorities	1. Cross party elected members working group has been established and is now meeting; 2. City Centre Masterplan agreed on a cross party basis; 3. Review of divisions since 2012 undertaken. 4. A cross-party working group is to be set up to support the Governance Review, directly linked to supporting the achievement of strategic priorities.	Complete. Complete. Complete. Through to March 2017
leadership and working relationships I4 Sustain improved working relationships, and consider plans to introduce further protocols and guidance for member-to-member and member-to-officer working.	This forms part of a wider governance review which 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: • A protocol on Member/Officer relations; • Revised Standing Orders/Scheme of Delegation • Reviewed committee 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

performance management and scrutiny I5 Implement plans to refocus performance measurement on outcomes.	1. SOA to be refreshed and the Council's strategic plans to reflect any required changes; 2. Review of performance management framework (see I6) to ensure balance of outcome; output; input metrics; 3. Review of all supporting strategies to bring increased clarity to desired outcomes.	September 2016 June 2016 2016/17
performance management and scrutiny I6 Ensure clear links between the performance information submitted to members for scrutiny and the Council's strategic plans.	1. A review of the Council's performance management framework is underway to ensure alignment with refreshed strategies and plans (see F1 above); 2. The review includes:- - Common performance reporting format; - A review of KPIs against best practice criteria; - A review of target setting and links to improvement activity; - A review of the use of benchmarking comparisons; - A review of data collection and intelligence / insight; - A review of Public Performance Reporting.	Framework to be reviewed 31st March 2016. Implementation June 2016
performance management and scrutiny I7 Fully implement arrangements for enhanced scrutiny of ALEOs through the governance hub.	1. The Governance Hub is now operational. Meetings have been increased to quarterly. Exception reporting and minutes are being reported to Audit, Risk & Scrutiny as well as service committees; * Audit Scotland attending Hub meetings 2. A further review of governance arrangements is underway, led by the Monitoring Officer. This will include the ALEO Governance Hub.	In place and ongoing. See above
financial management and improvement I8 Ensure the necessary organisational capacity for transformation is in place in	1. 2016/17 budget agreed. 2. 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 the business need, desired outcomes, benefits and risks to allow an informed decision to	Completed April 2016

readiness for anticipated budget reductions.	be made. 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. That approach is also adopted as part of the change control process. 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.	
financial management and improvement I9 Build further elected member and staff engagement in the change programmes.	1. Ideas Hub has been created and is generating ideas and interactive engagement with staff on improvement; 2. Corporate Transformation resources have been aligned with services; 3. The process for developing transformation proposals and business cases has been revised to include significantly greater joint development of proposals and / or consultation; 4. The engagement of Tricordant will see direct engagement with staff in change, as well as building the foundations for improving ongoing engagement.	In place In place April 2016 Programme of work including simulation events will run through 2016.

ABERDEEN
CITY COUNCIL

Internal Audit Report

Cross Service

Corporate Policies and Procedures

Issued to:
Angela Scott, Chief Executive
Richard Ellis, Interim Director of Corporate Governance
Steven Whyte, Head of Finance
Fraser Bell, Head of Legal and Democratic Services
Martin Allan, Business Manager
Anne MacDonald, Audit Scotland

Date of Issue: March 2016 **Report No. AC1604**

EXECUTIVE SUMMARY

The Council has a suite of corporate policies supported by various procedures and guidance notes. 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.

Following a request from the Chief Executive, the objective of this audit was to undertake a stock take of policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation, and in the context of exploring shared services. A high level review of policies and procedures in each council has therefore been undertaken.

Differences in practice have been identified and highlighted to each Council. Whilst differences are appropriate in many cases, there may be merit in reviewing existing processes where alternative practices have the potential to be more effective or efficient.

On 9 December 2015 a joint meeting of Aberdeen City Council's Corporate Management Team and Aberdeenshire Council's Strategic Leadership Team discussed a number of shared issues and this draft internal audit report (and the equivalent for Aberdeenshire). It was recognised that there are policy and procedural differences, and both Councils agreed to note the reports as a statement of fact. It was left open for either Council to contact the other if there were any specific items / policies that may benefit from a joint approach in future. Whilst no specific actions or policy reviews have been agreed directly as a result, the Councils will take account of the differences and options presented and will seek to work with other local authorities to determine and implement elements of best practice in the course of their future development of policies and processes, in line with their existing policy review schedule.

Whilst policies and procedures are generally accessible via the Zone intranet system, there is no central register to aid selection of the correct document. The Council intends to develop a policy framework, standard templates and processes for updating policies which is to be implemented by March 2017. The Interim Director of Corporate Governance has stated that the wider issues raised in the report will be assessed and addressed within the Governance Review which will be reported to Council in May 2016.

1. INTRODUCTION

1.1 The Council has a suite of corporate policies supported by various procedures and guidance notes.

1.2 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.

1.3 The objective of this audit was to undertake a stock take of policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation. A review of policies and procedures in each council has therefore been undertaken.

1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Martin Allan, Business Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Accessibility

2.1.1 Policies and procedures necessary for the normal functioning of the organisation and its employees need to be readily and easily available to all relevant staff so that they are aware of their existence and requirements: to better facilitate compliance.

2.1.2 Most policies and procedures are easily accessible via the Zone intranet service. These are fairly well laid out, and often cross referenced, though it may still be difficult for a user to determine whether a policy is in place for the activity they want to carry out unless they have knowledge of its existence. The search facility is good in this respect, however users will still need to know the correct terminology before they can find the relevant resource.

2.1.3 Following previous Internal Audit recommendations, Corporate Governance is developing a database of HR policies, which it is intended to use to ensure they are covering relevant areas and are maintaining them up to date through a process of regular reviews. However, of itself this will not make the policies more accessible. It also does not include non-HR policies, or the wider set of procedures and guidance notes for which there is no associated policy.

2.1.4 There is no single record of all policies, procedures and guidance, yet employees and managers are expected to ensure these are followed in most aspects of their role. In order to make policies and procedures more accessible, it may be useful to have a full categorised list of all Council policies, procedures and guidance, which all employees and managers can use.

Recommendation
The Council should hold a full categorised list of all policies and procedures via which all officers can access relevant information for their role and the activities they intend to carry out.

Service Response / Action
Contained in the Governance Review is the implementation of a Corporate Policy Framework that will provide an oversight of all policies, their maintenance and accessibility that aligns to supporting staff compliance through annual appraisal.

The objectives of the work are:

Identify core / variable corporate policies for all staff profiles (including statutory policies), and core / variable service specific policies (decommissioning those no longer fit-for-purpose, which are not linked to the Council's vision);

Implement a digital solution with required controls to manage all policies to standard;

Create, consolidate and implement appropriate knowledge capabilities that embed policy requirements through induction, refresher and specific training and support mechanisms; and

Engage with and communicate policy/training changes, developments and requirements to staff specifically around ownership, authorship and adherence through multiple channels.

Implementation Date	Responsible Officer	Grading
March 2017.	Interim Director of Corporate Governance.	Important within audited area

2.1.5 Aberdeenshire Council has recently (November 2014) agreed a Policy Framework which outlines the process and key principles to be followed for developing, categorising, approving and reviewing policies. It also includes a definition of policy in comparison to procedure, guidance and other categories of statements and instructions used by the Council. The Business Manager in Corporate Governance has confirmed that similar actions are being taken forward by Aberdeen City, to include a standard template for policies, and a consistent categorisation, sign off and update process. There is however, as yet, no timetable for implementation.

Recommendation
The Council should ensure a timetable is put in place for the implementation of a policy framework for all Council policies.

Service Response / Action
Contained in the Governance Review is the implementation of a Corporate Policy Framework that will provide an oversight of all policies, their maintenance and accessibility that aligns to supporting staff compliance through annual appraisal (as detailed above).

Implementation Date	Responsible Officer	Grading
March 2017.	Interim Director of Corporate Governance.	Important within audited area

2.1.1 As similar proposals are being taken forward by Aberdeenshire Council's Policy, Performance and Improvement Manager it may be beneficial for the two Councils to collaborate and share best practice in this area.

2.2 Coverage

2.2.1 The majority of policies and procedures in each Council has an equivalent in the other. Although there are a number which are not matched, most of these are not significant. Details of more material differences are included in Appendix 1.

2.2.2 Notable differences were identified between a number of policies, procedures and guidance notes developed by each Council as discussed in Appendix 1. Whilst differences are likely to be due to policy decisions made by each Council in response to local requirements, the audit sought to identify potential areas of best practice for the Councils to explore. Options for the Council to consider in its development of future policies and procedures have been listed in Appendix 1.

2.2.3 On 9 December 2015 a joint meeting of Aberdeen City Council's Corporate Management Team and Aberdeenshire Council's Strategic Leadership Team discussed a number of shared issues and this draft internal audit report (and the equivalent for Aberdeenshire). It was recognised that there are policy and procedural differences, and both Councils agreed to note the reports as a statement of fact. It was left open for either Council to contact the other if there were any specific items / policies that may benefit from a joint approach in future. Whilst no specific actions have been agreed as a result, the Councils will take account of the differences and options presented in the course of future development of policies and processes.

AUDITORS: D Hughes, C Harvey, S Armstrong

Appendix 1 – Key Policy Differences and Options

Policy Coverage

The following policies and procedures in Aberdeenshire have no Aberdeen City equivalent:

Charging policy: The Council has no separate policy, however Financial Regulations do require income to be maximised, regularly reviewed and agreed by Committee. Finance reviews charges annually as part of the budget process. The Aberdeenshire policy includes reference to maximising income, recovering costs, and agreeing fair and consistent levels of subsidy and concessions. A combination of the two approaches would provide a more robust and consistent process.

Commercial sponsorship: Aberdeenshire has a policy outlining the types of arrangement covered and types of sponsorship which would not be acceptable. Although a scheme is in place with an agency for sponsorship of roundabouts in Aberdeen, and Committee agreed the types of sponsorship which would be inappropriate in 2005, the Council has no policy. The Advertising Officer noted that plans for a single contract had not been taken forward, and consequently individual Services act independently on sponsorship. There is a risk to value for money and of potentially inappropriate sponsorship being agreed as a result.

Use of generic ICT accounts: Aberdeenshire outlines the limited acceptable use of generic accounts, the risks of using them, and the potential impact on PSN compliance. The Council has no such guidance. This type of use is also not covered in ICT security guidance, therefore users may not know that this is inappropriate, although it does state that access credentials should not be shared. There is a risk that shared / generic accounts might be used more often without a clear procedure. This impacts on the audit trail of user activity.

Partnerships policy: Although partnerships are discussed in the Financial Regulations, decisions are delegated to Heads of Service in conjunction with Finance and Legal, with no defined process. In comparison, Aberdeenshire policy requires a specific cost-benefit analysis and risk assessment, reviewed every two years. Without a clear policy there is a risk of an inconsistent approach.

Options for Consideration
The Council should consider:

Developing a partnerships policy and review procedure.

Developing a sponsorship policy.

Developing a charging policy.

Including reference to and advice on generic ICT accounts in its ICT guidance.

Some overlap was identified between the following policies:

Employee code of conduct: This includes sections relating to Gifts & Hospitality, ICT acceptable use, and Data protection, each of which is covered by its own policy.

Financial Regulations: These include detailed discussion of Gifts & Hospitality, Travel and Grants, as well as more limited notes on procurement, whistleblowing, fraud, risk, scheme of delegation, corporate governance, and following the public pound. Each of these has its own policy or procedure.

Following the public pound: There is duplication of this procedure, with one outdated document which has not been removed from circulation.

Disciplinary policy: This provides details of interaction with policies including Bullying, Grievance, Whistleblowing, Complaints, and Substance misuse. Although these need to be cross referenced, there is some duplication of content as they are described in this policy.

Minor overlap is inevitable, but in most cases it will be good practice to cross refer between different policies rather than re-stating them in others. Where they are re-stated in whole or in part there is a risk of one policy being updated, and the other not incorporating the changes. As a result, someone relying on the second policy may not follow the correct process.

Options for Consideration
The Council should consider greater use of cross referencing between its policies and procedures.

Policy Differences

Notable differences were identified between a number of policies, procedures and guidance notes developed by each Council as discussed below. Whilst differences are likely to be due to policy decisions made by each Council in response to local requirements, the following discussion seeks to identify potential areas of best practice for the Councils to explore.

Financial Policies

Financial Regulations:

Financial Regulations in each Council set out the rules to be followed when transacting business on behalf of the council – including income, expenditure, stocks and budget management.

As with a number of policies the Council clearly states within the document that *"Failure to comply with the requirements contained within this Code and the associated guidance and procedures will result in an investigation under the Council's Conditions of Service, Disciplinary and Appeals Procedure."* Clearly specifying responsibilities and the implications of failing to meet them should enhance and encourage adherence to the regulations. The success of this will depend on whether officers are adequately trained and aware of the regulations and content, and the effectiveness and consistency of the Council in acting where compliance issues are identified.

Section 5 of the Financial Regulations are phrased as *"good practice guidelines"* although these state that they *"must be followed by all officers"*. Calling parts of the regulations *"good practice guidelines"* could dilute the message that these are requirements which must be followed. If these are merely guidelines it could pose difficulties in progressing disciplinary proceedings if they are not followed.

There is some variation between the documented role of Internal Audit within each of the authorities. Whilst Aberdeenshire only shows rights of access, the Internal Audit section of the Aberdeen City Financial Regulations includes responsibilities as well as rights. This probably reflects the contracted basis on which internal auditors were formerly engaged. Aberdeenshire requires fraud or irregularity to be reported to Internal Audit, whereas Aberdeen City requires reports to Heads of Finance, and Customer Service & Performance. There may be scope to change this to reflect the new relationship available through the shared service arrangements.

Similarly there is an extensive financial management and control section explaining what Finance does and their interaction with Service management. It is worded almost in such a way as to allow it to be used to describe a contract for provision of a finance service. This is far more detailed and prescriptive than what is discussed under the financial planning and management section in

Aberdeenshire's Regulations. The role of Finance in Aberdeenshire Council is generally discussed in separate guidance notes.

There are numerous areas in Aberdeen City regulations where it might be argued there is too much information regarding activities which are largely reserved to Finance. For example: sections on VAT and tax implications, Local Government Act requirements of best value, accounts presentation and trading accounts, reserves policy. Although there is merit in having a single source of information for all financial guidance, this information is unlikely to be useful to other users of the financial regulations on a day to day basis. There is a risk of information overload, and therefore of users (effectively any officer carrying out financial transactions) not identifying which are the key elements and requirements relating to their role.

The same could be said about parts of Aberdeenshire's regulations (some excess detail), though they include far less information about detailed requirements pertaining solely to Finance. To assist non-technical users of the regulations, Aberdeenshire has prepared a 'lite' version of the regulations with a summary of the key points.

The Head of Finance can write off debts of up to £25,000, and can delegate authority to other officers up to £10,000, subject to 6 monthly reporting. In Aberdeenshire this is limited to £6,000 and there is no delegated authority.

Aberdeenshire requires all overpayments to staff to be recovered, whereas Aberdeen City regulations only state that the Head of HR&OD shall ensure all reasonable steps are taken to recover any identified overpayments. There is no reference to who can authorise non-recovery of overpayments, though the reference to HR&OD suggests it could be within their remit. In order to provide more effective control over finances, this is reserved to the Head of Finance jointly with the Head of HR&OD in Aberdeenshire.

There are varying levels of authority attributed to officers or reserved to e.g. Finance within each set of financial regulations. For example Aberdeen City officers have more flexibility in respect of budget virement, and write off of debts, but must obtain 4 quotes for all purchases below the tendering threshold, whereas Aberdeenshire requires this only for orders over £10,000 (though there is a requirement to be able to demonstrate best value). There may be scope for more flexibility in both Councils.

Requirements / items included in Aberdeenshire and not Aberdeen City:

- Internal Audit to be notified of any fraud or irregularity.

Requirements / items included in Aberdeen City and not Aberdeenshire: NB some of these are subject to separate policies in Aberdeenshire.

- Access to grant funded organisations records by Internal Audit
- Requirement to sign over cash when transferred between individuals
- Issue of purchase cards reserved to Head of Finance
- Register of safe key holders
- Where possible money to be collected in advance of service provision
- No debtors invoices to be raised for less than £20
- Officers delegated authority to write off debts up to £10,000 (subject to reporting)
- Restriction on bad debtors entering into rental agreements
- Travel claims can only be paid if evidenced valid licence, insurance and MOT.
- Travel claims > 3 months only paid in exceptional circumstances
- Stocktaking requirements – independence, write offs and surpluses through head of finance.
- 4 quotes up to tendering threshold

- Requirement for segregation of duties and specifically officers must not authorise their own transactions or any cases where there are potential conflicts of interest.
- Need for specific attention to consultancy costs.
- VAT information.
- Explicit details of irregularity investigations.
- Control over common good / voluntary (amenity) funds.
- Local Government Act / Best Value requirements
- Reserves / funds policy.

The Councils may wish to take account of these differences and review whether adoption of similar requirements, or omission of potentially unnecessary items could be considered.

Given progress with joined up working (e.g. shared services in Procurement, Internal Audit) it may be worthwhile both Councils seeking to further align their financial regulations, at least on key issues such as procurement. This could also benefit other joint working arrangements. Under Health and Social Care Integration, as Council staff working in these sections will interface with Health staff who will have their own standing financial instructions to follow, they may have difficulty reconciling these with their own, and those of the three separate local authorities (Aberdeen City, Aberdeenshire and Moray) with whom they have joint arrangements.

Options for Consideration
The Council should:

Review relevant sections of Financial Regulations to ensure the new Internal Audit arrangements are reflected.

Review whether the 'good practice guidelines' are guidelines or requirements.

Consider whether all items currently included in Financial Regulations are required to be contained within that document.

Consider whether a more condensed version of Financial Regulations could be issued for services' day to day use.

Each Council should ensure overlap between Financial Regulations and other policies is kept to a minimum.

The Councils should consider aligning key elements of their Financial Regulations.

Following the public pound:

(FPP) Each Council has guidance, which is broadly similar in intent and includes key points from the COSLA Code of Practice and Audit Scotland reports on following the public pound and ALEO's.

The levels of financial contribution at which different risk assessments and mitigations are applied vary between the Councils:

Aberdeen City	Aberdeenshire
£15,000 - £75,000	£0 - £3,000

£75,000 - £300,000	£3,000 - £10,000
£300,000 - £7,000,000	£10,000-£100,000
£7,000,000+	£100,000+

Although applied at different levels of funding, the requirements of each policy in respect of information from funded organisations is broadly similar, other than the points discussed below.

Aberdeen City includes reference to representation on boards. This forms part of a separate partnerships policy in Aberdeenshire.

Aberdeen City requires checks of individual organisations' policies and procedures more regularly than Aberdeenshire (every 2 rather than 3 years). However, it is more important to check theses if and when they change rather than on a specific periodic basis.

Although both Councils require risk assessments, there is a risk of the Aberdeen City financial risk assessments being inconsistent since no guidance has been set out in the policy on how these should be conducted – for example forecasting the impact of percentage changes in funding profile on cashflow or business cases.

Aberdeenshire sets a level of award above which grants must be split and paid monthly, whereas Aberdeen City guidance is less specific. Whilst monthly payments are encouraged, they are not required – a minimum of four instalments is set. Some larger grants might therefore be subject to greater risk if they are allowed to be paid up front.

At the time of the audit, Aberdeen City had more than one similar policy available on the Zone: both 2007 and 2011 versions were still available, with no indication of which was currently in use. There was a risk of users selecting the wrong one and applying more limited scrutiny. This has been resolved with the issue of a revised policy in September 2015.

Further documents are available with regard to Service Level Agreements and criteria for grants – these could be included in the FPP document, or should be cross referred to in it, as they currently stand separately, and users might not seek further information as set out in the FPP policy.

Options for Consideration
The Council should:

Develop and document a standard financial risk assessment process.

Set a specific level over which grants should be split and paid monthly instead of in four instalments.

Review the overlap and duplication of guidance to ensure consistency of application.

Fraud strategy:

Each Council has a fraud strategy. They have both been developed from a template provided by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and are therefore well documented and similar in content. Each could however be improved by including some additional items included in the other Council's strategy.

Aberdeenshire includes the following elements not included in the Aberdeen City strategy:

- Expectation of thorough documentation of financial and operational systems
- References and checks required as part of the recruitment process

Options for Consideration
The Council should consider including reference to further items in the fraud strategy as outlined above.

Both Councils' documents suggest that Internal Audit procedures are quality assured. Although there are mechanisms for review, there is no recognised Quality Assurance system in place.

Whistleblowing:

Each Council has a whistleblowing policy and process, which serves to clarify the types of information disclosure and investigation process to be followed in respect of alleged fraudulent activity. The content is similar.

Purchase card manuals:

Both Councils have manuals available which outline the circumstances in which cards may be used. Aberdeen City has two different manuals, however these are not widely available to all Services. The procedures need to be easily available if they are to be followed, though it is anticipated that cardholders will be provided with copies at or before the point they receive their card.

It is not clear why there are two different types of card available to users within the Council (credit cards and purchase cards), since both offer similar purchasing options, but with a different process for record keeping and authorisation. It would be better, unless there are clear operational reasons indicating otherwise, for a single scheme to be operated.

The manuals do not clearly state that cards must not be used to pay an invoice for orders already raised in the procurement system. They also do not indicate how VAT should be coded and recovered. It may be useful to include reference to not paying invoices, and ensuring VAT receipts are obtained and correctly recorded, in the procedures, to ensure duplicate payments are not made and VAT is recovered appropriately.

Options for Consideration
The Council should:

Ensure card procedures are available to all users via the Zone and the link in the Financial Regulations.

Review the need for two separate card schemes.

Include details of how to process and evidence VAT on transactions.

Clearly specify that users must not use cards to pay invoices.

Stock guidance:

Reference to the management of stocks and stores, and office inventories, is included in the Council's Financial Regulations, whereas Aberdeenshire maintains separate sets of guidance.

HR Policies

Attendance management:

Each Council commits to supporting employees to return to work timeously following an absence. In each procedure short and long term absences are defined, and there are 'trigger levels' of repeat absences at which point management action should be taken. The actions are broadly similar – return to work meetings, monitoring on an ongoing basis, and occupational health referrals. Both have three month monitoring periods, and recognise a long term absence as one which exceeds 4 weeks.

The trigger levels are different in each Council: Aberdeen City: 10 days / 3 times in 12 months, or 15 days / 5 times in 24 months. Aberdeenshire: 10 days / 3 times in 6 months, or 16 days / 5 times in 12 months, or where it is evident that there is a regular pattern.

Employees can therefore have more absences in Aberdeenshire than in Aberdeen City before management action is taken. However, Aberdeen City has three monitoring periods, extending the time required to manage the policy to 9 months in total compared with 6 for Aberdeenshire. This could mean that even though issues are addressed at an earlier stage, they may not be taken to a timely conclusion.

Options for Consideration
The Council should consider whether three attendance monitoring periods are required when other authorities use only two.

Disciplinary:

Each Council has a policy and procedure which sets out the process to be followed to ensure employees maintain satisfactory standards of conduct and to encourage improvement as necessary. This ranges from informal action to investigation, disciplinary hearing, warnings and / or dismissal.

The processes are largely similar, though are written in a different way – with Aberdeen City providing more detail on each point, and including the majority of information in a single document with appendices rather than separate documents as in Aberdeenshire. Each has model letters with similar content.

Work performance:

Each Council has a policy and procedure setting out the process for supporting employees to make improvements where work performance falls below the acceptable standard. The processes are similar, though the Aberdeen City process is likely to result in earlier conclusion.

Maternity and parental leave:

Each Council has guidance in respect of maternity, paternity, adoption and shared parental leave. The guidance is similar in most respects.

Aberdeen City requests evidence for Paternity Leave, however according to HMRC guidance this is not required. The Council has chosen to ask for a copy of the Mat B1 certificate as evidence to support Paternity Leave to mirror what is done re Adoption Leave, where the matching certificate is needed. Whilst not legally required, HR considers this good practice.

PVG and Disclosure schemes:

The Councils require to consider security and protection of vulnerable groups as part of their recruitment and employment practices. Disclosure checks and PVG registration allow them to review (potential) employee criminal record history in order to do so. Each Council has guidance on the application of these schemes.

Aberdeen City requires preferred candidates (in specified posts) to be a PVG member or become members, and the policy states that they will personally be required to pay the fee for joining the scheme. HR has stated that the Council does in fact pay membership fees, and the policy is out of date. Aberdeenshire Council's policy states that it will pay the PVG Scheme membership fee on behalf of applicants to whom it is intended to make a conditional offer of employment or on behalf of any volunteers under the direct responsibility of the Council.

The current Aberdeen City policy statement may cause confusion for managers, and prospective candidates who are not yet registered with the scheme but who may be suitable for posts.

Options for Consideration
The Council should revise the PVG and Disclosure policy to ensure it is accurate.

Recruitment and selection:

Aberdeen City has a more detailed policy and procedure on the processes and requirements. There is however potential for overlap with Recruitment of Offenders and PVG / Disclosure procedures, as there are long sections on these in which many of the requirements are repeated. See earlier comments regarding the risks of overlap and duplication.

The Aberdeen City procedure encourages greater use of advertising than Aberdeenshire, which largely relies on the national online portal and local website. Routine press advertising is likely to incur additional costs.

Options for Consideration
The Council should consider whether press advertising could be used only on an exceptional basis.

Redeployment:

Redeployment procedures set out when and why employees might have to be redeployed, and how this should be arranged. The content and actions of both Councils' are broadly similar. Aberdeen City keeps a list of redeployees on the Zone, for recruiting managers to consult prior to advertising a post. Aberdeenshire relies on HR to match candidates to a suitable post at the point it is advertised. There are benefits and drawbacks of each approach.

Early retirement, redundancy and voluntary severance:

Each Council has comprehensive policies in respect of these areas, with a general intention to avoid redundancies where possible. Aberdeen City appears to offer substantially fewer redundancy / early retirement benefits than Aberdeenshire. This is likely to result in lower costs in the event of restructuring.

Social Media:

The Councils have guidance in respect of employees' use of social media, generally focusing on the requirement to act in a professional manner in all fora and to avoid bringing the Council into disrepute

through association. Aberdeenshire has a policy in addition to guidance. As Aberdeen City only has guidance and no policy or procedure, there may be limited potential to take direct action in response to unacceptable use.

Both sets of guidance mention the potential for conflicts of interest in comments and association with specific users or groups. Aberdeenshire specifically identifies party political association as an area which could cause issues. This could be particularly important during election periods where there are statutory requirements to remain politically neutral.

Options for Consideration
The Council should:

Consider developing a policy for social media, in addition to the guidelines.

Consider highlighting political association as a potential conflict of interest.

Travel and subsistence:

Each Council agrees to reimburse employees for costs necessarily incurred during the performance of their duties. There are procedures in place, and both Councils have adopted HMRC standard mileage rates. Aberdeen City has a policy in addition to various procedure notes held on the Zone.

Aberdeenshire sets out a priority ranking of travel types – with business mileage travelled in the employee's vehicle at the bottom, and a maximum mileage per trip, before alternatives must be looked at by the travel team. The Aberdeen City guidance in contrast leaves a lot to the discretion of officers, although typically routine journeys in Aberdeenshire will cover more mileage. Although both authorities require standard class travel as a default, Aberdeen City Directors can agree first class travel as an exception. Aberdeenshire allows no exceptions according to the procedure, unless it can be shown to cost less than standard tickets.

It is not clear from the travel procedures that Aberdeen City staff are encouraged to utilise pool cars. Information on the Zone suggests that the 'co-wheels car club' is an option, and this is encouraged as part of the travel policy, but is not mentioned in the procedures, or given preference over alternative options.

Without prioritisation or detail of when to involve the travel team there is a risk of officers selecting higher cost travel options, and / or those travel options which will benefit them personally, rather than being best value to the Council. Allowing Directors to approve first class travel could result in chief officers utilising this exceptional procedure more often, at additional cost.

Aberdeen City pays an essential car user allowance, whereas Aberdeenshire ceased paying an allowance in 2014 following a review of terms and conditions. It may not be necessary to offer an essential user car allowance, and this may be incentivising car use at additional cost to the Council.

Aberdeenshire requires all outwith area travel to be arranged by the Travel Team. Aberdeen City guidance does not specify when to contact the travel team, although the policy suggests that 'major travel expenses' (travel and accommodation) for 'long distance travel' (outside of city boundaries) should be arranged through the team and pre-approved. Although this encourages employees to use the travel team for these items, it doesn't clearly prevent them from incurring mileage expenses instead.

