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

Town House,
ABERDEEN 19 September 2016

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Committee Room 2 - Town House on **TUESDAY, 27 SEPTEMBER 2016 at 3.00 pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

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Governance (to follow)
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6 Control Environment and Assurance - Internal

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Auditor (Pages 259 - 270)

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7 Control Environment and Assurance - External

7.1 Managing Capital Projects - Report by the External Auditor (Pages 285 - 306)

8 Control Environment and Assurance - Audit Follow Up

8.1 Audit Recommendations Outstanding pre 2015/16 (PWC) - Report by the Internal Auditor (Pages 307 - 312)

8.2 Internal Audit Outstanding Recommendations against the 2015/16 Audit Plan - Report by the Internal Auditor (Pages 313 - 328)

8.3 External Audit Outstanding Recommendations - Report by the External Auditor (Pages 329 - 338)

9 Financial Reporting

9.1 Annual Report to Members and the Controller of Audit on the 2015/16 Audit - Report by the External Auditor (Pages 339 - 390)

9.2 Audited Accounts 2015/16 - Report by the Interim Director of Corporate Governance (Pages 391 - 396)

Please note that the Annual Accounts for the Council and the Registered Charities have been issued separately and will be available on the website as a separate document.

[ACC Financial Statement and Charitable Accounts 2015-16](#)

10 Exempt Business

10.1 Corporate Investigation Team Update - Report by the Interim Director of Corporate Governance (Pages 397 - 434)

10.2 Matters Under Investigation

Website Address: www.aberdeencity.gov.uk

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

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 27 June 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Dickson, Donnelly, Jackie Dunbar, Graham, Greig, Len Ironside CBE (as substitute for Councillor Crockett), Lawrence, Malik, Jean Morrison MBE, Reynolds, Samarai, Townson and Young (as substitute for Councillor Nathan Morrison).

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=3914&Ver=4>

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that item 9.1 of today's agenda (article 23 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 item 9.1 (article 23) so as to avoid disclosure of exempt information of the class described in paragraph 14.

MINUTE OF PREVIOUS MEETING OF 28 APRIL 2016

2. The Committee had before it the minute of its previous meeting of 28 April 2016.

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.

Councillor Townson sought clarification as to whether a report that was to be submitted to the Finance, Policy and Resources Committee relating to electronic bank transfer payments to Trusts could also be submitted to this Committee.

The Committee resolved:-

- (i) in response to a question from Councillor Townson regarding whether a report that is to be submitted to the Finance, Policy and Resources Committee relating to electronic bank transfer payments to Trusts could also be submitted to this Committee, to note that to follow the correct protocol, the report should be submitted to the Finance, Policy and Resources Committee and if they felt it necessary to refer the report to this Committee for their consideration that would be actioned at the time; and

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- (ii) to otherwise 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 19 FEBRUARY 2016

5. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 19 February 2016.

The Committee resolved:-

to note the minute.

INTERNAL AUDIT PROGRESS REPORT

6. The Committee had before it a report by the Internal Auditor which provided an update on the progress against the 2015/16 and the 2016/17 Internal Audit Plans.

Councillor Greig sought clarification on those audits within the appendix that did not have a traffic light system advising on the current status of the audits. The Chief Internal Auditor advised that those audits were due to be started later in the audit plan therefore there was nothing to report at this stage. Councillor Samarai requested that for future reports a comment be added to advise that the audits had not been started so that the Committee were aware of the status of each one.

The Committee resolved:-

- (i) in response to questions from Councillors Greig and Samarai relating to those internal audits with no traffic light system, to note that a comment would be included in future reports to inform members that those audits had yet to be started;
- (ii) to otherwise note the content of the report.

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INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2015/16

7. The Committee had before it a report by the Internal Auditor which presented the Internal Audit Annual Report and the Internal Financial Control Statement for 2016/16.

The report recommended:

That the Committee -

- (a) note the Internal Financial Control Statement for 2015/16;
- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no inappropriate limitation to the scope of Internal Audit work during 2015/16; and
- (d) note the details of the self-assessment undertaken as required by the Public Sector Internal Audit Standards.

The Committee resolved:-

to approve the recommendations contained in the report.

EXTERNAL AUDIT PROGRESS REPORT

8. 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 2015/16 financial year.

The Committee resolved:-

to note the content of the report.

DATA PROTECTION REPORTING JANUARY TO MARCH 2016 - CG/16/057

9. The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview for quarter 4 (January to March 2016) in relation to Council data protection matters including Subject Access Requests, Third Party Requests, breaches, complaints and training.

The report recommended:

that the Committee note the content of the report.

Councillor Greig sought clarification regarding the increase in the number of Third Party Requests within the Communities, Housing and Infrastructure directorate wherein the Team Leader for Governance advised that there had been an increase in awareness amongst staff within that directorate on the importance to record all requests.

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Councillor Dickson sought clarification regarding how Third Party Requests had been recorded in the past to ensure that the correct information had been released, wherein the Team Leader for Governance advised that the information released would have been the correct however the recording of the initial request may not have been and that he would liaise with colleagues in the directorate and provide a response to the Committee.

Councillor Dunbar sought clarification regarding the size of the documentation to be reviewed and how many of those resulted in a late response being issued, to note that the information would be collated and included in future reports to the Committee.

Councillor Yuill requested that the reasons for late responses be included in future reports to the Committee.

The Committee resolved:-

- (i) in response to a question from Councillor Greig regarding the increase in the number of Third Party Requests within the Communities, Housing and Infrastructure directorate and the reasons why, to note that there was an increased staff awareness of the need to record these requests;
- (ii) in response to a question from Councillor Dickson regarding the increase in the number of Third Party Requests and how these were recorded in the past, to note the Team Leader for the Governance Team would liaise with colleagues and provide the information to members of the Committee;
- (iii) in response to a question from Councillor Dunbar regarding the size of the documentation to be reviewed and how many of those resulted in a late response being issued, to note that this information would be included in future reports;
- (iv) in response to a question from Councillor Yuill regarding the reasons for late responses to note that the reasons would be included in future reports;
- (iv) to otherwise approve the recommendation contained in the report.

DATA PROTECTION ANNUAL REPORT - APRIL 15 TO MARCH 16 - CG/16/089

10. The Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of data protection matters including Subject Access Requests, Third Party Requests, breaches, complaints and training for the financial year April 2015 to March 2016.

The report recommended:

that the Committee note the content of the report.

Councillor Townson sought clarification relating to how the Service was going to monitor the uptake and completion of the e-induction training.

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The Committee resolved:-

- (i) in response to a question from Councillor Townson regarding the e-induction module and how the Service were going to monitor the completion of the training, to note that information would be provided in the next quarterly report to Committee;
- (ii) to otherwise approve the recommendation contained in the report.

WHISTLEBLOWING ANNUAL REPORT- CG/16/093

11. The Committee had before it a report by the Interim Director of Corporate Governance which provided a summary of the Whistleblowing activity during the period 1 April 2015 to 31 March 2016.

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

to approve the recommendation contained in the report.

DECLARATIONS OF INTEREST

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.

Councillors Dickson, Donnelly and Lawrence declared an interest in the subject matter of the following article by virtue of their position as a Council appointed Director to the Board of Sport Aberdeen. Councillor Jean Morrison, MBE, declared an interest by virtue of her position as an Aberdeen City Council representative at Aberdeen Heat and Power. Councillor Reynolds, Depute Provost, declared an interest by virtue of his position as a Council appointed Director to the Board of Aberdeen Exhibition and Conference Centre and Aberdeen Performing Arts. The Councillors chose to remain in the meeting as the bodies were companies 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.

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ALEO GOVERNANCE HUBS - CG/16/091

12. The Committee had before it a report by the Interim Director of Corporate Governance which provided a summary of the significant matters raised at the May 2016 meetings of the Arm's Length External Organisations (ALEO) Governance Hub.

The report recommended:

That the Committee –

- (a) considers the issues raised in both the report and minutes and identifies any areas of concern;
- (b) note the content of the report and the appended minutes;
- (c) arising from some of the discussion raised in the minutes, to instruct the Head of Human Resources and Customer Service to investigate the possibility of sourcing joint training for ALEO board members; and
- (d) to 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.

Councillor Greig sought clarification regarding branding of ALEO's and how this related to monitoring of performance, wherein the Senior Democratic Services Manager advised that each ALEO were asked the same set of questions around risk, governance and performance which the Governance Hub scrutinised with the addition of Service Committee's scrutinising the performance of the ALEO's under their remits.

Councillor Samarai sought clarification regarding Bon Accord Care and whether they had in place an impartial internal audit function, wherein the Senior Democratic Services Manager advised that discussions were ongoing in this area with Bon Accord Care and the Risk Manager and that this item was included in the action plan for the ALEO to address.

Councillor Greig sought clarification regarding the figures used when determining that two Swimming Pools would be closed, wherein the Senior Democratic Services Manager advised that he would liaise with Sport Aberdeen and provide a response to members of the Committee.

The Committee resolved:-

- (i) in response to a question from Councillor Greig regarding branding of ALEO's and how this related to monitoring of performance, to note that each ALEO were asked the same set of questions around risk, governance and performance which the Governance Hub scrutinised with the addition of Service Committee's scrutinising the performance of the ALEO's under their remits;
- (ii) in response to a question from Councillor Samarai regarding Bon Accord Care and whether they had in place an impartial internal audit function, to note that discussions were ongoing in this area with Bon Accord Care and the Risk

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- Manager and that this item was included in the action plan for the ALEO to address;
- (iii) in response to a question from Councillor Greig regarding the figures used when determining that two Swimming Pools would be closed, to note that the Senior Democratic Services Manager would liaise with Sport Aberdeen and provide a response to members of the Committee; and
 - (iv) to otherwise approve the recommendations contained in the report.

ANNUAL AUDIT, RISK AND SCRUTINY COMMITTEE REPORT

13. The Committee had before it a report by the Chief Executive which presented the annual report of the Audit, Risk and Scrutiny Committee.

The report recommended:

That the Committee -

- (a) approve the annual report; and
- (b) refer the report to Full Council for their consideration.

The Committee resolved:-

to approve the recommendations contained in the report.

COUNCIL TAX REDUCTION

14. The Committee had before it a report by the Internal Auditor, which presented an audit in relation to Council Tax Reduction (CTR) and whether monies paid to claimants was supported by appropriate evidence and calculated appropriately. The audit involved reviewing claim documentation input and entitlement calculation for a sample of new and reviewed claims and those where a change of circumstance had been reported. The outcome of the audit showed that the systems in place for processing CTR were found to be robust, well managed and mostly well adhered to with the exception of two errors which had been identified and rectified.

The Committee resolved:-

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

COMPLIANCE WITH PROCUREMENT RELATED LEGISLATION AND FINANCIAL REGULATIONS

15. The Committee had before it a report by the Internal Auditor, which presented an audit in relation to compliance with procurement related legislation and financial regulations which involved reviewing a sample of payments in excess of £5000 made via the Council's creditors system to ensure that they had been made in full compliance with legislation and financial regulations and were appropriate Value for Money had

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been achieved. The audit also included a review of files of paid invoices for lower valued payments to ensure they had been paid in compliance with the financial regulations.

Councillor Dunbar sought clarification regarding recommendation 2.2.18(2) and the fact that the Service did not agree (that the Finance, Policy and Resources Committee are provided with details in respect of the circumstances surrounding compensation payments to the solar energy contractor), wherein the Monitoring Officer advised that he was satisfied that the payment made was contractual and within the budget.

Councillor Dunbar requested information relating to how Managers were being informed on the aggregate spend for similar contracts wherein the Chief Internal Auditor advised that the Service were in discussions with the Commercial and Procurement Service to ensure this was being managed appropriately.

Councillor Dunbar sought clarification in relation to ensuring that all exemption forms were completed in full, wherein the Chief Internal Auditor advised that the Commercial and Procurement Service would be monitoring all forms in the future and that information on the process to be followed would be circulated to the Committee.

Councillor Dunbar sought clarification regarding which Committee would receive a report relating to the Commercial and Procurement Service's review of the status of the implied contracts, determine appropriate actions with the Service and seek Committee approval, wherein the Chief Internal Auditor advised that he would clarify the position and advise the Committee.

In relation to paragraph 2.2.16 (claim for compensation due to solar panels being disconnected following health and safety concerns and the company losing income) the Convener requested that a report be submitted to this Committee outlining the incident specifically the financial implications to the Council.

The Committee resolved:-

- (i) in response to a question from Councillor Dunbar regarding recommendation 2.2.18(2) and the fact that the Service did not agree (that the Finance, Policy and Resources Committee are provided with details in respect of the circumstances surrounding compensation payments to the solar energy contractor), to note that the Monitoring Officer was satisfied that the payment made to the contractor was a contractual payment and not a compensation payment and that there was sufficient funds to make the payment therefore any report would be for noting;
- (ii) in response to a question from Councillor Dunbar regarding Managers being made aware of aggregate spend on similar contracts and how this was being implemented, to note that the Service were working with the Commercial and Procurement Service to ensure this was being done;
- (iii) in response to a question from Councillor Dunbar regarding ensuring that all exemption forms were completed in full, to note that all forms would be monitored by the Commercial and Procurement Service in the future and that the

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- Chief Internal Auditor would provide the Committee with information on the process that was to be followed;
- (iv) in response to a question from Councillor Dunbar regarding which Committee would receive a report relating to the Commercial and Procurement Service's review of the status of the implied contracts and determine appropriate actions with the Service and seek Committee approval, to note that the Chief Internal Auditor would confirm which Committee and advise the Committee;
 - (v) to request the Head of Land and Property Assets to submit a report to this Committee presenting the circumstances relating to the solar panel incident specifically around the financial implications and the total loss to the Council; and
 - (vi) to otherwise note the content of the report and endorse the recommendations for improvement.

CREMATORIA INVESTIGATION

16. The Chief Executive provided a verbal update in relation to the recent completion of the Crematoria Investigation. She advised that the full investigation report would be submitted to the Communities, Housing and Infrastructure Committee at its meeting on 25 August 2016 and would be shared with members of this Committee.

The Committee resolved:-

To note the verbal update provided in relation to the publication of the Crematoria Investigation Report.

AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015/16 (PWC)

17. The Committee had before it a report by the Internal Auditor which provided an update on the progress Services had made with implementing recommendations agreed in the Internal Audit reports issued by PWC.

Councillor Greig sought assurance that progress was being made regarding item 2 – Carefirst which had a medium risk rating and the fact that a further revised date had been provided by the Service.

The Committee resolved:-

- (i) in relation to a question from Councillor Greig regarding item 2 – Carefirst which had a medium risk rating and the fact that a further revised date had been provided by the Service, to request the Lead Service Manager (Older People) to provide the committee with information relating to why additional resources had not been allocated to resolve the issues and to advise what the current status was; and
- (ii) to otherwise note the content of the report.

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

18. The Committee had before it a report by the Internal Auditor which provided an update on progress with implementing agreed recommendations contained in Internal Audit reports since April 2015.

Councillor Dunbar sought clarification regarding AC1619 - Social Work Tendering and why no response had been provided from the Commercial and Procurement Service. The Corporate Procurement Manager advised that she would liaise with colleagues and provide a response to the Committee.

Councillor Yuill requested that the Interim Director of Corporate Governance issue a reminder to officers of the importance to attend the Committee to answer questions that may arise.

The Committee resolved:-

- (i) in response to a question from Councillor Dunbar regarding AC1619 - Social Work Tendering and why no response had been provided from the Commercial and Procurement Service, to request the Head of Procurement to provide a response to members of the Committee and to Internal Audit on the current position.
- (ii) to instruct the Director of Corporate Governance to remind officers of the importance to attend the Committee to answer questions that may arise during the course of the meeting; and
- (iii) to otherwise note the content of the report.

EXTERNAL AUDIT OUTSTANDING RECOMMENDATIONS

19. The Committee had before it a report by the External Auditor which presented the list of issues and risks that had been agreed by Management as part of the 2014/15 audit.

Councillors sought assurance that item 2 (Risk Assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate) was being addressed and that the action would be complete by the new revised date. The Head of Finance advised that there had been various factors that had affected the original implementation date and that provided assurance that the action would be complete by the new date.

The Committee resolved:-

- (i) to note the assurance provided in relation to item 2 (Risk Assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate); and
- (ii) to otherwise note the content of the report.

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UNAUDITED ANNUAL ACCOUNTS 2015/16

20. The Committee had before it a report by the Interim Director of Corporate Governance which (1) provided an overview of the Council's 2015/16 unaudited Annual Accounts; (2) sought approval of the Annual Governance Statement; (3) provided the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and are subject to statutory requirements for separate accounts and audit opinions.

The report recommended:

That the Committee -

- (a) approve the Annual Governance Statement as included in the Council's unaudited Accounts for the financial year 2015/16;
- (b) consider the Council's unaudited Annual Accounts 2015/16, paying particular attention to the sections highlighted in paragraph 5.4;
- (c) consider the unaudited Annual Accounts 2015/16 of the Council's registered charities;
- (d) note that following this meeting the Council's and registered charities unaudited Annual Accounts would be finalised, signed and submitted to Audit Scotland by 30 June 2016;
- (e) note that as now required by Regulation 8 (9) of the Local Authority Accounts (Scotland) Regulations 2014 (the "2014 Regulations"), this Committee at its meeting on 27 September 2016 will receive the audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance , Chief Executive and Leader of the Council;
- (f) note that this Committee at its meeting on 27 September 2016 will receive the external auditor's Annual Report to Members and the Controller of Audit for debate and consideration and that the report would set out the auditor's findings and conclusion from all audit activity undertaken during the year, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- (g) note that this Committee at its meeting on 27 September 2016 would receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

Councillor Young requested that a benchmarking exercise against other local authorities in relation to Debt and Liquidity be undertaken, wherein the Head of Finance advised that this had already been completed and the information would be circulated to members of the Committee.

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The Committee resolved:-

- (i) to express their thanks to all staff members involved in the preparation of the accounts;
- (ii) to note the thanks expressed from the Head of Finance to all staff and in particular members of the Finance Team;
- (iii) in response to a question from Councillor Young regarding benchmarking against other local authorities in relation to Debt and Liquidity, to note that a benchmarking exercise had been undertaken and the information would be circulated to members of the Committee; and
- (iv) to otherwise approve the recommendations contained in the report.

EXTERNAL AUDIT INTERIM REPORT ON THE 2015/16 AUDIT - REPORT BY THE EXTERNAL AUDITOR

21. The Committee had before it a report by the External Auditor which provided a summary of their findings arising from routine audit work around governance and internal controls as part of the 2015/16 audit of the Council.

The report appended an action plan which out the recommendations from the audit, which officers had considered and were taking steps to address these.

The Committee resolved:-

to note the content of the report.

AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - OCE/16/020

22. The Committee had before it a report by the Chief Executive which presented a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed by the Council in response to those.

The report recommended:

That the Committee note the detail of the individual reports -

- (a) Procurement in Councils
- (b) Major Capital Investment in Councils - Follow Up
- (c) Community Planning – An Update
- (d) Overview of Local Government in Scotland and
- (e) Changing Models of Health and Social Care.

The Committee resolved:-

to approve the recommendation contained in the report.

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EXEMPT INFORMATION

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

CORPORATE INVESTIGATION TEAM BUSINESS PLAN - CG/16/090

23. The Committee had before it a report by the Interim Director of Corporate Governance which presented the proposals for the Corporate Investigation Team for 2016/17.

The report recommended:

that the Committee approve the Business Plan as contained in Appendix 1 to the report.

Councillor Greig sought guidance as to whether the costs on fraud would be provided and analysed in the future, wherein the Corporate Investigation Manager advised that this would continue to be collated and reported in future reports to the Committee.

Councillor Cameron sought assurance that the resources for the Corporate Investigation Team would be monitored and additional resource provided where necessary to ensure that the work was undertaken in an appropriate and efficient manner. The Interim Director of Corporate Governance advised that the resources for the Team would be monitored and appropriate action taken if required.

The Committee resolved:-

- (i) in response to a question from Councillor Greig regarding whether the costs on fraud would continue to be provided and analysed, to note that this information would be provided in all reports presented to the Committee;
- (ii) in response to a question from Councillor Cameron regarding the need to ensure that adequate resources were in place within the Team, to note that the Director for Corporate Governance advised that he was conscience of the importance of this area of work and would review the resources where appropriate; and
- (ii) to otherwise approve the recommendation contained in the report.

- **COUNCILLOR STEPHEN FLYNN, Convener.**

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WORKPLAN

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
27 SEPTEMBER 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.		Information Governance Management and Reporting Arrangements		Information Manager
4.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
5.		Communities, Housing and Infrastructure Risk Register		Performance and Risk Manager
6.		Education and Children's Services Risk Register		Performance and Risk Manager
Control Environment and Assurance – Internal				
7.	09/03/16 article 9	Data Protection	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Infosmart System	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Scottish Welfare Fund	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16	Building Services Procurement	Internal Audit Plan agreed	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	article 9			
11.	09/03/16 article 9	Building Services Re-Charges	Internal Audit Plan agreed	Internal Auditor
12.	09/03/16 article 9	Cleaning Payroll	Internal Audit Plan agreed	Internal Auditor
13.	09/03/16 article 9	Roads Payroll	Internal Audit Plan agreed	Internal Auditor
14.	26/02/15 article 9	Education & Children's Services Family and Community Support – Family Centres	Internal Audit Plan agreed	Internal Auditor
15.	09/03/16 article 9	Public Records (Scotland) Act	Internal Audit Plan agreed	
Control Environment and Assurance – External				
16.	09/03/16 Article 11	Managing Capital Projects – Follow Up	External Audit Plan agreed	External Auditor
Control Environment and Assurance – Audit Follow Up				
17.	26/02/15 article 9	Audit Recommendations Outstanding pre 15/16	Standing Item	Internal Auditor
18.	09/03/16 article 9	Internal Audit Recommendations Outstanding	Standing Item	Internal Auditor
19.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
20.		Annual Audited Accounts 2015/16		Head of Finance
21.	09/03/16 article 11	Annual Report to Members and the Controller of Audit on the 2015/16 Audit		External Audit
Exempt Reports				
22.		Matters Under Investigation	Standing Item	
24 NOVEMBER 2016				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
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.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
4.		System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal				
5.	26/02/15 article 9	Finance Budget Monitoring	Internal Audit Plan agreed	Internal Auditor
6.	26/02/15 article 9	Finance Bank Reconciliations	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Following the Public Pound	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Budget Setting Process	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 article 9	Purchasing and Creditors – Social Work	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Self Directed Support	Internal Audit Plan agreed	Internal Auditor
11.	09/03/16 article 9	Carefirst	Internal Audit Plan agreed	Internal Auditor
Control Environment and Assurance – External				
12.				
Control Environment and Assurance – Audit Follow Up				
13.	09/03/16	Internal Audit Recommendations	Standing Item	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	Article 9	Outstanding		
14.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
15.				
Value for Money				
16.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
17.		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.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
4.		System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal				
5.	09/03/16 article 9	Council Owned Land and Property	Internal Audit Plan agreed	Internal Auditor
6.	09/03/16 article 9	ALEO's	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Compliance with Procurement related Legislation and Financial Regulations	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16	Timesheets/Allowances	Internal Audit Plan agreed	Internal Auditor

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	article 9			
9.	09/03/16 article 9	Treasury Management	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Business Rates	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	Vehicles and Driver Records	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	Internal 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	
JUNE 2017				
Performance and Improvement				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.	09/03/16	External Audit Progress and	Standing Item	External Audit

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
	Article 11	Performance		
3.		ALEO Governance Hubs	Standing Item	Senior Democratic Services Manager
Risk Management System				
4.		System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
5.	28/04/16 Article 9	Corporate Investigation Team - Fraud Annual Report 2016/17 and Business Plan 2017/18		Counter Fraud Officer
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	Internal Audit Recommendations Outstanding	Standing Item	Internal Auditor
13.	09/03/16 Article 11	External Audit Recommendations Outstanding	Standing Item	External Auditor
Financial Reporting				
14.				
Value for Money				

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

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Agenda Item 3.3

<u>No.</u>	<u>Minute Reference</u>	<u>Committee Decision</u>	<u>Lead Officer(s)</u>	<u>Responsible Service</u>	<u>Decision or Update</u>
		receiving updates on the progress of implementing the recommendations, to note that a report will be coming back to the September Committee and the Commissioning Framework for Children's Services will be reported to the June meeting of Education and Children's Services Committee			is going before ECS next week and if approved will enable the formal commissioning process to be initiated. The revised timescale will also allow for a broader update on the progress being made to take forward the internal processes identified in the Audit report. Report will be submitted in November 2016.
4.	Finance, Policy and Resources 19 April 16	Strategic Infrastructure Plan Progress Update (i) to instruct the interim Director of Corporate Governance to make arrangements to submit a report to the Audit, Risk and Scrutiny Committee in September 2016 in respect of the Third Don Crossing project.	R Ellis	Corporate Governance	A report is on the agenda
5.	AR&S 27 June 16 Article 15	Compliance with Procurement Related Legislation and Financial Regulations – Internal Audit Report (v) to request the Head of Land and Property Assets to submit a report to this Committee presenting the circumstances relating to the solar panel incident specifically around the financial implications and the total loss to the Council.	J Quinn	Land and Property Assets	Report due by November 2016

<u>No.</u>	<u>Minute Reference</u>	<u>Committee Decision</u>	<u>Lead Officer(s)</u>	<u>Responsible Service</u>	<u>Decision or Update</u>
6.	AR&S 27 June 16 Article 17	Audit Recommendations Outstanding Pre 15/16 (i) in relation to a question from Councillor Greig regarding item 2 – Carefirst which had a medium risk rating and the fact that a further revised date had been provided by the Service, to request the Lead Service Manager (Older People) to provide the committee with information relating to why additional resources had not been allocated to resolve the issues and to advise what the current status was	S Wilkins	Health and Social Care Partnership	Additional resource had been made available but due to a long term absence the resources were required to maintain operational services. Further capacity and resource is now in place and continues with the development of Older People Services within the Health and Social Care Partnership.

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CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 20 May 2016. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Councillor Mike Middleton Chairperson; and Councillor Gordon Graham, Vice Chairperson. City Council Representatives:- Councillors Copland (as substitute for Councillor Cameron), Donnelly, Finlayson and Greig.

Trade Union Representatives:- Joe Craig (UNITE), Mishelle Gray (UNITE), Alison Robertson (UNISON), Paul Nesbitt (UCATT), Rob Stephen (VOICE), Carole Thorpe (EIS), David Willis (GMB) and Tom White (SSTA) (as substitute for Sid Sandison).

Officers in attendance:- Angela Scott (Chief Executive), Ewan Sutherland (Director of Corporate Governance), Mary Agnew (Health, Safety and Wellbeing Manager), Caroline Duguid (Health and Safety Adviser), Colin Leaver (Team Leader), Martin Allan (Business Manager), Michael Hearn (Directorate Support Manager), Lesley Kirk (Directorate Support Manager), Kate Mackay (Business Manager), Mark Haynes (Customer Service Manager), Andrew Jones (Service Manager (Assets / Finance), Ku Kuen Mo (CPD Coordinator), William Whyte (Fleet Services Manager) and Neil Yacamini (Project Manager).

APOLOGIES

1. Apologies were intimated on behalf of Sid Sandison, Richard Ellis, Pete Leonard and Mark Reilly.

MINUTE OF PREVIOUS MEETING OF 19 FEBRUARY 2016

2. The Committee had before it the minute of its meeting of 19 February 2016.

The Committee resolved:-

- (i) to note that in relation to article 9, paragraph 3, to note that the Run, Hide and Tell approach was a method to encourage security within schools; and
- (ii) to otherwise approve the minute as a correct record.

COMMITTEE BUSINESS STATEMENT

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

In relation to item 1 (Minibus Test), the Service Manager, Assets and Finance from Education and Children's Services advised that the test was undertaken by the PVG Training team and that the examiner had to be satisfied that the driver was maintaining good driving skills across all areas.

In relation to item 5 (Improvements to School Security – Public Footpaths), the Service Manager, Assets and Finance from Education and Children’s Services advised that (a) if there was a path that had been used as a public right of way over a period of time that it would be classed as one and that it would be a costly process to fully restrict access to such a path; (b) examples had been provided to the environmental policy team for them to assist in a way forward; and (c) the possibility of restricting access during school hours was being looked at for the individual schools affected. The Health, Safety and Wellbeing Manager advised that those schools with a public path required to be looked at for all times of the day, specifically out of hours due to vandalism and security of school buildings.

In relation to Item 6 (Improvements to School Security – Deliveries), to note that all schools had received information advising them of the need to keep the school secure and requesting that doors are closed following deliveries.

The Committee resolved:-

- (i) to note the update provided in respect of items 1 (Minibus Test) and 6 (Improvements to School Security – Deliveries);
- (ii) to note the content of the report submitted as agenda item 4d and the additional information provided in relation to item 2 (De-escalation Training);
- (iii) in relation to item 5 (Improvements to School Security – Public Footpaths) to request the Service Manager, Assets and Finance from Education and Children’s Services to report to the next meeting of the Committee providing a further update relating to footpaths within school grounds specifically around restrictions of use during school hours;
- (iv) to remove items 1 (Minibus Test), 2 (De-escalation Training), 3 (Fleet Update – Accreditation ISO 9001), 4 (Violence Against Staff), 6 (Improvements to School Security – Deliveries) and 7 (Driver Awards);
- (v) to otherwise note the content of the business statement.

CUSTOMER SERVICE CENTRE HEALTH & SAFETY IMPROVEMENTS UPDATE - CG/16/063

4. With reference to article 10 of the minute of its previous meeting, the Committee had before it a report by the Interim Director for Corporate Governance which provided an overview of improvements, changes and updates to health and safety in the Customer Service Centre at Marischal College and at the Customer Access Points across the City.

The report advised that in summer 2015 a review of health and safety recommendations made to Customer Services was undertaken to collate all of the information in one place and to monitor the progress with implementation. A further comprehensive review in relation to health and safety was undertaken to ensure there was a robust approach to health and safety. This review was undertaken following significant incidents in December 2015 and January 2016 and a few minor incidents in February 2016.

The report recommended:

that the Committee note the content of the report.

Councillor Copland sought clarification as to who would respond if the Team Leader was not available and whether training had been undertaken to ensure the new system

worked, wherein the Committee were advised that a test had been scheduled for the week of 23 May 2016 and that the first responders were the security guards and Team Leaders.

Councillor Finlayson made reference to the time taken to complete the incident report (7 days) and sought guidance as to whether this was too long, wherein the Committee were advised that the investigation and debrief were being done quickly and the reporting timeline was less than the standard of 15 days.

Mishelle Gray and Joe Craig from Unite advised the Committee that on some occasions, staff did not receive a debrief or an update on the incident and what actions were being taken as a result of the investigation. The Health and Safety Team advised that it was important that Managers provided feedback to staff relating to all incidents so that any remedial actions are implemented. The Chief Executive stated that she would write to all Directors on behalf of the Committee requesting that feedback was provided for all incidents and that an update on remedial actions was provided at the Union Management Committee meetings within each Directorate.

The Committee resolved:-

- (i) in response to concerns relating to the lack of feedback to employees who had reported an incident, to note that the Chief Executive on behalf of the Committee would write to all Directors requesting that feedback was provided on all incidents and that an update on remedial actions was provided at the Union Management Committee meetings within each Directorate; and
- (ii) to otherwise note the content of the report.

COMMUNITIES, HOUSING AND INFRASTRUCTURE ANNUAL HEALTH AND SAFETY REPORT - CHI/16/104

5. The Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the annual health and safety report for the Communities, Housing and Infrastructure Service for the period 1 April to 31 March 2016.

The report contained the following statistics:

- there were 145 accidents recorded of which are 24 were reportable, 6 related to service users and the remaining 18 related to employees or agency workers
- the most common types of accident were slips and trips (36) and other type of accident (36)
- the majority of the accidents related to the Public Infrastructure and Environment service (58%) and Land and Property Assets (42%)
- there were 154 Near Misses reported with the highest being against inappropriate communication or abuse (70%)
- the scores for the individual elements of the health and safety matrix for the Directorate were: 98% for Housekeeping and Cleaning, Environment, Machinery, Plant and Equipment and Accidents and Incidents Reporting; 97% for Welfare; 96% for Slip, Trips and Hazards and Risk Assessment; and 87% for First Aid
- 1269 employees attended health and safety training across a variety of topics
- 238 members had attained the Construction Skills Certification Scheme Card (CSCS) which was a result of collaborative working with Trade Union colleagues with funding being secured from the Scottish Union Learning Funding and the balance being paid by the service

- The current score for the number of days lost per employee was 14.5
- Long term absence had a current figure of 9.7 days lost and short term absence averaged 4.8 days lost
- The main reasons for absences were Musculoskeletal with 35.4% for front line staff and 18.4% for office based staff; and Psychological with 19.2% for front line staff and 23.4% for office based staff

The report recommended:

that the Committee note the content of the report.

The Committee resolved:-

To approve the recommendation contained in the report.

CORPORATE FLEET MANAGEMENT PERFORMANCE AND COMPLIANCE - CHI/16/105

6. With reference to article 5 of the minute of its meeting of 19 February 2016, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which provided the progress to date on developing a suite of performance indicators for fleet compliance.

The report advised that (1) the second phase of improvement across Fleet Services continued with the aim of addressing longer term efficiency and effectiveness of the service; (2) three new members of staff had joined the team with the aim of creating a new level of management capacity and capability which would shape future operating structures; (3) various training had been offered and undertaken to improve the knowledge of employees; (4) engaging and involving staff in making improvements to how the workshop operates continued to be a priority with regular meetings held to gather feedback and suggestions; and (5) the implementation of the fleet replacement and disposal programme continued with robust service level agreements being negotiated with suppliers and a range of vehicles and equipment were either replaced or planned to be replaced.

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

- MOT % First Time Pass Rate (O Licence Vehicles) – year to date average for 2015/16 was 97.14% and 2016/17 was 80.00%
- Roadside Inspections/resulting prohibitions – 2015/16 – inspections 16 and prohibitions 2, year to date 2016/17 – inspections 1, prohibitions 1
- Licence Issues as % of Licence Checks – 96.22% of drivers were checked with a small number of minor issues being identified (0.73%)
- Vehicle Accidents and Incidents Recording – for 2015/16, 378 accidents/incidents were recorded and year to date for 2016/17, 34 had been recorded
- Vehicle Accidents – Motor Claims Experience for 2015/16 a total of 228 claims had been made

The report recommended:

That the Committee note the actions taken and measures put in place in Fleet Services for monitoring performance of corporate Fleet Compliance

Paul Nesbitt from UCATT requested that all trades received guidance on weight limits for loading vans, wherein the Fleet Services manager advised that (a) as part of the van

replacement programme that nine of the new vans would come fitted with an onboard weighing system which would measure the axle loadings and gross vehicle weight (gvw); and (b) the van in the unloaded condition would be weighed, once loaded to below the maximum gvw and then the contents, type and amount would give the user a template or guidance on what they could legally carry which would then give them a template for loading similar vans and also the weight of the contents they could carry on other vans depending on the van make and type and unladen weight.

Councillor Graham sought clarification relating to training available to staff to improve health and safety whilst reversing vehicles. The Committee were advised that there were several aspects available including banksman training, cameras and reversing aids for vehicles. The Chairperson requested that all staff receive a toolbox talk relating to reversing vehicles and also requested that the equipment installed be tested to ensure that it worked appropriately.

Councillor Copland sought clarification relating to drivers who may have medical conditions, following the incident in Glasgow, wherein the Head of Human Resources and Customer Service advised that a report would be submitted to the next meeting to present the findings from the Investigation Report following the Glasgow Bin Lorry Incident and any remedial actions put in place within Aberdeen City Council based on the findings from the incident report.

The Committee resolved:-

- (i) in relation to a question regarding all trades receiving guidance on weight limits for loading vans, the Fleet Services manager advised that the new vans were supplied with an onboard weighing system that would allow the van unladen to be weighed and equipment which would then be used as a guide for other vans of a similar nature;
- (ii) in relation to comments regarding accidents whilst reversing vehicles, to request that employees receive toolbox talks to empathise the importance of safety whilst reversing;
- (iii) in relation to comments regarding reversing vehicles, to request the Service to provide a report to the next meeting advising on remedial actions taken to address the high number of accidents in this area specifically relating to the equipment used and driver assessments;
- (iv) to note that a report would be submitted to the next meeting of the Committee to present the findings from the Investigation Report following the Glasgow Bin Lorry Incident and any remedial actions put in place within Aberdeen City Council based on the findings from the incident report; and
- (v) to otherwise approve the recommendation contained in the report.

DE-ESCALATION TRAINING INFORMATION

7. With reference to article 3, resolution (ii), the Committee had before it a paper prepared by the Education and Children's Service which (1) provided details of the intervention framework to meet the needs of learners and to promote positive behaviour in schools; (2) advised that a varied programme of training was offered to all schools to support the framework and was outlined as stages 1 to 3, with stage 4 being for specific needs of individuals or groups of pupils; (3) stated that an annual staff Continuing Professional Development audit was undertaken where each Head Teacher was asked to identify the key training requirements for various staff groups within their establishment; (4) advised that in 2014/15, 16 schools requested support in general

behaviour management categorised as stages 1 and 2 with 8 schools requesting support for stages 3 and 4 and that in 2015/16, 5 schools requested general behaviour management with 4 schools requesting support for stages 3 and 4; (5) highlighted that during 2015/16, 62 people attended the Supporting Positive Behaviour course and 51 attended the Restorative Practice course; (6) explained that stages 3 and 4 training were delivered via Crisis and Aggression Limitation and Management (CALM) training and was split into two modules, one based around the theory of de-escalation techniques and the other for the practical skills of physical restraint; and (7) advised that in 2014, 19 employees attended module 1 of the CALM training and a further 3 had signed up to attend the course in May 2016 and 36 employees had been trained in Physical Intervention techniques since 2014.

Concerns were raised regarding the low number of staff that had attended any training in this area especially with the high number of incidents relating to violence against staff. The Service advised that the training was identified as part of the annual audit carried out at all schools.

The Committee resolved:-

- (i) in relation to the number of staff who had attended de-escalation training, to note that each school completed an annual audit which identified the training needs for staff;
- (ii) to note that schools had been focusing on assisting staff with dealing with children with additional support needs including improving communication; and
- (iii) to otherwise note the content of the report.

HEALTH AND SAFETY DELEGATION AND ASSURANCE - CG/16/067

8. The Committee had before it a report by the Interim Director of Corporate Governance which presented information relating to the development of a toolkit which would detail a scheme of delegation that would enable explicit understanding of which health and safety duties had been delegated, how the responsibility would be discharged and how assurance would be provided to senior management.

The report recommended:

that the Committee approve the development of a toolkit to improve health and safety assurance within the Organisation.

The Committee resolved:-

to approve the recommendation contained in the report.

CORPORATE HEALTH AND SAFETY REPORT JANUARY TO MARCH 2016

9. With reference to article 6 of the minute of its previous meeting of 19 February 2016, the Committee had before it a report by the Interim Director of Corporate Governance which presented details of the number and types of accidents, incidents and occurrences during January to March 2016.

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

Incidents, Near Misses and Accident Rates

- 145 employee incidents were reported of which 5 were reportable to the enforcing authority
- 136 third party incidents were reported of which 7 were reportable to the enforcing authority
- 32 of the third party incidents related to slips, trips and falls
- 28 of the third party incidents related to school pupils taking part in sporting activities
- the reportable incident rate was 0.60 per 1000 employees which was a decrease from the previous quarter (1.20) and a decrease from the same quarter in 2015 (0.91)
- 211 near misses were reported with the highest attributed to violence against school staff (87)

Health and Safety Training and Cancellations

- 397 employees attended health and safety training
- 327 e-learning health and safety courses had been completed
- there were 36 late cancellations or no shows which resulted in £3024 being back charged to services for externally provided courses
- there had been 133 feedback responses received (64%)

Fire Risk Assessment

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

Health and Safety Audits

- there had been 17 compliance visits carried out on the topics of fuel storage and manual handling

Health, Safety and Wellbeing Events

- a list of events offered to employees was appended to the report
- the events included discounted alternative therapy sessions, employee health checks, sleep therapy pilot sessions, smoking cessation advice and online information

The report recommended:

That the Committee refer the report to Corporate Management Team

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

Councillor Finlayson raised concerns regarding the increasing number of incidents recorded under violence against staff, wherein the Health, Safety and Wellbeing Manager advised that the increase in the figures were a combination of recent incidents and an increased awareness to report all incidents.

Councillor Finlayson sought clarification regarding the number of negative findings from Fire Risk Assessments, wherein the Health, Safety and Wellbeing Manager advised that for future reports the information would be based on the percentage of compliance rather than a list of findings.

Councillor Finlayson sought clarification regarding the management of contractors, wherein the Health, Safety and Wellbeing Manager advised that there was a system in place for monitoring the work of contractors and that the findings reported were based on a sample where there was some evidence that practices required to be improved.

The Committee resolved:-

- (i) in response to a question from Councillor Finlayson regarding the number of negative findings from Fire Risk Assessments, to note that for future reports the information would be based on the percentage of compliance rather than a list of findings;
- (ii) in response to a question from Councillor Finlayson regarding the management of contractors, to note that there was a system in place for monitoring the work of contractors and that the findings reported were based on a sample, and to note that the Health, Safety and Wellbeing Manager would provide further information relating to the management of contractors outwith the meeting; and
- (iii) to otherwise approve the recommendations contained in the report.

OCCUPATIONAL HEALTH REPORT - JANUARY TO MARCH 2016

10. With reference to article 7 of the minute of its previous meeting of 19 February 2016, the Committee had before it a report prepared by OH Assist, the Council's Occupational Health provider which presented the utilisation statistics for the period 1 January to 31 March 2016.