Aberdeen City has more generous standard rates for subsistence: £8 for breakfast; £12 for lunch; £25 for an evening meal. The Aberdeenshire equivalents (based on hours away from home rather than specific meals) are £5; £10; and £15. Aberdeenshire also specifically requires this to be out of

the area, whereas Aberdeen City guidance makes no reference to this. Aberdeen City also offers a £25 payment for staying overnight with family and friends, which is not offered by Aberdeenshire.

If Aberdeen City were to apply the Aberdeenshire rates and allowances, and restrict their application in a similar manner, this is likely to result in a cost saving.

Options for Consideration
The Council should:

Seek to prioritise travel options and encourage use of the travel team in order to deliver best value.

Review the need for an essential car user allowance.

Review the appropriateness of first class travel.

Review subsistence rates to ensure they are appropriate.

Review whether subsistence should be payable at all within Aberdeen City boundaries.

Working Time:

All employers are required to comply with EU Working Time Regulations, which set out strict weekly average working times, minimum break and rest periods for different types of work. Each Council has a policy and procedure to implement these regulations.

Within the Aberdeenshire procedure it is noted than an uninterrupted rest period of 24 hours in every 7 day period, averaged over a 14 day period, must be maintained. There is no provision of this nature within the Aberdeen City document (except for young workers).

Similarly no provision is made for the maximum number of hours a night worker is able to work, however procedures do state that night time work is between the hours of 11pm to 6am; creating a maximum of 7 hours night work. Aberdeenshire explicitly states that a maximum of 8 'normal' hours of night work on average per 24 hour period can be carried out.

Aberdeenshire states that young workers (of age to leave school but not yet 18) can only work a maximum of 40 hours per week (not averaged) as well as a maximum of 8 hours per day. Neither of these conditions are mentioned within the Aberdeen City documentation.

No provision is made for rest breaks of regular employees within the Aberdeen City policy. The Aberdeenshire policy states *"a minimum of 20 minute in-work rest break where the daily working time exceeds 6 hours."*

Although separate 'smarter working' guidance published by Aberdeen City refers to a 30 minute break after 6 hours which all employees must take, and this is mirrored in Aberdeenshire practice, neither Council includes this 30 minute minimum in a policy. It may therefore prove more difficult to apply.

The working time policy was last updated in 2006, yet it states that it should be reviewed every three years.

Options for Consideration
The Council should:

Ensure all relevant rest periods, maximum average hours, and breaks are reflected in the working time policy.

Ensure policies are reviewed within the published timescales.

Ensure that the 30 minute break for work in excess of 6 hours is captured within a policy.

Flexible working:

Each Council sets out similar options incorporating details of various types of flexible working and the circumstances in which they might apply. The options available, and arrangements for application and delivery, are virtually identical in both organisations in most aspects.

Aberdeenshire allows more hours to be carried forward under flexi-time arrangements than Aberdeen City (20 hours credit, 10 hours debit compared with 15 and 7.5 hours), and a second flexi-day within the flexi-time period.

ICT Policies

ICT acceptable use policy:

The Councils have policies setting out the requirements and responsibilities for use of ICT systems. Each makes reference to security, data protection and copyright issues.

In addition to the detailed policy, Aberdeenshire includes a 'policy statement' which reflects the key points of the policy. This is useful in communicating the key concepts and principles, on which the rest of the document expands.

Aberdeen City does not mention restriction on use of ICT facilities for promotion of political parties.

Aberdeenshire requires personal email to go via webmail, whereas Aberdeen City restricts access to webmail, and asks users to flag personal email sent through the corporate system.

Aberdeenshire specifically prohibits the use of personal portable (USB) devices, whereas Aberdeen City allows their use subject to users scanning for viruses before use.

There may be risks in allowing users to connect USB devices (Aberdeen City) or using webmail or allowing attachments to be sent using corporate email (Aberdeenshire) which require further consideration.

Options for Consideration

The Council should consider including a policy statement or summary of the key points.

The Councils should compare and review their Acceptable Use Policies to ensure all relevant requirements have been captured.

Password guidance:

Aberdeenshire has a separate document identifying the requirements for password complexity, whereas Aberdeen City includes password guidance within a wider set of ICT good practice guidelines. The main elements are as follows:

Aberdeen City

- Minimum 3 monthly changes
- 8 characters

- Mix of letters, numbers and special characters

Aberdeenshire

- Minimum 90 days (3 monthly) changes
- 7 characters
- Mix of letters, numbers, upper and lower case
- Special characters are optional
- Not changed more than once per day
- No re-use within 20 successive changes

Although the Aberdeen City requirements are simpler, making compliance more straightforward, there is no prohibition on re-use of passwords. Users might continually swap between the same list of passwords, increasing the risk of compromising them.

Aberdeenshire requires no more than one password change per day. This should reduce the risk of users forgetting multiple changes, and may help to highlight any instance where unauthorised changes take place.

8 characters is more secure than 7, as it provides more possible combinations which would need to be run through before a password could be compromised.

Options for Consideration
The Council should consider:

Prohibiting re-use of passwords.

Restricting multiple password changes in a single day.

Remote working with portable devices:

Aberdeen City has a list of responsibilities for users of portable electronic devices, whilst Aberdeenshire includes this within a wider Code of Practice on remote working. Although the sections are broadly similar Aberdeen City does not include reference to 'overlooking' or to data protection issues (though the latter are implied). The Aberdeenshire document is more comprehensive, but the City document is more concise, and may be more user friendly as a quick guide.

Options for Consideration
The Council should consider developing a wider code of practice on remote working.

Legal and Corporate Policies

Data protection:

Each Council sets out their commitment to adhering to the Data Protection Act and its principles. Each also has notes on subject access, notifications, release of data, and breaches.

Aberdeen City sets out the principles, and the actions the Council will take to ensure they are met, whereas Aberdeenshire's policy is more of a statement of commitment to the Act and the requirement of employees to comply.

Aberdeen City has several individual procedures supporting the policy, whereas Aberdeenshire has combined many of these into a single 'code of practice'. This document provides more in depth information about definitions and principles used in the Act. The Council does not appear to have this information generally available in an accessible format, and the procedure notes which are available rely on users knowing to look for them in response to a given situation.

Options for Consideration
The Council should consider combining some of the data protection procedures, and expanding on the application of DPA principles.

Hospitality and gifts:

Acceptance of hospitality and gifts presents a potential for conflict of interest, and could impact on compliance with the Bribery Act. Each Council has a policy, and the content and principles are similar. The City procedure largely reflects the content of the financial regulations, and there is some overlap evident in Aberdeenshire's regulations too.

Aberdeen City requires prior approval from a Head of Service before accepting any offer of gifts or hospitality. In contrast, Aberdeenshire provides a set of principles and suggests employees should consult with their line manager if they are unsure what to do. Prior approval may be unnecessary in many cases. It may also be difficult to apply where gifts are presented rather than offered, and might result in non-declaration rather than refusal which might cause offence to the giver and / or embarrassment to the recipient. There is therefore a risk of the policy being counterproductive.

The Council excludes items worth £30 or less from consideration. Aberdeenshire does not specify a value below which items are considered 'nominal' but does provide a note of the types of items which might be acceptable.

Options for Consideration
The Council should consider whether prior approval for gifts and hospitality is necessary.

Standing orders:

Standing orders set out the procedures to be followed in conducting council meetings. Whilst similar, the City has more detail regarding e.g. types of meeting, terms of office, order of business.

Aberdeen City allows receipt of deputations up to 1 day before a meeting, whereas Aberdeenshire requires 14 days. Aberdeen City allows 3 speakers (2 in Aberdeenshire) and the Council will not accept deputations for planning and other applications which have their own separate process. Aberdeenshire does allow planning applications to be spoken to.

The Council requires written questions or notices of motion 21 days prior to a meeting, whereas Aberdeenshire only requires 14 days.

It may be possible and beneficial to consider moving towards similar timescales for deputations, questions and motions – particularly where these vary between different types of action.

Options for Consideration
The Council should consider whether timescales for deputations, questions and motions could be aligned, and whether 14 days might be acceptable.

Scheme of delegation / orders of reference:

The two Councils have different approaches to committee and officer delegated powers. In Aberdeenshire, functions are typically delegated unless specifically reserved to Full Council or another Committee. In Aberdeen City, only specified functions are delegated. This results in a far lengthier document.

Although it could be argued that this makes it clearer what can and cannot be done by each Committee (or Officer), there are likely to be circumstances not covered by this approach which will need to be subject to separate Full Council decisions to resolve.

Options for Consideration
The Council should consider whether the orders of reference (and delegated powers to officers – see below) could be better managed on a 'reserved matters' or 'by exception' basis.

Officers delegated powers:

The Council has delegated powers to Committees and to Officers in order to facilitate day to day operations and decision making. Aberdeen City has an extensive list of powers, in comparison to Aberdeenshire which is more restricted.

Although the Aberdeen City document is more detailed, there may be some elements of this which are 'powers of the officers' rather than 'powers delegated by Full Council to the officers'. There may not be a need for formal delegation of all of these powers. There is a balance to be achieved between seeking approval on operating activities and clearly specifying relevant powers for delegation.

The award of contracts up to £5 million is delegated to the Head of Procurement. However, award of contracts has been delegated to Committees in the Standing Orders / Orders of Reference. This could cause confusion over responsibility. In contrast, Aberdeenshire requires the award of all contracts over £60,000 to be approved by Committee.

Options for Consideration
The Council should review whether the content of its list of delegated powers is wholly necessary, particularly where the powers do not have to be delegated specifically as they are not customarily reserved to Full Council or a Committee.

The Council should ensure the list of delegated powers to officers does not contradict other delegated authority including the Orders of Reference.

RIPSA:

Each Council sets out the requirements to be followed in directing surveillance activities. In contrast to Aberdeenshire, which has a single document, Aberdeen City has multiple documents including a 'corporate protocol' and separate procedures for use of directed, and covert, human surveillance. Each largely duplicates information held in the other documents. Although this may be unnecessary it does mean that (contrary to statements in each document that they should be read together) each document stands alone and could be used to understand the whole process.

Emergency planning:

The policies and procedures (one document) for each Council are identical but for the names of the councils, and relevant officers, having both been prepared by the Grampian Emergency Planning Unit.

Both policies and procedures are out of date, particularly Aberdeenshire Council which was last updated in 2011 – over four years ago. There is reference in the documents to Grampian Police and Grampian Fire and Rescue. These organisations were subsumed within national services in April 2013.

Access to the procedures needs to be widely available, but copies are no longer held where they are recorded in the document. Documents to which the procedures are linked which were hosted by these organisations (e.g. the "SCG Generic Emergency Response and Recovery Framework and SCG Handbook") are no longer available. Replacement 'readygrampian' and 'readyscotland'.org websites were set up, but it is not clear where the information is held, and the 'readygrampian.org' site no longer appears to exist.

Aberdeenshire Council explicitly links its Business Continuity and Emergency Planning Procedures, and sets out an incident management framework within which this should operate, whereas Aberdeen City leaves the Director of Housing and Environment to determine and coordinate actions. The Council does however mention business continuity as a separate part of the procedure.

Aberdeen City have more, and more detailed, flowcharts documented in the procedure notes for the initial response tasks. The Council also includes contact details for their emergency planning unit. Aberdeenshire's procedures do not contain as much detail on the response processes.

Options for Consideration
The Council should ensure the Emergency Planning Policy and Procedures are updated and accessible.

Business continuity:

Business continuity procedures are in place to ensure that the critical aspects of each Council's business are identified and are able to be delivered at an acceptable minimum standard in the event of disruption.

The Aberdeen City policy was last updated in 2014. It is very similar to the emergency planning policy and procedures – prepared by Grampian Emergency Planning Unit. The policy element of each Council's documentation is virtually identical, with minor variations.

Although both sets of papers include 'recovery strategies' these are only about restoring a minimum level of service. There are no requirements to put plans in place to identify how full service might be restored after an incident in which the service had to be pulled back to a minimum. This is likely to depend on the nature and scale of the incident.

Appendix 2 – 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	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.

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ABERDEEN
CITY COUNCIL

Internal Audit Report

Education

Secondary Schools

Issued to:
Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Interim Director of Corporate Governance
Euan Couperwhite, Head of Policy, Performance and Resources
Steve Whyte, Head of Finance
Anne MacDonald, Audit Scotland

Date of Issue: April 2016 **Report No. AC1605**

EXECUTIVE SUMMARY

In order to ensure that adequate procedures are in place in secondary schools to control both per capita / school fund income and expenditure, and compliance with Financial Regulations and Standing Orders, four of the Council's twelve secondary schools were visited, and a sample of records examined.

Accountancy staff within the Finance Service undertake regular school visits to provide support with devolved budget monitoring, including staffing petty cash and purchase card expenditure. Internal Audit has placed reliance on this ongoing review process and therefore the focus of this audit review has been on areas out with the Accountancy remit.

There were areas of non-compliance and poor administrative practices identified at each of the schools visited and these are detailed in the report. In order to address the identified issues, the Service, with the assistance of Finance, will provide training to staff, provide an administrative manual on the Zone, and subject specific information circulars to inform staff of the correct processes and procedures to follow in time for the start of the new Curricular Year in August 2016.

1. INTRODUCTION

1.1 Accountancy staff within the Finance Service undertake regular school visits to provide support with devolved budget monitoring, including staffing, petty cash and purchase card expenditure. Internal Audit has placed reliance on this ongoing review process and therefore the focus of this audit review has been on areas out with the Accountancy remit. The objective of this audit was to ensure that adequate procedures are in place in Secondary Schools to control per capita / school fund income and expenditure, and compliance with Financial Regulations and Standing Orders.

1.2 The Council has 12 secondary schools, four were visited during the course of this audit.

1.3 At the end of each visit, a meeting was held with the Head Teacher to discuss the findings for the individual school, along with any recommendations for improvement. These meetings were then followed up with memos detailing the recommendations and requesting details of planned actions and implementation dates where appropriate. Replies have been received and all establishments have agreed to comply with the recommendations made.

1.4 The recommendations included in this report are of necessity general in nature, reporting areas where systems and procedures within any Academy could be improved.

1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made has been agreed with Euan Couperwhite, Head of Policy, Performance and Resources.

2. FINDINGS AND RECOMMENDATIONS

2.1 Financial Procedures / Training

2.1.1 At present the schools do not have a manual or one document that they can refer to for guidance and information on financial administration procedures such as cash collection and handling, record keeping and subsequent banking of cash, purchasing of goods and services, and school fund management. Schools do have access to the Council's Financial Regulations and Standing Orders relating to procurement, and training courses pertaining to some administrative and financial procedures on the Zone, the Council's intranet facility. In addition, the Finance Service issues annual instructions on budget management and staffing records.

2.1.2 During the audit process the administrative staff in the secondary schools highlighted a lack of formal, structured financial training available for new members of staff. In a few instances clerical staff are responsible, with little or no formal training, for school funds which can, in some instances, have a turnover or balances that are around six figures.

Recommendation
The Service should consider preparing a financial administrative procedure manual for all schools to have access to.

Service Response / Action
Agreed.

Electronic Guidance available on the Zone will be redistributed to all schools.

The Service, with support from the Finance Service, will provide training for all appropriate staff in time for the 2016/17 Academic Session in August 2016.

Implementation Date	Responsible Officer	Grading
August 2016 (Guidance)	Co-ordinator: Devolved School Management (Sandy McPhee)	Important within audited area
August 2016 (Training)	Co-ordinator: Devolved School Management (Sandy McPhee) / Finance Business Partner (Brian Dow)	

2.2 Purchasing Procedures

2.2.1 All schools visited are using PECOS, the Council's electronic purchasing system. During the audit it was found that purchase orders were not always being raised when it was expected that they should have been. There were also a few instances where purchases were made with non-contract suppliers despite a contract supplier being available. It is appreciated that an official order can only be raised if the Administration Office is notified to do so using a requisition form, but Financial Regulations state that an official order must be raised for all goods and services. The absence of an order raised through PECOS means that appropriate authorisation has not been given and evidenced, and budget commitments cannot be monitored which may lead to budgets being exceeded.

2.2.2 There are purchases made by all Services where it is not practical to raise purchase orders, for example for utilities, council tax, etc, or where the provider will not accept a purchase order, for example conference bookings, fuel cards or subscription renewals. Financial Regulations do not provide for any dispensations from raising a purchase order, therefore by not raising purchase orders all Council Services are in breach of the regulations. The Service should seek advice from Finance as to how best to address this.

2.2.3 As well as using orders, all the schools visited also purchase food for practical classes using petty cash or purchase cards. It was noted by Finance and brought to Internal Audit's attention that some staff were making use of their own personal shop loyalty cards when incurring expenditure on behalf of the schools. It should be the schools that benefit from any loyalty scheme and cards should be obtained in the schools name if one does not already exist.

Recommendation

The Service should ensure that purchase orders are raised for all goods and services, and that contact suppliers are used when one exists unless prior approval has been sought and obtained from Commercial and Procurement Services.

The Service should ensure that staff are provided with guidance on purchasing of goods and services. This guidance should include procedures on dealing with the above points.

Service Response / Action

Agreed. The Service will develop purchasing guidance with the assistance of the Finance Business Partner that will be made available to all staff.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.3 Value Added Tax (VAT)

2.3.1 VAT invoices which comply with VAT regulations, are addressed to the Council and are for vatable goods or services provided to the Council, can have the VAT element recovered from HM Revenue & Customs (HMRC). Conversely when the Council receives income for a vatable supply it must pay over the VAT amount to HMRC.

2.3.2 VAT may be recovered on the purchase of supplies and services for resale without VAT having to be accounted for on the income, provided those supplies and services are deemed as educational by HMRC.

2.3.3 Expenditure of this nature that can have the VAT recovered includes school trips and equipment. To allow the VAT to be recovered the invoice should be processed for payment through the Council's payment system and then the school fund should reimburse per capita budget lines with the cost net of VAT. Instances were found where invoices were being paid by the school fund and then being reimbursed from per capita, with VAT recovered in this reimbursement. Whilst this is not a breach of VAT guidance, Finance has stated that this is not the correct process and that all such payments which are to be funded through per-capita should follow the Council's purchasing and payment procedures.

2.3.4 VAT guidance states that leavers' proms / balls, school uniforms and the provision of vending machines are not educational and therefore VAT may not be recovered on

expenditure if VAT on the associated sales is not accounted for. Therefore, if payment for these supplies is processed through the Council's payment system and VAT is recovered, then the reimbursement from the school fund will require to account for VAT and therefore be processed as VAT code S.

2.3.5 One school has an agreement with a local group to provide reprographic services which was charged via the school's own invoice. The income received is then incorrectly paid into the school fund. HMRC rules require that standard rate VAT is accounted for on such recoveries. The school should arrange for the recoveries to be repaid to per capita and ensure that the VAT is accounted for.

Recommendation
The Service should ensure that staff responsible for processing income and expenditure, account for VAT correctly.

Service Response / Action
Agreed. The Service, with the assistance of the Finance Business Partner, will issue VAT guidance to all schools ensuring that the points highlighted above are addressed.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.4 Monies In Safes

2.4.1 All the schools visited have safes within the admin areas for holding money securely prior to banking. A review of the contents was undertaken but it was not always possible to confirm the accuracy of the value of monies held due to a lack of supporting documentation. There were also instances when staff were unaware of the origins of some monies held. The lack of supporting documentation for monies held places all staff at risk of accusations of misappropriation should there be subsequent dispute over the value. Only monies that are required to be held for regular and immediate availability should be held in the safe and the contents of the safe and the values should be recorded. All monies should be banked or remitted timeously and not retained beyond the end of a school term unless specifically required in the first week of the new term.

2.4.2 Two of the schools visited are operating petty cash and change floats that have been created by withholding income that should have been banked into the school fund. Should schools wish to operate such floats using school fund monies, floats for a fixed value should be created and a record maintained. For petty cash, all expenditure incurred should be supported by receipts, and there should be a regular reconciliation of the receipts and cash remaining to the original value of the float. Change floats created to support activities should be paid back into the school fund once the activity is complete. The float should not be included in the income recovered from the activity but shown as a separate income slip.

2.4.3 At three of the schools there were non-Council monies, e.g. leaving collections, book club, staff tea funds held within the safe. These monies were often retained in plastic tubs with no record as to their value. Whilst it is prudent to hold monies in a secure location, this money is not the responsibility of the office staff. Recognising that it is easier to administer funds in this way, non-Council monies kept in the safe should be held in a locked box, the key for which should be held by the person responsible for that money, and not the office staff.

2.4.4 One school was also holding a stock of gift vouchers in the safe which were left over from the school's annual prize giving. To demonstrate good internal control, a "stock" record should be maintained showing the quantity purchased, proof of use / issue (copy of the awards ceremony recipients), and a running balance, which can be checked to the actual vouchers held. Such checks should be carried out and evidenced. All schools are required to submit details of the total value of gift cards held at the year end to allow for pre-payment journals to be processed.

2.4.5 A routine audit test when visiting establishments is to ensure that the current and unused cheque books are held securely and that cheques are not pre-signed. All the schools visited were holding the cheque books securely in the school safe. However, it was noted that two cheques at one school were signed by both signatories, whilst the payee, amount and date were all blank. Retention of blank signed cheques is a major control issue and should cease forthwith. There should be sufficient signatories on the account to ensure that cheques can be signed when required.

2.4.6 Instances were found at one school where paperwork relating to expenditure showed that staff were funding agreed activities using their own personal funds, before having then reimbursed by the school. The Service acknowledges that it has long been recognised that staff will on occasion buy educational materials using their own funds, however it is not the responsibility of Council staff to use their own funds to fund any Council expenditure. Schools should consider the use of a purchase card if expenditure is only for food purchases, or the use of a petty cash float.

2.5 Control of Income

2.5.1 Financial Regulation 5.2 addresses Cash, Banking and Security. It requires

- "*All monies received on behalf of the Council (subject to a de minimus value of £5.00) must be immediately recorded by the issue of a receipt, controlled ticket or by direct entry into a receipting system."*
- *…… prompt and complete collection, of income, ensuring that accurate records are maintained for all income received*
- *Every transfer of Council money (cash or cheques) from one member of staff to another will be evidenced in the records of the services concerned by the signature of the receiving officer.*

2.5.2 In the financial year to March 2015, each of the schools visited had collected in excess of £100,000 in school fund income and over £10,000 in per capita recoveries. This income was a mix of cash and cheques. The Service has procedures for schools which require that a payment register is maintained of all payments received and a duplicate receipt is issued for all income of £5 and above. If income is collected then it should be passed promptly to the office along with an income return form detailing the value, reason for collection, and be signed by the person submitting the money. The income should then be checked by the office staff and a receipt issued to the member of staff who submitted it. The money is then banked into the Council's general account or the school fund.

2.5.3 Good internal control requires that receipts are provided to the person submitting money by the person receiving money. This may be when cash is paid by a pupil to a teacher, and also applies when teachers are transferring money to the school office. Three of the schools visited were not receipting cash at the same time that it was received: one was not providing receipts to staff for cash submitted, whilst another was not providing receipts to pupils. The failure to maintain a full and complete audit trail for the transfer of monies can leave staff open to allegations of misappropriation should differences arise.

Recommendation
The Service should ensure that there is an audit trail to support all transfers of monies between pupils, teachers and admin staff, that receipts are provided, and that a record is maintained of monies / gift cards held within the school safe. Authorised signatories on bank accounts should be reminded not to pre-sign cheques before completion.

Service Response / Action
Agreed. Guidance will be produced for staff. The points highlighted within the report will be addressed in this guidance.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

Recommendation
The Service should ensure that petty cash floats are sufficient for the needs of the school.

Service Response / Action
Agreed. Petty cash levels will be reviewed and where required increased.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Important within audited area

2.6 Curricular Contributions

2.6.1 Section 11 of the Education (Scotland) Act 1980 provides that Councils are required to make available free of charge the materials necessary to allow pupils to take advantage of the education provided. Charges may be made for "extras" e.g. things that the pupils can take away and retain. At present the decision as to whether recoveries are made rests with individual schools as they best understand the range of socio economic demographics in their school zones.

2.6.2 All the schools visited request a contribution for their practical subjects of Art, Home Economics and Technical. Whilst at each school the Home Economics and Art Departments endeavour to recover 100% of the costs incurred, Technical Departments were only requesting a contribution towards the costs of materials.

2.6.3 Schools in other authorities have been asked by parents to justify the charges that were being made for practical subjects therefore it is important that schools can demonstrate that charging is fair and transparent, and represents the actual cost of the goods used.

2.6.4 All the departments visited were able to demonstrate how the charges were arrived at, however one, who only verified the calculation prior to the audit visit found that the contribution requested from pupils did not cover the cost of the raw materials used. Schools should be reminded that class contribution calculations should be clear and transparent and based on easily understood rationale.

2.6.5 All the schools visited collect practical class contributions annually, although all offered the facility to pay by instalments. Satisfactory procedures were in place in all schools for the recording and receipting of this income.

2.6.6 One Technical Department was not adhering to procedures and, at the time of the audit visit, was holding £3,000 of income collected from pupils. The income had been collected over a number of weeks and not banked, receipts had not been issued to pupils and the payments register had not been updated, resulting in a breach of procedures as well as Financial Regulations relating to receipting, cash security and timeous banking.

2.6.7 Financial Regulation 5.20, relating to Voluntary Funds, requires that "Money due to the Council shall not be paid into any voluntary fund, either permanently or temporarily." One of the schools was paying all per capita recoveries into the school fund, and only reimbursing the per capita when the balance of the budget remaining was going into deficit.

Recommendation
Where at all possible the Service should ensure that practical class contributions, and the reasons for waiving the charges are consistent across all schools,that calculations supporting the contribution values are retained, and that all monies collected are receipted and paid directly into the Council's bank account timeously.

Service Response / Action
Agreed. The Service will issue guidance to schools. The points highlighted in the report will be addressed in the guidance.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.7 Lockers

2.7.1 Each of the schools rent lockers to pupils at £5 per school year. Two of the schools visited collect the rent at the beginning of each school year, while the other two charge for the rental to the end of fifth year. Requesting locker rental for five years is administratively more cost effective, as at the start of each new academic year there is only the new intake of first year's locker income to process. Whilst it is acknowledged that that the option to pay annually should continue to be available for pupils, all schools should consider requesting payment in full. During the period of the locker rental, should a key be lost then all the schools charge for a replacement key. Currently there is no Service guidance for locker rentals, but schools may wish to consider options that makes the process more efficient and reduce time on administration.

2.7.2 All the schools issue receipts for the locker costs and all maintain a register (3 excel and 1 manual) recording the locker assigned to each pupil. At the time of the audit none of the registers recorded the date on which the income was collected, meaning that a reconciliation of total income to keys issued was not easily achieved. It is recommended that all schools record the date on which the locker income is collected.

2.7.3 The two schools that collect the locker rent annually also request a £5 deposit refundable on return of the locker key. Refunds are made in cash when the key is returned. At present both schools reflect the deposit and the income within the same "activity" within their school fund. It would be prudent to hold the deposits in a separate activity, identified as being repayable to pupils, to prevent it being spent.

Recommendation
The Service should ensure that locker income is correctly receipted and recorded consistently across all schools. Consideration should also be given by schools to charging for a five year period to reduce administrative burdens.

Service Response / Action
Agreed. Guidance will be provided to all schools which will cover the points raised in the report.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.8 Sale & Stock Control of "Goods"

2.8.1 All the schools visited currently sell goods to pupils: three sell school uniforms whilst two sell drinks. One of the schools sells drinks through vending machines which are stocked and the income collected by school staff.

2.8.2 The VAT issues regarding these transactions have been covered in the VAT section of this report, 2.3 above.

2.8.3 Financial Regulation 5.6, Stocks and Stores, requires "*adequate records are kept in order to maintain efficient and effective control over receipt and issue of stocks"* and "*stocktaking is carried out periodically by persons other than storekeepers."* None of the four schools visited were maintaining any form of stock records making it impossible to verify the stock held to goods purchased and sales income.

2.8.4 The vending machines are provided by an external supplier who, as part of the contract, provides the stock (charged to the school) and sets the sales price. The machines are managed by School Technicians, who order and restock the machines as well as collect the income. The technicians are not aware of any counting mechanism within the machine or any report that could be generated to detail the total number of sales. The lack of a total prevents the Technicians from verifying the accuracy of the income collected to sales recorded by the machine. The school was advised to contact the supplier to ascertain if totals are available.

2.8.5 Financial Regulation 5.1, Internal Check, states "*Procedures to be followed regarding the calculation, checking and recording of sums due by or to the Council shall be arranged in such a way whereby the work of one person is proven independently or is complementary to the work of another and these operations shall be separated from the duty of collecting or disbursing such sums*." Currently only one Technician empties and counts the monies removed from the machines and this is also the same person who fills it. If machine generated totals are not available then two members of staff should empty and count the cash.

Recommendation
The Service should ensure that there is adequate control over stock held for resale and that, in the absence of vending machine sales totals, cash is collected and verified by two members of staff.

Service Response / Action
Agreed. Stock control and the collection of cash from vending machines will be addressed in guidance that will be provided to all schools, and will address the points raised above.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.9 School Residential Trips

2.9.1 All the schools visited organise residential trips, which are managed by teaching staff. In the majority of cases the income and expenditure is processed through the school fund, although the Finance Service is currently considering whether or not these should be managed through the Council's financial systems. Prior to any changes, Education should ensure that there is a process in place whereby the trip income and expenditure do not impact upon the schools devolved budget.

2.9.2 Income is collected from pupils by the teaching staff and duplicate receipts are provided in line with Financial Regulations. The teacher maintains a payment register which is updated when each pupil makes payment and provides a simple control mechanism to identify those pupils who have yet to pay.

2.9.3 Some travel companies used are registered for VAT and therefore VAT will be chargeable on some supplies and services. As these trips are for educational purposes the schools can recover the VAT element provided they process the payment through the Council's purchasing and payments systems. The ability to recover VAT in this way will reduce the costs chargeable to parents. Prior to booking, staff should ascertain whether the travel company is registered for VAT and, if so, ensure that an order is raised and the invoice is processed through the Council's financial systems.

2.9.4 Whilst all schools had arranged their trips through specialist travel firms, many were exclusive of some meals and activities, thus requiring to be paid for in cash whilst on location. Generally accepted practice across the schools is that a cash amount is withdrawn from the trip activity within the school fund, with the member of staff responsible signing a school fund payment voucher. To ensure good financial control, the receipts for expenditure incurred together with any remaining monies should be reconciled to the initial amount withdrawn. The residual amount would then be repaid to the school fund activity. Testing found that this was not the case, and there were instances noted where no receipts were provided and others where only some receipts were provided. To safeguard staff against accusations of impropriety, receipts should be obtained for all expenditure incurred during a trip. Where receipts are not received then an expenditure voucher signed by the member of staff should be submitted.

2.9.5 Whilst schools make every effort to estimate the cost of the trip accurately, there may be occasions whereby the cost charged to parents exceeds the final cost of the trip. There is at present no Service guidance as to how to treat these excesses, although each of the schools visited make refunds to pupils if the amount remaining within the trip activity is £5 per pupil or greater. Each school advised that parents are made aware of this at the time of booking. However, trip refunds are not receipted. To safeguard staff, pupils should sign a record to acknowledge receipt of trip refunds.

2.9.6 It was noted that there was inconsistency in how trip records are retained, with some being held in admin offices and others held by the organising teacher. As there is a requirement to keep financial records for a minimum of six years, it is advisable that all paperwork for completed trips be retained within the admin office and retained with school fund records.

Recommendation
The Service should ensure that school trip income and expenditure is accounted for accurately and all supporting documentation retained.

Service Response / Action
Agreed. The Service will provide schools with guidance, which will inlcude all points raised above.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.10 School Funds

2.10.1 Financial Regulation 5.2 covers Voluntary Funds. It states *"A voluntary fund is any fund (other than an official Council fund) which is managed wholly or in part by a Council employee. Examples of such are School funds …". "Such funds are deemed to be Council funds."* It also states *"The financial control of voluntary funds must reflect the standards required of public funds*".

2.10.2 All of the schools visited have a school fund bank account, with named staff mandated to operate the account. Overall responsibility for these funds rests with either the Head Teacher or a School Committee. There are, at present, no Service guidelines available to advise schools how to operate such accounts, nor do the schools have local procedures available for staff. To demonstrate good governance, Internal Audit's view is that every school fund should have a constitution detailing the objectives, aims and management of the fund, as well as the staff responsible for the stewardship of the monies. If any school maintains more than one fund, each should have a constitution.

2.10.3 Financial Regulation 5.20.3 requires that *"… an independent audit is carried out at annual intervals by a competent auditor appointed by and reporting to the fund's controlling body".* Two of the schools visited have their accounts audited annually. All schools should be reminded of this Financial Regulations requirement.

2.10.4 Two of the schools visited operate more than one bank account: in addition to a current account both have term deposit accounts. Neither school was reflecting the balance of these accounts within their school fund cash books. The omission of these account balances provides an inaccurate overall school fund balance within the cash book.

2.10.5 Each school fund is subdivided into activities to allow for the identification of the distinct income and expenditure, e.g. school trip, charity collection, clubs, lockers. The number of activities vary between schools and is dependent on the amount of extra-curricular activity undertaken and the level to which it is defined. Each of these individual activities, along with the whole school monies, go to make up the school fund balance as a whole. While the overall responsibility for the fund lies with the Head Teacher or committee, each of the individual activities should also have a designated individual responsible for authorising expenditure. Only one school was maintaining such a record, and for good internal control it is recommended that all schools keep one.

2.10.6 All four schools maintain a school fund cash book: two in Excel and two in Carn Fund Management software, and on receipt of the bank statement reconcile the two sets of information. Whilst the reconciliations were reviewed by either the Head Teacher or school fund committee, details of the balances within each activity are not provided for review. They were therefore only seeing a single overall balance and could not make a full assessment of the lower level balances. Each of the school funds had activities for

which there was no income or expenditure in the current and previous year. There were also activities with deficit balances. To ensure that the school fund is being accurately and timeously maintained the Head Teacher / school fund committee should be provided with full information whenever the reconciliation takes place. Where activities are in deficit the member of staff responsible for that activity should be contacted to assess the reason and take corrective action.

2.10.7 At the end of the financial year each of the activity balances should be reviewed by the Head Teacher / school fund committee in consultation with the activity holder to decide which balances will carry forward into the next financial year and which require to be transferred to other general activities. This process ensures that balances do not simply keep rolling forward year after year until such time as no one actually remembers why they were there to begin with.

2.10.8 One activity that requires to be monitored regularly is the charities collections. Two of the schools visited had residual balances from previous financial years relating to charity collections that had not been paid to the charity. It is essential for the reputation of the school that where monies are collected for a specific charity, that all of those monies are paid over timeously. Both schools have subsequently investigated the residual balances and made payments to the required charities.

2.10.9 One school fund is registered as a charity and as such is required to comply with Office of the Scottish Charity Regulator (OSCR) guidance on financial recording, external scrutiny and annual returns. By registering as a charity, interest paid on money held is paid gross i.e. no tax is deducted. However with current interest rates being so low, the costs of getting the accounts reviewed externally exceeds the tax saved by around £400. There is also the extra administrative burden placed on schools who are a registered charity as compared to those that are not.

2.10.10 School funds should only be maintained to provide extra sources of funding for the provision of curricular and extra-curricular activities that cannot currently be funded by the devolved funds provided by the Council. They should not be used to pay, as one school was found to be, for staff leaving gifts and gratuities, staff travel and training, nor should they be used for S6 proms or year books. Such payments may cause reputational damage to the school. Only expenditure that can be justified as supporting the curricular / extra-curricular activities for pupils and could stand up to scrutiny by any parent should be funded through the school fund. Payments to staff must always be made through the Council's payroll system to ensure compliance with HMRC legislation.

Recommendation

The Service should ensure that school funds are supported by a constitution, accurate records, regular school management reviews, and an annual audit review.

The Service should ensure that school funds are operated for the benefit of pupils, and where appropriate should undertake a cost benefit analysis of retaining school fund charitable status.

Service Response / Action

Agreed. The Service has obtained a copy of another authority's School Fund Guidance, which will be reviewed and provided to schools to address the above points.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.11 Staff Social Funds

2.11.1 It is not the responsibility of Council staff to maintain social funds within their Council paid working hours. During the audit staff at the schools commented on the significant demands placed on administration time, therefore the provision of non-core tasks should not be carried out. The Service acknowledges that the administration of social funds has long been custom and practice, and as such school staff were unaware that it wasn't a core admin function.

2.11.2 At the time of the audit all four schools were managing some form of staff social fund through the school fund. All such funds should be removed from the school fund. Once the closing balance for the fund has been agreed, the designated staff member responsible for the monies should sign the school fund record to acknowledge receipt.

2.11.3 Also being administered within the school fund were staff collections. As with the social funds such monies should not be processed through the school fund and office staff should not be administrating them within work hours.

2.11.4 It was also noted that an individual is currently being paid from the school fund – social committee to make tea and coffee for the staff at break times. Any national insurance and income tax associated with the payment is not currently being accounted for. Advice should be sought from HR and Finance as to how to proceed with this arrangement.

Recommendation

The Service should ensure that staff social funds, activities and collections are not managed through the school fund. All such funds should be removed and passed to the control of the staff.

The Service should ensure that advice is sought from HR before any payments that could be deemed as remuneration are made.

Service Response / Action

Agreed. HR will be consulted and guidance will be issued.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.12 Ad-hoc Bank Accounts

2.12.1 One school has two bank accounts for which no records were being maintained. One had not been accessed since 2012 whilst the bank book for the other showed the last entry as 1992. At the time of the visit staff were unaware whether any of the signatories mandated to operate the account were still employed at the school. The school was also unware as to the reason for having these extra accounts. It is essential that all bank accounts held by schools have up to date mandates that contain current signatories and that the reason for such accounts is fully documented. In line with the good practice and guidelines recommended for school funds the same level of internal controls and documentation should be present for all bank accounts.

Recommendation
Schools should maintain a record of all bank accounts, and ensure that an up to date mandate is held.

Service Response / Action
Agreed. Circular will be issued.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant within audited area

2.13 Inventory

2.13.1 Financial Regulation 5.6.3 requires that all services maintain an inventory of equipment, furniture, information technology hardware and software for items costing in excess of £50. It also requires that the inventory should be maintained on a continuous basis and have a physical annual check.

2.13.2 Inventories are maintained by all schools visited; however three understood that only items to the value of £200 and above need be recorded, and whilst ICT and electrical equipment was included some non electrical equipment had not been.

2.13.3 Only one of the schools had undertaken an annual physical check. Two of the schools were carrying out checks of the electrical equipment as part of the PAT testing.

Recommendation
Schools should comply with Financial Regulations and maintain a full an accurate inventory listing.

Service Response / Action
Agreed. Corporate guidance on inventory management will be issued.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy McPhee)	Significant 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	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

Internal Audit Report

Education

Teachers' Payroll (Including Supply Teachers)

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Gayle Gorman, Director of Education and Children's Services
Euan Couperwhite, Head of Policy, Performance and Resources
Ewan Sutherland, Head of HR&CS
Steven Whyte, Head of Finance
David Cheyne, Payroll Manager
Anne MacDonald, Audit Scotland

Date of Issue: April 2016 **Report No. AC1625**

EXECUTIVE SUMMARY

Education maintains a database of supply teachers who are available to be contacted by schools requiring cover for a permanent teacher who is either absent through sickness or other pre-arranged qualifying criteria. When schools record sickness absence, they can also request supply cover through this central database. Part time permanent teachers who are not on the database can still be used to provide cover within the school in which they are employed.

The Teachers' Payroll is administered by the Payroll Section in Human Resources and Customer Service (HR&CS) using PSe, the corporate payroll system. Supply staff covering a fixed period of over 6 months are set up on the payroll system to be paid a monthly salary automatically, the remainder must submit timesheets for the hours actually worked. Part time permanent teachers must also submit timesheets for additional hours worked.

The Council employs 1,685 full time equivalent teachers, and within the period to February 2016, 90,000 supply hours were worked by supply teachers or part time permanent teachers. The objective of this audit was to ensure that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.

There is general adherence to the processes and procedures surrounding payroll administration by both the Education and HR&CS services. However, over and underpayments were identified during testing; overpayments will be recovered and payments made to those staff that were underpaid. Areas where the agreed processes are not being adhered to will be addressed by the respective Services, through refresher training or information and guidance circulated to staff.

1. INTRODUCTION

1.1 Aberdeen City Council employs 1685 full time equivalent teachers. (Source 2015 Scottish Government Teacher Census)

1.2 In the eleven month period to February 2016, over £55.8 million was paid to permanent teachers. This comprised the gross payments excluding employer's national insurance and superannuation contributions.

1.3 During this same period, £1.82 million was paid for over 90,000 supply hours worked by either supply or permanent part time teachers. A further £426,000 was paid in accrued holiday pay for supply teachers.

1.4 Teachers' Payroll is administered by the Payroll Section in Human Resources and Customer Service (HR&CS) using PSe, the corporate payroll system. Supply staff covering a fixed period of over 6 months are set up within the payroll system to be paid a monthly salary automatically, the remainder must submit timesheets for the hours actually worked. Part time permanent teachers must also submit timesheets for additional hours worked.

1.5 Education maintains a database of supply teachers who are available to be contacted by schools requiring cover for a permanent teacher who is either absent through sickness or other pre-arranged qualifying criteria. When schools record sickness absence, they can also request supply cover through this central database. Part time permanent teachers who are not on the database can still be used to provide cover within the school in which they are employed.

1.6 Teachers working in Scottish state schools are legally required to be GTC (General Teaching Council) registered. Their pay and conditions of service are set out in the Scottish Negotiating Committee for Teachers (SNCT) Handbook of Conditions of Service. SNCT is a tripartite body comprising members from teaching organisations, Local Authorities, and the Scottish Government. Certain matters including maternity leave procedures and short term supply guidance are devolved to Local Negotiating Committees for Teachers (LNCT) for local agreement. These are Council specific.

1.7 The objective of this audit was to ensure that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.

1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Euan Couperwhite, Head of Policy, Performance and Resources, and David Cheyne, Payroll Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 New Employees

2.1.1 When a teacher is appointed, and following receipt of a new start memo from recruiting managers, a Notice of Appointment Form is completed by the HR Service Centre, detailing post information, salary point, continuous service details and working days to be worked, as well as annual leave entitlement. It is passed to Payroll for the first pay calculation to be completed and relevant details to be entered onto the PSe Payroll System.

2.1.2 The SNCT Handbook requires that any newly appointed GTC registered teacher who has not worked previously for a Scottish Local Authority be placed on Point 1 of the Teachers Main Grade Salary Scale. Probationary teachers have a provisional GTC registration and are placed on Point 0. Additional salary points may be added for relevant qualifying experience.

2.1.3 The HR Service Centre will review a new teacher's salary entitlement and, where appropriate, complete a salary assessment form to support the decision reached. Salary placement was considered within audit report AC1601 Recruitment and Selection and as such has not been considered as part of this audit.

2.1.4 The SNCT Handbook states that the teachers' leave year operates September to August, and salary should be paid on a 1/235 basis (195 working days + 40 annual leave days). Teachers accrue paid leave on the basis of 0.2051 of a day for each day worked in the school year.

2.1.5 When a new teacher takes up a new position part way through the teachers' leave year, the first salary payment is calculated as shown in the example below.

2.1.6 The following is an illustration of a new start calculation for a full time teacher, starting on 26/10/15 with a salary of £29814.

Base days for the year (1 Sept – 31 Aug)	(195.0)
Number of days available to be worked in the year (26 Oct – 31 Aug)	(168.0)
Annual Leave and Public Holidays due for the entire year	(40.0)
Annual Leave and Public Holidays due for remainder of the year *(Working days x 0.2051)*	(34.5)

Salary due for remainder of the year:

$$\frac{168 \text{ working days} + 34.5 \text{ annual leave days}}{195 \text{ base days} + 40 \text{ annual leave for year}} \text{ x } £29814 = £25690.79$$

Salary that will be paid for remainder of the year (November – August):

$$^{10}/_{12}\ x\ £29814 = £24845.00$$

Salary due in first month:

$$£25690.79 - £24845.00 = £845.79$$

2.1.7 For part-time teachers, the calculation is completed using the pro-rata salary and the actual working days and holidays based on their working pattern. For example, if a new start teacher works Monday to Thursday (28 hours, 0.8 FTE), the number of days available to be worked will not include the Fridays, and the base days will also only be the total of

working days based on a Monday to Thursday work pattern.

2.1.8 The first month salary payments for ten new teachers who took up post between October and December 2015 were reviewed to ensure that they had been calculated correctly. Seven of the teachers' first salary payments were calculated correctly. However, the audit calculation for the remaining three differed from that paid and are detailed in the following paragraphs.

2.1.9 One teacher is employed on a 28 hour contract, and this has been confirmed by the school. As a result of incorrect information on the Notice of Appointment Form the teacher was paid for 35 hours in the first salary payment. This resulted in an overpayment of £570.19. This was subsequently corrected in the following month, but a deduction of £990.32 was made, leading to an underpayment of £420.13. The remaining two teachers had been underpaid £602.70 and £180.06.

Recommendation
The HR&CS Service (Payroll) should ensure the above underpayments are paid to teachers involved.

Service Response / Action
Agreed. The underpayments will be paid in the April Salary.

Implementation Date	Responsible Officer	Grading
April 2016	Senior Payroll Officer (Kathleen Hebenton)	Important within audited area

2.1.10 The calculation differences in the above were as a result of the incorrect working days and subsequent annual leave days being used in the calculation. The Service has confirmed that their database gave the correct days and may not have been used by the recruitment team when providing the days to Payroll to perform the calculations. A recommendation is made at paragraph 2.3.4, below, to address this.

2.2 Leavers

2.2.1 When a teacher leaves their post, a Termination Form is completed by school Head Teachers / Support Services Coordinators and forwarded to the HR Service Centre to calculate the days worked and accrued holiday entitlement before passing to payroll for final salary calculation and input. An example of the calculation used is shown below.

2.2.2 The following is an illustration of a leaver calculation for a full time teacher with a salary of £35409, leaving on 29/11/15.

Base days for the year (1 Sept – 31 Aug)	(195.0)
Number of days worked from 1 September to leaving date	(54.0)
Annual Leave and Public Holidays due for the entire year	(40.0)
Annual Leave and Public Holidays to date of leaving *(Working days x 0.2051)*	(11.0)

Salary due for remainder of the year:

$$\frac{54\ working\ days + 11\ annual\ leave\ days}{195\ base\ days + 40\ annual\ leave\ for\ year}\ x\ £35409 = £9793.98$$

Salary that has already been paid (September – October):

$$^{2}/_{12}\ x\ £35409 = £5901.50$$

Salary due in final month:

$$£9793.98 - £5901.50 = £3892.48$$

2.2.3 A pro rata salary is used for part time teachers and consideration is given to their work pattern.

2.2.4 The final salary payment entitlements for ten teachers who left their post in the period October to December 2015 were calculated using the above formula and compared to the salary payments made. All were paid the correct final salary.

2.3 Changes to Employee Details

2.3.1 Changes to an employee's payroll information should be supported by a Notification of Changes Form, which is completed / checked and authorised by the HR Service Centre following receipt of information / completed forms from schools. An amended contract will be produced and the working days and annual leave entitlement calculated then forwarded to Payroll, who calculate the salary for the month in which the change was made and input to PSe. Additionally, the employee can notify a change of address or amendment to bank details via the mandate attached to their payslip, or through the self-service portal, YourHR.

2.3.2 To calculate the payment due to a teacher in the month in which a change occurs requires a leavers' pay calculation for the previous job / number of hours and a starter calculation for the new job / number of hours.

2.3.3 The first salary payment entitlements for seven teachers whose contract details changed between October and December 2015 were calculated and compared to the salary payments made. Of the seven, three were paid correctly. The audit calculation for the remaining four differed from that paid and are detailed in the following paragraph.

2.3.4 As with the new start calculations identified in paragraph 2.1.10, the working days used to calculate the pay for two of the remaining teachers had been input incorrectly, this led to underpayments of £225.98 and £129.15. The holidays used to calculate the pay for one of the remaining teachers had been input incorrectly on the Notification of Changes Form leading to an overpayment of £445.36. The remaining teacher had been overpaid £80.78 due to a calculation/input error.

Recommendation
The HR&CS Service (HR Service Centre) should investigate why the incorrect working days were used in the above instances (including para 2.1.10), and determine if other calculations have been affected.

Service Response / Action
HR Support Centre are unable to identify the reasons for these errors occurring.

The HR&CS Service will provide refresher training to recruitment staff responsible for processing Education staffing information in an attempt to avoid future errors.

Implementation Date	Responsible Officer	Grading
May 2016	Team Leader Payroll (Andrea Garden)	Important within audited area

Recommendation
HR&CS (Payroll) should ensure the above underpayments are paid to, and overpayments recovered from, the teachers involved.

Service Response / Action
Agreed. Payroll will write to the overpaid employee, and make payment to those underpaid.

Implementation Date	Responsible Officer	Grading
April 2016	Senior Payroll Officer (Kathleen Hebenton)	Important within audited area

2.4 Supply Teacher Timesheets – Completion

2.4.1 Each supply teacher is required to complete a monthly 'Casual Teachers Salary Claim Form' (S56 or S56A) for hours worked. The form must include name, employee number, GTC number, claim month, school name and the daily hours worked. When cover has been provided for more than one school in a month, a separate claim form should be completed for each school. Administration staff within the school will provide the supply code which identifies the reason for the cover. The Head Teacher / Support Services Coordinator should authorise the form once fully completed and forward to Payroll. Payroll manually input the hours, and the supply codes are mapped to accounting general ledger codes.

2.4.2 In January 2016, 239 claim forms were processed for payment. All were reviewed for completeness. 31 timesheets (13% of the total claim forms reviewed) were submitted without supply codes. Whilst this does not affect the payment calculation, when left blank, these hours fall into a default accounting code and require remedial action by staff within Accountancy to ensure that budget monitoring information is accurate. One school advised they were unaware of the supply codes they were allowed to use.

Recommendation
Education and Children's Services should ensure that supply teacher financial codes are circulated to all schools and ensure that supply codes are recorded before forms are passed to Payroll.

Service Response / Action
Agreed. This information will be circulated to all schools for the new academic year.

Implementation Date	Responsible Officer	Grading
August 2016	Co-ordinator: Devolved School Management (Sandy MacPhee)	Important within audited area.

2.4.3 Timesheets should be signed by the teacher claiming the hours and by an authorised signatory within the employing school. Payroll staff advised that a timesheet would be processed and paid in the absence of the signature of the teacher claiming if appropriately authorised. Unauthorised timesheets should not be paid. Two timesheets within the sample reviewed were processed without an authorising signature. In one instance, the school confirmed the teacher had worked, the second could only be confirmed with the teacher as the person who should have authorised the timesheet is no longer employed by the Council. Payroll management confirmed to Internal Audit that they had implemented a recommendation from Internal Audit report AC1615 (Timesheets) in January 2016 regarding the processing of timesheets that had not been authorised.

2.4.4 When approving a timesheet for payment, the authoriser is confirming the arithmetical accuracy of the information, and therefore Payroll do not check the summation of hours on timesheets. Ten claim forms with over twenty hours claimed were reviewed by Internal Audit and the addition checked, all were correct.

2.4.5 It is customary for hours worked by supply teachers in one month to be claimed and paid the following month. Of the 239 timesheets processed in January 2016, 20 were claims for hours worked prior to December 2015, and these were reviewed to determine the reason for the delay. 16 were as a result of delays by the teachers making the claims, the remaining 4 were as a result of delays by the authorisers.

2.5 Supply Teacher Timesheets – Rate of Pay

2.5.1 The SNCT Handbook states that short term supply teachers engaged on periods of work of 2 days or fewer will be paid on point 1 (point 0 if not fully registered) of the Main Grade Scale for each period of supply work. This is claimed on an S56 form. Supply teachers engaged on periods of work of 3 days or more will be paid their normal rate of pay, and this is claimed on an S56A form. Head Teachers can choose to pay the higher rate of pay for short term engagements where the cover is deemed difficult to fill, as recently confirmed in an SNCT circular.

2.5.2 215 of the 239 claim forms paid in January 2016 were S56As (higher pay rate). 70 (relating to 36 schools / specialised units) of these were for claims of less than 3 days and they were queried with the schools as the work pattern and supply cover period indicated that the lower rate of pay was applicable, and therefore should have been claimed on an S56 form. The explanations provided supported the higher payment being made in 69 instances. One school confirmed that the higher rate was paid to one teacher in error and the hours should have been claimed on an S56 form.

Recommendation
Education and Children's Services should request that Payroll recover the above overpayment.

Service Response / Action
Agreed.

Implementation Date	Responsible Officer	Grading
Implemented	Head of Policy, Performance and Resources, ECS (Euan Couperwhite)	Important within audited area.

2.5.3 In responding to Internal Audit queries, a number of schools expressed uncertainty and confusion around the instances where the higher rate of pay could be offered. Furthermore, the difficulty in obtaining supply cover was expressed and is recognised.

Recommendation
Guidance should be issued on the completion of timesheets for supply teachers, explaining the circumstances where the higher rate is payable.

Service Response / Action
Agreed. A circular will be issued. Template letters issued to supply teachers have been updated.

Implementation Date	Responsible Officer	Grading
May 2016	HR Team Leader (Tracy Runcie)	Important within audited area.

2.6 Supply Teacher Occupational Sick Pay

2.6.1 Teaching staff who have completed 18 weeks continuous qualifying service with the authority become eligible for OSP. The entitlement to full and half pay is dependent on the length of this service up to a maximum of six months of each after five years. As supply teachers are employed on an "as and when required" basis their continuous service can be interrupted and reset whenever they have a two week break in work. When filling a position where the school has provided a set timetable for the forthcoming weeks, should they subsequently go off sick this will be recorded on the S56A claim form and, should they qualify, OSP would be paid.

2.6.2 Where schools tick the "tick if sick" box on a timesheet and a Head Teacher has signed to authorise this, Payroll accept this as confirmation the supply teacher is entitled to be paid sick pay and has the relevant qualifying continuous service. There is no verification of 18 weeks qualifying continuous service, nor identification of breaks exceeding two weeks. This could result in OSP being paid when the supply teacher is not entitled to it.

2.6.3 Within the timesheets reviewed for December 2015 there were sixteen timesheets (relating to four schools) with boxes ticked. Three schools advised that they understood the "tick if sick" box was to indicate that the supply cover was for a sick teacher and not that the supply teacher was sick. Payroll advised that sick pay will only be processed if the sickness absence is notified to the Absence Team.

2.6.4 The remaining school had one supply teacher who was sick for one day during an ongoing arrangement for cover. Timesheets covering the eighteen weeks leading up to the sickness absence were reviewed to ensure there were no breaks in service of two weeks or over. The teacher had worked the required eighteen weeks and was entitled to this day as occupational sick pay however there was no record of this sickness absence within the payroll system and the day had been paid as a working day. The school confirmed that she was to be paid OSP for that day, but they did not notify the Absence Team via email, as they were not aware this was a requirement for supply teachers.

Recommendation
Guidance should be issued on the completion of timesheets, as well as procedures for notification of supply teacher sickness absence.

Service Response / Action
Agreed.

Implementation Date	Responsible Officer	Grading
May 2016	HR Team Leader (Tracy Runcie)	Important within audited area.

Recommendation The School should ensure that the HR Service Centre is notified of the above employee's sickness absence. **Service Response / Action** Agreed.		
Implementation Date Implemented	**Responsible Officer** Head Teacher / Admin St Josephs Primary	**Grading** Important within audited area.

2.6.5 During the review of the supply teacher's timesheets detailed in paragraph 2.6.4, it was identified that the teacher's timesheet for September 2015 had been incorrectly completed resulting in an underpayment of 7 hours.

Recommendation HR&CS (Payroll) should investigate and process a payment for the underpayment identified. **Service Response / Action** Agreed.		
Implementation Date May 2016	**Responsible Officer** Senior Payroll Officer (Kathleen Hebenton)	**Grading** Important within audited area.

2.7 Arrears Payments

2.7.1 In October 2015, the SNCT agreed a pay rise of 1.5% from 1 April 2015 to 31 March 2016 and thereafter a 1% uplift in pay from 1 April 2016 to 31 March 2017. This resulted in a backdated arrears payment in Teachers' November salary. These payments are calculated using an Access database. A small sample of these are checked by the Payroll team.

2.7.2 Internal Audit reviewed arrears payments for ten teachers and nine were calculated and paid correctly. The remaining teacher had left their post in October and had not been paid arrears. Former employees who would have been entitled to backdated pay do not automatically receive it, they have to request it from Payroll.

AUDITORS: D Hughes
M Beattie
C Pirie

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	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.