The report provided the following statistics:

- 152 referrals had been received
- 64 referrals were received from the Education Service, 30 from the Communities and Housing Service and 29 from the Public Infrastructure and Environment Service
- 56 of the referrals related to Mental Health and Behavioural Disorders
- there were 25 short notice cancellations, with 13 of those where employees did not attend
- 584 employees attended health screening, 196 males and 388 females
- Of the total, 91 were referred to their GP

Comments were made regarding the format of the report and that not all of the information was necessary for the Committee's purposes.

Mrs Robertson, Unison sought clarification relating to the number of short notice cancellations and how this was managed, wherein the Health, Safety and Wellbeing Manager advised that the information is passed back to the directorates and from 1 April 2016, Services would be back charged for non- attendance/short cancellations.

The Committee resolved:-

- (i) to note that the format of the report would be amended for the next meeting; and
- (ii) to otherwise note the content of the report.

EMPLOYEE ASSISTANCE SUPPORT PROGRAMME - JANUARY TO MARCH 2016

11. With reference to article 8 of the minute of its previous meeting of 19 February 2016, the Committee had before it a report prepared by Time for Talking which presented the utilisation statistics of the Employee Assistance Programme for the period 1 January to 31 March 2016.

The report provided the following statistics:

- 36 referral had been received
- the highest number of referrals came from the Education and Children's Services Directorate (18)
- 21 referrals were related to personal issues and 15 were related to work issues
- there were 25 face to face consultations
- there were 5 telephone consultations

The Committee resolved:-

- (i) to note that the format of the report would be amended for the next meeting; and
- (ii) to otherwise note the content of the report.

ANNUAL CORPORATE HEALTH AND SAFETY REPORT - APRIL 15 TO MARCH 16

12. The Committee had before it a report by the Interim Director of Corporate Governance which summarised the health and safety activities for the Council for the period 1 April 2015 to 31 March 2016 including annual statistical performance information.

The report provided the following statistical information:

Accidents, Near Mises and Accident Rates

- 429 accidents to employees were reported of which 28 were reportable to the enforcing authority
- 498 accidents to third parties were reported of which 11 were reportable to the enforcing authority
- 208 physical assaults on employees was reported which was an increase of 533% from the previous reporting year
- slips, trips and falls had reduced by 24% from the previous reporting year
- the accident rate per 1000 employees was 3.29
- 565 near miss incidents were reported
- 184 of those incidents related to violence against staff

Enforcement Interventions (HSE)

- there were four occasions where the HSE contacted the health and safety team resulting in an internal investigation and remedial actions being implemented

Health and Safety Training

- 683 employees attended health and safety training

Fire Risk Assessment/Audits

- 124 fire risk assessments had been carried out in various premises across the organisation

- 25 topic based health and safety audits had been carried out

RoSPA Gold Award

- the Council were awarded the Royal Society for the Prevention of Accidents (RoSPA) Gold Medal Award in recognition of the efforts, achievements and commitment to raising the standards of health and safety management within the organisation.

The report recommended:

That the Committee –

- (a) to approve the report;
- (b) to approve the publication of a summarised report on the Council's website;
- (c) to support the actions to reduce accidents and work related ill health in line with health and safety targets; and
- (d) to disseminate and take action on the health and safety information contained in the report.

Councillor Finlayson raised his concerns regarding the increase in the number of assaults to employees and asked what was being done to remedy the issues, wherein the Health, Safety and Wellbeing Manager advised that there was a higher awareness across the organisation to report all incidents and that the majority of incidents involved school pupils.

Trade Unions raised concerns regarding the lack of sharing of information relating to specific properties, and the safety aspect for employees entering properties where there may be potential problems, wherein the Directorate Support Manager for Communities, Housing and Infrastructure advised that work was underway to identify a system to enable data sharing amongst employees and that a report would be submitted to the next meeting providing an update on the matter.

The Committee resolved:-

- (i) in response to a question from Councillor Finlayson regarding the increase in the number of assaults to employees and what was being done to remedy the issues, to note that there was a higher awareness across the organisation to report all incidents and that the majority of incidents involved school pupils;
- (ii) in response to questions raised from the Trade Unions regarding the lack of sharing of information relating to specific properties, and the safety aspect for employees, to note that work was underway to identify a system to enable data sharing amongst employees and that a report would be submitted to the next meeting providing an update on the matter; and
- (iii) to otherwise approve the recommendations contained in the report.

OCCUPATIONAL HEALTH REPORT - AUGUST 2015 TO MARCH 2016

13. The Committee had before it a report by OH Assist, the Council's Occupational Health provider which presented the utilisation statistics for the period 1 August 2015 to 31 March 2016.

The report provided the following statistics:

- 867 referrals had been received
- 211 of the referrals were for pre-employment Occupational Health assessments

- 399 of the referrals were Occupational Health management referrals for employees at work with health issues or those absent from work
- Mental health and behavioural disorders was the highest reason for referral (31%)
- 17 referrals were for Ill Health Retirement
- 13 referrals were for Driving Medical assessments
- 109 referrals were for audiometry assessments
- 50 referrals were for respiratory assessments
- there were 124 physiotherapy assessments
- there were 56 short notice cancellations

The Committee resolved:-

to note the content of the report.

ANNUAL EMPLOYEE ASSISTANCE SUPPORT PROGRAMME - APRIL 15 TO MARCH 16

14. The Committee had before it a report by Time for Talking which presented the annual utilisation statistics of the Employee Assistance Programme for the period 1 April 2015 to 31 March 2016.

The report provided the following statistics:

- 114 referrals had been received
- 56 of those referrals came from the Education and Children's Services directorate
- 29 of those referrals came from the Communities, Housing and Infrastructure directorate
- 69 related to personal issues
- 45 related to work related issues
- there were 80 face to face counselling sessions
- there were 17 telephone counselling sessions

The Committee resolved:-

to note the content of the report.

DATE OF NEXT MEETING - FRIDAY 26 AUGUST 2016

15. The Committee noted that the next meeting was scheduled for Friday 26 August 2016 at 10am.

- **MIKE MIDDLETON, Chairperson.**

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 September 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 Review, discuss and comment on the issues raised within this report and the attached appendices,
- 2.1.2 Agree to the sharing of Aberdeen City Council Adult Social Work Internal Audit reports with the Aberdeen City Integration Joint Board Audit and Performance Systems Committee for their information, and
- 2.1.3 Agree to receiving Aberdeen City Integration Joint Board Internal Audit reports for information.

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. 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. Updates shown in the attached appendix that are in italics are those that have been reported to Committee previously.

Planned Audit Status	As at 14 September 2016 by Original Target Committee Date					%age
	29.09.15	26.11.15	25.02.16	28.04.16	Total	
Complete	7	7	5	2	21	65.6
Draft Report Issued	0	0	2	1	3	9.4
Work in Progress	0	0	0	0	0	0.0
(*) Cancelled	1	1	3	3	8	25.0
Total	8	8	10	6	32	100.0

(*) As agreed at the Audit, Risk and Scrutiny Committee on 9 March and 28 April 2016, these audit were either moved to the 2016/17 plan or cancelled.

- 4.2 The Internal Audit plan for 2015/16 had a contingency for additional works and investigations. All additional work has now been completed with the final report being presented to the Audit, Risk and Scrutiny Committee on 27 September 2016.
- 4.3 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.
- 4.4 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 14 September 2016 by Original Target Committee Date						%age
	Jun 16	Sep 16	Nov 16	Feb 17	Jun 17	Total	
Complete	3	4	0	0	0	7	25.9
Draft Report Issued	2	0	1	0	0	3	11.1
Work in Progress	0	0	4	0	0	4	14.8
To Start	0	1	0	7	5	13	48.2
Total	5	5	5	7	5	27	100.0

5. ABERDEEN CITY INTEGRATION JOINT BOARD INTERNAL AUDIT

- 5.1 In February 2016, the Audit, Risk and Scrutiny Committee approved the Internal Audit plan for 2016/17. The plan included work that would be undertaken in respect of the Aberdeen City Integration Joint Board as detailed in Appendix B to this report.
- 5.2 On 11 August 2016, the Aberdeen City Integration Joint Board Audit and Performance Systems Committee (A&PS Committee) approved the Internal Audit plan in respect of the IJB. This comprised the two audits detailed in Appendix B under Integration Joint Board.

- 5.3 The A&PS Committee also agreed a protocol for sharing Internal Audit outputs. Internal Audit outputs included the IJB Internal Audit plan will be reported to the A&PS Committee in the first instance and then to the Aberdeen City Council Audit, Risk and Scrutiny Committee and the NHS Grampian Audit Committee for information. It is planned that audits of Adult Social Work in Aberdeen City Council and relevant areas in NHS Grampian will be reported to the respective audit committees and thereafter to the A&PS Committee for information. In this respect, approval from the Audit, Risk and Scrutiny Committee is sought.

6. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
David.Hughes@aberdeenshire.gov.uk
(01224) 664184

APPENDIX A

PROGRESS WITH 2015/16 INTERNAL AUDIT PLAN REVIEWS NOT PREVIOUSLY REPORTED TO COMMITTEE

Note – where updates have been seen by Committee previously these are shown in *italics*

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE

Finance

Bank Reconciliations	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	<i>Draft report due to be issued</i>	<i>08.04.16</i>	<i>Amber</i>	Delays in Internal Audit caused by Auditor leaving the Council and clearing other Internal Audit reports. Internal Audit is currently awaiting a meeting with the Service to discuss processes and the draft report.
		<i>Draft report issued</i>	<i>18.04.16</i>		
		<i>Management response due</i>	<i>09.05.16</i>	<i>Amber</i>	
		<i>Management response received</i>	<i>11.05.16</i>		
		Meeting held to discuss Further information provided by Finance	18.08.16 25.08.16	Red	
		Final draft report issued	N/A	Amber	
		Original target Committee date Anticipated submission to Committee	25.02.16 24.11.16	Amber	
Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Draft report issued	30.08.16	Amber	See below:
		Management response due	20.09.16	N/A	
		Original target Committee date	28.04.16	Amber	
		Anticipated submission to Committee	27.09.16		
		Revised to	24.11.16		
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. Provision of information requested from Finance to allow completion of testing was delayed. As a result, completion of the draft report for discussion was delayed.					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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EDUCATION AND CHILDREN'S SERVICES

Family and Community Support – Family Centres	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	<i>Draft report due to be issued</i>	11.03.16	Green	<i>Delays in Internal Audit caused by additional work undertaken and resource issues.</i>
		<i>Draft report issued</i>	10.03.16		
		<i>Management response due</i>	11.04.16	Green	<i>Further discussion with Head of Service required</i>
		<i>Management response received</i>	11.04.16		
		<i>Final draft report issued</i>	11.05.16	Red	<i>Agreed with Service Manager. Awaiting confirmation from Head of Service.</i>
		Reminders sent	08.06.16 22.06.16 06.07.16		
		Final management response received	06.07.16		
		Final report issued	08.07.16	Green	
		Original target Committee date	25.02.16	Amber	
		Actual submission to Committee	27.09.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	<i>Draft report due to be issued</i>	<i>04.03.16</i>	<i>Amber</i>	<i>Audit delayed at request of Service due to external inspection</i>
		<i>Draft report issued</i>	<i>23.03.16</i>		
		<i>Management response due</i>	<i>13.04.16</i>	<i>Green</i>	<i>Agreed with Service, however, due to the current workload within Finance and specific project work the Head of Finance has been unable to review and sign off the report</i>
		<i>Management response received</i>	<i>13.04.16</i>		
		<i>Updated draft report issued</i>	<i>14.04.16</i>	<i>Green</i>	
		Specific comments from Finance received	17.08.16 and 25.08.16	Red	
		Updated draft report issued	02.09.16	Green	
		Final response received	N/A		
		Final report issued	N/A	N/A	
		Original target Committee date	25.02.16		
		Anticipated submission to Committee	27.09.16	Amber	
		Revised to	24.11.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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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.		
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Building Services Recharges	To evaluate controls in place to ensure costs (materials and labour) charged to jobs are accurate.	Draft report issued	30.05.16	Amber	<i>Delays in Internal Audit and prioritising other works.</i>
		Management response due	13.06.16		
		Initial response received	04.06.16	Green	<i>Awaiting action plan relating to specific recommendations.</i>
		Final response received	22.06.16	Amber	
		Final report issued	22.06.16	Green	
		Original target Committee date	27.09.16	Green	
		Actual submission to Committee	27.09.16		

APPENDIX B

PROGRESS WITH 2016/17 INTERNAL AUDIT PLAN REVIEWS NOT PREVIOUSLY REPORTED TO COMMITTEE

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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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.	Original target Committee date	23.02.17	Green	Not yet commenced
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ALEOs	Consider how Services manage their ALEOs including payments and performance.	Original target Committee date	23.02.17	Green	Not yet commenced
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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.	Original target Committee date	27.09.16	Green	Not yet commenced.
		Changed to	23.02.17		
The 2015/16 review of this area was concluded in June 2016 so Internal Audit considers that it would be beneficial to delay this review, with reporting to Committee in February 2017.					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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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.	Original target Committee date	23.02.17	Green	Not yet commenced
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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	18.05.16	Amber	<i>Allocated auditor, having commenced audit, absent due to illness.</i>
		Draft report issued	23.06.16		
		Management response due	21.07.16	Amber	Delayed due to annual leave in Finance
		Reminder sent	15.08.16		
		Management response received	25.08.16	Green	
		Updated draft report issued	31.08.16		
		Final response received	N/A	N/A	
		Final report issued	N/A		
		Original target Committee date	27.06.16	Amber	
		Anticipated submission to Committee	27.09.16		
		Revised to	24.11.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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CROSS SERVICE (continued)

Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	<i>Draft report due to be issued</i>	18.05.16	Green	<i>Key Service contact was unavailable due to annual leave.</i>
		Changed to Draft report issued	02.08.16 02.08.16		
		Management response due	26.08.16	Green	Discussions on-going
		Management response received	24.08.16		
		Updated draft report issued	01.09.16	Green	
		Final report issued	06.09.16	Green	
		Original target Committee Date	27.06.16	Amber	
		Anticipated submission to Committee	27.09.16		

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.	Draft report due to be issued	02.08.16	Green	
		Draft report issued	02.08.16		
		Management response due	26.08.16	Green	
		Management response received	23.08.16		
		Final report issued	25.08.16	Green	
		Original target Committee date	27.09.16	Green	
		Actual submission to Committee	27.09.16		
Budget Setting Process	Review procedures used in setting the Council's budget.	Draft report due to be issued	03.10.16	Green	
		Draft report issued	N/A		
		Original target Committee date	24.11.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

Treasury Management	Consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.	Original target Committee date	23.02.17	Green	Not yet commenced
Business Rates	Consider whether billing and collection arrangements are robust and adequately applied.	Draft report due to be issued	29.09.16	Green	
		Draft report issued	N/A		
		Management response due	N/A	N/A	
		Management response received	N/A	N/A	
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.	Final report issued	N/A	N/A	
		Original target Committee date	24.11.16	N/A	
		Draft report due to be issued	29.09.16	Green	
		Draft report issued	N/A		
Scottish Welfare Fund	Consider whether administration arrangements are robust and being complied with.	Management response due	N/A	N/A	
		Management response received	N/A	N/A	
		Final report issued	N/A	N/A	
		Original target Committee date	24.11.16	N/A	
		Draft report due to be issued	12.07.16	Green	
		Draft report issued	08.07.16		
		Management response due	05.08.16	Green	
		Management response received	01.08.16		
		Final report issued	02.08.16	Green	
		Original target Committee date	27.09.16	Green	
		Actual submission to Committee	27.09.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

Benefits	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Original target Committee date	22.06.17	Green	Not yet commenced
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.	Original target Committee date	22.06.17	Green	Not yet commenced
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.	Draft report due to be issued	23.09.16	Green	
		Draft report issued	N/A		
		Management response due	N/A	N/A	
		Management response received	N/A	N/A	
		Final report issued	N/A	N/A	
		Original target Committee date	24.11.16	N/A	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

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.	Draft report due to be issued	02.08.16	Green	
		Draft report issued	02.08.16		
		Management response due	26.08.16	Green	
		Management response received	26.08.16		
		Final report issued	29.08.16	Green	
		Original target Committee date	27.09.16	Green	
		Actual 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.	Original target Committee date	22.06.17	Green	Not yet commenced
Primary School Visits	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Original target Committee date	23.02.17	Green	Not yet commenced
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.	Original target Committee date	22.06.17	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE

Building Services Procurement	Consider whether adequate control is in place regarding procurement of materials.	Draft report due to be issued	18.05.16	Amber	<i>Key C&PS contact was unavailable.</i>
		Draft report issued	15.06.16		
		Management response due	29.06.16	Green	
		Management response received	29.06.16		
		Updated draft report issued	08.08.16	Amber	Annual leave of staff involved delayed required further discussion.
		Management responses received	12.08.16 and 25.08.16		
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.	Final report issued	29.08.16	Green	
		Original target Committee date	27.06.16	Amber	
		Actual submission to Committee	27.09.16		
		Draft report due to be issued	18.05.16	Green	
		Draft report issued	12.05.16		
		Management response due	26.05.16	Green	<i>Further discussions required with HR re Terms and Conditions.</i>
		Management response received	20.05.16		
		Final management responses received	15.06.16	Green	
		Final report issued	21.06.16	Green	
		Original target Committee Date	27.06.16	Amber	
		Actual submission to Committee	27.09.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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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.	Original target Committee Date	23.02.17	Green	Not yet commenced
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Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee Date	22.06.17	Green	Not yet commenced
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Roads Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours.	Draft report due to be issued	29.06.16	Green	
		Draft report issued	29.06.16		
		Management response due	27.07.16	Amber	
		Management response received	01.08.16		
		Updated draft report issued	02.08.16	Green	
		Final response received	01.08.16		
		Final report issued	25.08.16	Green	Further discussion required before report finalised
		Original target Committee Date	27.09.16	Green	
		Actual submission to Committee	27.09.16		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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ADULT SOCIAL WORK

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 Draft report issued	18.05.16 02.06.16	Amber	<i>Delays in Internal Audit through prioritising other work.</i>
		Management response due Management response received	30.06.16 05.08.16	Red	
		Updated draft issued Final response received	10.08.16 N/A	Amber	
		Final report issued	N/A	N/A	
		Original target Committee date Anticipated submission to Committee Revised to	27.06.16 27.09.16 24.11.16	Amber	

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.	Draft report due to be issued Draft report issued	26.08.16 24.08.16	Green	
		Management response due Management response received	21.09.16 N/A	N/A	
		Final report issued	N/A	N/A	
		Original target Committee Date	24.11.16	N/A	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 14 September 2016	Red Amber Green	Comment where applicable
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INTEGRATION JOINT BOARD

The following audits are now included in the Internal Audit plan for the Aberdeen City IJB and will be reported to the IJB Audit and Performance Systems Committee before being reported to the Audit, Risk and Scrutiny Committee for information.

Health and Social Care Partnership	Post Integration review of Health and Social Care Intervention as required by Integration Resource Advisory Group (IRAG) Guidance.	Original target Committee Date	23.02.17	Green	Not yet commenced
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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		N/A	N/A
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External Audit Progress Update – 2015/16 Audit

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

Purpose of this report

1. This report aims to provide a final update of progress with the external audit of the 2015/16 financial year. 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

Progress of 2015/16 audit work – planned audit outputs

3. 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	Considered by Audit, Risk and Scrutiny Committee on 9 March 2016 with an update on 28 April 2016
Interim report on 2015/16 audit – covers internal controls and ALEOs	27 June 2016	27 June 2016	Yes	Included in agenda papers for committee meeting on 27 June 2016. The action plan was agreed in principle with the intention that the actions would be discussed at the next round of governance hub meetings.

Planned outputs	Target date for ARSC	Actual date	Complete	Comments
				This duly happened in August and updated responses have been provided to the action plan. These will be included in the outstanding recommendations report for members' information.
Managing Capital Projects – follow up activity	27 September 2016	27 September 2016	Yes	To be included in agenda papers for committee meeting on 27 September 2016
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	27 September 2016	27 September 2016	Yes	To be included in agenda papers for committee meeting on 27 September 2016
Independent auditor's report on the financial statements	27 September 2016	27 September 2016	Yes	To be included in agenda papers for committee meeting on 27 September 2016
Audit opinion on charitable trusts	27 September 2016	27 September 2016	Yes	To be included in agenda papers for committee meeting on 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				
<p>Audit opinion on Whole of Government Accounts (WGA)</p> <p>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.</p> <p>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.</p>	30 September 2016			Target date expected to be met
Performance Audit				
Workforce planning – follow up of Audit Scotland's national performance audit report <i>Scotland's Public Sector Workforce</i> , published in November 2013.	30 June 2016	30 June 2016	Yes	Reference included in our Interim Report which was considered by Audit, Risk and Scrutiny Committee on 27 June 2016.