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ABERDEEN
CITY COUNCIL

Internal Audit Report

Rent Collection & Arrears Management

Issued to:
Pete Leonard, Director of Communities, Housing and Infrastructure
Richard Ellis, Director of Corporate Governance
Donald Urquhart, Head of Communities and Housing
Steven Whyte, Head of Finance
Graeme Stuart, Housing Strategy & Performance Manager
Wendy Carle, Housing Manager
Doug McKenzie, Development Officer (Rents)
Anne MacDonald, Audit Scotland

Date of Issue: April 2016 **Report No. AC1607**

EXECUTIVE SUMMARY

The Council manages around 22,000 Council Houses which generate rental income in excess of £78 million per annum. The objective of this audit was to consider whether rent collection and arrears processes are robust and are being complied with. In general, this was found to be the case.

The Service has agreed to review and, where appropriate, revise the Rent Management Policy in accordance with its own review schedule and will be issuing guidance to staff to ensure consistency in the recording of information and the arrears decision making process. In order to further enhance control and assurance over rental income, the Service is working with the Finance Bank Reconciliation Team to develop a reconciliation of income collected to rents reflected in the rent system.

1. INTRODUCTION

1.1 The Council manages approximately 22,000 Council Houses and, at year end 2014/15, had collected £77.738 million in rent payments compared to a total amount due of £78.178 million. The total value of gross rent arrears as at the end of the reporting year was £4.490 million of which £1.280m related to former tenant arrears. £683,000 of former tenant arrears were written off at the year end. *(Source: Scottish Housing Regulator Annual Return Charter Indicator 30, 31 and C23).*

1.2 21 Assistant Housing Officers and 42 Housing Officers, reporting to 7 Senior Housing Officers are responsible for the daily management of tenancies within their respective areas (each comprising around 500 properties).

1.3 The Service uses Northgate's iWorld application to manage and process housing rent information.

1.4 The objective of the audit was to consider whether rent collection and arrears processes are robust and are being complied with.

1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Wendy Carle, Housing Manager (Arrears), Graeme Stuart, Housing Strategy & Performance Manager and Carol Smith, Finance Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Policies & Procedures

2.1.1 The Council's Rent Management Policy defines the duties and responsibilities of the Council in the management of rents, ensuring maximisation of rental income. It provides clear and accessible information and advice in order to prevent arrears and legal action, and using all remedies available to ensure that eviction is used as a last resort. The Policy states that it should be reviewed annually, however, the version currently available on the Council's website is dated May 2014.

Recommendation
The Service should comply with the Policy and ensure that annual reviews are completed.

Service Response / Action
Agreed

Implementation Date	Responsible Officer	Grading
May 2016	Housing Strategy & Performance Manager (Graeme Stuart) and Development Officer (Rents) (Douglas Mackenzie)	Important within audited area.

2.1.2 The Policy (7.1) requires that rent statements are issued to tenants yearly or on an ad hoc basis as requested. The Service previously provided tenants with a twice yearly statement which detailed the previous 12 weeks transactions, this has now ceased and tenants are encouraged to register with the Self-Serve System to view their rent accounts online. Whilst it is acknowledged that this is an improvement for those tenants who have the ability to use this facility, there may also be tenants who cannot and therefore unless they fall into arrears or contact the Council may not be aware of their account balance.

Recommendation
The Service should consider how to ensure compliance with Policy and ensure that all tenants are provided with rent statements.

Service Response / Action
The issuing of rent statements is a major task with significant resource implications. If rent statements are to be issued this will need to be phased over a period of time.

Implementation Date	Responsible Officer	Grading
December 2016	Housing Strategy & Performance Manager (Graeme Stuart)	Important within audited area.

2.1.3 Accessible, comprehensive and up to date written policies and 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.

2.1.4 The Rent Management Policy is supported by a number of detailed procedures which are available to staff, and whilst these have not been updated to reflect the role of the Arrears Intervention Team which was created in January 2015, the Service advised that Housing staff are aware of the existence of the new team and its role. The Service advised that the procedures would be updated when time allows. A recommendation is included here for tracking purposes.

Recommendation
The Service should update all procedures to reflect the role of the Arrears Intervention Team.

Service Response / Action
Agreed.

Implementation Date	Responsible Officer	Grading
Implemented	Development Officer (Rents) (D Mackenzie)	Important within audited area.

2.2 General

2.2.1 Rental charges for Council houses are due on a weekly basis. Tenants have the option to make these payments weekly or monthly and can elect to pay by Direct Debit or Standing Order; by credit or debit card online through the secure WebPay system or over the Automated Telephone Payment system; in person at a Post Office or Paypoint outlet; or in person at one of the Council's three Access Points, where the transaction is processed by staff through the WebPay system.

2.2.2 All tenants, other than those who choose to pay their rent by direct debit are issued with a barcoded plastic rent payment card which holds details of the relevant rent account to which payments should be allocated. Tenants are required to present the card when making payments at the Post Office, Paypoint shop or Access Point to ensure the payment is credited to the correct rent account.

2.2.3 All payments except standing orders and direct debits are lodged in the General Bank Account, and are processed through the Cash Receipting System which automatically updates the rent system, Northgate iWorld, with the payment details on a daily basis. There are separate bank accounts in operation for direct debit and standing order payments.

2.2.4 The Service and the Bank Reconciliation Team within Finance are working together to develop a robust reconciliation process to demonstrate that all rental income received is verified to that reflected within the rent accounts in Northgate iWorld. A recommendation is included here for tracking purposes.

Recommendation
The Service and the Bank Reconciliation Team should develop a reconciliation process which can provide assurance that all rental income received is reflected in Northgate iWorld. The reconciliation process should be documented and the frequency agreed.

Service Response / Action
Agreed. The Bank Reconciliations Team with the assistance of the Housing Service to obtain the necessary information from Northgate will develop a reconciliation.

Implementation Date	Responsible Officer	Grading
November 2016	Income Support Officer (Richard Burnett) / Housing Strategy & performance Manager (Graeme Stuart)	Significant within audited area.

2.3 Direct Debits

2.3.1 Tenants can opt to pay their rent by monthly Direct Debit with payments collected from the tenant's bank account on any date between 1st and 28th of the month. Details of the Direct Debit payments to be claimed from tenants' bank accounts each specified period are extracted from the rents system and forwarded to the bank to be actioned via the BACS system. The tenants' rent accounts are updated to reflect the payment amount requested. The total sum received for the period is then credited to the Council's Direct Debit bank account and should equal the amount requested.

2.3.2 Should a Direct Debit payment be rejected the amount will be deducted from the Council's bank account and the details of failed BACS Direct Debits downloaded from the BACS Payment Services Website. A Senior Income Assistant within Housing will debit the previously credited rent account and issue a letter advising of the direct debit payment failure.

2.3.3 A sample of ten Direct Debit payments was selected and the payments were then verified to the rent accounts, all were accurately credited to the relevant rent account timeously.

2.3.4 The failed direct debit listing for one day was compared to the relevant rent accounts within Northgate to ensure that the rent accounts were updated timeously to reflect the payment failure.

2.4 Standing Order Payments

2.4.1 Standing orders are originated from the tenant, and it is the tenant that is responsible for ensuring that the correct rent reference number is included in the payment. If a reference is incorrect, the payment is accepted but is posted to a suspense account within Northgate iWorld until the Service can establish which rent account the payment should be credited to.

2.4.2 To ensure that rent payments made through the Standing Order Bank account are being credited to the correct rent account a sample of ten standing order payments received was selected from the cash receipting report and verified to the rent account. All payments were accurately and timeously posted.

2.5 Other Payment Methods.

2.5.1 Ten transactions from each of the other payment methods available were selected from Icon, the cash receipting system, and verified to the relevant rent account. All transactions were credited to the correct rent account timeously.

2.6 Credit Balances on Rent Accounts

2.6.1 The Rent Management Policy states that credit balances should be reviewed regularly, and where a credit exists on a Rent account this should be transferred to clear any outstanding balances on other Council debts and the tenant advised. Legally this is not

possible as there is no right of set off, and therefore this will be addressed in the Service's review of the Policy (see paragraph 2.1.1 above). Former tenants who no longer reside in one of the Council's properties will be refunded accordingly.

2.6.2 Regular reports detailing credit balances on current and former tenants' accounts are provided by the systems team. These reports exclude homelessness flats. Currently the Service does not undertake regular reviews of these reports but will respond to requests for refunds.

2.6.3 From a review of a report showing Current Credit Balances greater than £300 as at January 2016 it was noted that more than 1592 accounts are currently in credit amounting to £1,014,764. Eleven of these accounts show credit balances in excess of £3000.

2.6.4 The report showing Former Tenant accounts in credit, shows that more than 9,453 former tenant accounts are in credit amounting to over £387,552.

2.6.5 Five current and five former tenant rent accounts with credit balances were extracted from the above reports and reviewed.

2.6.6 Of the current tenants four of the five credit balances were as a result of the tenant making regular overpayments, with the fifth one making a series of payments for the same amount on the same day. Whilst two of the credit balances had reduced, one remained the same and the credit balance on the remaining two increased further. There was no information held within the system explaining what action had been taken.

2.6.7 Within the sample of former tenants with credit balances, one balance had been refunded, and two were as a result of backdated housing benefit being awarded. In both instances a current address is held for the former tenant but no refund has been made. . Of the remaining two, one was as a result of a standing order not being cancelled, the former tenant was advised, but the standing order has continued. The remaining account was previously in arrears, and a manual adjustment was processed when the liability was transferred to Sheriff Officers for collection. Subsequently a cheque was received clearing the arrears and this was credited to the account without the debit being reinstated.

2.6.8 The Service advised that overpayments can arise for a number of reasons:, families paying rents in advance for elderly relatives, and tenants continuing to make rent payments whilst awaiting an award of housing benefit. There are also instances where tenants paying weekly by standing order pay 52 weeks rather than the required 48 weeks.

Recommendation
The Service should consider how to resolve existing credit balances and reduce the occurrence of credit balances in the future.

Service Response / Action
Agreed. All options to encourage tenants to pay rent due and minimise overpayments will be considered however it is not possible to prevent tenants from overpaying their rent.

Implementation Date	Responsible Officer	Grading
May 2016	Housing Strategy & performance Manager (Graeme Stuart)	Significant within audited area.

2.7 Suspense Account

2.7.1 Payments which cannot be immediately allocated to the correct rent account, because information is inaccurate or incomplete, are posted to a suspense account within Northgate iWorld and investigated by the Senior Rents Accounts Assistant.

2.7.2 The suspense account as at the 15 January 2016 had a balance of over £8,000. Whilst it is acknowledged that the value is not material when considering the total value of rent collected by the Council, there are, however, entries dating back to 2006.

Recommendation
The Service should investigate the outstanding entries on the suspense account and take action to ensure that the account is cleared on a regular basis.

Service Response / Action
The suspense account is reviewed on a daily basis and monies credited to the correct rent account or transferred through the cash receipting system to be credited to the correct debt e.g. Council Tax

Clearing outstanding entries is problematic as payments appear in the suspense account because the payment reference provided by the tenant is incorrect and cannot be attributed to a recognised rent account or other Council debt. These can be standing order payments or payments made through Paypoint outlets, online or via the automated telephone process. In these instances it is reliant on the customer coming forward when chased for arrears or outstanding debt.

Audit Position
It is acknowledged that the Service investigate suspense entries and correct where possible. Errors made by payees are out with the Service's control.

It is hoped that the changes to the online payment portal may help address some errors.

Implementation Date	Responsible Officer	Grading
N/A	N/A	Significant within audited area.

2.8 Current Arrears

2.8.1 Tenant arrears should be pursued in accordance with the Council's Rent Management Policy and the Current Secure Pre-court Procedure. Arrears relating to twenty tenants were reviewed for reasonableness and compliance with procedures prior to Court Enrolment.

2.8.2 Where a tenant remains in arrears over a consecutive 4 week period and the balance is greater than £150, a first reminder (AR01) is generated within the iWorld system. Before the reminder is authorised and printed for delivery, Housing staff will attempt to make contact with the tenant to make arrangements for the arrears amount to be cleared. If no contact is made the letter will be hand delivered. First reminder letters were issued to the twenty tenants in the sample reviewed.

2.8.3 A second reminder letter (AR03) is automatically generated as a pending action two weeks after the authorisation of the first reminder, when the balance remains at £150 or over and no repayment arrangement is in place. The Service will once again try to make contact with the tenant to make arrangements for the arrears to be paid. Failure to do so will result in the letter being printed and hand delivered. Whilst second reminder letters

were issued to the sample reviewed, the number of days in between the delivery of the first reminder and the second reminder letter varied between 1 day and 184 days.

2.8.4 If a repayment arrangement with the tenant has not been made and where the tenants arrears are £300 or over, two weeks following the authorisation of the second reminder letter a Pre-Action Requirement Letter (PARL) is created as a pending action for Housing Staff. Before this letter is issued Housing Staff will try to contact the tenant and explore the reason for the arrears and where possible offer advice and support. All of the arrears cases reviewed had been issued with a PARL. The time taken between the second reminder and the PARL being issued varied between 11 days and 339 days.

2.8.5 The Service advised that timeframes within the procedures and the prompts within the system are viewed as guidelines and reminders. Decisions to escalate are taken by housing officers that are in contact with tenants, taking personal circumstances into account with a view to retaining tenancies and court enrolment being as a last resort.

2.8.6 Of the twenty current arrears cases reviewed, eleven were considered compliant. The remaining nine were reviewed with the Service and a number of issues were identified. Some resulted from tasks within the escalation process being deleted within the system and new actions created rather than leaving them at a pending stage for longer, this slowed the process down. Staff are required to review each case and decide on the most appropriate action. The Service advised that whilst deletion may be appropriate in some cases, there are others which should be 'Pended' within Task Manager for review at a future date. Deleted cases continue to appear in task manager each week until action is taken and therefore is inefficient and ineffective in managing caseload. The Service has advised that they are looking to develop a system report to highlight instances where cases are deleted to assist with staff training. A recommendation is included here for tracking purposes.

Recommendation
The Service should monitor the number of cases deleted within Task Manager and should ensure that staff are made aware of the circumstance when deletion is appropriate.

Service Response / Action
Agreed

Implementation Date	Responsible Officer	Grading
May 2016	Housing Manager (Wendy Carle)	Significant within audited area.

2.8.7 Only thirty arrears cases are enrolled with the Courts each week, and cases that have reached a trigger point but are not deemed as urgent as others will not be escalated at that time, and therefore escalation to the Court process is delayed.

2.8.8 There were also instances where broken payment arrangements were not identified timeously, resulting in delays. The Service advised that a new payment arrangement module which was fully implemented in October 2015 now provides information on payment types and expected payment profiles which allows for the early identification of missed payments, and allows for intervention by housing staff at an earlier stage which should assist in the reduction of arrears reaching the first £150 trigger.

2.8.9 Senior Housing Officers are required to review and monitor the quality of the decision making process of the Housing Officers on a monthly basis. When questioned, a number of Senior Housing Officers advised that the management reports available for reviewing the decision making process were very comprehensive but found them very

time consuming to review effectively and in practice sometimes delegated to other staff to review. The Service advised that there are regular meetings at which the quality of reports could be raised, and to date no issues have been highlighted.

Recommendation
The Service should remind Senior Housing Officers of the requirement to review the quality of the Housing Officers decision making process.

Service Response / Action
Agreed

Implementation Date	Responsible Officer	Grading
Implemented	Housing Manager (Wendy Carle)	Significant within audited area.

2.8.10 During the review of the twenty arrears cases above it was found that the quality of notes supporting the HO decision on whether to escalate or not escalate the case to the Arrears Intervention Team was inconsistent.

Recommendation
Staff should be reminded of the importance of documenting all information to support any decisions taken.

Service Response / Action
Agreed. All staff are already encouraged to make notes on iworld. Further guidance will be issued advising where the appropriate location for notes is.

Implementation Date	Responsible Officer	Grading
May 2016	Housing Strategy & Performance Manger (Graeme Stuart)	Important within audited area.

2.9 Repayment Arrangements

2.9.1 Guidance has been provided to Housing Officers to assist them in determining repayment arrangement amounts with tenants to allow for the repayment of arrears. There are three suggested minimum payment amounts which are applicable depending on the tenant's circumstances, the lowest being £5 per week for tenants in receipt of benefits. When a tenant is unable to pay the suggested minimum amount the Housing Officer will use the Department for Work and Pensions Applicable Amount calculation to determine if the tenant has any surplus income, an expected repayment amount would be 10% of surplus income. Within the guidance staff are advised that the repayment arrangements as detailed above are not binding on the Housing Officer and that they are encouraged to show flexibility to those on the lowest income levels.

2.9.2 In July 2015, there were 771 current payment arrangements in place. All but 23 had repayment instalment amounts for the minimum amount of £5 or above. Within those 23 payment arrangements is one arrangement for 47p which is payable until 2034, and another repayment amount of £2.72 until 2040. The Service advised that if a tenant is unable to pay the minimum amount an income assessment form is completed and a lesser amount is accepted. The Service would prefer a lesser contribution than no payment.

2.9.3 Senior Housing Officers (SHO) are provided with a report detailing repayment arrangements agreed by Housing Officers and tenants during the previous month and are required to check 10% or at least 10 of the arrangements to ensure they comply with

relevant guidance around arrangement amounts and appear sustainable. Evidence of these checks having been carried out is reported to Area Housing Managers. A review of the monitoring report for 30 June 2015 confirmed that checks had been undertaken by all areas except South Area 2. The SHO responsible had been on leave on this date. The Service advised that this check should have been completed on return from leave. A recommendation for Senior Housing Officers to review the quality of the decision making process has been made in paragraph 2.8.9.

2.10 Legal Actions and Evictions

2.10.1 The Arrears Recovery Team headed up by the Senior Arrears Recovery Officer, is responsible for the administration of all cases where legal action is considered necessary. In cases of persistent, on-going rent arrears or default on arrangements made, the Council policy states that whilst legal action is deemed a solution of last resort it will be pursued and that eviction will be considered only as a final step in the legal process.

2.10.2 A review of arrears cases taken forward by the Arrears Recovery team for legal action confirmed that throughout the process, tenants are encouraged to engage with the Council in an effort to resolve their arrears situation and are sign posted to specialists able to provide support and advice if requested. In cases where tenants refuse to engage or persistently fail to comply with agreements made, then requests to the Court to grant a decree to evict may be pursued. In 2014/15, 903 decrees were granted and 208 evictions took place. In 2013/14 the figures were 705 and 130 respectively.

2.11 Former Tenant Arrears & Write Offs

2.11.1 As at the 2014/15 year end the total value of former tenant arrears stood at £1.280 million of which £683,000 (53.35%) was written off at the end of the financial year (Source ARC Indicator C23). The Service the Task Manager facility within Northgate to manage the former tenant arrears process which generates tasks for action by a member of the Arrears Recovery Team.

2.11.2 From a review of the tasks list within Task Manager for Former Tenant Arrears it was noted that, in July 2015 there were over 900 tasks overdue. The Service advised that competing priorities and limited staff resources resulted in delays in FTA tasks being actioned. This has subsequently reduced to 452 tasks in February 2016.

2.11.3 A sample of 12 cases where arrears balances had been written off were reviewed. All had been appropriately authorised by the Arrears Officer responsible and were prompted by either advice from the Sherriff Officer recommending write off on the basis that they had not been able to trace the debtor, or the debt had been outstanding for more than 5 years with no acknowledgement of the debt from the debtor and hence became “prescribed debt” under the Prescriptions & Limitations Act (Scotland).

AUDITOR: D Hughes
M Beattie
D Lawson
L Jarvis
C Pirie

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	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

Internal Audit Report

Communities, Housing & Infrastructure

Vehicles

Issued to:
Angela Scott, Chief Executive
Pete Leonard, Director of Communities, Housing & Infrastructure
Richard Ellis, Interim Director of Corporate Governance
Mark Reilly, Head of Public Infrastructure & Environment
Steven Whyte, Head of Finance
William Whyte, Fleet Manager
Anne MacDonald, Audit Scotland

Date of Issue: April 2016 **Report No. AC1618**

EXECUTIVE SUMMARY

The Goods Vehicles (Licensing of Operators) Act 1995, requires that Organisations who are in possession of an Operator's Licence (O-Licence) adhere to certain rules in the management of their Fleet, including maintenance requirements to ensure vehicles are in a road worthy condition and are safety checked. Compliance with the act and terms of the licence are monitored by the Driver and Vehicle Standards Agency (DVSA). Non-compliance can result in the Traffic Commissioner imposing restrictions on, or withdrawing, the licence: which could severely restrict the ability of the Council to deliver many of its services.

Following a review by the DVSA on 14 January 2014 and subsequent review by the Traffic Commissioner, a public inquiry was held on 18 November 2014. The main concerns raised were that Council vehicles and drivers had been issued with a number of defect notices and penalties in the previous 5 years. The Traffic Commissioner drew particular attention to concerns regarding vehicle maintenance, records of such maintenance and prompt recording by employees of such faults.

Following notification of the inquiry the Chief Executive requested a root and branch review of the Service. Management have identified and are taking forward steps to improve compliance. The objective of this audit was to determine whether or not the actions put in place are working as intended.

Although the actions taken by Fleet promote compliance there were still, at the point audit tests were conducted, a number of shortfalls in User Service and individual Driver adherence to policy including the completion and evidencing of daily vehicle checks. The Service has subsequently reinforced the requirements with User Services and is implementing regular compliance checks following the recruitment of a new Fleet Manager in March 2016.

Further work is ongoing to develop operational and asset management plans, in order to rationalise and reduce the age profile of the fleet to minimise maintenance requirements where appropriate. The Service has also agreed to adjust Service Level Agreements to highlight the possible actions and consequences of non-compliance, to further promote adherence to policy. Records of Driver Licensing and Training will also be improved.

1. INTRODUCTION

1.1 The Goods Vehicles (Licensing of Operators) Act 1995, requires that Organisations who are in possession of an Operator's Licence (O-Licence) adhere to certain rules in the management of their Fleet. The current Licence is held in the name of Mark Reilly, Head of Public Infrastructure and Environment, though further officers are listed on the Licence.

1.2 Appendix 6 of the Act specifically states that the Operator must fulfil maintenance requirements to ensure vehicles are in a road worthy condition and are safety checked. This includes the necessity for a daily check by Drivers of their vehicles, prompt reporting of any faults noted and the retention of records for a period of 15 months following any repair or servicing of a vehicle. Compliance with the act and terms of the licence are monitored by the Driver and Vehicle Standards Agency (DVSA). Non-compliance can result in the Traffic Commissioner imposing restrictions on, or withdrawing, the licence: which could severely restrict the ability of the Council to deliver many of its services.

1.3 Following a review by the DVSA on 14 January 2014 and subsequent review by the Traffic Commissioner, a public inquiry was held on 18 November 2014. The main concerns raised by the Traffic Commissioner were that Council vehicles and drivers had been issued with a number of defect notices and penalties in the previous 5 years. The Traffic Commissioner drew particular attention to concerns regarding vehicle maintenance, records of such maintenance and prompt recording by employees of such faults.

1.4 Following notification of the inquiry the Chief Executive requested a root and branch review of the Service. Management have identified steps to improve the Service and have engaged consultants to take this forward in the interim, pending recruitment of a new Fleet Manager.

1.5 The objective of this audit was to determine whether or not the actions put in place to remedy the concerns which were raised by the Traffic Commissioner are working as intended. This involved discussion with key individuals within the Service, examining vehicle and driver records, and visits to depots to check the condition of randomly selected vehicles.

1.6 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 William Whyte, Fleet Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Procurement

2.1.1 Vehicles and plant have an anticipated lifespan, and are likely to incur additional costs as parts wear out through use and age. The Service is developing a Vehicle Replacement Plan which identifies projected requirements, based on existing assets, for the next five years. The Service estimates the cost of bringing the fleet up to a high standard by 2020 is in the region of £19 million, and that through Best Value procurement, and reducing the age profile of the fleet, it could save up to £300,000 per annum on maintenance and other operating costs. The Service has access to a number of Scotland Excel contracts for vehicle procurement and is working with Commercial and Procurement Services (C&PS) to develop tenders for parts and service contracts.

2.1.2 The Service recognises that additional work is required to confirm Services' actual vehicle usage requirements. It is important that this exercise is carried out before new vehicles are procured, as it may identify excess provision, or the potential for shared vehicle usage. It may also be possible to rotate usage to balance the age profile of the fleet, and thereby delay the need for replacements. Excess vehicles would need to be identified quickly in order to maximise resale values where appropriate.

Recommendation
Fleet should develop principles for optimising Services' fleet requirements.

Fleet should work with Services to determine their ongoing fleet requirements, in line with these principles, in advance of any further significant procurement exercises.

Fleet should seek to identify 'excess' vehicles promptly in order to maximise resale value where vehicles are not required.

Service Response / Action
Agreed. Fleet services will develop operational plans and will review Service Level Agreements with each service so that current vehicle and plant numbers (including hires) to service requirements can be mapped. All operational plans will include future planning requirements / changes so the correct vehicles and plant are purchased / phased out as part of a strategic fleet asset management plan. These plans will be reviewed on a regular frequency.

Implementation Date	Responsible Officer	Grading
November 2016	Fleet Manager (William Whyte)	Significant within audited area

2.1.3 The draft Plan highlights the potential savings from replacing older vehicles, and where these are causing particular problems it is appropriate that these are prioritised. However, in finalising the Plan the Service should ensure that funds are directed towards areas of most need: i.e. those areas which have the potential to impinge on the Council's ability to retain its Operating Licence, taking Health and Safety requirements into consideration.

Recommendation
The Service should ensure that available vehicle replacement funds are prioritised and directed towards areas of most urgent need.

Service Response / Action
Agreed. Fleet services continue to address the significant back log of vehicles and plant due for replacement. Capital funds have been and will continue to be targeted /

prioritised in the procurement of assets that have reached the end of their effective operational life and which pose additional risks to ACC and its stakeholders.

Implementation Date	Responsible Officer	Grading
Ongoing	Fleet Manager (William Whyte)	Important within audited area

2.2 Management Information

2.2.1 In order to assist with the monitoring of overall performance the Service has developed Key Performance Indicators (KPI's) which are reported to Committee on a quarterly basis. Key statistics which are included in the reports are outstanding 'O' Licence / MOT inspections, Accidents / Incidents, Late Reports, Tachograph analysis and Serious Issues as a percentage of 'O' Licence vehicles checked. The latest statistics were examined and observations made as below.

2.2.2 Outstanding 'O' Licence / MOT inspections are inspections and MOT's which are outstanding as of the month end. The report gave no cause for concern as, although there were vehicles (3 in August 2015, 1 in September 2015) which showed that their MOT or inspection were overdue for reporting purposes, it was confirmed that all inspections / MOT's are booked ahead of the due date to allow for delays and vehicles were not on the road with an invalid MOT / outstanding inspection.

2.2.3 Accidents and Incidents were relatively high with 111 reports of accidents / incidents from a total fleet of just over 500 vehicles. Where an incident / accident has occurred Services are asked to produce a report detailing the incident. 23 of the 111 reports of such incidences (21%) were not returned within the 21 day deadline.

Recommendation
Fleet should remind Services that they must provide reports on Fleet incidents or accidents promptly.

Services should be challenged where they consistently fail to respond in a timely fashion.

Service Response / Action
Agreed.

Fleet services have reviewed the accident / incident reporting procedures and updated the instruction bulletin which will be passed to all user departments.

A short training course was developed and delivered to supervisors in November 2015 instructing them on the correct completion of the forms. User Service responses will be monitored to ensure that the Services are adhering to the procedure. Compliance to this procedure is reported to the relevant Council Committee.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	Responsible Officer	Grading
July 2016	Fleet Manager (William Whyte)	Important within audited area

2.2.4 Tachograph Analysis and 'Serious Issues as a % of Licences Checked' are discussed later in this report at 2.6 and 2.5.2.

2.2.5 Further performance indicators to assist in reporting are currently being developed. These are primarily aimed at the areas of accidents, incidents and action taken to resolve them. The Service has not yet determined when these will become part of regularly reported KPI's.

2.2.6 While the performance figures are reported to Committee, it is not clear what action is taken as a result. The KPI's provide useful information which Management should consider using to reinforce to Services the need to comply with legislative requirements and to highlight to Services where failures are occurring. This may require further analysis of the statistics, and inclusion within the report, to highlight where particular Services are exhibiting regular failings.

Recommendation
Fleet should consider how best to make use of the available Key Performance Indicators to drive forward compliance within Services.

Service Response / Action
Agreed.

Fleet services collate and report KPI's to the relevant Committee and discuss trends and findings with user departments, highlighting the areas of concern.

Fleet Services work with the User Services to identify and develop training and / or other initiatives to improve compliance**.**

Implementation Date	Responsible Officer	Grading
Ongoing	Fleet Manager (William Whyte)	Important within audited area

2.2.7 In addition to the KPI's which are reported, LGV test rates are also examined on a regular basis. A report which was downloaded from the DVSA showed that of 53 Large Goods Vehicles tested, 52 passed the MOT first time while the final 1 merely required a realignment of headlights. The pass rates exceed national averages.

2.2.8 The Head of Service (Public Infrastructure and Environmental) has stated that staffing levels are currently not at the required levels. A business case has been put forward for a new Fleet Manager and Compliance Officers who are to assist in ensuring that Services are performing necessary checks and that vehicles are roadworthy at all times. This will include performing random checks. Recruitment is scheduled to take place at the beginning of 2016 and it is anticipated all positions will be filled by Summer 2016.

2.2.9 Staff are additionally being verbally reminded via Supervisors to ensure that they are complying with the requirements of their position in relation to checking of vehicles (Daily Driver Checks) and use of tachograph cards. The Head of Service (Public Infrastructure and Environmental) has also recently sent a reminder out to all Supervisors again reminding them of their obligations.

2.2.10 Additionally the Head of Service is considering withdrawing the use of Vehicles from Services where continual infringements are identified. While this may have an impact on the ability of individual Services to deliver their objectives, lack of compliance with the requirements of the Licence endangers the ability of the Council to retain its Licence as a whole, and deliver all services. Some Services will however have statutory duties, which will require transport for their delivery. It is important that contingency plans are in place to cover these eventualities.

Recommendation
Fleet should ensure that Services are made aware of the actions it may take in response to infringements, including withdrawal of the use of vehicles.

Service Response / Action
Agreed.

Any infringements that compromise compliance result in a letter being issued to the relevant Service Manager (and / or Head of Service, Director if appropriate), highlighting the infringement and the immediate action to be taken to prevent future compliance failure.

Regular liaison meetings are in place with the User Services to address issues of non-compliance that have been identified and to review the actions that are required or have been taken.

Fleet Services have implemented actions against Services, including withdrawal of the use of vehicles, where compliance has been compromised. Fleet Services will include in the review of the Service Level agreements the actions it will take to ensure Fleet compliance, should User Services fail to act initially by letter.

Implementation Date	Responsible Officer	Grading
November 2016	Fleet Manager (William Whyte)	Significant within audited area

2.2.11 One of the key concerns of the Traffic Commissioner was the general condition of vehicles, and the maintenance and records of maintenance of vehicles. As such a selection of 30 vehicle records was examined to ensure that the vehicles had a current MOT, were being serviced on schedule and that records were being maintained for the appropriate length of time.

2.2.12 Reports are run in the Vehicle Records system TRANMAN on a monthly basis to identify vehicles which are due for either a Service or MOT. Vehicles are then allocated a date and time slot and the Depot Supervisor sends out a report to Service Representatives asking them to confirm that the vehicles will be brought in on the date reserved for the vehicle.

2.2.13 All vehicles are booked in at least 2 weeks ahead of the due MOT or Service to allow for any delays in bringing vehicles in to the depot. The Depot Manager chases up any vehicles which are not brought in. All of the 30 sample vehicles had a current MOT and records indicated they had been serviced on schedule. In addition vehicle records went back further than the 15 months stipulated by the Traffic Commissioner.

2.2.14 Statistics were obtained for times taken to action repairs over a 12 month period for both 'O' Licence and non 'O' Licence vehicles across the Council. These are shown in Appendix 1. The average days represents the time taken from entering the vehicle on the TRANMAN system to the mechanic closing it off on the system following completion of the repair.

2.2.15 The date on the Drivers Check sheets were within one day of the date the vehicle was entered into TRANMAN indicating that where a fault is reported on a Drivers Check sheet it is taken to the repair depot the same or following day in line with regulations. It would be worthwhile for the Service to consider collating and reporting this statistic as this demonstrates compliance with one of the key concerns of the Traffic Commissioner.

2.2.16 Where a vehicle fault is noted on a Daily Check sheet, this is usually recorded as a defect, however where the defect is found to be electrical this is recorded separately. Breakdowns record when a mechanic is dispatched to the point of the vehicle breakdown and either takes the vehicle to the depot or effects a repair at the scene.

2.2.17 Times taken to deal with defects and Servicing have remained fairly static. Times taken to deal with electrical issues appear to have increased slightly while breakdowns are being rectified more quickly.

2.2.18 It may be useful for the Service to include statistics such as the above in Key Performance Indicator reporting as it may prove to be a useful tool in measuring any improvements where new practices are introduced. The less time that vehicles are off the road the less costs are incurred with hire charges and the more able Services are to deliver their objectives.

Recommendation
The Service should consider regular reporting of time taken to action defect notices along with other items such as Electrical Faults / Breakdowns and Servicing.

The Service should consider collating and reporting times taken for vehicles with a defect, to be notified to the repair depot.

Service Response / Action
Agreed.

All defects found at the Daily walk round check are reported immediately to the workshop before the vehicle goes into service. The Tranman Fleet Management system job card shows the date and time the vehicle is booked into the workshop, the time the job is started, who is carrying out the repair, the time taken to complete the repair and the date and time the vehicle is collected.

This process will be audited by Fleet Services to ensure compliance is being met.

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Important within audited area

2.3 Driver Check Sheets

2.3.1 In order to ensure defects are identified and dealt with promptly, Drivers are required to complete Daily Check Sheets which identify key elements of the vehicle which should be checked before it is first driven each day.

2.3.2 Records for the 30 vehicles selected were examined for a 12 month period, comprising of over 300 records. It was noted on 16 occasions that faults were repaired during either an MOT, service or safety inspection. The faults had either not been noted on Driver Check sheets: indicating that the Driver had missed the fault, or the Driver Check sheet was missing.

2.3.3 A further 24 vehicles were then chosen from Waste, Building Services and Roads, and the Driver Check Sheets were requested from Services for a specified week to ensure that check sheets were present for the full week. If they were not present it was queried with the Service whether or not the vehicle had been driven on the identified days or was in the Repair Depot. The latter check was confirmed by checking records on TRANMAN.

2.3.4 For 10 Waste vehicles, all driver check sheets were present other than those relating to vehicles which were confirmed to have been in the Repair Depot.

2.3.5 For 7 Building Services vehicles, 2 sets of Drivers' Check sheets were missing for almost the entire week despite the employees having used the vehicles all week. 2 further vehicles had one day's sheets missing. The Service was unable to confirm whether or not the vehicles were used on those days. The Service has subsequently introduced a register of completion which it intends to use to monitor compliance.

2.3.6 Driver Check sheets for Roads vehicles are kept with the vehicle and books are replaced when necessary. Records for 7 vehicles at the Depot at Tullos were examined. One book for a Hire vehicle did not have the registration completed for several days, meaning it was not possible to match the checks to the vehicle should they be subject to a future inspection. Another Driver, having just arrived at the Depot confirmed that he had not completed the Driver Check sheet for that day. Dates were not consecutive in the same book. All other entries were present and fully completed for the other vehicles checked.

2.3.7 Records for Drivers of Minibuses were sought from the Technical officer for PTU. Driver Check sheets in these instances are retained with the vehicle and only handed in when the book is complete. The Technical Officer does however perform random checks and records the results of these on a spreadsheet. The latest spreadsheet was examined over an 8 week period and all Drivers Check sheets for the selected random checks were present.

2.3.8 It was also noted when checking through all Services' Daily Driver check sheets that some did not note the vehicle registration or fleet number, making an effective audit at a later date virtually impossible.

2.3.9 It is imperative that Drivers conduct daily checks on their vehicles before driving, in order to minimise the risk of an incident due to any defect on a vehicle, and also to comply with the requirements of the Traffic Commissioner. Services therefore need to ensure that they have systems in place to record that they are adhering to this requirement, and Fleet needs to have assurance that this is being done. As noted above, although there is a corporate check sheet in use, levels of compliance and the method of checking these are completed varies between Services.

Recommendation
Fleet should work with Services to implement a standard process for obtaining assurance that all Drivers are evidencing completion of their daily vehicle checks.

Service Response / Action
Agreed.

User departments carry out spot checks on vehicles when they return to the depot at the end of their shift, any defect found that would lead to a failure of compliance is reported back to the department supervisor and driver.

Independent spot checks on user service vehicles are carried out by an external company (Gate Checks) on regular basis, this entails checking the vehicles prior to going into service and after the daily walk round check has been carried out. The findings of these checks results are collated and given to the Fleet Compliance Manager.

This has not been adhered to in all services. The Head of Public Infrastructure and Environment Service reinforced the requirement to relevant service managers of their duties by email in December.

The instruction with a spreadsheet designed to capture this data has been re-issued to Service Managers.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Manager (William Whyte)	Significant within audited area

2.3.10 A total of 24 further vehicles were checked which had returned nil defect Driver Check sheets for the day upon the vehicles return to the depot. 7 of these vehicles (29%) were then identified by Internal Audit as having a visible defect.

2.3.11 In 5 instances, the vehicles had low coolant or oil levels. While these defects may not have a direct health and safety impact, in the event of the vehicles breaking down due to low fluid levels there is the potential for costs to be incurred by Services through repair and / or hire of a replacement vehicle as well as service disruption.

2.3.12 2 vehicles had more serious defects. A reversing siren was not working on a refuse vehicle, and another had a deep cut in the sidewall of a tyre.

2.3.13 This indicates that Drivers are not checking vehicles thoroughly and in accordance with Fleet's expectations prior to driving the vehicle. There are potentially serious consequences for Services should the vehicle be stopped for a random DVSA inspection as either fines may be levied or they may be reported to the Traffic Commissioner.

2.3.14 Whilst staff employed as Drivers are more likely to have an understanding of the checks required, this may not be the case for all staff driving or operating a vehicle as part of their wider duties. The current form and guidance may not be sufficiently detailed, to ensure full and consistent checks take place. For example, drivers are asked to confirm that fluid levels are adequate, but are not told which levels to check, or how to do so. Training or guidance may be necessary to ensure this is completed adequately, or the form could be expanded to list all of the relevant items to check – e.g. oil, brake fluid, clutch fluid, power steering fluid, screenwash etc. The same could be applied to other sections of the form.

2.3.15 It was noted in a report commissioned from a consultancy engaged to conduct regular random checks on vehicles that some Drivers were conducting vehicle checks in the dark. It is not possible to effectively carry out the required checks in poor light. It was confirmed that Waste Services have issued Drivers with torches to carry out daily checks. This instruction however is unlikely to have been communicated to other Services who do not drive 'O' licence vehicles – although the checks are still important in maintaining an effective well maintained fleet.

Recommendation

Fleet should review the content of the Drivers Daily Check Sheets, and ensure appropriate training is developed for completion of the activity, to ensure checks are always fully and consistently completed.

Service Response / Action

Agreed.

All vehicle defect books (daily check sheet) are checked for non-reported defects when the vehicle comes into the workshop for repair. Any driver not complying to the required standard of the daily walk round check will be sent for training and will be monitored to ensure that the required standard is met.

About 40 supervisors across the User Services have been trained so that they can cascade training to their drivers in the standards, procedures and completion of documentation relating to drivers checks.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Manager (William Whyte)	Significant within audited area

2.3.16 Depending on the level of checks required, as noted above Drivers may require additional equipment to carry out adequate checks. For example if tyres are to be checked it may be appropriate to provide pressure gauges and tread depth measurement tools; or if checks must be carried out in the dark – torches should be provided. Although Services are responsible for ensuring checks are carried out, it would be appropriate for Fleet to determine a corporate standard, and procurement route, for this equipment to ensure a consistent approach is taken.

Recommendation
Fleet should work in conjunction with user departments to ensure that vehicles are provided with equipment as appropriate to enable Drivers to complete their daily checks.

Service Response / Action
Agreed.

Fleet have ordered and supplied user departments with torches as required. There is no requirement to supply depths or pressure gauges for tyres because if the driver is in doubt regarding a tyre defect it is required that they report this immediately to the workshop for guidance.

The "O" licence Fleet has a monthly tyre audit carried out by the current Tyre supplier where tyre depths and pressures are taken.

Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Manager (William Whyte)	Important within audited area

2.4 Other Vehicle Checks

2.4.1 The Compliance Officer (Temporary) for Fleet confirmed that all Supervisors across Services should be carrying out a 10% check of vehicles condition on a monthly basis. The Officer confirmed that Service adherence to this requirement was generally poor and a reminder had recently been issued by the Head of Service (Public Infrastructure and Environment) to all Services to comply with this requirement. From discussions with Supervisors and observations while onsite it is clear that checks are being carried out in some instances although they do not appear to meet the required 10%. It may be worthwhile for Fleet to confirm the exact requirements in terms of the number of checks required, to reinforce this to Services.

Recommendation
Fleet should reaffirm to the Services details of the required number of checks to meet 10% on a monthly basis.

Services should ensure vehicle condition checks are completed in line with the information provided by Fleet.

Service Response / Action
Agreed.

Fleet has sent reminders to all user departments to ensure a 10% fleet check is carried out on a monthly basis. Detailed records of these checks are returned to Fleet Services.

This process will be audited by Fleet Services to ensure compliance is being met.

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Important within audited area

2.4.2 Tyre replacements and repair are currently undertaken by an external supplier. The supplier also performs random inspections on vehicles and replaces tyres where they consider this is warranted. 3 random inspections covering 48 vehicles were examined. The inspections give a reason for replacement and a measurement of the tread depth. 7 of the 48 vehicles had one or more tyres replaced due to either excessive wear or the tyre having a defect. There is a risk of tyres being replaced un-necessarily, as staffing levels do not allow for the claims to be double checked by Fleet to verify the condition of tyres removed.

2.4.3 Services can additionally request that tyres are replaced without notifying the Repair Depot first. Several instances of this were identified as part of Internal Audit's review of vehicle records. In these cases no tread measurements are given by the supplier, meaning that tyres are being replaced without supporting evidence of the need to do so.

2.4.4 The Service is currently in discussion with the Commercial and Procurement Services with a view to issuing invitations to tender for a full tyre service in the near future. This full tyre service will again include all tyre replacements and random inspections.

Recommendation
Fleet should ask the supplier to provide tread depth measurements for all tyres replaced, whether on inspection or on request from Services.

Fleet should consider how it can gain further assurance over tyre replacements.

Service Response / Action
Agreed.

The current supplier records the tyre tread depth and reason for a tyre being replaced. Detailed information of tread depths and tyre replacement is given to Fleet Services.

A review of current tyre management arrangements is currently being undertaken.

Implementation Date	Responsible Officer	Grading
November 2016	Fleet Manager (William Whyte)	Important within audited area

2.4.5 Although Services can request replacement tyres directly from the supplier they should still be sending in a Driver's Daily Check sheet indicating that there is a fault with the vehicle to the Repair Depot. When examining the records of a further 30 random vehicles it was noted that in 31 instances there was no Daily Driver Check sheet indicating a fault present at the time the tyre(s) were replaced.

Recommendation
Services should ensure that where a worn or damaged tyre is noted and replaced, that the Drivers Daily Check sheet is sent to the Repair Depot to notify the Service of the defect.

Service Response / Action
Agreed.

It is the responsibility of drivers to ensure that the daily check sheet is correctly filled out showing the tyre defect.

The daily check sheet is given to Fleet along with the data from the tyre company which is matched in the vehicle record files.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Important within audited area

2.4.6 It is important that where vehicles are leased they are subject to the same checks as Council owned vehicles. The Hire Procedures were examined and found to give clear instructions for the Depot Foreman to ensure that vehicles are roadworthy, have been serviced and have a current MOT. Additionally for LGV vehicles the instructions make clear the need for a safety check to take place.

2.5 Licence Checks

2.5.1 It is imperative that Drivers of 'O' Licence vehicles have regular checks performed on their Drivers Licences to ensure that they are permitted to drive these vehicles. Licence checks are currently checked by an external company *(Driver Hire)*. This is an online service which the Compliance Officer checks on a quarterly basis. In addition to this weekly exception emails are issued to the Compliance Officer (Temporary) which will notify the Officer where a Driver has received an endorsement on their licence.

2.5.2 One of the Fleet Key Performance Indicators is for 'Serious Issues as a percentage of Licences Checked'. This indicates where a Driver has accumulated 6 points or more on their licence or has had any class of licence entitlement removed. The most recent KPI viewed highlighted 2 Drivers in these categories. The first had their entitlement to drive LGV's removed and is no longer employed in driving duties. The second already had 6 points on their licence and was given another 6 for having the wrong address on their licence. At this point the Service was notified of the pending prosecution of the Driver and suspended them from driving duties. By the time the case was subsequently heard at Court the original points had expired meaning that at no point was the Driver disqualified by the DVLA from driving.

2.5.3 Drivers of LGV vehicles require to have completed the Certificate of Professional Competence, which comprises 35 hours of training every 5 years. The Compliance Officer (Temporary) confirmed that Services are expected to maintain their own records of whether or not a Driver has completed the required training, however it was not considered that records of this were being adequately maintained.

2.5.4 Fines and reputational damage could occur should a Driver involved in an incident or subject to inspection be discovered not to have undertaken the required training. It is therefore imperative that Services are able to provide evidence that all Drivers have

completed the required training and Fleet Services should seek to establish this is the case on a periodic basis.

Recommendation
Fleet should ensure that all Services have full and complete records of drivers CPC compliance, including when they are due to undertake training.

Service Response / Action
Agreed.

Fleet carries out Drivers CPC Training in conjunction with Aberdeenshire Council for user departments on an ongoing basis when required. Dates are supplied to Fleet for training and user departments notified of availability of courses.

A record of Drivers training and requirements are kept by Fleet Services and is available to the User Services.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Significant within audited area

2.5.5 Licences for Drivers of non LGV vehicles are supposed to be checked on a yearly basis with Supervisors in each Service keeping spreadsheets of Drivers and the associated yearly confirmation of the check of their licence. A new system is however to be piloted in early 2016: the Corporate Drivers Management System (CDMS). Once rolled out, all Drivers currently listed, as well as essential car users, will have their details entered into the system as well as any new starts who may be required to drive as part of their duties.

2.5.6 Drivers will be asked to obtain a check code from the DVLA which is available online. This code will be given to an appropriate person within Services and a printout will then be obtained of the Driver's entitlement to drive as well as any convictions which will then be stored on the system.

2.5.7 In order to provide assurance that all employees with a requirement to drive as part of their job role have a current licence, it would be useful to identify which Posts within the organisation have 'driving' duties, and the class of vehicle that an employee may be required to operate as part of these duties. This would enable checks to be made against an employee's licence in the new system to determine whether or not they have the appropriate provision to drive. This is particularly important for newer drivers where there is no longer an automatic extension to drive vehicles with a kerb weight of up to 7.5 tonnes.

Recommendation
Fleet in conjunction with HR and User Services should maintain a list of Posts with driving duties, and the relevant licence categories required.

Service Response / Action
Agreed.

Fleet Services, working with the HR Department, have collated details of posts with driving duties.

All new and current LGV drivers have their licence checked online through the Driver Hire system on a 3 monthly cycle. Any concerns are emailed to the User Service

immediately so that these can be investigated and where necessary appropriate action can be taken.

All new and current non-LGV drivers will have their licence checked online through the PSE system, operated by HR, on an annual basis. This system is in the development stage and it is intended to become operational in the summer of 2016. It will be the responsibility of the user services to manage non-LGV drivers but assistance and advice on licence categories will be available from Fleet Services.

The LGV licence process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	**Responsible Officer**	**Grading**
August 2016	Fleet Manager (William Whyte); HR Officer (Marie Smith)	Important within audited area

2.6 Tachographs

2.6.1 Drivers operating specific categories of Large Goods Vehicles or Passenger Carrying Vehicles for specified activities are required to have their driving monitored via a tachograph. The majority of vehicles to which this requirement applies are equipped with digital tachograph recording systems. Older vehicles may have an analogue waxed disc system. The information from the systems is downloaded and analysed by an outside company *(Tacho-Data)* and Services can analyse the data online. The data highlights Primary Infringements such as driving in excess of daily hours limits, as well as minor infringements such as power supply interruptions, insertion of a card while driving and time overlaps where a driver is recorded as driving one vehicle at the same time as another due to clocks being incorrect.

2.6.2 Records for Drivers for September and October 2015 from Waste and Road Services were analysed, with the following results:

	Drivers with Primary Infringements	Drivers with 6 or more Primary Infringements	Drivers with Minor Infringements
September (95 Drivers)	15	2	5
October (94 Drivers)	10	2	6

2.6.3 Fleet is aware of the issues and is seeking to identify why these are recurring. Services should be raising these with Drivers, and ensuring Drivers are made aware of the implications – which include personal liability to penalties, as well as implications for the Council as an operator.

2.6.4 The Refuse Service has stated that they have only just begun to receive Tachograph infringement reports and will be speaking to Drivers where consistent infringements are occurring and retaining records of this.

2.6.5 The Roads Service has stated that they have been receiving tachograph information for the previous 6 months and have spoken to Drivers where infringements have been identified. These records are retained by the department. The Manager has expressed concern at the number of infringements arising as a result of tachograph clocks not being

synchronised, resulting in apparent incidents of Drivers operating more than one vehicle at the same time.

Recommendation
Fleet should ensure Services have adequate processes in place for evidencing that action is being taken in response to tachograph infringements.

Service Response / Action
Agreed.

All tachograph records are checked on a monthly basis by external supplier Tacho – Data Ltd. Reports detailing any infringements are given to Fleet Service who then notifies the relevant driver and supervisor.

Action including training, if required, is taken to reduce the possibility of future infringements.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Significant within audited area

2.6.6 3 Drivers within the Roads department currently do not have a digital tachometer card. This may restrict their ability to drive other vehicles.

Recommendation
The Roads Service should ensure that all Drivers of relevant vehicles have a Digital Tachometer Card.

Service Response / Action
Agreed.

The Road Service confirms that all their drivers have a Digital Tachometer Card. A list of driver's names and expiry dates of the cards has been compiled. This list is compared to the list of LGV licenses.

This process will be audited by Fleet Services to ensure compliance is being met**.**

Implementation Date	Responsible Officer	Grading
Implemented	Fleet Manager (William Whyte)	Important within audited area

2.7 Insurance

2.7.1 The Council has a duty of responsibility to ensure that all employees driving Council owned or rented vehicle are adequately covered when performing duties commensurate with the requirements of their post. The current insurance document was examined and found to provide this cover.

AUDITORS: D Hughes
C Harvey
D Henderson

Appendix 1 – Repair statistics

January 2015 to June 2015	Average Days	July 2015 to December 2015	Average Days	Difference	Difference %
Non O Licence Vehicles					
ACCIDENT	23.59	ACCIDENT	4.20	19.39	17.80
AD BLUE, GREASE ETC.	0.91	AD BLUE, GREASE ETC.	4.33	-3.42	475.82
BREAKDOWN	7.14	BREAKDOWN	5.41	1.73	75.77
DEFECTS	6.30	DEFECTS	6.53	-0.23	103.65
ELECTRICAL	2.02	ELECTRICAL	4.80	-2.78	237.62
SCHEDULED SERVICE	10.69	SCHEDULED SERVICE	10.13	0.56	94.76
		MODIFICATION	8.95	-8.95	n/a
O Licence Vehicles					
ACCIDENT	3.00	ACCIDENT	11.75	-8.75	391.67
AD BLUE, GREASE ETC.	1.91	AD BLUE, GREASE ETC.	3.90	-1.99	204.19
BREAKDOWN	5.91	BREAKDOWN	4.70	1.21	79.53
DEFECTS	6.40	DEFECTS	5.52	0.88	86.25
ELECTRICAL	2.13	ELECTRICAL	5.34	-3.21	250.70
MODIFICATION	8.33	MODIFICATION	3.00	5.33	36.01
SCHEDULED SERVICE	10.78	SCHEDULED SERVICE	8.94	1.84	82.93

Appendix 2 – 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	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

Internal Audit Report

Corporate Governance

Social Work Tendering

Issued to:
Richard Ellis, Director of Corporate Governance
Judith Proctor, Chief Officer – Aberdeen City Health & Social Care Partnership
Gayle Gorman, Director of Education and Children's Services
Tom Cowan, Head of Joint Operations – Aberdeen City Health and Social Care Partnership
Bernadette Oxley, Head of Children's Social Work
Craig Innes, Head of Commercial and Procurement Services
Steven Whyte, Head of Finance
Martin Kasprowicz, Lead Service Manager
Anne MacDonald, Audit Scotland

Date of Issue: April 2016 **Report No. AC1619**

EXECUTIVE SUMMARY

Social care services are delivered to people in need of care or protection in order to lead safe, independent, healthy lives. This includes care provision for children, adults with learning disabilities and mental health problems, and older people. Care commissioned from external care providers by the former Social Care & Wellbeing (SCWB) Service in 2014/15 cost over £120 million: almost 75% of the Service's gross expenditure.

The objective of this audit was to determine whether the procedures and controls in place are robust and being complied with so that the procurement of Social Care and Support Services is appropriate.

Commissioning and delivery of social care is changing, including joint procurement initiatives, regulatory changes and the integration of health and social care. Until October 2014 the Social Care Commissioning and Contracts Team sat within Social Care and Wellbeing. It is now a Commissioning, Procurement and Contracts Team within Commercial & Procurement Services (C&PS). C&PS, in conjunction with Children's Social Work and those responsible for Adult Care (now within the Aberdeen City Health and Social Care Partnership), is making efforts to improve procedure and practice.

Detailed, up to date contract registers are not in place for some areas of Social Care and in others they are incomplete. Contract registers are essential to planning effective commissioning and procurement, and C&PS is addressing their absence as part of a larger corporate project.

The absence of commissioning plans in some areas has reduced the Council's ability to address off contract spend and to demonstrate that arrangements with providers are appropriate and in line with the approved budget. In many areas contracts have expired and regular retendering has not been undertaken, although this is changing. Contractual arrangements with some providers are only implied through continued use of services, and payments. Without agreed and documented terms and conditions there will be less clarity over the nature of the service being provided and the ability to monitor the adequacy and quality of care, and to maintain control over costs, is reduced. The Services have agreed to work with C&PS to ensure commissioning strategies, programmes of tendering exercises and appropriate contracts are put in place.

Where tendering had been completed and written contracts in place, the process could have been more efficient had responsibilities and programmed deadlines been clarified at an earlier stage. A project team approach is to be taken for future tender exercises.

Monitoring is necessary to ensure suppliers are providing services in line with agreed contracts. Following a review of invoicing practice, double funding of block funded placements with some providers has been identified. C&PS is reviewing its procedures as part of changes to the shared commissioning team with Aberdeenshire Council. The extent of excess payments has not yet been quantified, but may be significant. Measures are being established to avoid or recover these in future, and to identify and recover historic payments as appropriate.

1. INTRODUCTION

1.1 Social care services are delivered to people in need of care or protection in order to lead safe, independent, healthy lives. This includes care provision for children, adults with learning disabilities and mental health problems, and older people. The Council's revised net budget for Social Care and Wellbeing (SCWB) services in 2014/15 was £124.8 million. Gross Expenditure was over £161 million, £120 million of which was in respect of Commissioning Services.

1.2 The Head of Commercial & Procurement Services has direct responsibility for the Social Care Commissioning, Procurement and Contracts team which procures social care services and establishes and manages contracts with care providers. In accordance with the risk associated with each contract, these are monitored and, in conjunction with the Service, overall commissioning requirements are reviewed. The team consists of 9.5 FTE staff but will soon be joined by Aberdeenshire Council Commissioning Team staff to form a shared service which will serve both Councils.

1.3 Joint tendering with Aberdeenshire Council, the integration of health and social care and the increasing control that Service Users have over their care is changing the procurement landscape. The Aberdeen City staff are facing a significant period of change as procedures and practice is revised to make the operation of a shared service, the development of electronic tendering, and joint tendering with Aberdeenshire Council successful in delivering effective social care contracts which meets the Council's needs beyond the integration of health and social care.

1.4 There is evidence that the Service is moving forward in this respect as the teams get closer to being one team. C&PS has identified its shared objectives and has been giving due consideration to ensuring that staff follow the same process in terms of commissioning, procurement and contract management.

1.5 The objective of this audit was to determine whether the procedures and controls in place are robust and being complied with so that the procurement of Social Care and Support Services is appropriate.

1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Craig Innes, Head of Commercial and Procurement Services, and Alison Macleod, Social Care Procurement Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

2.1.1 Commercial & Procurement Services (C&PS) is developing a suite of procedures which will address the changes which come about as a result of Self-Directed Support, shared service arrangements, joint procurement, health and social care integration and electronic tendering. These will be delivered as a part of the wider C&PS transformation programme (PACE). Many procedures are in the planning, but cannot be finalised until plans for integration become clearer, joint standing orders have been established between the Councils, joint tendering with Aberdeenshire Council begins and the Service gains experience of the e-tendering system.