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

Acknowledgements

8. This is my final progress update for the committee as the term of our audit appointment is now coming to an end. I have enjoyed my time leading the external audit team and working with the committee over the past 5 years. I would like to express my thanks to members of the committee and I wish you well for the future.

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

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NOT FOR PUBLICATION

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	27 September 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Information Governance Management and Reporting Arrangements
REPORT NUMBER	CG/16/109
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To seek Committee approval of the proposed Council's information governance management and reporting arrangements.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- i) Note the information contained in this report, and;
- ii) Approve the proposed changes for oversight and reporting of information governance.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

4. OTHER IMPLICATIONS

None.

5. BACKGROUND/MAIN ISSUES

The Council is reviewing and redefining its arrangements for Information Governance Management and Reporting as part of its wider Governance Review.

The Council's information is a critical asset, underpinning service delivery, used by all staff, and affecting all customers and their experience of the Council. This means that getting our information governance arrangements right is fundamental to the Council's ability to effectively use information to transform and modernise the way we do business.

Understanding the nature of the risks to the Council from failure to govern our information properly is critical. The impact can be very serious, and in some cases may place the individuals we serve at risk of harm. Protecting our information appropriately is crucial (the Council block over 300,000 cyber threats every month) but this is only one aspect of governing our information properly: making sure that our information is joined up and integrated where it needs to be, shared when it should be, kept for the right amount of time, and is open and transparent whenever it can be, are all essential components of good information governance practice.

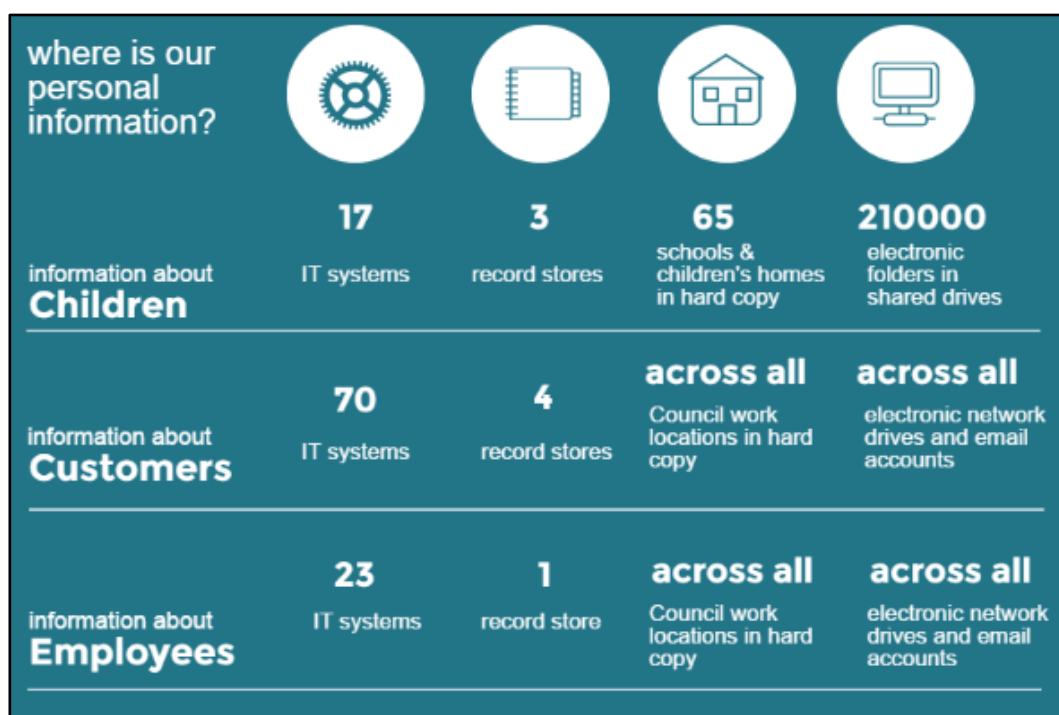
Failure to govern our information properly may also result in reputational damage and in financial penalties: the maximum fine for breaches of Data Protection is currently £500,000, but this is set to rise when the new General Data Protection Regulation comes into force in 2018.

The Council needs to be able to evidence robust information governance arrangements to comply with our statutory and legislative responsibilities, which include: in the Data Protection Act 1998, Freedom of Information (Scotland) Act 2002, Environmental Information (Scotland) Regulations 2004, Re-use of Public Sector Information Regulations 2015, Public Records (Scotland) Act 2011, the Computer Misuse Act (1990), the Copyright, Designs and Patents Act (1988), the Human Rights Act (1998), the Regulation of Investigatory Powers (Scotland) Act 2000; Public Sector Network (PSN) Compliance, PCI (Payment Card Industry) Compliance.

These compliance areas are interdependent rather than standalone, because the Council's ability to comply with one set of legislative requirements is dependent on being able to evidence good practice across a range of information governance areas. This is in the context of the Council's large and complex information landscape, which consists of:

- 400 applications
- 11 million electronic files
- 9km of hardcopy files
- 19,000 Access databases
- 500 servers
- 3,000 laptops

Within this context, the council holds its most high value and high risk personal information about our children, customers and employees across a wide range of systems and locations:



To meet our statutory obligations within this context, and to make the best use of our resources, we need a Council-wide, joined-up approach to information governance.

The following details a proposal that will deliver a single point of oversight which will provide strategy and leadership, and allow for joined-up, targeted initiatives to improve performance. With an overview of performance across the information governance landscape, meaningful reporting can be delivered to the correct audience among senior management, who can in turn support the teams responsible for compliance.

Information Governance Arrangements

Scope

These arrangements bring together the following assurance areas:

- Data Protection
- Freedom of Information & Environmental Information
- Information Security
- Information and Data Management
- Open Data and Information Re-use

Approach

The Council's Information Governance approach (**Appendix 2**) is focussed on three key areas:

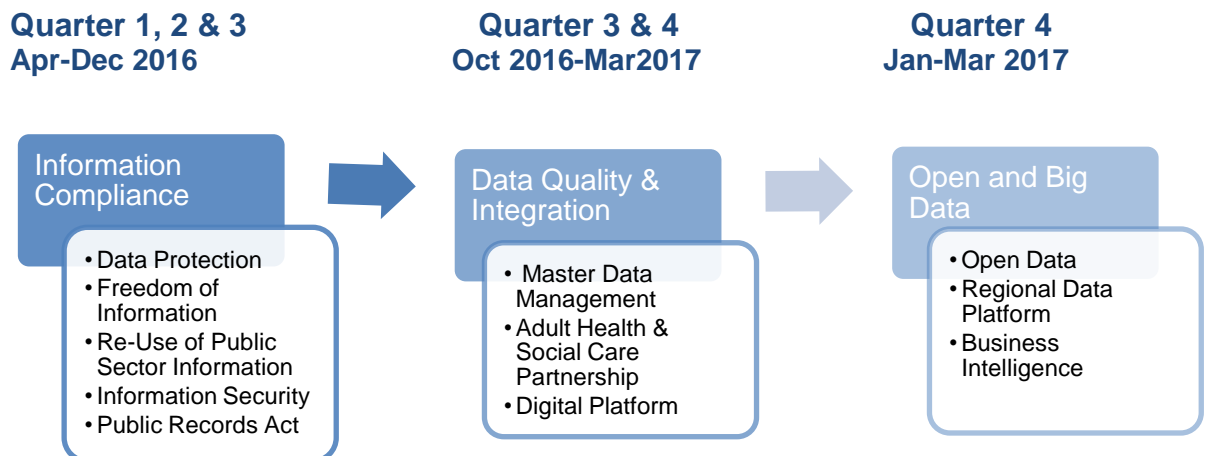
- Systems and Processes
- People and Behaviour
- Adapting and Learning

For each of these areas, the Information Governance Group will monitor the effectiveness of the controls, measures and activities in place, so the Council is able to:

- evidence policy, procedure and system effectiveness
- identify policy, procedure, system and capability gaps and address them
- chart progress on information governance improvement programme
- monitor and manage training effectiveness and completion
- act quickly and appropriately to breaches, incidents, issues or complaints and to make any required remedial change
- respond appropriately to relevant legislative or business change

The Group's focus will be:

1. Ensuring compliance with information legislation
2. Improving data quality and integration through master data management
3. Transformation through open and big data



For each of the priority areas, and in line with its defined approach, the Information Governance Group will:

- Conduct a review of the systems and processes in place to make sure that they are up to date and fit for purpose, and that the right measures are in place to evidence their effectiveness.
- Conduct a review of the training, awareness and engagement activities in place to make sure that they are up to date and fit for purpose, and

that the right measures are in place to monitor their uptake and effectiveness.

- Conduct a review of the way we respond to incidents, breaches, issues, complaints and changes in legislation to make sure that we are taking the right action and can evidence that we are learning and adapting where we need to.

Where issues and gaps are identified the Information Governance Group will agree an information governance improvement programme outlining:

- What action needs to be taken
- Who will be responsible for completing the action
- What other stakeholders will be involved in completing the action
- When it will be completed

After each priority area has been subject to review by the Information Governance Group, it will be subject to monitoring on an ongoing basis, to ensure that the measures we have in place continue to be up to date, appropriate and effective.

The information governance improvement programme will be monitored against the Council's Information Risk Register, to measure and manage the impact of the programme in control and mitigation of the Council's information risks.

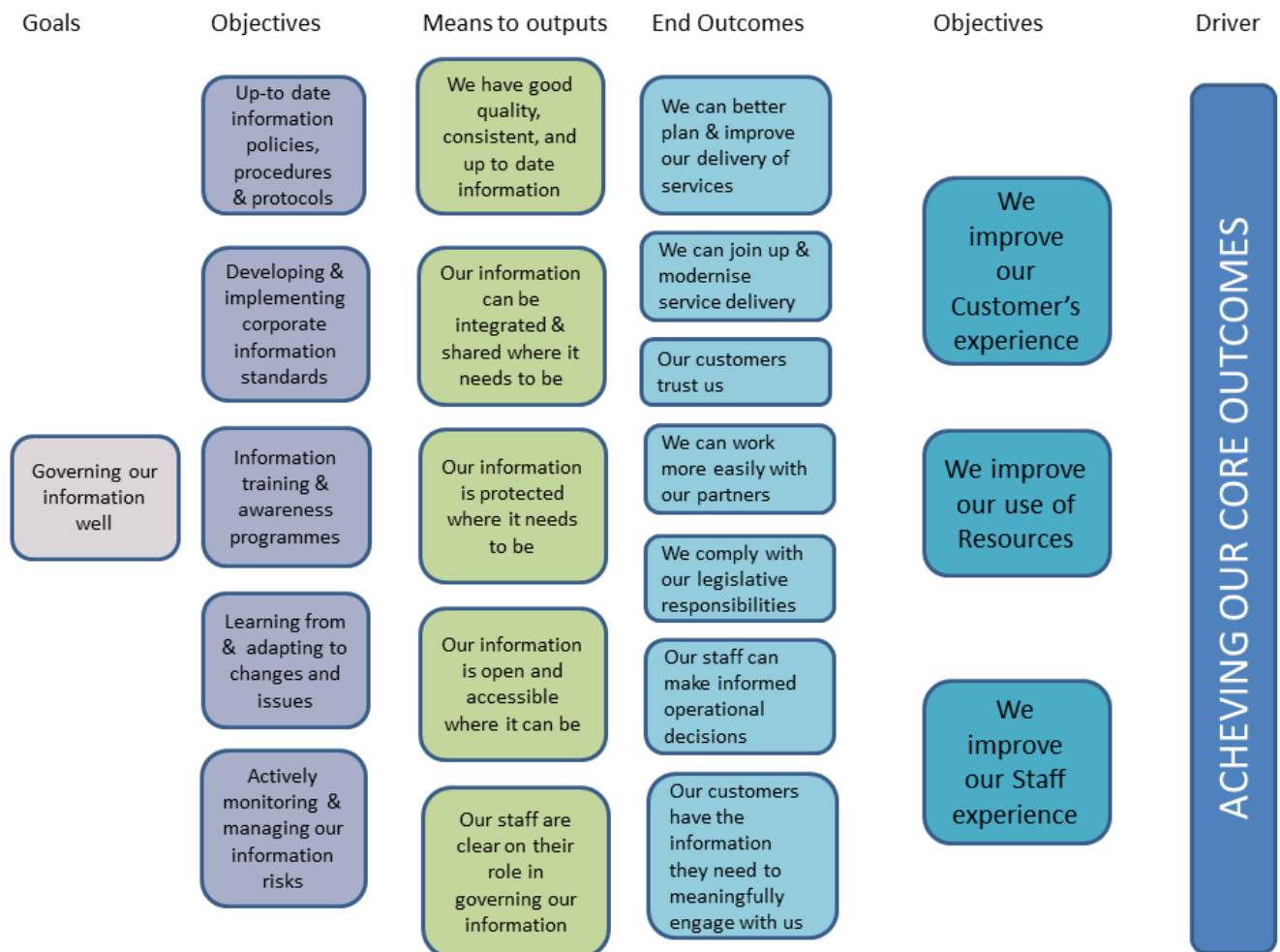
Governance

The Information Governance Group will drive the Council's information governance agenda. The Group is chaired by the Council's Senior Information Risk Owner (SIRO), a role undertaken by the Head of IT & Transformation. The Group includes representatives from across the Council, as well as from each assurance area within scope (see **Appendix 3: Terms of Reference for the Information Governance Group**).

Reporting

Each assurance area will report through the Corporate Performance Dashboard. The Information Governance Group will manage and monitor the effectiveness of the Council's Information Governance Framework, and will report quarterly to the CMT (beginning Sept. 2016, see **Appendix 1**). The SIRO will also report annually to the Council's Audit, Risk & Scrutiny Committee. It is proposed that these reporting arrangements will replace the current quarterly Data Protection reporting to Committee.

6. IMPACT



An Equality and Human Rights Impact Assessment and Privacy Impact Assessment has been undertaken.

7. MANAGEMENT OF RISK

The Information Governance Group and Framework exist to manage and mitigate the Council's information risks. Compliance will be reported to CMT quarterly and Audit, Risk and Scrutiny Committee on an annual basis.

8. BACKGROUND PAPERS

Information Management Strategy
 Information Security Policy
 ICT Acceptable Use Policy
 Freedom of Information Policy
 Data Protection Policy
 Information Lifecycle Management Policy & related policy suite
 Records Management Plan

9. REPORT AUTHOR DETAILS
Caroline Anderson
IT & Transformation
canderson@aberdeencity.gov.uk
01224 522521

Appendix 1: Information Governance Report Template

See Overleaf

Information Governance Management

Quarterly Performance Report

Information Governance Group



Q1 2016/7

Executive Summary: Information Governance Improvement Programme

Improvement		Action	Date	Owner	R/A/G status	Commentary
Systems & Processes	Review systems and processes					
People & Behaviour	Review training, awareness and engagement activities					
Adapting & Learning	Review response to incidents, breaches, issues, complaints and changes in legislation					

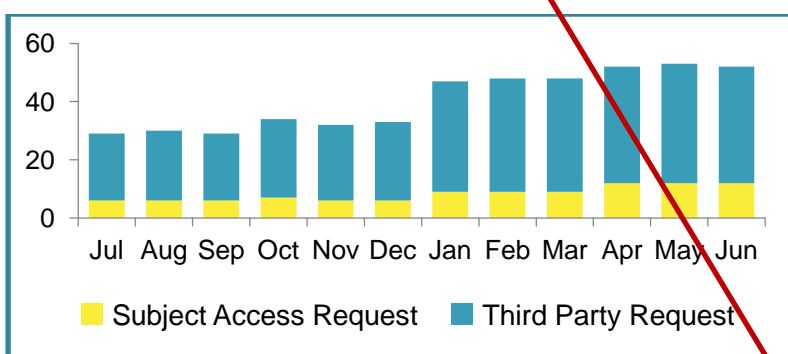
Data Protection Act 1998

Data Protection Requests

Quarterly number of requests received

Type of Request	This Quarter	Last Quarter
Subject Access Requests	36	27
Third Party Requests	121	116

Number of requests received over the last 12 months



Requests received by Directorate

Type of Request	Subject Access Request	Third Party Request	TOTAL
Aberdeen City Health and Social Care Partnership	21	45	66
Communities, Housing & Infrastructure	4	72	76
Corporate Governance	4	0	4
Educations & Children's Services	7	4	11
Office of the Chief Executive	0	0	0

Data Protection Act 1998

The Data Protection Act 1998 (DPA) regulates the Council's role, rights and responsibilities in the use, management and protection of our customers' (staff and the public) personal data.

Subject Access Requests

Anyone who we hold personal information about can ask us for a copy of it.

Third Party Requests

Other organisations (for example, Police Scotland, or the Care Inspectorate) can also request a customer's personal data under certain circumstances.

Commentary on number of requests received

The number of third party requests is up slightly since last quarter's large increase. As before the bulk of third party requests are Police requests to CH&I and government agency requests to Social Work.

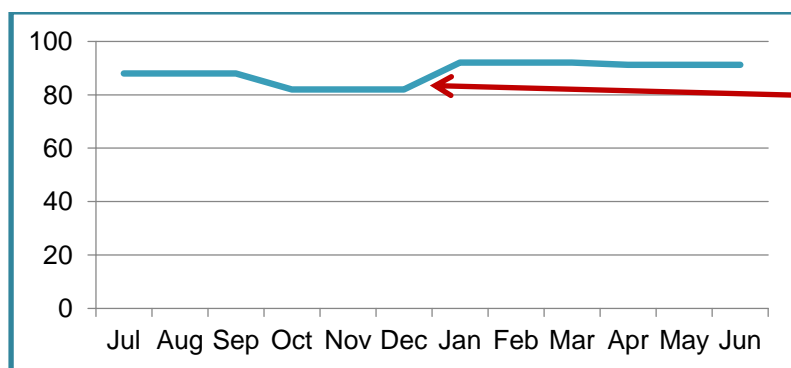
Information Governance – Quarterly Performance Report
Quarterly compliance with timescales

Type of Request	This Quarter	Last Quarter
Subject Access Requests	91.24%	93%

Timescales for responding

The Council must provide the personal information requested within 40 calendar days.

Compliance with timescales over the last 12 months



Commentary on compliance

Compliance dip from Oct-Jan due to increase in volume of requests received by Education & Children's Services, who have reviewed their processes for handling requests to improve response times.

Compliance with timescales by Directorate

Directorate	On time	Late
Aberdeen City Health & Social Care Partnership	46	11
Communities, Housing & Infrastructure	75	1
Corporate Governance	2	0
Education & Children's Services	2	1
Office of the Chief Executive	0	0

Commentary on compliance by Directorate

These requests required significant staff time to examine large volumes of information requiring redaction. Highlighted potential issues with resourcing of request processing.

Directorate	Request type	Response Time (days)
Aberdeen City Health and Social Care Partnership	SAR	43
	TPR	45
	SAR	49
	TPR	50
	SAR	52
	SAR	55
	TPR	80
	TPR	80
	SAR	80
	SAR	80
	SAR	96
Education & Children's Services	TPR	49
Communities, Housing & Infrastructure	SAR	42

Commentary on response times

These requests required significant staff time to examine large volumes of information requiring redaction. Highlighted potential issues with resourcing of request processing. These figures also include long-running and complex requests (four SARs and three TPRs) from a previous quarter that concluded in this one.

Data Protection Breaches and Complaints

Quarterly breaches and complaints

Breaches	This Quarter	Last Quarter
Breaches	8	12
Self-Reports to the ICO	2	1
Data Handling Complaints	1	0

Data Protection Breaches

All breaches should be reported in line with the Council's procedures. The action taken will depend on the nature of the breach.

Self-Reportable Breaches

Where the nature of a breach poses significant actual or potential detriment to individuals the Council should self-report to the ICO.

Data Handling Complaints

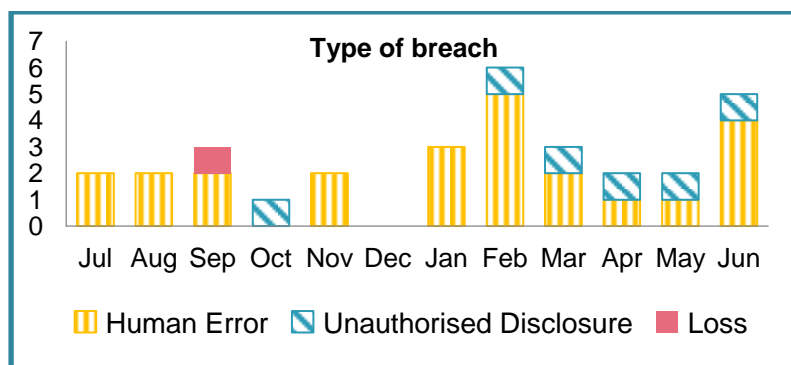
Anyone who is unhappy with the way that the Council has handled their personal data can make a complaint to us. If they are unhappy with our response to their complaint they may escalate their complaint to the ICO.

Commentary on Breaches

The ICO self-reported breaches involved the accidental attachment to an email of a spreadsheet detailing details of bus lane appeals. In the course of investigating the breach, a copy of the screenshot was sent to another council employee in error. Both these incidents were lodged as separate breaches.