2.1.2 In the meantime Social Care, Children's Social Work and C&PS continue to follow the Scottish Government Guidance concerning Procurement of Care and Support Services, which itself is due to change as a result of new procurement legislation and Self Directed Support. Social Care and Children's Social Work should also operate according to the Council's Standing Orders Relating to Contracts and Procurement. It is important that adequate written procedures are provided for Services, so a recommendation is made here to monitor delivery of the revised procedures.

Recommendation
C&PS should ensure that written procedures are adapted for the shared service and issued to relevant staff.

Service Response / Action
Agreed. A review of procedures is already underway and these will be completed and made available once the impact of all of the changes is clear.

Implementation Date	Responsible Officer	Grading
June 2016	Social Care Procurement Manager (Alison MacLeod)	Significant within audited area

2.1.3 There is currently no requirement for any Commissioning and Contracts staff to hold or to be working towards a recognised procurement qualification. This reduces the level of assurance over procurement best practice and confidence in the level of knowledge and understanding of Commissioning and Contracts staff roles and responsibilities.

Recommendation
C&PS should ensure that staff are adequately trained and that professional standards can be evidenced by appropriate qualifications.

Service Response / Action
Agreed. The only appropriate relevant qualification for the team is the recently introduced Professional Development Award in Commissioning, Procurement and Contracting for Care Services. The requirement to have, or be working towards this is included in the revised Job Profile for the Shared Services Team. Due to the cost and the time commitment this will be rolled out gradually across the existing team starting with the least experienced.

Implementation Date	Responsible Officer	Grading
Implemented	Social Care Procurement Manager (Alison MacLeod)	Significant within audited area

2.2 Procurement Planning

2.2.1 Commissioning guidance states that long term commissioning strategies should be in place for each care group. Social Care and Children's Social Work should also have more detailed tendering plans which cover a 3-5 year period.

2.2.2 The Council has historically had no long term Care Commissioning Strategies in place, although a joint commissioning strategy has now been prepared which runs until 2023. There are no 3-5 year procurement plans in place which are reviewed regularly and which have clear links to the work plans of staff members and to the contracts register. Their absence makes it difficult to demonstrate that commissioning and procurement activity is delivering an overall portfolio of contracts which are up to date and are able to deliver the needs of Service Users.

2.2.3 Without commissioning strategies and sufficient plans which have a clear audit trail to ensure their delivery, there is reduced assurance over whether the Service's procurement activity is appropriate and will meet the Council's requirement to achieve Service User outcomes through care which it arranges and provides.

Recommendation

Social Care and Children's Social Work should ensure that a commissioning strategy is in place in all areas and that procurement plans are robust.

C&PS should ensure that the audit trail between the Strategies, Procurement Plans, Staff Work Plans and the Contracts Register is adequate.

Service Response / Action

(i) Agreed. Adult Social care is currently reviewing its commissioning strategy in light of the move to the Health and Social Care Partnership.

As agreed in Internal Audit report AC1604AW (Payment Controls in Children's Social Work), in line with the Service action plan Children's Social Work will perform a needs assessment and develop a long term commissioning strategy and procurement plan for the period August 2016 to March 2019 in conjunction with C&PS by August 2016.

(ii) Agreed. C&PS has work plans and the Contract Register is under development. These will be linked to Commissioning Strategies and Procurement Plans once they have been developed by the Services.

Implementation Date	Responsible Officer	Grading
(i) March 2017	(i) Lead Service Manager (Martin Kasprowicz)	Significant within audited area
(ii) March 2017	(ii) Social Care Procurement Manager (Alison MacLeod)	

2.2.4 In contract planning and going out to tender, C&PS staff rely on a number of Services to provide information and perform certain tasks to ensure the tendering process is run appropriately. Contracts staff indicated that they are sometimes unable to obtain appropriate financial information in a timely manner. The time taken for Legal staff to check and sign contract documents had historically caused delays to the process, however now that there is access to dedicated Legal staff within C&PS, delays are said to be reducing significantly. CareFirst access was withdrawn when staff were transferred to

C&PS, reducing contract staff's ability to determine the number and value of placements relating to a particular provider or service.

2.2.5 Additional collaboration between the relevant Services could improve the efficiency of the tender process. For Aberdeenshire Council social care tenders, a 'project team' is set up to co-ordinate the tender and to ensure that all staff understand their responsibilities, which may be an approach which C&PS could adopt for Aberdeen City contracts.

Recommendation
C&PS should consider establishing project teams for tender exercises in order that its own responsibilities and those of Social Care, Children's Social Work, Finance and Legal staff can be clarified and allocated, and a timetable established to ensure the timely delivery of the Council's procurement plans.

Service Response / Action
Agreed. Once the implementation of the Shared Service is complete the intention is to adopt a consistent approach across the team. This approach would need buy-in from the Services involved.

Implementation Date	Responsible Officer	Grading
June 2016	Social Care Procurement Manager (Alison MacLeod)	Significant within audited area

2.3 Contracts Register

2.3.1 According to figures obtained from Spikes Cavell by C&PS, the Council paid over £104 million to over 261 care providers in 2014-15. This varies from data according to the financial system as outlined in section 1 above due to differences in the way expenditure is categorised in each system. Section 35 of the Procurement Reform (Scotland) Act 2014 states that any contracts entered into as a result of a regulated procurement must be detailed by contracting authorities in a register of contracts. Such a register should include all Social Care contracts, however the corporate register is still under development by C&PS and does not provide a complete record.

2.3.2 There is no complete, current contracts register which shows how Social Care budgets are being used to provide care services through external organisations. A large number of care arrangements have potentially never been governed by proper contractual terms and conditions. Many had contracts which expired some time ago and are ongoing on the basis of a 'letter of agreement' in some cases or have no contractual foundation at all. This has both legal and financial implications for the Council and could be compromising the quality of the services being provided.

2.3.3 In the absence of up to date, tendered, contracts it is difficult to gain assurance that commissioning and procurement activity is appropriate, and whether care being delivered is in accordance with that agreed. Work is being done by C&PS to identify requirements and to put contracts with full terms and conditions in place. According to figures provided by C&PS, around £95 million of spend either has been or is in the process of being brought under contract. Further off-contract spend still to be addressed has been identified in Learning Disabilities, Miscellaneous Services, and also in Children's Social Work where a Recovery Plan and review of services provided has been put in place.

2.3.4 Spend data has been issued by C&PS to all budget holders with the request that they advise them of whether spend is on or off contract and provide a copy of the contract where one exists. To date, fewer than half of Social Work Budget Holders have responded with the required detail. Without complete information, C&PS cannot demonstrate that it

has an adequate appreciation of Services' contract coverage. It will also be unable to demonstrate compliance with legislation which requires a register to be published by April 2016.

Recommendation
Social Care and Children's Social Work should ensure Budget Holders provide C&PS with sufficient and timely detail to complete the contracts register.

Service Response / Action
Agreed. The responsible Lead Service Manager will instruct Service Managers to Liaise with their Contracts and Commissioning Managers to ensure that sufficient detail is recorded for the completion of the contracts register.

As agreed in Internal Audit report AC1604AW (Payment Controls in Children's Social Work), an urgent notice was issued to 33 budget holders within Children's Social Work. A further notice was issued in respect of 15 returns still outstanding. The Service anticipates resolution of this by September 2016.

Implementation Date	Responsible Officer	Grading
June 2016	Service Managers	Major at a Service level

2.3.5 When there is a complete contracts register and commissioning strategies are in place, the Service can use this as a foundation for planning its tendering activity to ensure all contracts remain up to date and are re-let at appropriate intervals. The register must therefore provide adequate information of the care provider, the service provided, the value of the contract, the budget from which it is resourced, the agreed period of delivery and the location of the contract documents.

Recommendation
C&PS should ensure its contracts register provides adequate information of its contracts.

Service Response / Action
Agreed. As noted earlier work is already underway to update and maintain the Contract Register. The Capita and BOrganised systems have been procured to manage this.

Implementation Date	Responsible Officer	Grading
June 2016	Social Care Procurement Manager (Alison MacLeod)	Significant within audited area

2.3.6 To demonstrate good budgetary control and forward planning, it should be possible to clearly link the detail and annual value of contracts in the register both to procurement plans and to the corresponding revenue budget and spend. In addition to confirming that sufficient budget is available for each current / potential contract, this would also highlight Social Care expenditure which is 'off contract'.

Recommendation
Social Care and Children's Social Work should ensure that there is an adequate audit trail between the values of contracts in the contracts register and the budget from which they come.

Service Response / Action
Agreed.

i) Within Adult Social Work, Budget holders will be able to clearly link the value of contracts to their various budget codes. Service Managers will work with their identified Contracts and Commissioning Manager to complete this piece of work for current contracts (where this is not already in place) and ensure that the link between the budget and any future procurement is clearly established.

ii) Within Children's Social Work, work is being completed on the contracts register as agreed in Internal Audit report AC1604AW. Progress is also being made with rebuilding budgets from base as part of the Reclaiming Social Work implementation programme over the next three years.

Implementation Date	**Responsible Officer**	**Grading**
i) September 2016 ii) Ongoing as part of Reclaiming Social Work	Adult Social Care Managers; Performance and Delivery Manager, Children's Social Work (Kay Dunn)	Significant within audited area

2.4 Contracts and Tendering

2.4.1 In order to establish contracts with care providers, C&PS must prepare tender documents, advertise as appropriate and run the tender exercise in accordance with Council Standing Orders. These direct staff in such a way to ensure adherence to European procurement legislation.

2.4.2 An Invitation to Tender (ITT) is issued and those who express an interest must submit the required information in the prescribed format by a set date. As previously stated, in many areas Social Care and Children's Social Work have not always followed proper procedure resulting in few valid contracts being in place. Since the move of Commissioning and Contracts staff from the Service to C&PS more emphasis is being placed on the need for adherence to Standing Orders, and for contracts to be established. As previously indicated, the backlog of care provision contracts still to be addressed in some areas is significant. So, although it is acknowledged that C&PS is already working with the Service to rectify the situation, a recommendation has been made to determine a timescale for completion and to track progress.

Recommendation
Social Care, Children's Social Work and C&PS should ensure that contracts are established with all care providers where appropriate and that these are retendered on a regular basis in accordance with Standing Orders. Where exemption from Standing Orders is appropriate this approval should also be sought and documented.

Service Response / Action
Agreed. C&PS are currently collating a contracts register which will list all current contracts with their expiry dates. This will allow us to identify the gaps where work needs to be done on either tendering or seeking approval for exemption. The BOrganised system will prompt in advance of contracts or approvals expiring which will ensure that action to re-tender or seek further exemption is taken. This should maximise the opportunity for continuous compliance with Standing Orders.

Implementation Date	**Responsible Officer**	**Grading**
March 2018	Social Care Procurement Manager (Alison MacLeod),	Major at a Service Level

	Lead Service Manager (Martin Kasprowicz), Head of Children's Social Work (Bernadette Oxley)

2.4.3 Tender returns are stored securely when they are received by the Council until the tender submission deadline has passed after which they are opened on a specified date in the presence of elected members. An independent confirmation of the tender values returned is recorded on a T-Form by two Councillors to indicate the tender price of providers who submitted a return and to confirm that other providers which expressed an interest did not submit a return.

2.4.4 Provided this record is completed fully and accurately there should be reasonable assurance that the outcome of the tender has not been influenced by inappropriate changes to prices or the inclusion / withdrawal of tender submissions.

2.4.5 Detailed testing was performed on three of the five tenders which were completed during 2014/15. These included: the Befriending Service for Adults with Mental Health Problems; Support Service for Individuals with Huntington's Disease; and the Through Care Service for Young Adults. It was noted that on one T-Form the tender prices had been recorded erroneously, in two cases the T-form did not indicate where no return had been submitted, and for one, the actual date and time at which the tenders were opened had not been recorded. Failure to complete T-Forms correctly reduces assurance over the tender process.

Recommendation

C&PS should ensure that T Forms are wholly and carefully completed when tender submissions are received.

Service Response / Action

Agreed. The Tender Opening process is now managed by Administration Services in Corporate Governance. At the time this was transferred, a guidance note was developed and relevant staff trained. C&PS will re-visit the guidance and training and will work with Administration Services to ensure the process is reviewed and the opportunity of future errors reduced.

Implementation Date	Responsible Officer	Grading
March 2016	Business and Procurement Improvement Manager (Carol Wright)	Significant within audited area

2.4.6 In order to determine the provider to whom the tender should be awarded, tender submissions must be evaluated in accordance with the scoring method which has been declared in the ITT. When testing was performed on the evaluation of the tenders, inconsistency was found in the scoring of the tender price for both the Befriending Service and Huntington's Support Service where scoring had not been done exactly as described in the ITT. The Befriending Service evaluation also had a minor error in the scoring awarded for the presentation given by Aberdeen Foyer. Neither of these errors however had any impact on the overall result of the tender.

2.4.7 To ensure the Council can demonstrate fair treatment of all tender submissions, it is important that back-up documentation for the scores is retained. Documents were retained in all cases except for one part of an evaluator's scoring of the Through Care Service tender submission. Where all back-up evidence which demonstrates the reasoning behind each evaluator's scoring is retained, there is greater assurance over the Council's decision to award the tender.

Recommendation
C&PS should ensure that tender submissions are evaluated in accordance with the method stated in the invitation to tender and should retain all documentation to evidence that correct procedures have been followed.

Service Response / Action
Agreed. The procedural review will assist in providing clear guidance. In addition C&PS are moving to the use of PCS-T which is a fully automated system for tender creation, response, evaluation and award. This will reduce the opportunity for error and provide a full record and audit trail for all evaluation activity.

Implementation Date	Responsible Officer	Grading
September 2016	Social Care Procurement Manager (Alison MacLeod)	Significant within audited area

2.5 Contract Monitoring and Price Increases

2.5.1 Although the Council has a monitoring procedure in place, where there are no contracts in place against which provider performance can be measured, compliance requirements are difficult to determine and impose. This again highlights the importance of having contracts in place.

2.5.2 As a Joint Service, C&PS anticipates adopting the contract monitoring procedure already used for Aberdeenshire Council's care provider contracts. This is a risk based process, and it includes a requirement to review invoicing and ensure that invoiced costs agree with the care actually received. Implementing such a process should reduce the risk of double-funding block-funded services used by more than one local authority, as identified within Aberdeen City Adult Services in 2015. Services have not yet established the extent of the over-funding which could be significant. Attempts have been made to quantify and recover the appropriate sums however success has been limited to date, and legal advice has suggested that some may not be recoverable. If debts cannot be fully recovered, the Service will need to discuss options for writing off these payments with the Head of Finance, and report to the Finance, Policy and Resources Committee as set out in the Financial Regulations.

2.5.3 In the Care of Adults there are more contracts in place enabling a greater degree of monitoring. However, where Adult and Older People Services are concerned, the Service suggests that some Contracts staff can become involved in day to day Care Management issues, which could result in less time being available for contract monitoring.

2.5.4 Improving clarity on where the lines of responsibility fall between C&PS, Social Care and Children's Social Work, and other Services in terms of each aspect of contract monitoring and management, and commissioning of care, could improve assurance over their delivery.

Recommendation
C&PS should ensure that contract monitoring is performed on a regular, risk-appropriate basis. (1)

C&PS should ensure that contract monitoring procedures are reviewed and updated. (2)

Social Care and Children's Social Work should consider the risks and value for money associated with block-funded care arrangements and report to Committee the number

of providers which have been double funded by other local authorities, including the financial values involved and the likelihood of recovering unnecessarily paid funds. (3)

C&PS in conjunction with Social Care and Children's Social Work should establish controls which will prevent care providers being double-funded by other local authorities where it currently has block-funding arrangements in place. (4)

Social Care and Children's Social Work should ensure that all unnecessarily paid funds are recovered, or consult with the Head of Finance to ensure debts are written off in line with the Financial Regulations. (5)

Service Response / Action
Agreed in respect of 1, 2, and 4. The contract management procedure will be reviewed in light of the Shared Service and a risk based approach adopted. A Recharge Protocol is also being prepared to manage the use of block funded services by other local authorities. (i)

As agreed in Internal Audit report AC1604AW (Payment Controls in Children's Social Work), Children's Social Work 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. This is planned for implementation by August 2016. (ii)

Agreed in respect of 3 and 4: One of the ways to prevent such double funding is to move towards 'spot' purchasing of services. This is increasingly the case in Learning Disability and Older People's Services where there are either framework agreements or national agreements in relation to pricing. Negotiations are underway in relation to a Learning Disability and Children's Social Work contract for respite care with a local respite care provider. (iii)

Re 5: Where double funding has been identified Contracts and Commissioning, Finance, and service operational staff are working together to identify the extent of the double funding, secure repayment where appropriate, and to put systems in place to ensure it does not happen again. (i)

Implementation Date	Responsible Officer	Grading
(i) June 2016	(i) Social Care Procurement Manager (Alison MacLeod)	Major at a Service Level
(iii) June 2016	(iii) Adult Social Care Managers	

2.5.5 Although rates payable to care providers are set in national frameworks, those outwith these are determined between the Council and the provider. Due to the lack of established contracts, in some areas the Service is at risk of Care Providers changing the rates they charge for care without giving notice to the Council. This loss of control is often only discovered when invoices which exceed the agreed care package in CareFirst cannot be matched, and further investigation and authorisation is required. This matter was highlighted in the recent internal audit report concerning Children's Social Work Payments.

2.5.6 There is currently no consistent approach in respect of the review of annual fees with care providers. Some other local authorities commonly offer annual increases, thus ensuring good communication regarding finance which can benefit provider relationships. Although this results in increased costs over the course of time, it affords more stability for the provider in that they know any shortfalls they may be experiencing can be discussed at a known future point. As costs such as the Living Wage increases, care providers are under

increasing financial pressure which has the potential to jeopardise the market if they are not reviewed.

Recommendation
Social Care and Children's Social Work should consider incorporating an annual review of fees into contracts with care providers.

Service Response / Action
Agreed.

Adult Social Care has given consideration to annual reviews but does not consider that annual reviews of contract prices is appropriate. Adult Social Care contract prices are imposed on providers in line with the budget available.

Children's Social Work has considered this and determined that annual reviews are not required for the types of contracts currently in place.

Implementation Date	Responsible Officer	Grading
Implemented	Adult Social Care Service Managers; Performance and Delivery Manager, Children's Social Work (Kay Dunn)	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	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.

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ABERDEEN CITY COUNCIL

COMMITTEE:	Audit, Risk and Scrutiny
DATE:	28 April 2016
INTERIM DIRECTOR:	Richard Ellis
TITLE OF REPORT:	Audit Scotland – Borrowing and Treasury Management in Councils
REPORT NUMBER:	CG/16/061
CHECKLIST COMPLETED:	Yes

1. PURPOSE OF REPORT

The purpose of this report is to provide an overview of the report prepared by Audit Scotland and published by the Accounts Commission on Borrowing and Treasury Management in Councils, the agreed actions in response to the recommendations contained in that report and progress to date against those actions.

2. RECOMMENDATION(S)

It is recommended that the Committee:

i) note the content of this report

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

Borrowing in itself has significant financial implications and treasury management plays a key role in ensuring strategies are in place to effectively manage borrowing through the analysis and demonstration of affordability and sustainability.

4. OTHER IMPLICATIONS

There are no direct implications arising from this report. However, the actions contained within Appendix A will have implications for the Council's Treasury Management Policy and Strategy and the reporting thereof.

5. BACKGROUND/MAIN ISSUES

5.1 Audit Scotland, on behalf of the Accounts Commission, undertook an audit on 'Borrowing and Treasury Management in Councils'. Audit Scotland completed the audit by reviewing the strategies of twelve Councils and undertook detailed fieldwork at six of these. The audit assessed how councils show best value in borrowing and treasury management decisions. Its specific objectives were to answer:

- What is borrowing and treasury management in councils?
- To what extent do councils' borrowing and treasury management strategies meet good practice and contribute to corporate plans and priorities?
- Can councils demonstrate the affordability and sustainability of borrowing decisions? For example, can they show that borrowing will not adversely affect their financial position? Will that continue to be the case in future?
- How effective are the governance arrangements for borrowing and treasury management? Governance covers areas such as responsibility and accountability for borrowing and treasury management decisions, arrangements for reporting decisions and for scrutinising them.

5.2 Following on from their detailed audit, a report was published by the Accounts Commission on the 19th of March 2015 and is attached at Appendix B. The report has three parts:

1. Setting the Scene;
2. Demonstrating the affordability and sustainability of borrowing; and
3. Effective management and scrutiny.

5.3 The report lists five key messages from its findings which are detailed below:

1. Councils have total debt of £14.8 billion of which £12.1 billion, 82% is from borrowing. Debt commits Councils to charges over the long term. There are different types of debt with different features and varying degrees of risk.

2. Borrowing is a key source of finance for councils to invest in vital public services. Overall borrowing has remained at around £12 billion for the last three years, with total assets of £39 billion. Councils have developed borrowing strategies to suit their own local priorities and needs, in response to the flexibility introduced by the Prudential Code in 2004. Seventeen councils have increased their borrowing levels, in real terms, over the last ten years.

3. Councils are following the general principles of the relevant codes of practice in demonstrating short-term affordability, but they are not always highlighting the strategic importance of borrowing and treasury management or clearly analysing and reporting the long-term affordability and sustainability of their borrowing. Councils need to develop detailed analysis to support borrowing decisions and to demonstrate they represent best value for the Council.

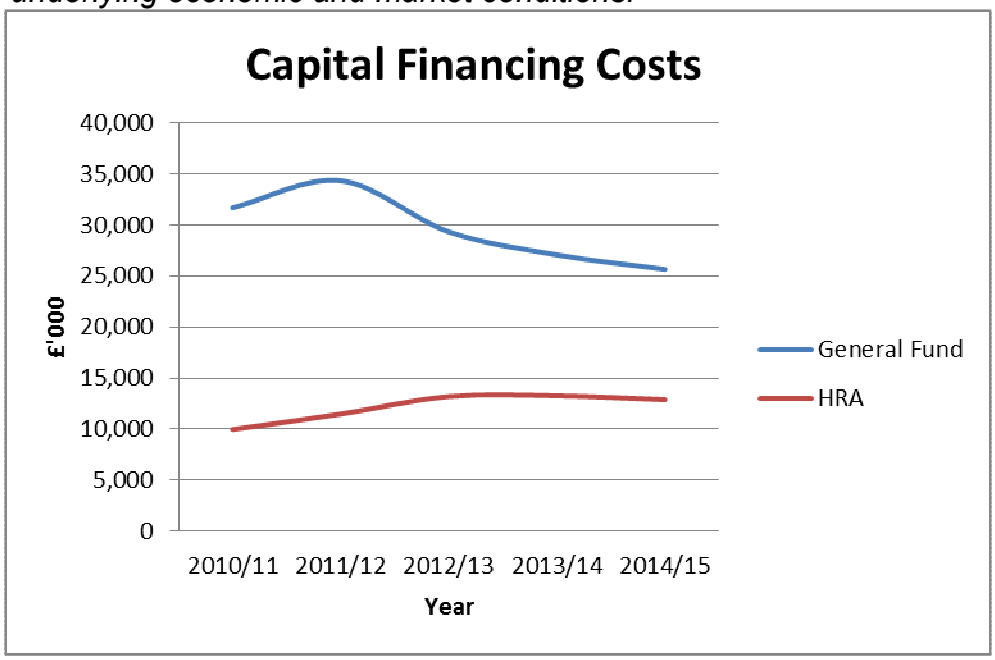
4. Treasury management is a professionally run function in Councils with appropriately qualified officers. Succession planning, ongoing training and the availability of appropriate professional qualifications are important. Councils have started to integrate their treasury management and capital investment functions which is a positive step.

5. Councils need to improve scrutiny of borrowing and treasury management. This is a complex and technical subject and officers need to provide wider training and support to councillors, and also provide clearer, more accessible reports. The current governance structures in some Councils could be improved to support more effective scrutiny.

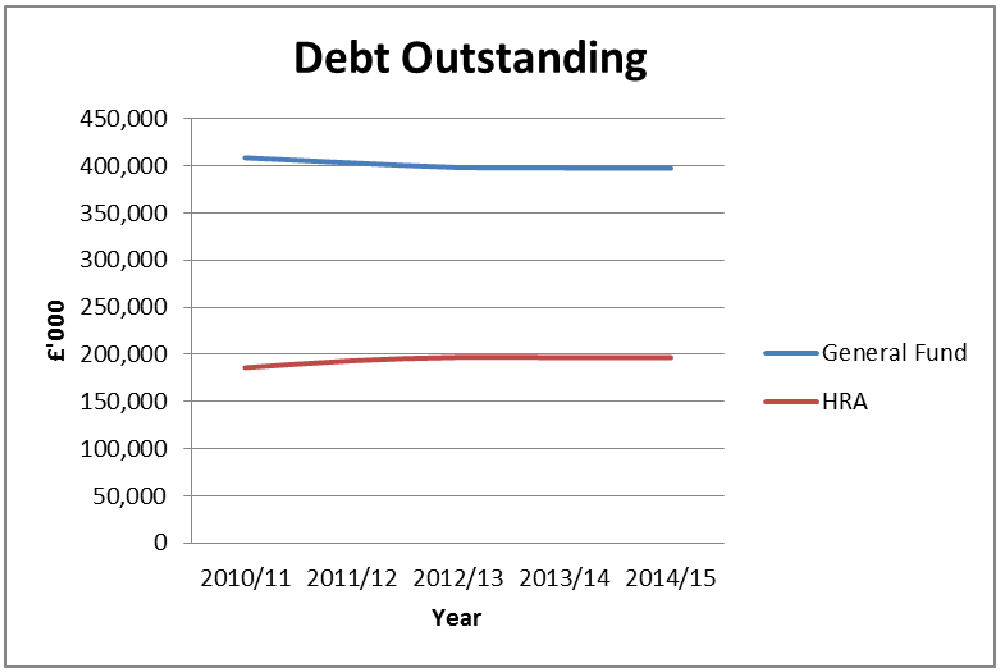
5.4 In terms of key messages 1 and 2 above on borrowing, at its meeting on 9th June 2015, the Finance, Policy & Resources committee received and considered the "Financial Year End Monitoring 2014/15" report which contained information on the council's capital debt outstanding and associated capital financing costs for the period 2010/11 – 2014/15. The information from this report is replicated below:

5.4.1 The Corporate Budgets include contributions to investment as well as associated repayment and servicing of borrowing to pay for capital projects. Savings have arisen from both the lower value of expenditure on capital projects than budgeted and, through active treasury management, the reduction in the loans pool interest rate that applies to the cost of borrowing. This, coupled with the use of the capital fund and investment strategy, has resulted in keeping capital financing costs below budget and is a key objective for future years to minimise the impact on front line services of any potential grant reductions.

5.4.2 The following two charts show the impact this strategy has had from 2011/12 to 2014/15. If the Council had continued to increase its level of debt at 2011/12 levels then capital financing charges would have been almost £10 million higher than they are for 2014/15. Clearly this would have to be adjusted to take account of the underlying economic and market conditions.



5.4.3 *The table below shows falling debt for the General Fund and relatively static debt for the HRA. The combined debt for both accounts is £615 million. However, to put this in context this debt is in relation to the Council's asset base which has a value at 31 March 2015 of £2,079 million. Further, the cost of servicing this debt represents 4% of General Fund gross spend and 16% of HRA gross income.*



5.5 The report contains seven recommendations which are detailed in Appendix A along with comments and actions from an Aberdeen City Council perspective.

5.6 At its meeting on 3rd December 2016, the Finance, Policy & Resources committee considered and agreed the actions as contained in Appendix A.

5.7 The current status against those actions are also provided in Appendix A.

6. IMPACT

Improving Customer Experience –
Actions taken to amend the Treasury Management Policy and Strategy and the reporting thereon will provide further transparency and enable enhanced scrutiny of the council's borrowing and treasury activities by Elected Members.

Improving Staff Experience –
No direct impact arising from this report.

Improving our use of Resources –
Actions taken to amend the Treasury Management Policy and Strategy and the reporting thereon will ensure that the Council is demonstrating openness and transparency in its borrowing and treasury management activities which in turn enhances its accountability in the use of public funds.

Corporate –
The Audit Scotland report highlights a need for sharing good practice and exchanging ideas between councils. There are already a number of treasury forums in place which allow this to happen and officers will continue to participate in these as well as look for further opportunities for this type of joint working.

Public –
This report is likely to be of interest to the public as it concerns the use of public funds and the reporting of this.

7. MANAGEMENT OF RISK

There are no direct risks arising from the content of this report.