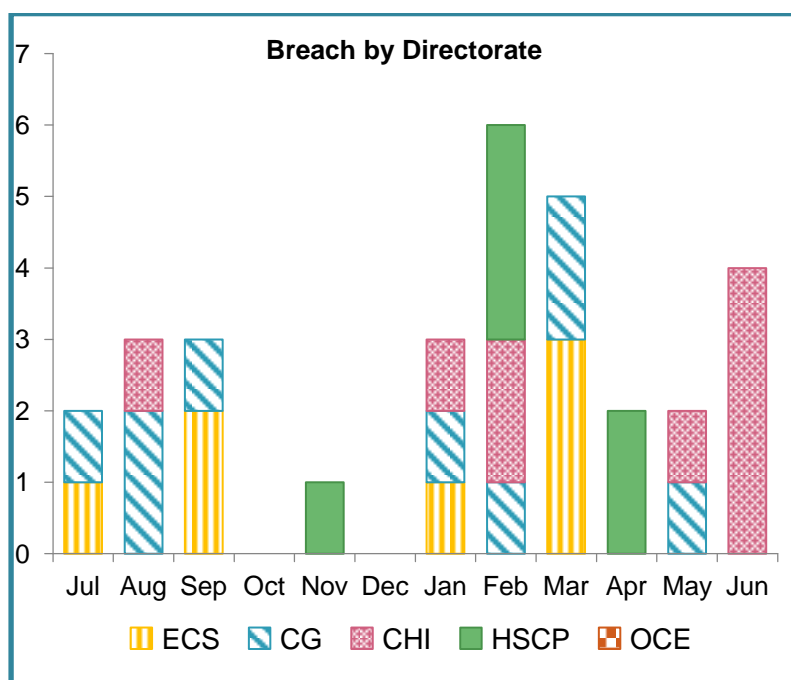
The Data Handling complaint was made in relation to inaccurate data contained in a Child Protection Order.

Breaches by type over the last 12 months



Commentary on type of breach

Human error remains the most common cause of data protection breaches and highlights issues around uptake of staff training and awareness included for action below.



Data Protection issues for further investigation

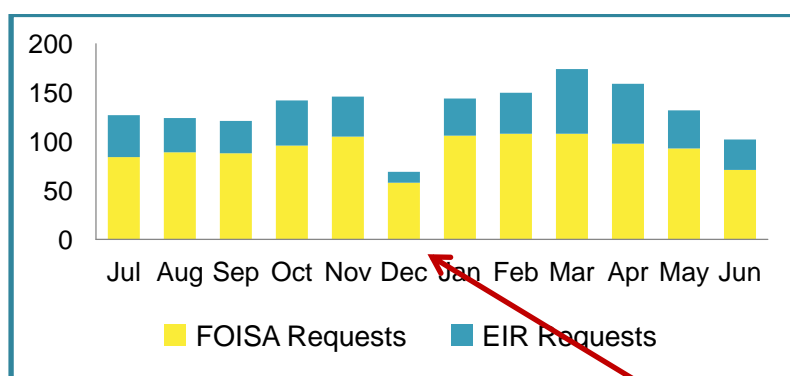
Investigate increase in Third Party Requests	Adapting & Learning
Resourcing of request processing	Systems & Processes
DPA Mandatory Training Compliance	People & Behaviour
Develop the processes for investigation of all breaches and subsequent remedial actions	Systems & Processes

Freedom of Information (Scotland) Act 2002 & Environmental Information (Scotland) Regulations 2004

Quarterly number of requests received

Number of requests received	This Quarter	Last Quarter
Number of FOISA Requests	262	323
Number of EIR Requests	131	145

Request numbers in the last 12 months



The Freedom of Information (Scotland) Act 2002

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIR) give anyone the right to request information held by the Council, with certain conditions.

Timescales for responding

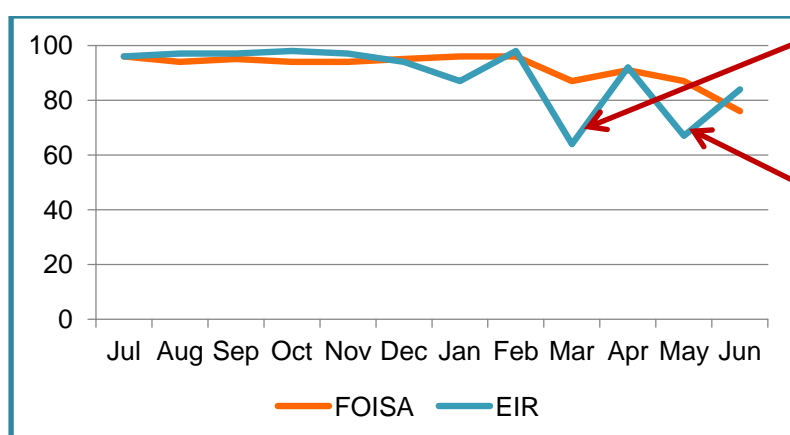
The Council must respond to any request we receive within 20 working days.

Compliance with statutory timescales

Quarterly compliance with timescales

Requests responded to within timescale	This Quarter	Last Quarter
Number of FOISA Requests	89%	93%
Number of EIR Requests	85%	96%

Compliance with timescales in the last 12 months (%)



Commentary on request numbers

Request numbers have remained fairly steady over the last 12 months, in line with longer terms variation across a previous years. The dip in request numbers received over the festive period is consistent with previous years.

Commentary on compliance

The dip in compliance in December relates to 4 late EIR requests, all within Communities, Housing & Infrastructure.

Potential resourcing issues around request handling and processes for handling requests will be explored.

FOISA and EIR Request Internal Reviews

Type of review received	This Quarter	Last Quarter
No response received	5	3
Unhappy with response	2	1

Type of review outcome	This Quarter	Last Quarter
Response upheld	1	1
Response overturned or amended	1	0

Internal Review

If the Council does not provide a response to a FOISA or EIR request within 20 working days, or if the requester is unhappy with the response we have given, they can ask the Council to review it.

Internal Review Panels

Where a requester is unhappy with our response, an internal review panel will decide whether to uphold the Council's response or to overturn or amend it.

Commentary on Internal Reviews

Upheld: relates to a request for a letter about HMO licensing information. The Council issued an 'information not held' response which was upheld as the review panel were satisfied that appropriate searches had been conducted.

Overturned: relates to a request for information about payments to celebrities. Initially some information was refused on the basis that it was personal. The review panel were satisfied that the contractual nature of the relationship between the Council and the celebrities meant that the information did not fall within the personal information exemption and could be released.

FOISA and EIR Request Appeals

No. of Appeals	This Quarter	Last Quarter
New appeals	1	1
Ongoing appeals	0	0
Closed appeals	1	1

Right to Appeal

Where a requester remains unhappy with a response to a FOISA or EIR request after an internal review, they have the right to appeal to the Scottish Information Commissioner for a decision.

Commentary on Appeals

New appeal relates to a request for a late docket for a committee report. The requester is questioning the Council's response that it no longer holds this information. Investigation underway.

Closed Appeal relates to information about Blue Badges. Requester concerned Council did not provide all the relevant information we hold. The Commissioner was satisfied that we did and our response was upheld.

FOISA and EIR issues for further investigation

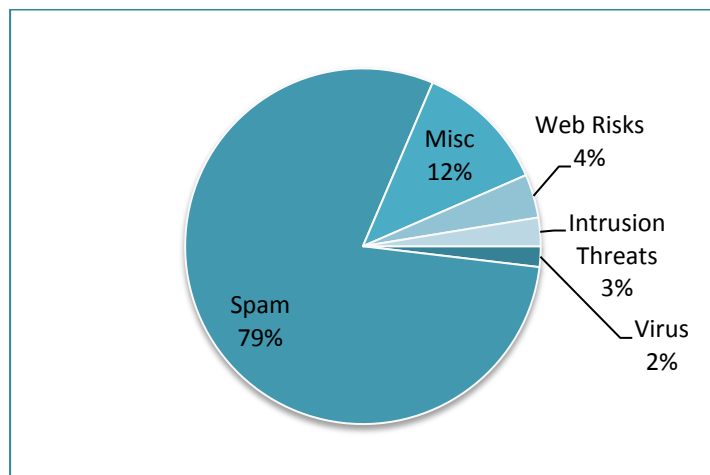
Scope potential resourcing issues around request handling in CHI	Systems & Processes
Scope practice for evidencing retention and disposal practice	Systems & Processes
Scope potential issues at Communications approval stage	Systems & Processes

Information Security

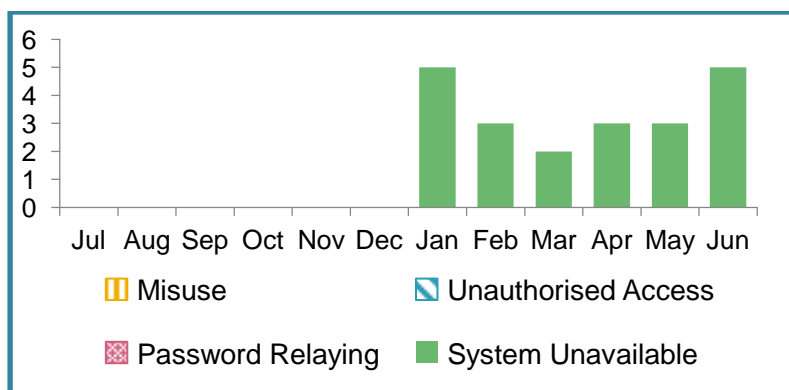
Virtual Incidents

Incident Type	This Quarter	Last Quarter
Internal Virtual Incident Attempts		
Internal Virtual Incidents	11	10
External Virtual Incident Attempts	1377001	595000
External Virtual Incidents	2	1

Breakdown: External Virtual Incident Attempts



Internal Virtual Incidents



Information Security

The Council is responsible for the integrity, confidentiality and availability of its information. The Council protects it from internal and external threats by using all available controls, and ensuring that any incident which could cause damage to the Council's assets and reputation is prevented and/or minimised.

Internal Virtual Incidents

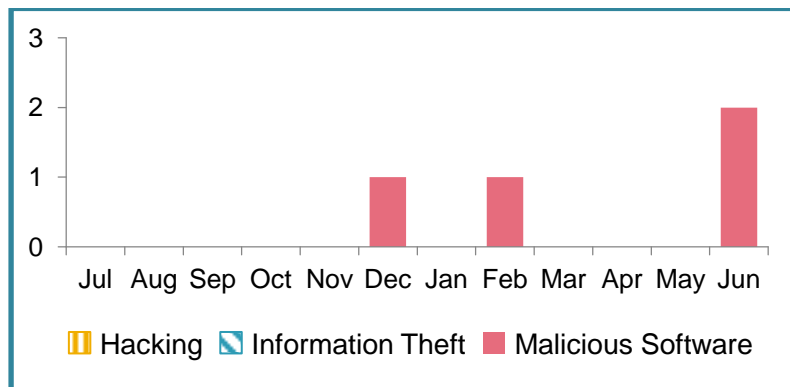
These are risks or threats to the Council's information software, infrastructure or computer network that originate from within the premises or organisation.

Commentary on Internal Virtual Incidents

11 occasions were recorded when business/mission critical systems were unavailable:

- 3 faulty power supplies
- 2 uncontrolled changes by system owners
- 2 phone exchange outages
- 1 supplier issue
- 1 act of vandalism
- 1 power outage
- 1 broadband contract expiry

Ongoing monitoring and investigation is being undertaken where needed.



External Virtual Incidents

These are risks or threats to the Council's information software, infrastructure or computer network that originate from outside the premises or from the public (e.g. hackers)

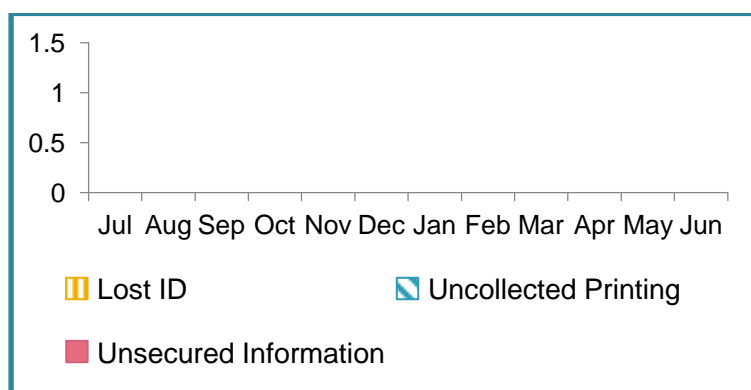
Commentary on External Virtual Incidents

Incident attempts data from December 2015 only.

2 virus incidents were recorded in June.

Physical Incidents

Incident Type	This Quarter	Last Quarter
Internal Physical Incident Attempts		
Internal Physical Incidents		
External Physical Incident Attempts		
External Physical Incidents		



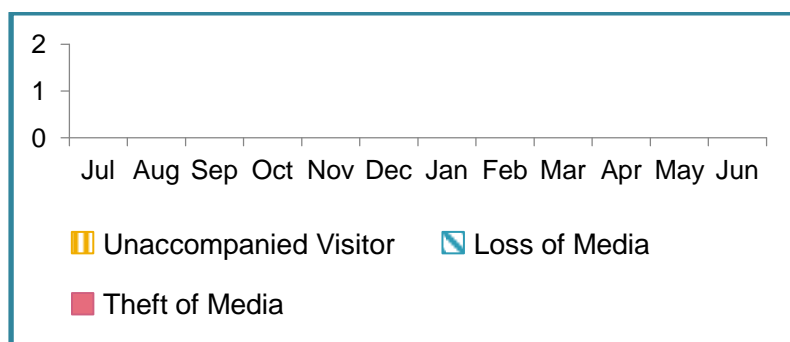
Internal Physical Incidents

These are tangible and material risks or threats to the Council's information assets that originate from within the premises or organisation.

Commentary on Internal Physical Incidents

Data collection has begun as of July 2016 and will be included in the next quarterly report.

External Physical Incidents



External Physical Incidents

These are tangible and material risks or threats to the Council's information assets that originate from outside the premises or from the public.

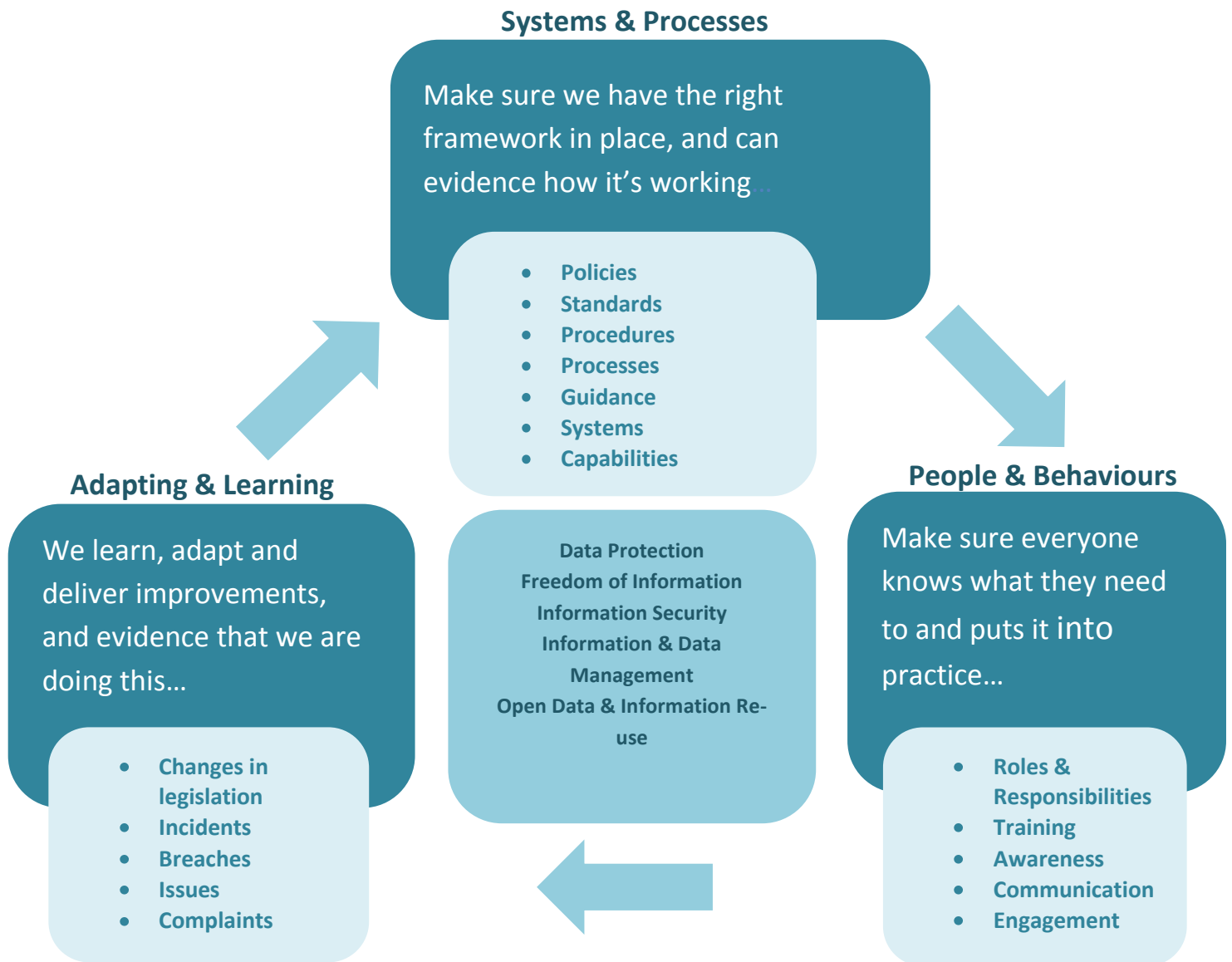
Commentary on External Physical Incidents

Data collection has begun as of July 2016 and will be included in the next quarterly report.

Information Security issues for further investigation

Investigate gaps in Change Request & Authorisation process	Systems & Processes
Investigate information sharing practices outside of network	People & Behaviours

Appendix 2: Approach



Appendix 3: Terms of Reference for the Information Governance Group

Title	Information Governance Group		
Lead	Simon Haston		
Date	June 2016	Version	V0.1

Purpose

The Information Governance Group's purpose is to support and drive the broader, information-governance agenda, provide the CMT with the assurance that effective control mechanisms are in place within the organisation and manage and mitigate the Council's information risks.

Meeting Frequency

Monthly

Quorum

Chairperson (or nominated other) and 3 others

Remit and Responsibilities

- Monitor and manage information governance assurance through the information governance framework
- Manage the Council's information risk register and consider and manage emerging information issues and risks.
- Report on areas or issues requiring attention or action at CMT level

Membership

Core Members

- Senior Information Risk Owner (Chairperson)
- Information Manager
- Public Performance Reporting & Digital Engagement Manager
- Performance & Risk Manager
- Digital Transformation Manager

- Information Security Officer
- IT Security Architect
- Legal Manager
- Information Management Team Leader
- Counter Fraud Officer
- Data Sharing Analyst, NHS

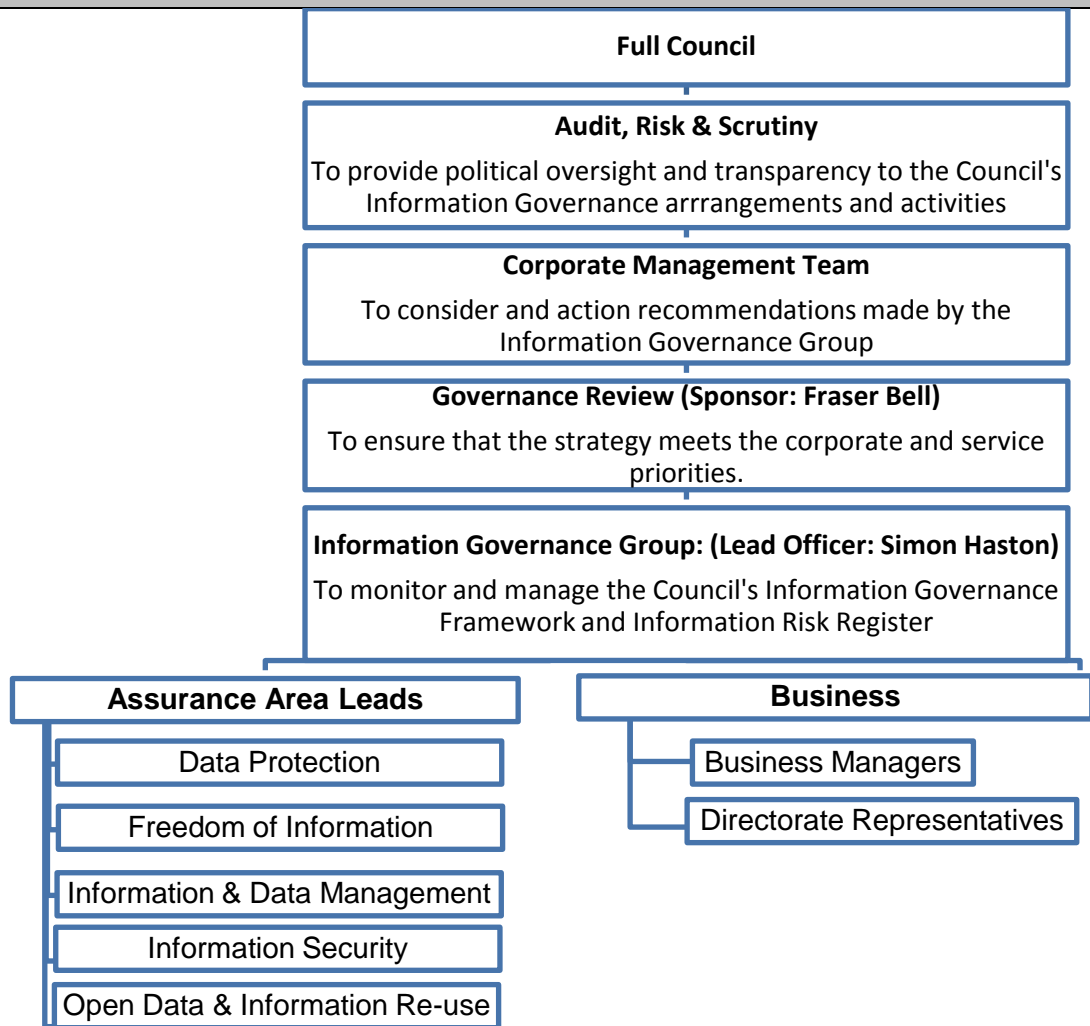
By Invitation

- Senior Officer from each Directorate
- Business Manager from each Directorate
- Any additional, relevant internal or external parties

Governance and Reporting Arrangements

- The Senior Information Risk Owner (Head of IT & Transformation) will chair the group;
- The Group will be accountable to the Corporate Management Team (CMT);
- Assurance in each area within scope will be reported to the Group via the corporate performance dashboard and exception report, outlining actions/decisions required from the Group;
- The Group will, through the chair, report quarterly to the CMT on any areas requiring attention or action;
- The Group will, through the chair, report annually on information governance to the Council's Audit, Risk & Scrutiny Committee.

Governance and Reporting Arrangements



ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 th September 2016
DIRECTOR	Interim Depute Chief Executive (Director of Corporate Governance)
TITLE OF REPORT	3 rd Don Crossing
REPORT NUMBER	CG/16/108
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to provide an external view of the contractual arrangements that were put in place to construct the Third Don Crossing, now known as the Diamond Bridge. The remit of the review was to establish why the overall project was delivered late and over budget and to identify key lessons learned that the Council should consider in relation to such contracts in the future.

It is important at the outset of this review to acknowledge that any construction contract of this nature carries an element of risk for the Council and that indicative budget costs set out at the beginning of process are just that – best estimates that will be refined and clarified as the specification is developed and the tendering exercise is completed.

As part of their ongoing review of Capital Projects, the Council's External Auditors have selected this project for review as a traditional capital project (i.e. funded by borrowing). The External Auditor has advised that their review will include ensuring that the contract and the overall project price was let in line with financial regulations and an assessment of the project management approach adopted by the Council. The results of that will be included in a report from the External Auditor that will be considered at this meeting.

With that in mind, the aim of the review contained within this particular report is to concentrate specifically on:

- the commercial aspects of the arrangements
- the approach that the Council took at the time to develop and manage that contract and associated contractual relationships: and
- to highlight areas for improvement in this regard.

2. RECOMMENDATIONS:

The Committee is asked to:

- (a) refer the report to the Strategic Asset Capital Board to develop an Action Plan based on the conclusions contained in the report ; and
- (b) request that officers submit a report on the Action Plan to this Committee in 6 months time.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

4. OTHER IMPLICATIONS

There are none arising directly from this report.

5. BACKGROUND/MAIN ISSUES

The 3rd Don Crossing is Aberdeen's biggest major new bridge infrastructure for 30 years since Queen Elizabeth II Bridge. Opening in June 2016, the Crossing was the culmination of many years of discussion, consultation, planning and decision making. This was a complex and challenging project involving the construction of two new bridge structures, three large retaining walls, 1.5 miles of connecting roads on both sides of the River Don, with re-alignment and widening of existing roads carrying live traffic, the creation of cycle paths and pavements and landscaping works. The project also required extensive interaction with existing underground utility apparatus that called for significant diversionary works.

The timeline of this project shows that it started on 16 April 2003 when an outline programme for the delivery of the Crossing was submitted to Council. Following a period of review, consultation, route options appraisal and initiation of the planning application process, the bridge designer was appointed in August 2010. Following a final decision on the delivery mechanism for the Crossing at the Council in March 2013, another contractor was appointed in May 2013 to provide an independent check of the bridge designs in line with the appropriate technical approval standards for highway structures.

The contract opportunity was advertised in the Official Journal of the European Union in May 2013 and, following the evaluation of potential bidders technical and financial capabilities via a pre-qualification questionnaire process, a tender was issued for the works in May 2014. The contract for delivery of the Crossing was subsequently awarded to the main contractor on 14th July 2014.

The Crossing opened in June 2016 some 7 months behind schedule and at an additional cost of £4m over the estimated cost at the outset.

Approach used in the review.

The review work has been carried out largely using desk research considering papers provided by Council officers supplemented by papers available from the Council's website. In addition, a series of meetings with key individuals involved in the project were also held to gain further insight into the details and to seek their input into "lessons learned".

For the purposes of this review, the starting point is the meeting of the Full Council on 19th December 2012 at which Members called for a report to the next Council meeting on the most efficient procurement options to deliver the Third Don Crossing. In March 2013, such a report was tabled to the Full Council where it was decided that a stand-alone works only contract would be progressed.

Main findings and key conclusions

Procurement Options Appraisal Process

The initial decision to progress on a works only contract basis was considered by the Full Council on 6 March 2013 (Report EPI/13/022). The report considered the merits of delivering the Crossing as a stand-alone 'works only' contract versus a 'design and build' contract as part of the wider Aberdeen Western Peripheral Route (AWPRB-T) arrangements.

It is not clear if any other alternative mechanisms were considered or how opportunities for the supply market to provide innovative solutions were encouraged. The report states that the 'works only' approach is how road improvement projects have been "traditionally delivered". It would have been useful to see a broader range of procurement options considered. For example, a stand-alone design and build contract that was not incorporated into the AWPR project? In addition, it would appear from the documentation provided that there was limited consideration, perhaps because of time constraints, of any detailed market analysis or benchmarking /research done with other public sector bodies who have similar requirements.

The report identified that the works only approach would require the Council taking on a greater share of the project's financial risks but then focuses largely on the risks involved in the design and build approach. It appears to be very light on the detailed analysis of the risks that a 'works only' approach might expose the Council to and what mitigation measures would be used to manage them effectively.

Good practice would suggest that a range of inputs and perspectives from across different specialisms should be taken into account in developing such procurement options and assessing risks. Whilst there is evidence that a number of resources were involved in the development of the options, including legal, there was limited/ no direct involvement of the Commercial and Procurement Services Team (C&PS) in this instance. Given the specialist knowledge and experience that the CP&S Team have of developing and managing commercial arrangements combined with the strong networks that they have established with other public sector bodies across Scotland and the UK, it would have been helpful to have had their input into the development of the options and the identification of risks at an early stage as the procurement strategy was being developed.

It is encouraging to note that the Council has since implemented a much more corporate based, category management approach (see note 1 at Appendix 1) to how it manages spend with third parties. Involvement of key resources like this in a project team for works of this nature should strengthen the approach that the Council takes in the future and provide a more comprehensive view of procurement options and risks involved covering commercial as well as technical and operational risks.

It was also reassuring to see an overview of the structure, processes and documentation that have been introduced through the Corporate Project Management Toolkit, developed by the Programme Management Office (PMO) (see note 2 at Appendix 1). Had these more robust processes and customer focussed, financial reporting approaches been in place, a number of the issues that have given rise to the delays and overrun of costs could have been avoided.

Conclusion 1 – The Council should ensure that it identifies a broad range of procurement options and sets out a more balanced approach to the analysis and reporting of procurement options appraised and their risks to committees. Benchmarking and/or active networking with others who have similar requirements should also be considered for all major construction projects of this nature.

Conclusion 2 - The Council should also continue to support the category management model as the corporate way of doing business and mandate its use to ensure that future proposals reflect best practice across a range of technical, legal and commercial specialisms and that robust procurement strategies and risk registers are developed for major contracts.

Conclusion 3 -The Council should also continue to develop, support and promote the PMO approach that has been implemented to ensure that projects are developed in a consistent, robust and well documented manner. The allocation of clear roles and responsibilities is key requirement in delivering successful contracts.

Contract structure and term and conditions

It is my understanding that, at the time, the contract structure and the choice of the commercial terms and conditions rested largely with the Service Dept. within the Council. In this instance, a review of the proposed conditions was carried out by the Legal Team but it is my impression that this was more of a brief final check rather than as a result of the Legal representative having had a role as an integral part of the project team with a full understanding of the nature, scope and risks associated with the project. Again, this may be as a result of time and resource pressures – perceived or real.

The contract structure that was used in the invitation to tender was on the basis of a re-measurable contract in accordance with the industry standard Infrastructure Conditions of Contract (ICC) with the tender price being the total sum established from the information provided by a bill of quantities as priced by the contractor. The bill of quantities specifies all elements of construction and other associated works to be completed and based on this, the contractor submits monthly claims for his work which the Council's representative (the Engineer) has 21 days to assess and amend prior to notifying the contractor of his adjusted payment. The original specification and bill of quantities was compiled from a number of technical inputs, both internal and external using the Manual of Contract Documents for Highway Works (MCHW) as a base which is the documentation typically used by local and trunk road authorities.

Typically contracts for civil engineering works allow for additional claims, under various headings to be submitted and considered by the Engineer as the work progresses. Such claims can include unforeseen events (such as utilities or unexpected ground conditions etc), inclement weather or errors within the supplied information.

It is unclear what options were considered in the decision making process regarding style of contract and, to an extent, the choice of commercial terms and conditions. It is also unclear how often the commercial terms are routinely reviewed and refreshed and whether the appropriate staff are trained in how to understand and apply the conditions.

As with the comments on the procurement options appraisal in the previous section, good practice would suggest that a project team approach involving procurement and legal expertise (as well as other specialisms as appropriate) should be adopted for such projects. It is good to note therefore that restructuring of activities across the Council have resulted in a number of the Commercial Lawyers being embedded in the Commercial and Procurement Services team to provide a one stop shop approach. By integrating these activities and having CP&S working much more closely with the Service Departments as part of their project team, it will be easier to ensure that a much more commercially focussed, total cost of ownership approach is adopted. This should also ensure that contracts are developed with robust key performance indicators and reporting requirements and "contract specific" terms that supplement the industry standard conditions that are used from both a commercial and a technical perspective.

Conclusion 4 – The Council should continue to support and endorse the expanded role of the CP&S team and ensure that it is structured and resourced to support projects of this nature.

Conclusion 5 – As part of the new CP&S structure, consideration should be given to a review and refresh of the existing terms and conditions available across the Council and the development of a central suite of terms and conditions that are “held “ by the CP&S team rather than by individual Service Depts. Experience would suggest that this type of consolidation makes it easier and more efficient to :

- Review and refresh conditions of contract on a periodic basis
- Ensure a consistent approach to how the council does its business is applied
- Enable lessons learned are shared across the Council with ease
- Avoid duplication of effort and inconsistent commercial approaches to develop
- Develop and deliver appropriate training for Service Departments.

Approach to the market for the main contractor for the works

A full EU tender exercise was commenced with advertisement of the contract opportunity in the Official Journal of the European Union (OJEU) in May 2013. A pre-qualification questionnaire (PQQ) was issued to assess financial standing and technical capabilities of interested parties and 6 responses were received in June 2013. One potential bidder withdrew and the contract document was issued to the remaining 5 bidders who had satisfied the measures in the PQQ stage on the 1st May 2014 on the conclusion of the legal processes associated with the project.

Four tenders were returned by the closing date of 13th June 2014 with values ranging from £14.33m to £21.73m.

Based on the premise that an evaluation of the technical and financial capabilities of the potential bidders had been undertaken at the PQQ stage, the basis of the tender evaluation and contract award was “lowest price submitted”. The tender returns were reported to the Finance, Policy and Resources Committee on 19 June 2014.

Given the complex nature of the project, the risk factors involved and the high value of the works, the turnaround time for bidders to submit their offers seems relatively short. In such circumstances, there is a danger that bidders are not able to fully assess the contract risks or to work with their supply chains to develop alternative approaches or innovative solutions for the Council to consider. The time permitted for bidders to respond to such requirements is something that the Council may wish to review for future works of this nature and complexity.

It is also surprising that the bids were assessed on the basis of price only. The assessment of technical capabilities and financial standing at the PQQ stage tend to be generic in nature and the opportunity to investigate any specific issues or concerns about quality, project

management, resources, sustainability etc. would be carried out at the tendering stage in relation to the specifics of the contract requirements in question. Given that the evaluation on this project was only on price, it is difficult to see how these important quality and “total cost of ownership” aspects could be taken fully into account in the evaluation. Given that the category management model has been implemented across the Council and the role of the CP&S team in supporting Service Departments in these areas has been clarified, many of the issues highlighted above will be addressed during the development of the procurement strategy for such works. The use of corporate systems to manage the procurement processes will also provide further consistency and transparency.

Conclusion 6 – Continue to support the category management model and ensure that roles and responsibilities are clearly defined and communicated. Working in this more corporate, “cross functional” way will ensure that a consistent strategic sourcing approach is followed and that a broader range of critical factors other than just price are assessed during the evaluation process. To support this, the Council should ensure that these roles and responsibilities are adequately reflected in job profiles and in the identification of training needs for staff involved in such projects.

Relationships

Having considered some of the relationship dynamics within the Council, it is worth giving some thought to the relationships with external partners and how they might have impacted on delays and/or cost overruns and how they might be improved for the future. Given the nature of the project, the various contracts involved and the number of external players who played a role, there are a number of areas that are worthy of consideration.

It was reported that uncharted utilities were a problem which caused both delays and additional costs. Those involved from the Council at times found it difficult to manage these relationships, had to cope with changes of scope on several occasions and struggled to get the utility companies to respond in a timely manner. Given this and the frequent interaction that the Council has with the utility companies it may be worth considering how these relationships can be improved by, for example, introducing a more frequent interaction at a senior level across the organisations involved.

The further area of relationships in with regard to the contractual links between the bridge designer ,the bridge checker and the main contractor. One of the issues that arose during the construction phase related to the design of the bridge in relation to the bearings. The focus of the Service Department at the time was on finding a practical solution to the technical issue to keep the bridge project on time. A decision was taken not to make any recourse to the rights and obligations in the contract at that time as it was felt by the Service that this could have resulted in a shift in focus of the designers and possibly them considering their technical and professional positions with their insurers rather than the solution. If the category management approach had been in place at the time, it is likely that this decision would have

involved a broader range of stakeholders. It may be worth conducting a detailed “lesson learned” session with that broader group of stakeholders to review this decision (with the benefit of hindsight) and also to ensure that the rights and obligations within each of these three contracts are aligned, leave no gaps and offer maximum protection to the Council to pursue the correct party for the additional costs incurred.

A final comment on external relationships relates to the level of collaboration and networking that key staff within the Service Department are involved in. In my experience, involvement in national groups, benchmarking clubs, networking and industry forums provides a useful means of keeping abreast of developments, encourages sharing of best practice and helps to develop new ways of thinking. Consideration should be given to supporting this type of approach if it is not already in place.

Conclusion 7 – Consider a review of key relationships and develop an action plan to improve them along the lines outlined above. Encourage and support key staff to be actively involved in national groups to ensure that market developments, new and innovative ways of working are being routinely considered and a culture of continuous improvement is embedded in how the Council does business with third parties.

Resources and structures

It is clear from my discussions that some of the difficulties arose from resource issues. A key officer who was at the head of the project and operated on a very hands on basis maintaining tight controls on processes and procedures, went off on sick leave very suddenly. This traditional style of management combined with the “silo” approach that was in place across the Council at that time with regards to developing and managing contracts, is likely to have had an impact for a period while those responsible for the project got up to speed with the project and take on additional duties at such a critical stage.

It is encouraging that many of the organisational issues that arose have been or are being addressed within the Council. The category management structure that has been implemented means that there is better use of expert resource and provides a more resilient business model. In addition, the “Triple Aims” cultural change programme that is currently underway will go some way to addressing the issues via the work that it is doing to encourage senior managers to become more visible to the workforce and to adopt management practices which ensure that staffs are well informed, consulted and engaged in the wider organisation. Whilst the sudden absence of key personnel is always challenging, the changes that the Triple Aims programme is seeking to make will help better equip staff to cope.

To help support this, it might be useful for the Council to consider undertaking a refreshed training needs analysis of those involved in such major projects and to develop an appropriate training plan to meet any gaps identified. I was not aware of any specific use or reference to the Scottish Government’s Construction Procurement Manual – a useful document that provides a range of guidance on matters such as

roles and responsibilities, Value for Money, procurement strategies and financial aspects as well as health and safety, design quality and sustainability.

Conclusion 8 – Consider carrying out a refreshed training needs analysis and developing an appropriate training plan and ensure that key personnel are aware of the Scottish Government's Construction Procurement Manual.

Update on the Internal Audit Report

A final observation is in relation to this review relates to an audit carried out by PWC and reported on in April 2015. http://committees.aberdeencity.gov.uk/documents/s46414/Procurement%20in%20Construction%20Report_AC%20FINAL.pdf

The purpose of the report was to give the Council a view on their state of readiness to cope with the recommendations made in the Scottish Government's report on Construction Procurement. Section 4 of the report highlighted some requirements that at that point the Council was unable to meet. Based on some of the recommendations and actions included within this report, it might be helpful to revisit the PWC report and ensure that any outstanding recommendations have now been fully implemented.

Conclusion 9 – Officers ensure that all the outstanding recommendations of the audit have been fully implemented.

Summary

There was no one specific element that resulted in the late delivery and cost overrun on this project however, as the report highlights, there were several factors that influenced that situation. The conclusions drawn in this report suggest ways in which these factors can be addressed in future projects to ensure that there is a more appropriate balance between technical and commercial aspects of such contracts and that the Council has identified and mitigated appropriately the range of risks that are inherent in such works.

Like all change processes, success will be driven by the provision of clear leadership, adequate resources with the right skills and a clear action plan. From my discussions with a number of stakeholders it is clear that many of these building blocks have already been established or are actively being rolled out across the organisation therefore implementation of the recommendations included here can be aligned to existing programmes ongoing within the Council. It is recommended that the Council considers establishing a small group of key players with an Executive sponsor (Strategic Asset Capital Board (previously the Strategic Infrastructure Programme Board) to develop an appropriate action plan, timescale and reporting regime to ensure that these lessons are learned and the necessary changes are implemented across the Council.

Conclusion 10 – This report be referred to the Strategic Asset Capital Board and request that the Board develop an Action Plan in response and that progress against the Action Plan be reported to a future meeting of this Committee.

6. IMPACT

Implementing and monitoring the recommendations of this report will lead to Improving the Customer Experience, the Staff Experience and our use of Resources, whilst providing the Council with guidance on the future approach that the Council takes in developing and managing contracts and contractual relationships. The crossing is included in the Strategic Infrastructure Plan which is reflected in Aberdeen-The Smarter City.

7. MANAGEMENT OF RISK

Implementing and monitoring the recommendations of this report will provide the Council with guidance on the future approach that the Council takes in developing and managing contracts and contractual relationships and the associated risks therein. The specific risks for this project and others contained in the Strategic Infrastructure Plan are monitored by CMT.

8. BACKGROUND PAPERS

Research undertaken by Dorothy Cowie
Internal Audit carried out by PWC and reported on in April 2015.
http://committees.aberdeencity.gov.uk/documents/s46414/Procurement%20in%20Construction%20Report_AC%20FINAL.pdf

9. REPORT AUTHOR DETAILS

Dorothy Cowie, Independent Consultant.

Note 1. - Category Management Approach

The implementation of a “category management” approach for, high value/high risk spend areas across the Council (in partnership with Aberdeenshire Council) ensures that there is a much more consistent and corporate approach to how the council manages its supply chain in these areas.

In this model, the procurement and ongoing management of supplier performance and supplier relationships is structured and managed by category and not by department. The approach is much more strategic and longer term in nature than a traditional procurement approach and requires Council staff to work in cross functional teams (led by the Category Manager) and including key stakeholders from Service Departments, Legal, and Finance etc. This approach allows value lessons learned to be shared much more easily than traditional departmental ways of working and ensures that a broad range of views are taken into account in the development of plans for such key spend areas.

Supported by common systems and a corporate strategic sourcing methodology, this approach enables the Council's CP&S team to develop category experts who, in addition to having sound commercial skills, are able to develop an in depth market knowledge and understanding of market developments, industry cost drivers, supplier capabilities and performance levels.