8. BACKGROUND PAPERS

Accounts Commission “Borrowing and Treasury Management in Councils”.
CIPFA "Code of Practice for Treasury Management in the Public Services",
Capita Asset Services "Treasury Management Annual Investment Strategy",
Scottish Government "The Investment of Money by Scottish Local Authorities".

9. REPORT AUTHOR DETAILS

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No.	Recommendation	Comments	Proposed Actions	Progress on Actions
Council officers should:				
1.	Use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include: • links to capital investment plans and corporate objectives; • all borrowing and other debt; • prudential indicators as a core part of the strategy; • a clear assessment of the affordability and the impact on revenue budgets both in the short and long term.	The Council's annual Treasury Management Policy and Strategy report currently gives an overview of the authority's strategy for the following three financial years. The report includes the Council's Treasury Management Policy Statement, Borrowing Strategy and Investment Strategy.	Review the Treasury Management Policy & Strategy report in conjunction with current reporting arrangements around capital and prudential indicators, taking account of this recommendation, to ensure reporting to councillors contains sufficient detail whilst remaining clear and understandable.	The Prudential Indicators were included within the Annual Treasury Management Policy and Strategy (TMPS) reported to Finance, Policy & Resources committee on 16th February 2016 and thereafter referred to Council. Proposed training to councillors to include the TMPS to inform what, if any changes are required from their perspective.
2.	Create more detailed and longer-term borrowing and treasury management analysis as informed by the council's financial strategy. It should include:– • scenario planning to show the potential impact of different budget scenarios, income generation plans, and changes in external factors such as interest rates; • analysis of capital financing options to compare affordability and sustainability between different debt and borrowing options; • the use of indicators over a longer period than the minimum three years set by the Prudential Code.	The Council's loan maturity profile analyses the long-term borrowing due for repayment in each year, up to 2078. This is a key document and all long-term borrowing is undertaken with reference to this, to minimise any chance of future refinancing risk. Scenario plans are currently prepared when any new longer-term borrowing options are proposed. The different borrowing scenarios are scrutinised and compared, and these findings are used to support the decisions made. The Council currently produces the prudential indicators for the current year and also three financial years ahead.	Review the current methodology for scenario planning and analysis of financing options to ensure they continue to be fit for purpose. Consider the calculation and reporting of prudential indicators for at least a five year period in line with the current budget setting regime.	For the 2016/17 budget setting process, the Prudential indicators were calculated and reported for the five year period 2016/17 to 2020/21.

3.	Share strategies with other councils to help inform good practice, and exchange of ideas	Treasury matters are regularly discussed with other Scottish Councils, particularly Aberdeenshire Council, with whom we have a close working relationship. Capita, our appointed Treasury advisers work with the majority of local authorities in Scotland, and good practice and ideas are shared. We are also members of an Investment Benchmarking group, where our strategies, average rates of return etc. are compared.	Continue to participate in forums and working groups with other councils and specialist advisors.	A Finance Officers Forum was used when considering good practice across Councils on funding assumptions for calculating the Prudential Indicators for future years. Advice was also sought from Audit Scotland and CIPFA.
4.	Carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers	Treasury training is currently provided to the Council in the form of workshops and seminars, which include talks by industry respected speakers. These courses are provided by Capita (part of our Treasury Advisory contract) and also by CIPFA's Scottish Treasury Management Forum.	Raise with contacts at other councils as and when the opportunity arises.	Representatives attended CIPFA's Scottish Treasury Management Forum Workshop in February which provides training and the opportunity to network with other council's on a range of issues.
5.	Review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.	The year-end treasury report currently provides details of key areas from the performance of the function over the previous 12 months. These include the average Loans Pool rates for the year, all new long-term borrowing undertaken, explanations for particular courses of borrowing/investment action taken (and their financial impact) and a snapshot of the Council's investments as at 31st March.	Review the year end report, taking account of this recommendation, to ensure sufficient and relevant information, comparisons and explanation is provided.	This will be undertaken for the year end report to Finance, Policy & Resources committee on 7th June 2016.

Council Officers and councillors involved in treasury management should:				
6.	Review governance arrangements, and update as necessary, to ensure they provide: • the treasury management strategy, mid-year and year-end reports to the same council committee, and that the full council has access to them; • councillors with mid-year reports by the end of December each year; • councillors with the wider picture, that is, make the links to capital investment decisions and revenue budgets; • councillors with access to all reports relating to borrowing and treasury management activity including risk registers.	The current governance arrangements include the reporting of the annual Treasury Management Policy and Strategy, mid year review and year end report to the Finance, Policy and Resources Committee for initial consideration and referral to Council for approval. The report to approve the strategy for the forthcoming and following two years is considered and approved in February, the mid year report as close to December as possible (dependent on committee dates) and the year end report the following June (dependent on committee dates). The annual strategy includes a section on treasury management risks and controls in relation to borrowing and investments. Reporting on revenue and capital budgets provide information on the links between the two.	No action required in relation to reporting arrangements. A review of reporting on revenue and capital budgets will be undertaken to ensure the wider picture and links are clearly made.	At its budget meeting on 25th February 2016, Council considered and approved its revenue and capital budgets at the same time which clearly demonstrated the links between capital investment decisions and revenue budgets.
7.	Ensure scrutiny arrangements are robust by: • considering widening the range of training options to councillors on borrowing and treasury management activities and whether this training should be mandatory; • considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.	Training was last made available to councillors in February 2013.	Consult with councillors on what training and support they would like to see in this area and thereafter work with our Treasury Advisors to develop and deliver training to meet their needs.	It is intended that CAPITA Asset Services provide training to councilors during 2016 which will which will provide greater understanding of borrowing and treasury management and further develop their scrutiny skills.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	28 April 2016
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	Due Diligence Process for the Establishment of the Aberdeen City Health and Social Care Partnership Budget
REPORT NUMBER	CG/16/064
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report provide details of the due diligence processes that have been applied to the creation of the consolidated Aberdeen City Health and Social Care Partnership budget for the 2016/17 financial year.

2. RECOMMENDATION(S)

It is recommended that the Committee:

i) Note the content of the report.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications from this report. The level of funding for the Health and Social Care Partnership from the City Council, as indicated within the report to the shadow Integration Joint Board (sIJB), formed the basis of the Budget report to Council on 25 February 2016.

4. OTHER IMPLICATIONS

4.1 None.

5. BACKGROUND/MAIN ISSUES

5.1 The report has been prepared in response to the recommendations contained in paragraph 2.3.17 of the internal audit report on Pre-Integration Financial assurance that was considered by this Committee on 9 March 2016.

5.2 The attached report on the due diligence process for the establishment of the Aberdeen City Health and Social Care Partnership budget was considered by the sIJB on 29 March 2016. The sIJB endorsed the due diligence processes that have been applied to the creation of the consolidated Aberdeen City Health and Social Care Partnership budget for the 2016/17 financial year, and otherwise noted the content of the report.

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 -
No direct impact arising from this report.

Public –
This report may be of interest to the public as it concerns the level of funding provided for the newly created Health and Social Care Partnership.

7. MANAGEMENT OF RISK

7.1 A risk to the Council is that from 2017/18 onwards it would be liable to share any overspend on the overall IJB budget, rather than only the element directly managed by the Council. However, it is a clear expectancy of the Integration Scheme that the Chief Officer of the IJB will deliver the agreed outcomes within the total resources delegated to the IJB, and the scheme also contains provisions for recovery plans to be agreed and for dealing with any residual overspend. The sIJB has agreed to create an Audit and Performance Systems Committee to oversee the financial performance of the IJB.

8. BACKGROUND PAPERS

Budget workings in relation to the IJB services;
Budget report to Council on 25 February 2016;
Report to Council on 9 March 2016 “Powers Transferring to Integrated Joint Board for Health and Social Care”

9. REPORT AUTHOR DETAILS

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Report Title	DUE DILIGENCE PROCESS FOR THE ESTABLISHMENT OF THE ABERDEEN CITY HEALTH AND SOCIAL CARE PARTNERSHIP BUDGET
Lead Officer	Alan Gray
Report Author	Paul Dixon and Alan Sharp
Date of Report	16 March 2016
Date of Meeting	29 March 2016

1:	Purpose of the Report

To provide details of the due diligence processes that have been applied to the creation of the consolidated Aberdeen City Health and Social Care Partnership budget for the 2016/17 financial year.

2:	Summary of Key Information

2.1 Background

2.1.1 The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating Health and Social Care and to develop professional guidance.

2.1.2 The IRAG guidance states that the resources in the first year should be based on the due diligence carried out during the shadow period. IRAG also issued supplementary statutory guidance on financial assurance matters and in relation to the due diligence process the guidance recommended that the initial sums should be determined on the basis of existing Health Board and Local Authority budgets, actual spend and financial plans for the delegated services. It is important that the plans are tested against recent actual expenditure and that the assumptions used in developing the plans and the associated risks are fully transparent. To assist in this it is recommended that:

- The budget in the financial plan is assessed against actual expenditure reported in the management accounts for the most recent two/three years. Ideally, the roll forward of the budget for the delegated services and the actual expenditure over this period should be understood;
- Material non-recurrent funding and expenditure budgets for the delegated services and the associated risks are identified and assessed;
- The medium term financial forecast for the delegated services and associated assumptions and risks is reviewed;

- Savings and efficiency targets and any savings schemes are clearly identified and the assumptions and risks are understood by all Partners. This is a key part of the assurance process and the experience from Highland partners is that it is a potential source of future disagreement; it is advised that Partners devote sufficient time to understand the targets, efficiency schemes and associated assumptions and risks;
- All risks should be quantified where possible and measures to mitigate risk identified. Risks could be classified as delivery of efficiency savings; on-going risks; emerging risks;
- The amount set aside for the Integration Joint Board (IJB) consumption of large hospital services is consistent with the methods recommended in the IRAG guidance on the set aside resource and that the assumptions and risks are assessed.

In subsequent years the Chief Officer and the IJB Chief Financial Officer will develop a business case for its resources in line with the method set out in the Integration Scheme.

2.1.3 It is important that a process of due diligence is undertaken to ensure that the budget provided for the Partnership is sufficient, identifies current and historical pressures and demands and allows the Partnership to proceed on a sound financial basis.

2.1.4 Due diligence will be informed by an overview, for both Council and Health aspects, of the following

- 2013/14 final expenditure
- 2014/15 final expenditure
- 2015/16 projected expenditure
- 2015/16 budget
- 2016/17 proposed budget

Appendices 1 and 2 provide a breakdown of services managed within Aberdeen City Council and NHS Grampian respectively.

2.1.5 The IJB is responsible for the production of a Strategic Plan setting out the services for their population over the medium term (3 years). To support this medium term financial planning process, Aberdeen City Council and NHS Grampian are required to provide indicative three year rolling funding allocations to the IJB. Such indicative allocations would remain subject to annual approval through the respective budget setting processes. It is the responsibility of the Chief Officer and the IJB Chief Financial Officer to develop a business case for the integrated budget based upon the Strategic Plan and to present this business case for consideration and agreement within the budget-setting processes of Aberdeen City Council and NHS Grampian. The ultimate objective is to ensure that the Strategic Plan meets

the requirement for economy, efficiency and effectiveness in the use of the IJB's resources.

2.2 Aberdeen City IJB Integrated Budget

2.2.1 The budget for the Partnership will be derived from the funding allocated to the IJB from Aberdeen City Council and NHS Grampian Health Board. In 2016/17 it is likely that the majority of funding will continue to be used as per existing budgets but in future years the IJB may choose to use the funds to provide services in an alternative manner. This would involve the reallocation of funding between health and social care budgets.

2.2.2 The integrated budget for the Partnership for 2016/17 is summarised in Appendix 1.

2.3 Due Diligence Process 2016/17 Aberdeen City Council Budgets

2.3.1 The Scottish Government's Local Government Finance Settlement (Circular 7/2015 version 4) provides Local Authorities with details of their revenue and capital funding for 2016/17. The settlement details for the Council show a reduction in funding from the Scottish Government of just over £10.3 million (3.0%).

2.3.2 The Finance Settlement Circular also imposed a range of conditions on Councils, and of particular relevance to the IJB, £250 million, for Scotland as a whole, will be transferred from the Health Budget to integration authorities in 2016/17, whereby £125 million is to support additional spend on expanding social care to support the objectives of integration; and £125 million is provided to help meet a range of existing costs faced by local authorities in the delivery of effective and high quality health and social care services. This includes a requirement that all social care workers including those in the independent and third sectors are paid the Living Wage.

2.3.3 The forecast out-turn position of the budgets which formed the Council's element of the IJB's shadow year budget for 2015/16 is important in respect of due diligence as it provides details of any current overspend on the budget and enables scrutiny of the base budget prior to it being delegated to the Partnership.

2.3.4 In preparing an initial draft budget position for 2016/17, the Council's Corporate Management Team (CMT) began with an analysis of the 2015/16 budgetary position. This review analysed and re-modelled the cost pressures which had already been identified for 2016/17, such as contractual obligations and staffing costs. The process also identified new growth which would be required during 2016/17, such as changes to National Insurance contracting out arrangements. Cost pressures identified that impacted on IJB budgets were as follows:

Cost Pressures included in 2016/17 IJB budgets	£000
1% staff pay award	414
Increase in National Insurance rates	334
Staffing increments etc.	44
Bon Accord Care pay award+increments	450
1% uplift on commissioned services	628
National Care Home Rate increase(NCHR) (6.25%)	1,950
Total cost pressures included in budget	3,820

Note:

i) a nationally agreed pay award has been settled at a 1% increase and this has been allowed for in the 2016/17 budget.

ii) the current system for National Insurance is that employers and employees pay a reduced rate where employees are paying into an approved pension scheme. This will be abolished in April 2016 and the employer's rate increases from 10.4% to 13.8%.

iii) assumed no increase in price of utilities due to current price of oil.

2.3.5 The next step was to review the pattern of spend that the Council had been incurring within the 2015/16 financial year and the two years prior to that. This highlighted budgets which could be vired and efficiencies which could be made. As a result of this exercise savings targets of £1.9 million were agreed in IJB budgets. Details of these savings targets are included in Appendix 4. The HRA budget for aids and adaptations was also reduced by £0.250 million to reflect the level of actual spend in previous years.

2.3.6 From the additional £250 million additional funding noted at 2.3.2 above, the Aberdeen City IJB would receive £9.5 million. On the basis of the guidance received this would be split into two components - £4.75 million to fund additional capacity and £4.75 million to meet local authority budget pressures including pay, national insurance changes and funding the Living Wage. On this basis the Council assumed a saving of £4.75 million to be funded from this additional funding. The Council also built an additional growth pressure into the IJB budgets of £1.6 million to provide additional funding to enable the payment of the Living Wage across third and independent sector providers with effect from 1 October 2016.

2.3.7 After following all the steps outlined in paragraphs 2.3.4 to 2.3.6 above, across all Council services there remained a funding deficit of £2.4 million. A range of further savings options were presented to Council totaling £5.9 million. Two of those savings options related to IJB services and were part of the package of measures agreed by the Council to meet the £2.4 million deficit. This added a further £0.7 million to the IJB savings targets and again the details of these savings targets are included in Appendix 4.

2.3.8 As a result of all the measures outlined above the movement on the Council's IJB budgets from 2015/16 to 2016/17 could be summarised as follows:

	£m
2015/16 budgets	90.3
add: growth pressures for pay and price increases	3.8
provision to meet costs of Living wage w.e.f 1 October 2016	1.6
	95.7
less: agreed efficiency savings targets	-2.6
reduction in HRA funding	-0.2
sum to be met from additional social care funding	-4.7
	88.2

2.3.9 Appendix 2 to this report highlights a forecast underspend for Aberdeen City Council's budgets of £0.357 million for the 2015/16 shadow year. This is a small improvement on the previous forecasts presented during the year, which suggested a broadly balanced budget overall. Previous reports had highlighted overspend in Learning Disabilities services, resulting from under achievement of savings targets, broadly matched by underspend in Older People's services due to shortage of care packages available. Agreement has been reached during the year to virement of £2.1 million in commissioning services budgets from Older People's services to Learning Disabilities in order to more closely align the budgets with actual spending levels.

2.3.10 Efficiency savings totaling £2.574m have been approved for 2016/17 and built into the budget assumptions. Appendix 4 to this report provides a breakdown of the approved savings. The achievement of these savings will be monitored and reviewed over the course of the financial year. Progress will be highlighted in Financial Management Reports to the IJB.

2.4 Due Diligence Process 2016/17 NHS Grampian Budgets

2.4.1 In Health there is a requirement to submit to the Scottish Government an interim financial plan each year as part of the Health Board's Local Delivery Plan (LDP). The LDP forms a "contract" between the Scottish Government and the Health Board. For 2016/17 the draft LDP needs to be submitted on 4 March 2016 with the final LDP being submitted on 31 May 2016. The Health Board budget was approved by the NHS Grampian Budget Steering Group on 22 February with formal approval by the full NHS Grampian Board anticipated in April.

2.4.2 Financial plans are created based on the current existing recurring Health budgets. In setting budgets, the reasons underlying current budget variances are assessed to determine if these are of a recurring or non-

recurring nature and whether the cause of overspend is justifiable e.g. evidence of increased activity.

2.4.3 To arrive at the financial plan there is:

- A review of existing over-commitments to determine if there is a requirement for additional funding.
- An assessment of expected cost increases (e.g. pay uplifts, inflation, horizon scanning for the introduction of new drugs, implications of national agreements e.g. provision of tertiary paediatric beds).
- A need to address any commitments made during the year (e.g. the full year effects of any new service developments such as investment in Emergency Department capacity).
- Consideration of the growth in demand e.g. volume increases for prescriptions in primary care or increased diagnostic tests, increased surgical procedures for cataracts or hip/knee replacement.
- A requirement to meet Scottish Government access targets.
- Consideration of services where there could be patient safety or health and safety issues.

2.4.4 The cost pressures requiring funding in the following financial year are reviewed by a few multi-disciplinary groups to arrive at robust estimates to form the base of the financial plan:

- The Grampian Medicines Management Group recommends uplifts to GP Prescribing and Secondary Care drug budgets, giving particular consideration to the emergence of new drugs.
- Estimates to uplifts for pay awards and national insurance changes are made by the NHS Grampian Finance Department based on the relevant pay circulars. Pay budgets are set at the mid-point of the salary scale.
- The Nursing Resources Group reviews the service requirements for additional nurse staffing and determines a priority in which any available funding should be applied.

The outcomes of these groups are reviewed by the NHS Grampian Budget Steering Group who oversee the revenue budget setting process and prioritise across the competing demands for resources.

2.4.5 The requirement to meet Cash Releasing Efficiency Savings (CRES) is determined by the extent of the cost pressures and the level of increased allocation from the Scottish Government. Sectors and Departments are expected to identify potential sources for these savings and the risks associated with these plans. Not all budgets will be subject to CRES e.g. the budget for primary medical services is a separate allocation to the Board which funds nationally negotiated payments and is therefore exempt from CRES. Prior years CRES targets remain in the budget to the extent that

specific savings have not been identified, but there are no new CRES targets for 2016/17.

2.4.6 Appendix 3 highlights the Health expenditure in 2013/14 and 2014/15 on "in-scope" budgets; the projected expenditure for 2015/16; the annual budget for 2015/16 and the indicative budget for 2016/17. The indicative budget, which is reflected in the indicative allocation for the strategic plan, is based upon the current recurring budget.

2.4.7 Reviewing Appendix 3 it is worth noting:

- Uplifts will be applied to the GP Prescribing budget for 2016/17 based on the recommendation of the NHS Grampian Budget Steering Group.
- Uplifts will also be applied to pay budgets for 2016/17 to reflect increases in pay scales and employer national insurance contributions from 1st April 2016 onwards.

  The uplift figures have not yet been confirmed and are not reflected in the budget figures in the table at 2.4.8 below, nor in the figures in Appendix 3.

2.4.8 The movement in budget from 2015/16 to the draft budget for 2016/17 can be analysed as follows:

	£m	£m
Current Year Health budget 2015/16 (at Jan. 2014)		154.108
Less non-recurring funding in 2015/16		
- Primary Care Earmarked Funding (DES)	1.634	
- Change Fund/Integrated Care Fund/Delayed	1.150	
- Residential Care/Care Quality (ACC Payment)	0.468	
- Oral Health & Childsmile Dental Funding	0.287	
- Alcohol & Drug Partnership Funding	0.285	
- HMP Grampian/GMED Non-Recurring (Hosted)	0.265	
- Public Health Earmarked Funding	0.255	
- Immunisations Programme	0.151	
- Brimmond Non-Recurring Support	0.150	
- Dental Access Initiative Grant	0.125	
- Locum Support Funding (Elderly)	0.120	
- Non-Recurring Cost Pressure Funding (Elderly)	0.104	
- Other Minor Budget Adjustments	(0.053)	4.941
Draft Full Year Health Budget 2016/17		**149.167**

The plans to achieve the prior year's CRES have still to be developed which is a risk for the Partnership. There are no new CRES targets for 2016/17.

2.4.9 In addition, there is the budget set aside for large hospital services. It has been agreed that adjustments to the set aside budget for activity or cost

changes will only be made at the start of the financial year with no in- year financial consequence on the HSCP. Any amendments to the set aside budgets will also need to be reviewed on an annual basis as part of the Strategic Plan.

2.4.10 The introduction of Health and Social Care Partnerships in Grampian will see a number of services currently provided by Health being managed by one HSCP for the entire Grampian population. These services will be known as "hosted" services and are listed below:

- Intermediate Care
- Sexual Health Services
- Marie Curie Nursing
- Heart Failure Service
- Continence Service
- Diabetes Network
- Chronic Oedema Service
- HMP Grampian
- Police Forensic Examiners
- Primary Care Contracts Team
- A small number of other Primary Care budgets (e.g. IT contracts and Improvement Grants)
- GMED

The due diligence process outlined in this report for NHS services will apply in Lead Partnership arrangements.

2.5 Additional Capacity Funding

2.5.1 The 2016/17 budget includes significant elements of additional capacity/transformation funding. In addition to previously announced budgets for the Integrated Care Fund and Delayed Discharge Funding the Scottish Government also announced additional capacity funding totaling £9.5 million for Aberdeen City IJB (also see paragraphs 2.3.2 and 2.3.6 above). This additional capacity funding is recurring funding, but at this stage no specific requirements have been outlined by the Scottish Government as to how it may expect the IJB to evidence that this funding has been used to support additional capacity. In setting the 2016/17 budgets the £9.5 million has been applied as follows:

	£m	£m
Total sum available		9.500
Amount utilised by the Council in setting its budget:		
provision for costs of implementing living wage	1.600	
additional provision for uplift on national care homes contract price	1.000	
to provide budget for other growth pressures within adult social care	2.150	
		4.750
Sum available to the IJB for additional social care capacity		4.750
		9.500

The total additional capacity/transformational funding available within the 2016/17 budget may then be summarised as:

	£m
Additional social care capacity	4.750
Integrated Care Fund	3.750
Delayed Discharge Funding	1.125
	9.625

The Chief Officer will consider the investment strategy for this additional capacity/transformational funding and bring forward a report outlining the strategy to the Board meeting in April.

2.6 Ongoing Monitoring and Review

2.6.1 A comparison of the forecast out-turn against annual budget will be reported to the IJB at regular intervals throughout the financial year. This is a key component of the due diligence process as it ensures that the impact on resources in respect of increased demand (e.g. demographic pressures and increased prevalence of long term conditions) and other planned and unplanned activity changes are monitored and reviewed on an ongoing basis. The requirement for ongoing monitoring of and reporting of progress against approved efficiency savings is a further key component of the due diligence process. Financial Management Reports to the Aberdeen City Shadow IJB during 2015/16 highlighted the approved efficiencies which are challenging in terms of delivery in 2015/16 and this will continue in 2016/17.

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3:	Recommendations for Action

It is recommended that the Shadow IJB:

i) Endorses the due diligence processes that have been applied to the creation of the consolidated Aberdeen City Health and Social Care Partnership budget for the 2016/17 financial year.

ii) Otherwise notes the content of the report.

4:	Opportunities and Risks

4.1 Opportunities will arise from the additional funding for social care provided by the Scottish Government to enhance social care services to meet the objectives of integration, and also from the confirmation that the Integrated Care Fund and Delayed Discharge funding have now been made recurring.

4.2 Risks would revolve around the failure to achieve a balanced budget in 2016/17. Regular monitoring of actual expenditure against budget and forecasting full year out-turns will help to mitigate such risk. The main areas of risk include:

- Staff Recruitment – There is currently reliance on carrying a significant number of vacant posts in staff groups due to recruitment difficulties. If recruitment conditions improve this will lead to a financial pressure on pay budgets.
- GP Prescribing – this is a volatile budget which is influenced by volume and price movements which are often outwith local control.
- Commissioning budgets – The needs led element of the budget can be volatile, with major fluctuations in the level of commitment from month to month due to demand pressures. A 1% increase in care packages costs approximately £0.75 million.
- Achievement of savings targets in 2016/17 – Total savings of £2.6 million in Council budgets are anticipated as detailed in Appendix 4. Any delay/shortfall in achieving the savings levels will create pressures on the budget.
- In addition to the growth pressures that were built into the budget, as set out in the table in paragraph 2.3.4 above a further £2.9 million of potential growth pressures were identified, but it was considered that they could be met from within existing budgets. To any extent this proves not to be possible this would add to the risk of overspending.