This ensures that the Council maximises the opportunities it has to gain economies of scale from its entire spend in the category, to secure additional social value such as community benefits and to work much more collaboratively with suppliers and other public sector partners in those areas to deliver added value, improve performance and develop innovative ways of working

Note 2 – Programme Management Office

The programme management approach and governance arrangements in ACC is designed to give assurance at all levels by providing appropriate visibility and information of programmes and projects, giving the relevant groups an understanding of linkages and interdependencies between projects and the potential impact of arising risks and issues. This enables the relevant groups to give strategic direction and prioritisation, and provides them with the necessary information to make key decisions. The programme management approach is built around consistent and standard documentation, tools and practices, as well as agreed roles and responsibilities.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 September 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Communities, Housing and Infrastructure Directorate Risk Register
REPORT NUMBER	CH&I/16/088
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report presents the Committee with the Communities, Housing and Infrastructure 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;
- (ii) Advise any further action as appropriate

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from the report but effective management of risk provides assurance on the strategic management of the Council's resources.

4. OTHER IMPLICATIONS

There are no other implications arising specifically from the report, although effective management of the Directorate's risks should mitigate negative impacts on the delivery of our statutory responsibilities and policy commitments; our management of resources, personnel and property; and in relation to sustainability, environmental and Health and Safety matters.

5. BACKGROUND/MAIN ISSUES

5.1 The risk register focuses on a number of distinct areas of risk as identified within the Directorate.

5.2 The wide range and consequent diversity of services provided by the Directorate have necessitated a high level generic approach be adopted in the compilation of the register.

It should be noted therefore that the document is supported and augmented by a series of more specific and detailed risk registers, including major projects, maintained at an operational level.

5.3 The risk register also incorporates risks identified in relation to our Arms-Length External Organisations (ALEOs) – Aberdeen Exhibition and Conference Centre and Aberdeen Heat and Power Limited.

5.4 The risk register will be reviewed on a quarterly basis by the Communities, Housing and Infrastructure Senior Management Team. This will involve a continual assessment of control effectiveness and of progress on the implementation of the identified mitigating actions. To this end an Improvement Plan has been drawn up enabling our progress to be documented.

6. IMPACT

Improving Customer Experience –

Of the fifteen Directorate risks identified (excluding those relating to the ALEOs) and detailed in the register, Customer Experience is a key driver for eleven.

Improving Staff Experience –

This particular strategic priority is a driver for nine of those risks identified.

Improving our use of Resources –

All but three of the identified risks relate to the management of resources.

Corporate -

The effective management of risk is essential to achieving our strategic and business priorities. Driven by our Directorate Plan and its ties to *Aberdeen the Smarter City*, the risks identified may impact on the delivery of these priorities. Identification of the cause and potential impact of each risk and the application of the compliance controls and additional mitigating actions should ensure that the risks relating to delivery of our objectives is reduced.

Public –

The report may be of public interest as a result of the potential impact risk may have on delivery of the Directorate Plan.

No EHRIA or PIA were required for the report.

7. MANAGEMENT OF RISK

The report provides the Communities, Housing and Infrastructure risk register detailing how the risks to delivery of our priorities are managed.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

Pete Leonard
Director Communities, Housing and Infrastructure
pleonard@aberdeencity.gov.uk
01224 523899

Mike Hearn
Directorate Support Manager
mhearns@aberdeencity.gov.uk
01224 522476

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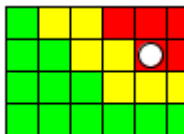
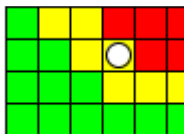
CHI Risk Register

Report Type: Risks Report
Report Author: Kenny Easton
Generated on: 14 September 2016

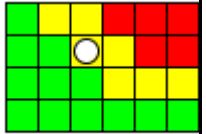
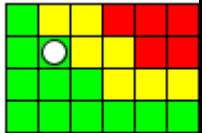


Communities Housing and Infrastructure Operational Risk Register

Current Risk Assessment						
Impact		2	8			
		2	4		1	
Likelihood						
Very serious						
Low						

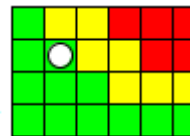

Category	Governance				
Code	C,H&I 01	Risk that Business Continuity Planning is ineffective or uncoordinated.			
Definition	Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard services and to protect communities. BCPS are required for Critical 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				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">• Inability to deliver essential services during disruption.• Harm to individual or vulnerable groups.• Reputational damage.• Prosecution.• Security of sensitive / personal data compromised.• Government intervention.	<ul style="list-style-type: none">• Absence of effective Business Continuity Policy.• No clear ownership of BCPs or consistent review by management.• Absence of management oversight - consistency / reality checking.• Absence of regular testing regime.• Inadequate disaster recovery planning across the range of C,H&I business critical and non-critical functions.• Disaster recovery and BCP not subject to audit.• Poor governance structure - committee assurance.	Business Continuity Policy in place	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>
		Clear ownership of BCPs	Partially Effective	1	
		Regular review by SMT	Partially Effective	1	
		Regular testing regime	Partially Effective	1	
		Robust disaster recovery arrangements and structures in place for public buildings	Not Effective	1	
					Serious
			High		
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">• Embed BCP ownership and accountability.• Ensure BCPs are subject to rigorous testing and review.• Establish quarterly reporting to SMT.					<div>Impact</div>  <div>Likelihood</div>

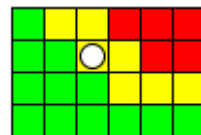
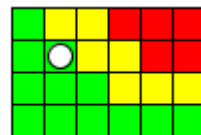
				Serious
				Significant
Risk Owner	Pete Leonard	Risk Manager	CHI SMT	
Latest Note	Review by Emergency Planning Officer planned			30 Aug 2016

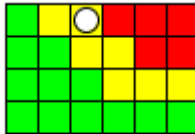
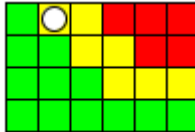
Category	Capacity / Capability					
Code	C,H&I 02	Risk that workforce planning is ineffective				
Definition	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.					
Potential Impact		Causes	Control Effectiveness			Current Risk Assessment
			Control	Control Assessment	Weight	
<ul style="list-style-type: none">• Service quality deteriorates• Workforce attrition• Over-reliance on agency support• Council not seen as an employer of choice		<ul style="list-style-type: none">• Workforce planning is not aligned with business need• Absence of development opportunities leads to poor morale and retention deficits• Recruitment practices are flawed• Training is not aligned to business need• Knowledge capture processes not in place	Workforce Planning Strategy	Not Effective	1	<div><div>Impact</div></div>
			Workforce planning fully aligned with financial and business planning	Not Effective	1	
			Service workforce plans in place	Not Effective	1	
			Recruitment practices are based on sound training	Partially Effective	1	
			PR&D process supports effective staff development	Partially Effective	1	
						Serious
						Low
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">• Deliver overview of workforce planning focussing on established corporate actions• Build workforce planning into financial planning• Build workforce planning into business planning• Ensure recruitment training for new managers• Monitor through performance management staff turnover ratio• Continue to embed PR&D process.					<div><div>Impact</div></div>	
					Serious	
					Very Low	
Risk Owner	Pete Leonard		Risk Manager		CHI SMT	
Latest Note						

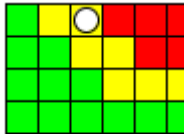
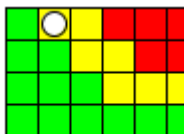
Category	Delivery				
Code	C,H&I 03	Risk of major IT business systems failure (i-World, Consileum, Confirm, Tranman, Uniform, Flare)			
Definition	Secure, well-functioning business systems are critical to carrying out statutory functions, providing essential services and ensuring legal compliance.				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
		High level Business Continuity Risk Assessment in place	Fully Effective	1	
		Tested Business Continuity Risk Assessment in place for C,H &I specific systems	Partially Effective	1	
		Best practice security controls	Fully Effective	1	
		Regular business systems review	Fully Effective	1	
		Robust Disaster Recovery arrangements (including testing)	Partially Effective	1	
		Robust customer-led governance structures	Partially Effective	1	
		IT staff trained in all essential skills areas	Fully Effective	1	
			Serious		
			Low		
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">• Ensure application reviews and resilience testing in place• Rationalise applications and upgrade ageing systems• Review of infrastructure between buildings					

Risk Owner	Pete Leonard	Risk Manager	CHI SMT
Latest Note			

Category	Governance						
Code	C,H&I 04	Risk of poor health, safety and wellbeing safeguards for employees and service users					
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.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		• Fatality or serious injury to employee or member of the public	• Lack of Leadership displayed by Management • Poor health and safety culture of organisation • Poor understanding of Health and Safety and associated risks •Poor communication and co-ordination of health and safety matters • Compliance with Health and Safety requirements not monitored • Inconsistent reporting of accidents and near misses	Attendance at Health and Safety Committee of Heads of Service	Fully Effective	1	Impact 
		• Corporate Health and Safety Policy breached		Adoption of Health, Safety and Wellbeing Improvement Plan	Partially Effective	1	
		• Increase costs due to absence levels and agency costs		Health and Safety Co-ordinator appointed	Partially Effective	1	
• Prosecution for failings (criminal)	Creation of Virtual Health and Safety team	Partially Effective		1			
• Compensation claims (civil)							
• Enforcement action – cost recovery of regulator time					Serious		
• Increased costs due to absence levels and agency costs					Very Low		
• Increased insurance costs							
• Poor service delivery due to high absence levels							
• Reputational damage							
Mitigating Actions					Residual Risk Assessment		
• Fully embed Health, Safety and Wellbeing Improvement Plan and ensure compliance • Ensure all accidents, near misses recorded and competently investigated • Senior Operational Managers to attend local Health and Safety Committees					Impact 		
					Likelihood		
					Serious		
					Almost Impossible		
Risk Owner	Pete Leonard	Risk Manager		CHI SMT			
Latest Note							

Category	Governance				
Code	C,H&I 05	Risk of poor performance management structures			
Definition					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Lack of buy-in to robust performance culture• Accounts Commission Guidelines not met• Inconsistent performance reporting framework KPIs do not support service improvements• Poor benchmarking activity• Inadequate target-setting• KPIs do not inform service improvements• Performance management is not aligned to Strategic priorities• Committees do not oversee performance management and improvement	Management buy in to performance management is embedded	Partially Effective	1	<div>Impact</div>  <div>Likelihood</div>
		Consistent corporate performance management and reporting framework embedded at all levels	Partially Effective	1	
		Strong benchmarking activity leading to robust target-setting	Partially Effective	1	
		KPIs established to support plan delivery	Partially Effective	1	
		‘Golden thread’ ensures strategic priorities are properly measured	Partially Effective	1	
		Robust governance structure at committee level	Partially Effective	1	
					Serious
					Low
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">• 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					<div>Impact</div>  <div>Likelihood</div>
					Serious
					Very Low
Risk Owner	Pete Leonard	Risk Manager	CHI SMT		
Latest Note					

Category	Governance					
Code	C,H&I 06	Risk that legislative and policy changes are not anticipated or planned for				
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.					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
• Negative impact of changes	• Poor horizon-scanning • Poor relationships with legislative bodies • Lack of robust internal communication processes • Poor strategic and service planning processes	Legislation and policy tracking in place	Partially Effective	1	<div>Impact</div>  <div>Likelihood</div>	
		Effective consultation with legislative and policy-making bodies	Partially Effective	1		
		Effective communication between directorates	Partially Effective	1		
		Robust 1-2-1 structure CE-Director, Director – H of S	Fully Effective	1		
		Service/Business Planning process further embedding “golden thread” principle and future planning	Partially Effective	1		
					Very serious	
			Low			
Mitigating Actions					Residual Risk Assessment	
• Ensure key managers are in position to respond timeously and comprehensively to future developments					<div>Impact</div>  <div>Likelihood</div> <div>Very serious</div> <div>Very Low</div>	
Risk Owner	Pete Leonard		Risk Manager	CHI SMT		
Latest Note						

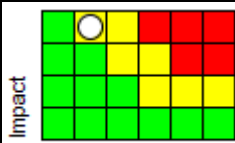
Category	Governance				
Code	C,H&I 07	Risk that Strategic and Directorate Business Plan commitments are not delivered			
Definition	The Strategic, Directorate and Team Plans set out our commitments to improved service delivery and the achievement of better outcomes in a Best Value culture				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">. Key objectives not met. Service delivery deteriorates. Staff are disengaged from stated commitments. Reputational damage. Resources are wasted / used ineffectively. Improved outcomes are not achieved	<ul style="list-style-type: none">• Objectives and actions are unrealistic or badly scoped• Performance measures are inadequate to evidence improved outcomes• The 'golden thread' is absent and required linkages are not mad• Consideration of risk is not properly taken• Staff are not fully engaged with planning• Performance Management Frameworks (CMT, SMT,1-2-1, committees) do not support delivery• Transformation and Innovation workstreams are not aligned with plans	Objectives are SMART where possible	Partially Effective	1	<div><div>Impact</div><div>Likelihood</div></div>
		Performance management framework supports effective strategic and service planning	Partially Effective	1	
		Performance management framework supports effective strategic and service planning	Partially Effective	1	
		Risk management framework is fully aligned with business planning cycle and includes clear appetite statement	Partially Effective	1	
		Effective employee engagement strategies in place	Partially Effective	1	
		Accountabilities are clear and in place and PR&D objectives are linked to strategic and service planning	Partially Effective	1	
		Governance arrangements serve to maintain momentum of strategic plan delivery	Partially Effective	1	
			Low		
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">. Implement consistent performance management reporting framework (PMF under review) Revisit Objectives to ensure SMART criteria. Ensure all required reporting matters are covered in corporate reporting framework. Internal Communication strategy to further embed 'golden thread'. 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					<div><div>Impact</div><div>Likelihood</div></div>

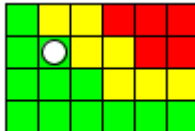
. Standardise approach to 1-2-1 gaining traction at Senior Management level				Very serious
				Very Low
Risk Owner	Pete Leonard	Risk Manager	CHI SMT	
Latest Note				

Category	Governance				
Code	C,H&I 08	Risk that data security is breached.			
Definition	Failure to maintain effective data security arrangements leads to serious financial and reputational damage as well as placing others at harm.				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">. Individual and groups placed at risk of harm.. Criminal prosecution.. Civil litigation.. Financial penalties (ICO fines). Negative media coverage.. Reputational damage.. Increased external scrutiny	<ul style="list-style-type: none">. Inadequate reporting of breaches and near misses. Poor awareness or knowledge of statutory requirements.. Proper training not provided to new employees or refresher training to existing employees.. Poor 'lessons learned' culture. ICO Audit recommendations not implemented.. Senior Risk Information Officer (SIRO) role not embedded or effective.. Poor communication channels between SIRO and Monitoring Officer.. Inconsistent approach to Information and data Management and security. Inadequate information management systems	Monitoring and reporting of mandatory training and compliance exceptions.	Fully Effective	1	<div>Impact</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Likelihood</div></div>
		Embedded Senior Information Risk Officer role	Fully Effective	1	
		Quarterly SIRO reporting to CMT	Fully Effective	1	
		Establishment of comprehensive Information Governance Board	Fully Effective	1	
					Very Low
Mitigating Actions					Residual Risk Assessment
					<div>Impact</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Likelihood</div></div>
					Very serious
					Almost Impossible

Risk Owner		Risk Manager	CHI SMT
Latest Note			

Category	Capacity / Capability				
Code	C,H&I 09	Risk that processes to manage and benefit from the effects of severe weather and climate change are not effective.			
Definition	The Council is required to comply with key legislative requirements, including Public Bodies (Scotland) Climate Change Act (2009). Within Communities, Housing and Infrastructure we are specifically required to support corporate activities to reduce emissions, adapt to climate change and be sustainable. This will involve protecting those most vulnerable through the provision of adequate housing, safeguarding assets and infrastructure from the effects of changing weather patterns, protecting and enhancing our natural environment, taking planning decisions that consider long term impacts, avoiding costs and working towards a circular economy that offers diversification and development potential for the city				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
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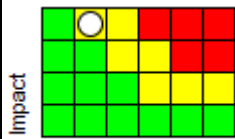
<ul style="list-style-type: none"> . Embed climate resilience as core responsibility . Build greater understanding of climate risks and opportunities, embedding climate change ownership and accountability . Embed collaborative working to ensure holistic decision making . Development and implementation of effective monitoring and performance reporting mechanisms 			
		Very serious	
		Very Low	
Risk Owner	Pete Leonard	Risk Manager	CHI SMT
Latest Note			

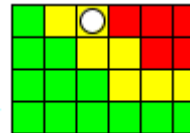
Category	Capacity / Capability				
Code	C,H&I 10	Risk of poor employee engagement levels			
Definition	Internal and external influences on the management of change in the delivery of services and core functions may impact negatively on workforce morale				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Poor retention levels . Difficult to attract / recruit key staff . Deteriorating service quality . Increased customer complaints	. Lack of clarity in direction and culture . Inability to motivate and develop staff . Poor Communication . Lack of capacity and resources . Lack of staff recognition and appreciation . Lack of accountability	Further embed principle of “golden thread”	Partially Effective	1	Impact  Likelihood
		Staff Engagement in developing Service/Directorate Plans	Partially Effective	1	
		Staff Engagement Events, Opinion Surveys	Fully Effective	1	
		Implement actions identified from feedback	Partially Effective	1	
		Senior manager involvement with Aspiring Leaders Programme	Fully Effective	1	
		Improved Employee Benefits/Salary Sacrifices	Fully Effective	1	
		PR&D	Fully Effective	1	
		Communication Business Advisers aligned to Service	Partially Effective	1	
		E mag incorporating feedback mechanisms	Fully Effective	1	
		Director’s Blog	Fully Effective	1	
		1-2-1	Partially Effective	1	
		The Zone	Fully Effective	1	
		Onelan screen used for performance reporting and corporate message sharing	Partially Effective	1	

		Smarter Working	Partially Effective	1	
		ICT Developments inc. Mobile Working	Partially Effective	1	
		Improved Work/Life Balance incorporating cultural shift	Partially Effective	1	
		Performance Management Framework	Partially Effective	1	
		Star Awards	Fully Effective	1	
		APSE Nominations etc	Fully Effective	1	
		Directors Blog/e-magazine – recognition of achievements and successes	Fully Effective	1	
		Ideas Hub	Partially Effective	1	
		Director/ HofS engagement with LSA process	Fully Effective	1	
		Managers P&RD – core objectives	Partially Effective	1	
		PMF – links to Shaping Aberdeen and Smarter Aberdeen	Partially Effective	1	
				Very Low	
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">. 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.. Ensure PR&D objectives reviewed and implemented in line with Directorate Priorities. Workforce Planning Events/ mini conferences in place Further development in use of Onelan screen					<div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></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Risk Owner	Pete Leonard	Risk Manager	CHI SMT
Latest Note			

Category	Delivery				
Code	C,H&I 11	Risk of non-compliance with statutory requirements in relation to Corporate Landlord Role			
Definition	The council is required to maintain it's building in an appropriate condition and undertake cyclical maintenance on systems and to ensure staff and the public remain safe and buildings are maintained effectively.				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Fatality or serious injury to employee of member of the public. . Corporate Health and Safety Policy breached. . Prosecution for failings (criminal and civil). . Compensation claims. . Enforcement action(s) . Increased insurance costs Reputational damage	. Poor Leadership by Management . Poor Health and safety culture . Poor understanding of risk around buildings. . Contractor failure (original construction) . Inadequate monitoring of building works . Contractor failure compliance testing . Administration failure around certification and works planning . Poor management of contractor performance. . Performance management systems not interacting with work planning systems. . Poor KPI development, monitoring and recording . Restricted and prioritised budget around building works and improvements . Ongoing legislative changes. Insufficient training of building users.	Air Conditioning systems testing and maintenance	Fully Effective	1	<div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div><div><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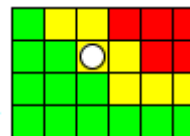
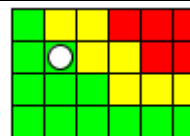
				Very serious
				Low
Mitigating Actions				Residual Risk Assessment
<ul style="list-style-type: none"> . Compliance Monitoring procedure Update in June 2016 . Regular meeting held to monitor compliance with building services attended by senior managers . Appointment and management of suitably qualified staff or contractors . Development of suite of KPI's to monitor performance. . Sample testing and auditing of testing and maintenance regimes . CPD Requirements for all staff involved 				
				Very serious
				Very Low
Risk Owner	Pete Leonard	Risk Manager	CHI SMT	
Latest Note				