APPENDIX 1

Aberdeen City Integration Joint Board
Revenue Budget 2016/17

Table 1 Summary Budget 2016/17

	£000
Community Health Services	33,885
Hosted Services	16,517
Learning Disabilities	28,868
Mental Health & Addictions	17,783
Older People & Physical and Sensory Disabilities	72,417
ACC Administration & Management & Criminal Justice	794
Primary Care Prescribing	38,334
Primary Care	33,476
Additional Capacity Funding	9,625
Total Delegated Budget	251,699

APPENDIX 2

Aberdeen City Health & Social Care Partnership
Due Diligence Process - Aberdeen City Council Services
Annual Budget to Actual / Forecast Out-turn Comparison 2013/14 to 2016/17

Service Division	Actual Expenditure 2013/14 £m	Actual Expenditure 2014/15 £m	Current Budget 2015/16 £m	Projected Expenditure 2015/16 £m	Variance 2015/16 £m	Proposed Budget 2016/17 £m
Learning Disability	20.250	21.496	20.266	20.930	0.664	20.766
Mental Health & Addictions	4.953	5.876	5.872	5.822	-0.050	5.766
Older People & Physical Disabilities	59.180	59.996	61.862	61.228	-0.634	63.720
Administration & Management	-0.243	-0.096	0.399	0.144	-0.255	0.881
Criminal Justice	-0.257	-0.220	-0.199	-0.281	-0.082	-0.087
Housing General Fund	0.535	0.673	0.770	0.850	0.080	0.770
Housing Revenue Account	1.227	1.040	1.341	1.192	-0.149	1.091
Support from Additional SG Funding	-	-	-	-	-	-4.750
Total	**85.645**	**88.765**	**90.311**	**89.885**	**-0.426**	**88.157**

APPENDIX 3

Aberdeen City Health & Social Care Partnership
Due Diligence Process - NHS Grampian Services
Annual Budget to Actual / Forecast Out-turn Comparison 2013/14 to 2016/17

Service Division	Actual Expenditure 2013/14 £m	Actual Expenditure 2014/15 £m	Current Budget 2015/16 £m	Projected Expenditure 2015/16 £m	Variance 2015/16 £m	Proposed Budget 2016/17 £m
Core Community Services	32.616	35.207	32.512	32.507	-0.005	29.787
Resource Transfer	16.990	17.330	17.645	17.645	0.000	17.645
Intermediate Care	5.024	5.102	4.724	4.933	0.209	4.335
Community Mental Health	6.789	7.640	9.033	8.825	-0.208	9.073
Prescribing	35.934	37.834	38.302	39.034	0.732	38.334
Primary Care	34.010	34.441	35.110	35.202	0.092	33.476
Share of Hosted Services	14.739	15.562	16.782	16.808	0.026	16.517
Total NHSG budget	**146.102**	**153.116**	**154.108**	**154.954**	**0.846**	**149.167**
Additional Capacity Funding						14.375
Total	**146.102**	**153.116**	**154.108**	**154.954**	**0.846**	**163.542**

Service Area	Approved saving	Amount £	Notes
Adult Social Care	Review of current clients against ordinary residence rules	(150,000)	The aim is to make sure that costs for out of authority service users accommodated within the City are met by their home authority.
Adult Social Care	Review of block funded contracts	(150,000)	Moving to a spot purchase model rather than a block funded system particularly for providers where services are offered to non-Aberdeen city residents.
Adult Social Care	Review Self Directed Support community engagement strategy	(168,000)	Rationalise bespoke funding in learning disability services and self directed support into a single more cost effective system.
Adult Social Care	Efficient collection of all valid fees and charges	(300,000)	By ensuring that we recover fees owed to the Council from providers and faster processing of applications means waived charges will be reduced.
Adult Social Care	reduce energy consumption by 10%	(5,612)	Through improving education in energy management, with support from the Energy Management Unit, a 10% reduction in consumption is anticipated across the service.
Adult Social Care	increase Vacancy Factor from 6.5% to 8%	(177,000)	Increase of Vacancy Factor from 6.5% to 8% to more accurately reflect the current staff turnover within the service.
Adult Social Care	Procurement saving	(750,000)	A review of adult social care contracts will allow costs, not services, to be reduced.
Adult Social Care	4% reduction in admin. Budgets	(10,000)	Rationalisation and review of admin. budgets.
Adult Social Care	4% reduction supplies & services budgets	(52,000)	Rationalisation and review of supplies and services budgets.
Adult Social Care	review centralisation of small budgets - courses	(64,504)	Across the services a review of budgets under £10,000 shows that by aggregating these small budgets a reduction can be made which reflects actual spend.
Adult Social Care	review centralisation of small budgets - phones	(9,988)	Across the services a review of budgets under £10,000 shows that by aggregating these small budgets a reduction can be made which reflects actual spend.
Adult Social Care	10% reduction on overtime budgets	(8,313)	This represents a 10% reduction in non-contractual overtime and is applied across the Council for 2016/17.
Adult Social Care	Review of fixed phones etc.	(2,964)	A review of the fixed line contract for telephone calls and rental to reduce costs.
Adult Social Care	Review of mobile phone distribution	(987)	A review of mobile phone distribution to reduce costs.
Adult Social Care	Use of alternative technology such as Lync to reduce travel budgets	(24,177)	Use of alternative technology such as Lync means that travel budgets can be reduced.
Adult Social Care	Rationalise external care home commissioning	0	Investigate opportunities to commission external care services/rationalise external care home commissioning (Head of Operations is keen to explore this option but as not yet scoped, no savings are anticipated in year 1).
Adult Social Care	Reduce BAC management and infrastructure costs	(250,000)	Saving on management and infrastructure costs of Bon Accord Care in line with those applied to other services for 2016/17 e.g. vacancy factor increase, reduction in energy consumption, overtime budget reduction etc.
Adult Social Care	Review BAC current service delivery model	(450,000)	Comprehensive review of the current service delivery model through Bon Accord Care. The Council will work with Bon Accord Care to determine the proposals to manage this reduction.
	Total Approved Savings	**(2,573,545)**	

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	28th April 2016
DIRECTOR	Richard Ellis Director of Corporate Governance
TITLE OF REPORT	Public Performance Reporting action plan
REPORT NUMBER	
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To present the Committee with an action plan to address the issues identified by Audit Scotland's assessment of the Council's Public Performance Reporting (PPR) requirement (CG/15/111, Sept. 2015)

2. RECOMMENDATION(S)

That the Committee:
(a) note the content of this report
(b) approve the recommendations, associated timescales and progress reporting commitments contained within the action plan,

3. FINANCIAL IMPLICATIONS

There are no financial implications specifically arising from this report.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5. BACKGROUND/MAIN ISSUES

a) The Council's framework around performance management is currently being reviewed. Public performance reporting is a key element of that framework and this report and attached action plan aim to provide support.

<u>National Requirements and Arrangements</u>

b) The Local Government Act 1992 gives the Accounts Commission the power to direct local authorities to publish information relating to service activity, to enable benchmarking and to secure best value. This is supported by annual Directions, with the 2015 Direction setting out a more streamlined and flexible

set of performance information for the 2016/17 financial year, for which ACC is required to collect and report in public.

c) In addition, the Local Government Benchmarking Framework provides a common approach across all 32 Scottish local authorities to benchmarking, which is grounded in reporting standard information on the services councils provide to local communities and, importantly, using that information to improve services.

d) The Accounts Commission have aligned SPI and PPR activity within a new approach to auditing Best Value. The overall aim is to better reflect the impact that councils are making on their communities and how they are contributing to improved outcomes for local people. There is a clear direction that ACC's approach to PPR needs to be comprehensive and reflect our local improvement priorities; simply complying with the LGBF is not enough to satisfy our PPR obligations. In addition, the Commission requires evidence that ACC is using benchmarking information to improve performance.

Aberdeen City Council Arrangements

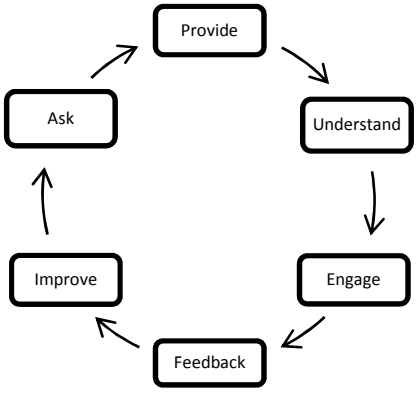
Across the Council's Services, information is regularly shared, through a variety of media, with our stakeholders. The most recent assessments from Audit Scotland show, however, that a new approach is needed to ensure that this our PPR is both comprehensive and tailored to the needs of our stakeholders.

e) The review of the Corporate Performance Management Framework will, amongst other things, improve the alignment of performance information with the Council's priorities and plans, as well as ensuring a consistent approach to reporting performance information into our management and committee structures. This report and action plan aim to support this by addressing how this performance information is communicated publicly. This action plan aims to provide short, medium and long term tasks designed to improve the "end product" arising from performance information and its collation and use for PPR.

f) ACC needs to be able to provide effective PPR to enable public understanding of how services are planned, delivered and improved. It is essential to get the right information to the right people at the right time; identifying stakeholders and tailoring information to their needs.

g) A lack of understanding of public services and how they are delivered can be seen (partially) from the receipt of requests for information under the terms of the Freedom of Information legislation. These potentially indicate a lack of understanding of the way in which the Council operates, makes decisions, determines financial spend and performs. Responses from ACC to these requests are a reactive way of providing the required explanatory information. This demonstrates that improved performance reporting is required, to enhance public understanding.

h) There is a continual cycle of demand, provision and engagement which links what stakeholders ask ACC for (FOI requests), the information ACC provides on its services (PPR) and what stakeholders then understand and use the information for (engagement and feedback):



i) As ACC *provides* more meaningful, contextual and timely information, the greater the *understanding* of our stakeholders. They will then be more inclined to *engage* with ACC and provide the desired and required *feedback* in order to continually *improve* services. As ACC improves, so the desire to *ask* for more will increase and ACC will continue to proactively *provide* information as a result.

j) Proactive publication of information about ACC's services, decision-making and financial spend would enable ACC to be more open, transparent and accountable, meeting the premise of the FOISA legislation, the recommendations from the Best Value report and the themes within the Scottish Government's Digital Public Services Strategy[i].

k) An action plan (attached at Appendix A) for PPR has been developed in line with the Best Value PPR Toolkit. The toolkit has three main strands:
- The extent to which an organisation's culture and practices promote effective and stakeholder-focused public performance reporting
- The extent to which an organisation can demonstrate that it has arrangements in place to meet statutory requirements and support effective public performance reporting
- The extent to which public performance reports provide good quality information for effective public accountability

l) The proposed action plan in Appendix A indicates the recommended actions to be taken by ACC in the short, medium and long term to better fulfil these PPR responsibilities.

<u>Interdependencies</u>

m) There are a number of interdependencies between the PPR action plan and other major projects:

Digital Platform and Strategy

The procurement and implementation of a new digital platform will go hand in hand with the capabilities of a new CMS and website and with the ability to improve public performance reporting. Improved integration capabilities for customers and staff will be facilitated through the partnership of the systems. Regardless of the platform supplier(s) chosen, the key to successful implementation will be working together to ensure seamless integration.

Content Management System (CMS) and website

The main 'tool' for PPR is the ACC website and improvements in both areas are dependent upon each other.

An improved website and supporting technical capabilities would enable ACC to proactively provide more contextual, narrative and visual information to support an improved PPR programme. Proactive publication of information about ACC's services, decision-making and financial spend would enable ACC to be more open, transparent and accountable,

Master Data management
The revised approach to PPR will support MDM by ensuring effective use of existing information databases and resources, avoiding the addition of yet another system. It will also enable an effective point of access for users to ACC performance information that is tailored to the individual using clear, up to date and accurate information.

Information Governance
The Information Governance workstream will ensure there is an integrated approach to the way in which data and content are managed. Participation in the workstream representing the public engagement elements (including PPR) will ensure consistent and joined up delivery.

6. IMPACT

Improving Customer Experience –
Greater proactive publication of information about what ACC does and how well (or not) it is doing through improved performance reporting will enable more effective engagement with our stakeholders, through better understanding of ACC activities.

Members of the public have a right to receive information on the performance of the Council's services and core functions. The recommend actions to improve the methods of reporting and the provision of context and narrative as complementary explanation to that reporting will aid understanding of that information.

Improving Staff Experience –
Improved engagement with stakeholders will enable staff to use the feedback received to build effective direction, plans and services for the future.

Improving our use of Resources –
Improved PPR will allow ACC to make more effective use of information resources currently available in a limited manner and under-utilised.

Corporate –
This report and action plans support the aims of Smarter Aberdeen, specifically Smarter Governance, enabling citizens to participate in decision making through greater understanding of council activity and performance.

The report and action plan also support the SOA, directly in relation to the digital city aims and indirectly by enabling the measurement of performance against all SOA outcomes.

Both are intended to support and complement the review of the Corporate Performance Management Framework.

Public –
Improved PPR will ensure all stakeholders have the ability to receive and understand clear information on the performance of the Council's services and core functions. The adding of context, narrative – a story – around performance indicators will add value to the core information. Increased use of graphics will provide the public with a choice of access between visual and text-based information.

7. MANAGEMENT OF RISK

The Council remains at risk of failing to meet Audit Scotland recommendations in our Public Performance arrangements, which will continue to lead to poor public perceptions of our activities and future unfavourable assessment. The action plan and associated timescales have been designed to mitigate this risk

8. BACKGROUND PAPERS

None.

9. REPORT AUTHOR DETAILS

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APPENDIX A - PUBLIC PERFORMANCE REPORTING ACTION PLAN

Improve engagement with the public – to aid understanding of existing PIs and to utilise customer opinion in the development of future PIs		
Action	**Timescale**	**Responsible Officer(s)**
City Voice – address the results of the most recent City Voice report which identified concerns about PPR.	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager Senior Research Officer
SOCITM and Google Analytics – make immediate use of.	Short term – September 2016	PPR & Digital Engagement Manager
Feedback both to Services in partnership with Performance Manager and Communications Business Advisers (CBAs).	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager CBAs
Introduce a consolidated consultation tool to provide an online survey, engagement and consultation service.	Short term – September 2016	PPR & Digital Engagement Manager Head of Comms & Promotions
Develop more focussed social media interaction.	Medium term – April 2017	PPR & Digital Engagement Manager
Plan and implement digital engagement/consultation work with stakeholder groups (Customer Services and Comms & Promotions).	Medium term – April 2017	PPR & Digital Engagement Manager Customer Services Manager
Build PPR requirements and stakeholder engagement into the new ACC website. This will be enabled through the use of a more effective and flexible Content Management System (CMS) and adoption of the national myAccount service.	Long term – September 2017	PPR & Digital Engagement Manager Customer Services Manager
Working with the council's new digital platform to offer a more personalised approach to engagement that reflects and anticipates the residents needs and preferences.	Long term – September 2017	PPR & Digital Engagement Manager Customer Services Manager Head of IT & Transformation
Develop a more comprehensive suite of measures that reflect all council services		
Action	**Timescale**	**Responsible Officer(s)**
Work in partnership with the corporate performance management review team to determine how PPR can be improved for the existing suite of PIs.	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Develop an approach to utilise Communications Business Advisers (CBAs) to identify activity that can be included as part of the suite of PIs (qualitative and narrative elements).	Medium term – April 2017	PPR & Digital Engagement Manager Performance & Risk Manager CBAs

Work in partnership with the corporate performance management review team to determine how improved PPR can be embedded.	Long term – September 2017	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Ensure performance information is presented in a meaningful and understandable way, suitable for the audience(s) that requires it		
Action	**Timescale**	**Responsible Officer(s)**
Make use of available infographic tools to 'convert' existing PIs.	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager
Provide 'static' infographics as first step utilising redesigned website templates.	Short term – September 2016	PPR & Digital Engagement Manager
Work with Services (via CBAs) to provide narrative and context to infographics.	Medium term – April 2017	PPR & Digital Engagement Manager CBAs
Provide 'interactive' infographics that can be filtered according to user/audience requirements.	Medium term – April 2017	PPR & Digital Engagement Manager Performance & Risk Manager
Provide the required support/training internally to enable this.	Medium term – April 2017	PPR & Digital Engagement Manager
Develop in-house capability to 'automate' conversion of PIs into infographic presentation.	Long term – September 2017	PPR & Digital Engagement Manager
Provide a 'one stop shop' for ACC performance information, under an identifiable banner		
Action	**Timescale**	**Responsible Officer(s)**
Collate all existing performance information into one central location – Aberdeen Performs – but is also accessible from the relevant service page on the website.	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager
Ensure simple navigation and retrieval of information, working with the performance team to develop a tool that satisfies corporate needs	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager
Develop a 'look'/branding for the collection.	Short term – September 2016	PPR & Digital Engagement Manager Marketing Manager
Develop the functionality of the CMS (current or new) to create a user-friendly, flexible 'host' for performance information.	Medium term – April 2017	PPR & Digital Engagement Manager
Work with performance management team to link the performance	Long term – September 2017	PPR & Digital Engagement Manager

management system (Covalent) and the user interface (website) more intuitively.		Performance & Risk Manager
Work with HR to develop a suite of employee performance PIs which complements the PR&D framework and can be used as an additional future planning tool.		
Action	**Timescale**	**Responsible Officer(s)**
Determine how PPR can be developed around our workforce profile	Short term – September 2016	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Develop an action plan specific to this area.	Medium term – April 2017	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Embed action plan into PR&D framework to allow for "360" view of performance	Long term – September 2017	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Embed the principles of performance management and reporting within the ACC strategic objectives		
Action	**Timescale**	**Responsible Officer(s)**
Work with the performance team to examine how PPR will identify links between existing suite of PIs and 2016/17 service plans.	Short term – September 2016/April 2017	PPR & Digital Engagement Manager Performance & Risk Manager
Begin development of new intranet to support employee engagement.	Short term – September 2016/April 2017	PPR & Digital Engagement Manager
Identify options for team and service based PIs to be displayed on a personalised intranet page.	Short term – September 2016/April 2017	PPR & Digital Engagement Manager
Support the work of the performance team to make explicit links between corporate and service plan aims and the suite of performance indicators, closing the loop to ensure continuous improvement.	Medium term / long term – September 2017	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Introduce new personalised intranet.	Medium term / long term – September 2017	PPR & Digital Engagement Manager

General		
Action	**Timescale**	**Responsible Officer(s)**
Build on the areas of good practice identified by Audit Scotland and 'spread' across ACC.	Short term	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Continue to link with the LGBF (via the performance management team) and build on these links as part of the wider performance reporting framework.		PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Develop more comparison information, year on year and with similar LAs to ACC.	Medium term	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager
Continually review, amend and improve the PPR framework for ACC.	Long term	PPR & Digital Engagement Manager Performance & Risk Manager Corporate Performance and Transformation Manager

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	28 April 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 appendix.

3. FINANCIAL IMPLICATIONS

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

4. FOLLOW UP OF RECOMMENDATIONS

4.1 On 9 March 2016, the Committee was advised that there were 22 recommendations, made previously by PWC, which had not been implemented by their due date of before the end of December 2015.

4.2 There are currently 13 agreed Internal Audit recommendations, which were due to be implemented by the end of March 2016, that have not yet been implemented. The detail relating to these is shown in the attached appendix.

5. REPORT AUTHOR DETAILS

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Outstanding Internal Audit Recommendations **Appendix A**

Report Title	Date Issued	Recommendation and Risk Rating	Update	Responsible Officer	Original Due Date	Revised date
ALEOs Tier 2 review	Feb-15	Risk Rating – Medium 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.	As a result of staffing changes this action has not been progressed. In view of the fact that Internal Audit will be undertaking a review of arrangements in place for Following the Public Pound shortly, it is proposed that this issue be picked up during that review and removed from this monitoring report.	Team Leader, HR&OD Now Accounting Manager	31-Dec-15	To be removed from future versions of this report as per comment in "Update" column.
ALEOs Tier 2 review	Feb-15	Risk Rating – Medium Elected Members will be advised that participation in the external training programme run by the Council will be mandatory for those who hold director or trustee roles on ALEO boards.	This recommendation is currently under discussion between Internal Audit and the Service.	Team Leader, HR&OD	31-Mar-16	To be advised
Carefirst	Feb-15	Risk Rating – Medium 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	Update for March 2016 Committee: 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 Update for April 2016 Committee: 1. An officer has been assigned to review the unmatched transactions report, and has recently commenced work on the review. Early findings suggest	Head of Joint Operations Update for March 2016 Committee: This work stream will sit with the Integrated Social Care Partnership Responsible	30-Jun-15	31-Mar-16 Now 30-Sep-16

		deciding whether transactions should be investigated or not. The unmatched transaction report will be modified by the CareFirst Team to ensure it only includes the transactions for assessment before it is issued to the individual responsible for reviewing and actioning. 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. 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. 5.· The completed unmatched transaction report should be reviewed and signed off by the responsible person's line manager on a monthly basis.	that carefirst entries are correct, so it is not presently understood why these entries appear on the unmatched report. A meeting will be set up in the near future with finance and carefirst colleagues to investigate why these items appear on the unmatched transaction report. 2. As for 1 3. As for 1 4. As for 1 5. As for 1	Officer will be Lead Service Manager (Older People).		

		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 system.	6. Discussions are taking place to include this in the role of the 'care bureau' which is in the process of being set up within care management.			
IT Asset Management	Feb-15	Risk Rating – Low 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. Update as at April 2016: Initial testing has been conducted on the new service desk test toolset with a view to implementing this onto the live system when established in May 2016.	IT Manager	31-Dec-15	30-Apr-16 Now 31-May-16
IT Disaster Recovery	Feb-15	Risk Rating – Low System Owners should consider and document the risk of not testing their systems during disaster recovery testing of the data centre. IT will ensure that they request and retain copies of risk assessments prior to all future IT Disaster Recovery exercises	Disaster Recovery (DR) testing rescheduled due to Data Centre Migration using recommended DR approach. Update as at April 2016: DR planning has been arranged for early April with workshops that will include all business system owners identifying the DR model for key critical systems. Systems not tested will be signed and recorded within the new service desk tool set.	IT Manager	30-Nov-15	30-Apr-16

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. <u>Update as at April 2016:</u> The Digital Strategy will be reported to Committee in June 2016.	Head of IT and Transformation	31-Mar-15	31-Mar-16 Now 30-Jun-16
ICT Management Information and Performance Reporting	Jun-15	<u>Risk Rating – Medium</u> 1) ICT management will engage with stakeholders across the organisation to identify the key applications and servers that support Council services. 2) Working with stakeholders ICT management will develop a suite of KPIs designed to provide relevant management information that is tailored to the needs of the Council. These metrics will be focused on evaluating performance and aligned to the strategic objectives of the organisation.	1) Engagement programme commenced Sept 2015 as part of ICT Digital Strategy governance process 2) Performance scorecard published monthly, Service Plan KPIs in development and further expansion expected from the engagement programme at (1).	Head of IT and Transformation	31-Mar-16	30-Sept-16

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	28 April 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 18 APRIL 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 9 March 2016, the Committee was advised that, as at 29 February 2016, there was 1 recommendation which was due to have been completed by 31 January 2016 which was not fully complete. This has not changed. The total not fully complete, which had an original due date of before 29 February 2016, is 2. 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 31.01.16	Confirmed complete by Service	New in February 2016	Confirmed complete by Service	**Not fully complete by original due date of 29.02.16**	Major	Significant	Important
Cross Service	55	0	0	6	6	**0**	0	0	0
Communities, Housing and Infrastructure	40	6	6	5	5	**0**	0	0	0
Corporate Governance	33	5	4	5	5	**1**	0	1	0
Education and Children's Services	19	0	0	0	0	**0**	0	0	0
Health and Social Care Partnership	5	0	0	3	2	**1**	0	0	1
Total	152	11	10	19	18	**2**	0	1	1

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 18 APRIL 2016

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 29.02.16	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
CROSS SERVICE							
AC1601	Recruitment Procedures	February 2016	30	0	0	**0**	0
AC1615	Timesheets	January 2016	25	6	6	**0**	0
COMMUNITIES, HOUSING AND INFRASTRUCTURE							
AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	0	0	**0**	0
AC1603	Council House Rent Setting	July 2015	4	3	3	**0**	0
AC1608	Trade Waste	January 2016	14	5	5	**0**	0
AC1611	Sheltered Housing	February 2016	10	0	0	**0**	0
AC1613	Crematorium	November 2015	3	3	3	**0**	0

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 29.02.16	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
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
As reported previously, 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.							
AC1612	Council Tax	November 2015	4	2	2	**0**	0
AC1614	Risk Management	November 2015	10	1	1	**0**	0
AC1621	Arms Length External Organisations	November 2015	8	3	3	**0**	0
EDUCATION AND CHILDREN'S SERVICES							
AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	0	0	**0**	0

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 29.02.16	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

HEALTH AND SOCIAL CARE PARTNERSHIP

AC1609	Pre-Integration Financial Assurance	January 2016	5	3	2	**1**	1 Important

The overdue recommendation ***(graded "important within audited area")*** relates to Finance ensuring that Full Council is given the key assumptions and risks underlying the IJB budget from both partners including current expenditure patterns and budget pressures. These were to be included in the Council's budget setting report in February 2016 or a separate report to Council on the due diligence process on the budgets to be delegated by the Council and NHS Grampian. Information on the IJB was included in the budget report to Council in February and a separate report is contained within the agenda for this Committee.

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

April 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 April 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

April 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	In our February 2016 report, we reported that the council had undertaken a successful data matching exercise in relation to Single Person Discounts - 973 errors were identified from 3,200 matches which equated to £405,759 in financial terms. Revised council tax bills have been issued. However, there had been less activity than anticipated on NFI matches as only around 20% of recommended matches had been progressed over the 12 months since the data matches were received by the council. In view of the mixed results, we agreed to bring a report on NFI activity to the next meeting of the committee.	The council's Fraud Annual Report covering all fraud related activity for 2015/16 including the council's response to the NFI is included on the April agenda for ARSC. It therefore made sense to include our report on the NFI with the Fraud Annual Report. We note that the council has revised plans in place to respond to the NFI and is bringing an update report to Committee in September 2016. **Action completed.**

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
2	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	A Fraud Report has been prepared for the first time covering 2015/16 and is included on the April agenda for ARSC. This report is prepared by the Corporate Investigation Team within Finance and provides a summary of fraud investigations carried out during the year including any lessons learnt. It is anticipated that in future this report will also include any breaches of the Bribery Act which may arise. A summary of whistleblowing activity will be reported separately as handling of such cases is the responsibility of the Head of Legal and Democratic Services	**Action completed re fraud reporting** **Whistle blowing numbers to be reported in June 2016** **Head of Legal & Democratic Services**
3	Interim	Risk assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate.	Risk assessments to be evaluated and any issues highlighted to be addressed as appropriate. **Head of Legal & Democratic Services**	31 December 2015	Since the fairly recent formation of the Corporate Investigation Team, it has responsibility for putting appropriate policies and procedures in place to mitigate	Revised arrangements to be in place by **30 June 2016** **Corporate Investigation Manager**

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
					against loss from fraud, bribery or corruption. The team intends to refresh and strengthen the arrangements for risk assessments in response to the Bribery Act to ensure that regular reviews are undertaken and monitored.	Completion and review of service risk assessments by **30 September 2016** **Corporate Investigation Manager**
4	Interim	Plans should be formalised for the development of a consistent approach for reporting performance information to elected members.	Proposals for implementing a consistent approach will be developed and presented to elected members for approval. **Head of IT and Transformation**	31 March 2016	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/June 2016 committee cycle will see the introduction of a revised framework for performance reporting. This will commence with a new Corporate Governance pack being submitted to the Finance, Policy and Resources Committee. Depending on feedback, the new format will be rolled out to other	We will monitor developments during the 2015/16 audit (April to September 2016) and provide further updates.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
					committees in subsequent cycles.	
5	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 council's arrangements for public performance reporting including the refresh of 'Aberdeen Performs' is expected to be presented to the Audit, Risk and Scrutiny Committee in April 2016.	We will monitor developments during the 2015/16 audit (April to September 2016) and provide further updates.
6	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	Reconciliations have been completed and have evidence of review.	**Action completed**.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
7	ICT	A new ICT service strategy needs to be developed and implemented. In due course, delivery should be monitored within the council's PMO arrangements. ***Risk: until a new strategy is published, a perception could develop that the council is not taking a long-term approach to ICT services.***	Following appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with revision over the next 3-6 months. Thereafter, actions arising from the strategy will be monitored through appropriate governance arrangements. **Head of Service (IT and Transformation)**	March 2016	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.	Strategy will be reviewed as part of our 2015/16 interim audit activity.
8	ICT	The council has opted to enter a joint procurement exercise with Aberdeenshire Council for the provision of data centre services by a third party. ***Risk: delivery of this solution is likely to be complex, with dependency on third parties. This may give***	Transition of Data Centre Services from existing contractual arrangements to new operating model underway to meet end of contractual arrangements in January 2016, with transitional activities running until the new service has been operating for a full 3 month period. **IT and Technology Services Manager**	July 2016	A new datacentre contract has been agreed with Brightsolid with bases in Aberdeen and Dundee. A transition period is now in operation.	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
		rise to delay, the need for an interim data centre and increased costs.				
9	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.
10	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 to become embedded.***	This theme will be addressed through the "Information and Records Lifecycle" domain of our Information Management Strategy. A pilot is underway with Education and Children's Services, from which lessons learned will be used to develop a plan for other areas across the council. **Records Manager**	For initial pilot work: March 2016. Resources and timescales for full roll-out will be calculated on completion of pilot.	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
11	ICT	Email and internet borne security incidents highlight the importance of effective refresher training to maintain levels of electronic security awareness in all staff. ***Risk: as people grow increasingly trustful of the performance and convenience of new technology, they may become less cautious in using their electronic equipment.***	This theme will be addressed through the "Culture, Training & Communications" domain of our Information Management Strategy, which will develop and roll out appropriate information security refresher training as part of a wider information management culture, training and communications programme **Records Manager**	March 2016	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
12	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***	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	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
		between data-centres, there may be a loss of knowledge about configuration and recovery.			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.	
13	Annual Report	**Financial position** The council has a significant task ahead in meeting the funding shortfall set out in its 5 year business plan. ***Risk: the ongoing need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.*** Recommendation: the council needs to develop its strategy for delivering	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. **Head of Finance, in conjunction with the Corporate**	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
		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.	**Management Team & Extended Management Team**			
14	Annual Report	**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. ***Risk: financial difficulties arise through unexpected events*** Recommendation: Long	The importance of long term financial planning is acknowledged and will continue to be developed. **Head of Finance, in conjunction with the Corporate Management Team**	Update position in February 2016	See Action Point 13	See Action Point 13

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		term planning continues to be developed.				
15	Annual Report	**ALEOs** The first round of hub meetings have now taken place with a plan to meet on a six monthly basis. ***Risk: the bedding in period may be too long and momentum lost so that it is some time before an effective scrutiny routine is in place.*** Recommendation: consider more meetings in the initial period until everybody is up to speed and the initial teething problems have been sorted out.	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 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. **Head of Democratic Services**	Ongoing	Hub meetings will now take place on a quarterly basis commencing in May 2016. At that point the hubs will extend to Tier 2 ALEOs.	**This specific action is complete** Note - We are observing hub meetings and will comment on their operation in our Interim Report in June 2016.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
16	Annual Report	**Marischal Square Development** In responding to economic conditions, the council may mitigate risks by providing financial support, for example, rental assistance to encourage city centre investment. ***Risk: the council's rationale for offering support lacks transparency*** Recommendation: The council's should set out a framework which explains the type and level of regeneration investment it wishes to financially support.	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. **Corporate Management Team**	Update by 31 March 2016	This is incorporated within the council's revised project management framework.	We are currently examining a sample of capital projects as part of our 2015/16 audit activity. Where relevant, these will be checked against the council's project management framework

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