Category	Delivery				
Code	C,H&I 12	Risk that management failures / slippage in the delivery of capital projects /failure to secure and or retain funding from external sources impacts negatively on the Council's financial stewardship.			
Definition	The Council is committed to the delivery of its strategic and capital planning priorities. Failure to deliver these priorities within time scale is a highly significant risk				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Investment opportunities missed. . Inability to deliver balanced budget. . Inability to fund planned projects . Reputational damage. . Litigation. Special measures	. Disconnect between project management and corporate financial management . Poor project management skills base . Project risk escalations not notified to corporate financial management . Understatement of project risk . "Optimism Bias" . Poor communication channels . Key financial decision making at project level not aligned with corporate financial management . Inability of Developers to make payment to Council in relation to s75 Contributions or require reimbursement of said funds including interest	Alignment of risk at project and directorate levels	Partially Effective	1	<div><div>Impact</div><div>Likelihood</div></div>
		Effective project management	Partially Effective	1	
		Post project reviews	Partially Effective	1	
		Effective risk management training for key managers in relation to Capital Programme	Partially Effective	1	
		Open communication channels and effective reporting	Fully Effective	1	
		Effective communication channels maintained with developers to minimise disruption	Partially Effective	1	
		Source alternative funding for key infrastructure projects	Not Effective	1	
		Regular meetings of SIP & Capital Review Group	Fully Effective	1	
		Regular reporting to Director	Fully Effective	1	
					Very serious
					Low
Mitigating Actions					Residual Risk Assessment



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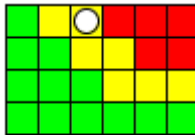

Category	Governance				
Code	C,H&I 13	Risk that Capital Programme is not managed effectively			
Definition	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">. Major capital projects are not delivered effectively. Budgets are not controlled or managed effectively. Censure by government and its agencies. Reputational damage. Essential service deliver jeopardised through poor management of finances. Strategic Planning objectives are not achieved	<ul style="list-style-type: none">. Inadequate communication between capital project management, SMT,CMT and Elected Members. Lack of project / risk management skills leading major projects. Poor adherence to collaborative planning, budgeting and forecasting requirements. Internal/external audit assurance absent	Line management 1-2-1 reporting	Partially Effective	1	<div>Impact</div> <div>Likelihood</div>
		Strategic Asset and Capital Board	Fully Effective	1	
		Project Management Office processes adopted	Fully Effective	1	
		Projects allocated only to officers with appropriate skills	Partially Effective	1	
		Adequate lead in time to support accurate forecasting	Not Effective	1	
		Effective negotiating and influencing skills in place to ensure capital planning process adhered to.	Partially Effective	1	
		Enforced financial procedures compliance	Fully Effective	1	
		Risk based internal audit plan	Fully Effective	1	
Very serious					
Low					
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">. Embed effective project management skills across the organisation.. Embed Director / CE 1-2-1 process to cover all key capital projects.. Embed adequate lead-in time frame to support robust forecasting. Governance Review. Internal Audit Plan Project close and review procedure to be developed and embedded					<div>Impact</div> <div>Likelihood</div>
					Serious

				Very Low
Risk Owner	Pete Leonard	Risk Manager	CHI SMT	
Latest Note				

Category	Delivery					
Code	C,H&I 14	Risk of not effectively communicating and engaging with Customers				
Definition	The importance of engaging with customers cannot be overstated particularly with the advent of social media and the immediacy of information. It is important to have awareness and understanding of customers expectations and to match or manage these					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
<ul style="list-style-type: none">. Mismatch in expectation levels. Increased scrutiny by regulatory bodies. Increased volume of complaints. Reputational damage. Resources diverted to address perceived service failures. Failure to address needs of customers	<ul style="list-style-type: none">. Inadequate engagement with customer base. Feedback from surveys not used to inform service design and delivery. Feedback from complaints not used to inform service improvements	Communication and liaison with key stakeholder groups in place	Partially Effective	1	<div>Impact</div>  <div>Likelihood</div>	
		Stakeholder involvement in strategy groups	Partially Effective	1		
		Surveying results reported to Committee	Partially Effective	1		
		Wider customer surveying in place	Partially Effective	1		
		Corporate systems governing complaints handling	Partially Effective	1		
		Complaint reporting to SMT ensuring lessons learnt shared across directorate	Not Effective	1		
						Serious
						Low
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">. Training of staff in managing customer expectations. Customer experience improvements (Bridging Gap). Improved awareness and understanding of customer. Improving customer service workplan. Customer Services Framework Governance Review					<div>Impact</div>  <div>Likelihood</div>	
					Serious	
					Very Low	
Risk Owner	Pete Leonard		Risk Manager		CHI SMT	

Latest Note		
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Category	Capacity / Capability						
Code	C,H&I 15	Risk of poor financial management and financial decision making					
Definition	The Council must comply with requirements of good financial stewardship.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		. Resources insufficiently funded potentially resulting in harm/loss of life . Inability to meet statutory duties . Reduced ability to fully deliver services and City, Council, Directorate priorities, . Negative financial impact . Government censure Reputational damage	. Tight budget settlement from Government . Inability to set balanced budget . Critical financial procedures not followed	Key financial procedures adhered to	Fully Effective	1	Impact  Likelihood
				Corporate round table process	Fully Effective	1	
				Internal and external assurance	Fully Effective	1	
				Assurance Framework	Partially Effective	1	
			Very serious				
			Low				
Mitigating Actions					Residual Risk Assessment		
Governance review underway					Impact  Likelihood Very serious Almost Impossible		
Risk Owner	Pete Leonard		Risk Manager	CHI SMT			
Latest Note							

Category	Governance						
Code	C,H&I 16	Risk that governance of the operation and management of AECC Ltd. is inadequate to minimise risk posed to the Council.					
Definition	The operation of ALEOS in carrying out services or functions devolved by the Council poses risks for the Council.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
<ul style="list-style-type: none">. Increased financial dependence on the Council of AECC Ltd.. Reputational damage for the Council.. Increased audit / scrutiny of Council's management of ALEOs.. City not seen as a leisure or business destination.. Resources diverted from other areas to support poor AECC financial performance.	<ul style="list-style-type: none">. Poor marketing during run-up to the development of the new venue.. Event bookers look elsewhere until new venue is available.. Lack of supporting infrastructure (hotels, retail etc.) in the vicinity of the AECC. Attrition of key personnel at the AECC during run-up to the new venue opening.. Competitive tendering process precludes the Council having proper access to AECC operational information.	ALEO Governance Hub considers marketing at quarterly meetings.	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>		
		Ensure momentum is maintained to secure bookings by monitoring through effective governance.	Partially Effective	1			
		City marketed effectively for retail / accommodation strengths.	Partially Effective	1			
		Monitor through consideration of meeting minutes etc, effectiveness of staff support during period of transition.	Fully Effective	1			
		Continue to require evidence to Governance Hub of full suite of operational activity information during tendering process	Fully Effective	1			
						Very serious	
						Low	
		Mitigating Actions					Residual Risk Assessment
		<ul style="list-style-type: none">. Liaise with marketing team to ensure effective marketing of city during development of new venue.. ACC have allocated a budget to AECC Ltd to promote the new venue.. Strengthen function of ALEO Governance Hub to ensure information flows meet requirements. 3 hotels are being built as part of the development to reduce concerns of insufficient infrastructure.. As part of the on-going operator procurement TUPE is a mandatory requirement for bidders to include in their bids. Therefore will apply to existing AECC Ltd staff.					<div>Impact</div>  <div>Likelihood</div>
				Almost Impossible			
Risk Owner	Pete Leonard		Risk Manager		CHI SMT		

Latest Note		
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Category	Governance				
Code	C,H&I 17	Risk that governance of the operation and management of Aberdeen Heat and Power Ltd is adequate to minimise risk posed to the Council			
Definition	The operation of ALEOS in carrying out services or functions devolved by the Council poses risks to the Council				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
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. Work on heat network development stopping.	understanding of responsibilities and relationship between the Council and AHP . AHP not following governance procedures . Poor communications and relations between ACC and AHP . Lack of Quality Management Processes by AHP . Lack of Board members with sufficient skills . Lack of awareness of energy industry policy Changes in the Energy Market . Lack of awareness of political environment . Extraordinary changes in fuel supply prices Failure to deliver council capital projects timeously . Poorly managed delivery contracts . Lack of resource investment by AHP . Unforeseen complications in building and site conditions. . Unexpected changes in the Council or Scottish Government funding arrangements.	between Council and AHP.	Effective		
		Report to the Council's ALEO Governance Hub	Fully Effective	1	
		AHP and ACC participate and attend relevant fora and networks and industry groups.	Fully Effective	1	
		Ensure heat network and systems are adaptable and have potential for diversification in the future.	Fully Effective	1	
		AHP constantly review operational efficiencies.	Fully Effective	1	
		Ensure gas and electricity contracts are robust and as far as possible protect AHP from fluctuations or unexpected market conditions	Fully Effective	1	
		Regular Project Meetings between the Council and AHP.	Partially Effective	1	
		Close Management of Contracts including Works Programme to be supplier by AHP.	Partially Effective	1	
		ACC Management procedures of AHP	Partially Effective	1	
					Very Low
Mitigating Actions					Residual Risk Assessment
. Council Legal team to clarify the Council's options in event of AHP failing to deliver agreed services. . AHP to provide Operational and Procedural Documents to the Council. . Consider the potential for the Council's Corporate Governance representation on AHP Policy and Operations Sub-Group.					<div><div>Impact</div><div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div><di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				Almost Impossible
Risk Owner	Pete Leonard	Risk Manager	CHI SMT	
Latest Note				

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 September 2016
DIRECTOR	Gayle Gorman
TITLE OF REPORT	Education and Children's Services Risk Register
REPORT NUMBER	ECS\16\059
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek Committee approval to note the content of the Education and Children's Services Risk Register and the mitigating actions that are in place to manage and control service risks.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee agree:

- To note the content of the Education and Children's Services Risk Register;
- To note the mitigating actions that are present to manage and reduce the service risks;
- To note that the content of the Education and Children's Service Risk Register is reviewed by the Directorate Leadership team on a monthly basis and amended as necessary; and
- Otherwise note the contents of this report.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications associated with this report.

4. OTHER IMPLICATIONS

Legal

- 4.1 Careful assessment, monitoring and management of risks ensures that the Council and Education and Children's Services can safely deliver their statutory obligations for all young people and families across Aberdeen.

Resources

- 4.2 Having considered the risks facing Education and Children's Services the key element to managing and mitigating the risk is the effective deployment of resources. This includes the deployment of assets, staff and finances.

5. BACKGROUND/MAIN ISSUES

Risk Register - Contents

- 5.1 The purpose of the service risk register is to:
- Understand the nature of the risks the Council / Service faces;
 - Become aware of the extent of those risks;
 - Identify both the level of risk that the management is willing to accept and the level of risk that the organisation (Council / Service) is itself willing to accept;
 - Recognise the ability to control and reduce risk;
 - Report the risk status at any point in time;
 - Have in place risk event "early warning" factors and upward reporting thresholds
- 5.2 The major operational risks faced by Education and Children's Services are no different from those faced by any other local authority, however each authority will have their own local approach to managing those recorded risks. For Education and Children's Services the following risks are reported as being operationally significant, however the risk mitigation measures that are in place to manage the risk are also set out:
- (a) **Business Continuity Planning is not managed or tested**
- Rigorous testing regime to support continuing fit for purpose BCP is in place and will be further developed in 2016/17.
 - Quarterly reporting to SMT on BCP procedures to begin in 2016/17.
 - Desktop and scenario based testing to be programmed for 2016/17 onwards.

- Annual report to Education and Children's Services Committee is now in place with first report approved at 24 March 2016 meeting.
- Annual review of establishment BCPs.

(b) Performance management arrangements are not robust

- Consistent performance reporting framework covering DLT, CMT, 1-2-1 and committee levels
- Robust performance indicator identification which supports business priorities, outcome evidencing and transformation
- Proper sourcing of benchmarking information to support stretching targets
- Suite of performance metrics in place for Reclaiming Social Work.
- Review of Education and Children's Services metrics will be undertaken by the Policy and Performance team to ensure that they match the future needs of the service.

(c) Non-compliance with Health and Safety management system

- Annual action plans with improvement targets in place.
- All H&S incidents are investigated.
- Importance of health and safety raised at Staff Inductions.
- Quarterly meetings of Directorate Health and Safety Committee.
- Attendance at quarterly Corporate Health and Safety Committee by Senior staff.
- Effective links are in place with Corporate Health and Safety Service.
- A H&S training matrix has been developed for staff at all levels with input from the H&S Manager.
- Electronic reporting consistently used.
- Implementation of Maximising Attendance Improvement Plan.
- Create a culture of H&S competence throughout workforce.

(d) Legislative and policy changes are not anticipated or planned for

- Effective Service planning is in place, for example, annual E&CS Service Plan and for individual Services.
- Membership of national bodies such as ADES and Social Work Scotland.
- Close working is in place with the Scottish Government.
- Working groups are established to consider the impact of new legislation or changes to existing legislation.
- Reports are submitted to Committee outlining the implications of legislative changes or to seek Policy changes.

(e) Appropriate governance of ALEOs is not in place

- Effective Service planning is in place for each ALEO, recognising the financial position of the Council.
- Regular formal and informal meetings are in place to discuss performance and governance matters with all ALEOs.
- Quarterly performance data is received and reviewed prior to payment of the next quarter's award.
- The Governance Hub is well established and conducting informative discussions with each Tier 1 ALEO bi-annually.
- Tier 2 ALEOs will also be meeting with the Governance Hub over the summer of 2016.
- Business Plans are reviewed and approved by the Education and Children's Committee.

(f) Service delivery is hindered by staff recruitment and retention issues

- Innovative recruitment practices are now in place such as "golden hello" of £5,000 for teachers.
- Innovative schemes are in place to attract new staff to the teaching profession, e.g. TIES and DLITE
- Competitive relocation expenses are in place for staff moving to Aberdeen.
- Use of agency Social Workers to reduce the gaps is well established.
- Recruitment of teachers from outside Scotland is in place.
- Teacher Workforce conference held in September 2015 with input from Scottish Government and the Cabinet Secretary.
- Annual employee surveys are in place and staff engagement is embedded across the Service.

(g) Lack of governance of contract management

- Close liaison with the Corporate Procurement team has been achieved with a greater understanding of the Service's needs.
- Input from Internal Audit was secured at the start of the process by the Head of Children's Social Work.
- Children's Social Work has developed a Commissioning Strategy.
- A suite of performance metrics will be included in contracting arrangements to ensure contract compliance by providers.
- Reduction in off-contract spend will be delivered.

(h) Growing demographic demands result in service delivery pressures

- The ECS Estate Plan involves close liaison with Service Managers from across ECS.

- The ECS Estate Plan is forward looking to ensure additional capacity where required.
- Demographic changes are reflected in the budget setting process.
- Performance data captures the number of looked after and accommodated children and young people and the number of children on the Child Protection Register.
- Close liaison with Planning colleagues to review the impact of new housing developments and the need for s75 contributions.

(i) **The physical condition of the ECS estate is insufficient to meet service delivery requirements**

- The ECS Assets team has sufficient resources, making it fit for purpose to meet the needs of all service areas within ECS.
- The Council has a clearly defined 5 year capital programme which includes significant investment in schools and nurseries, Children's Social Work offices and residential premises for children and young people.
- The ECS Estate Plan will set out the long term vision and objectives for the estate.

(j) **Financial planning is not robust**

- Strategic budget planning is in place and led by Head of Service- Policy, Performance and Resources.
- Budget groups have been established with representation from all service areas to develop budget proposals.
- Budget planning will clearly link with service and Council priorities.
- Input and support from the Finance Service has been secured.
- Clear, costed budget proposals will be presented to the Service DLT by December 2016.
- Support and challenge is provided by the Corporate Management Team.

(k) **Major IT systems failure**

- Additional resources paid to SEEMiS to continue systems development work.
- Close liaison is in place with the Account Managers for Carefirst and SEEMiS.
- Officer representation at user groups to ensure developments meet the needs of the Service.
- Attendance at the SEEMiS AGM.
- Piloting of Carefirst modules at no cost to ACC.
- Effective data security arrangements in place to ensure no loss of data.

Disaster recovery plans are well established.

(l) Failure of partnership working with key stakeholders to deliver for children and young people

- Clear progress in strategic partnership working has been evident in meeting the Action Plan resulting from the Integrated Children's Services Inspection.
 - Implementation of communications strategy (additional communications plan for Reclaiming Social Work).
 - Staff engagement through briefings and floor events.
 - External stakeholder events for transformational programmes.
 - Events delivered in order to use stakeholder perception analysis to inform development.
- Representation from partners at key strategic and operational meetings where Education and Children's Service have a lead role.

(m) Failure to implement Reclaiming Social Work

- Amendments to the timeline have now been made to reflect changes within Children's Social Work.
- Publication of the implementation timescale has lessened vulnerability for staff and the Service.
- As the implementation plan gets underway additional resources will require to be identified as other pressures are exerted, for example in relation to the matching/recruitment process.
- Regular communication briefings are distributed to all staff.
- Experience gained in delivering earlier modules of RSW create 'lessons learned' for future delivery.

(n) Failure to deliver the implementation of the Inclusion Review

- An Implementation Manager has been appointed along with a team of highly qualified and experienced individuals to support schools and lead the implementation.
 - The Inclusion Review has buy in at Elected Member, Chief Officer and Senior Management levels.
 - Communication with stakeholders, including Head Teachers, is well developed.
 - A clear implementation plan has been developed and is reviewed at the Implementation Group.
 - Significant resource has been identified to provide training opportunities.
- Inclusion is a standing item on the Teacher's Consultative Forum.

(o) Failure to deliver statutory obligations for early learning and childcare

- National discussions are on-going with the Scottish Futures Trust and Scottish Government to review the financial support required to deliver the 1,140 hours in terms of capital and revenue.
- Revision to staffing structures has been agreed and is currently being implemented.
- Work is on-going to identify suitable partner providers, including national organisations.
- Planning is in place to enhance capacity to deliver the policy.

(p) **Risk that fundraising for the Aberdeen Art Gallery refurbishment and extension does not meet the previously agreed target of £10 million**

- Interventions put in place at Directorate level in April 2016.
- Revised fundraising strategies being prepared and provided to the Director and Head of Education Services.
- Consideration of additional resources being acquired to drive forward fundraising.
- Roles and responsibilities are being clarified with the Trustees.
- Greater scrutiny placed on fundraising activities.
- Publicity activities being reviewed to increase public awareness of the fundraising campaign and the role that the Art Gallery plays in the life of Aberdeen.
- Approval at Finance, Policy and Resources Committee to underwrite the balance of the fundraising target.
- Engagement with a fundraising consultant is in place to assist in achieving donations from private individuals.

6. IMPACT

Corporate

- 6.1 It is the responsibility of the management team of Education and Children's Services Directorate to lead and set appropriate risk management standards. This includes the development of a Risk register which sets out the major operational risks that are faced by the Service.

7. MANAGEMENT OF RISK

- 7.1 The Service Risk Register is a dynamic document which is reviewed on a monthly basis at the Service's Directorate Leadership Team. This allows for changes in mitigating measures to be assessed and updated and for risks to be added or de-escalated as appropriate.

Attitude to Risk Management in Education and Children's Services

- 7.2 Risk management is a component that every individual undertakes each and every day, without necessarily thinking of it as risk management. A simple example of this is crossing road where an individual. Risk management is recognised as an integral part of good management practices.

Within Education and Children's the approach to risk management takes cognisance of the needs of all children and young people and decisions are taken having first considered their welfare, safety and rights to receive a first class education.

8. BACKGROUND PAPERS

Appendix 1: ECS Risk Register

9. REPORT AUTHOR DETAILS

Euan Couperwhite
Head of Policy, Performance and Resources
ecouperwhite@aberdeencity.gov.uk
Tel: 01224 522073

Education and Children's Services Operational Risk Register

Report Type: Risks Report

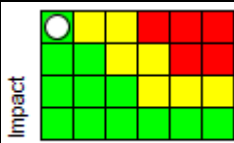
Report Author: Lesley Kirk

Generated on: 14 September 2016

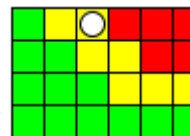



Category					
Code	ECS	Education and Children's Services Operational Risk Register			
Definition					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
					Very serious
					Low
Mitigating Actions					Residual Risk Assessment
Risk Owner			Risk Manager		
Latest Note					

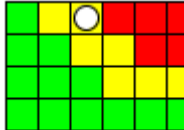

Category	Governance																													
Code	ECS001	Risk that Business Continuity Planning is not managed or tested																												
Definition	Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard public services and to protect communities. BCPS are required for Critical Functions in respect of : Internal 1. The Council's ability to respond to emergencies. 2. The finances of the Council 3. The Council's reputation External 4. Human welfare or the environment 5. The Council's statutory obligations																													
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment																									
		Control	Control Assessment	Weight																										
Internal: • Resilience – ability of systems; (Financial, HR, Legal and Commercial and Procurement), disaster recovery and business continuity. • Capacity and capability – accountability, recruitment and retention of staff, resources. • Financial – budget management, revenue and creditors. • Reputation – Confidence and trust which stakeholders have in the organisation, services users. External: • Delivery – frontline service and relationships. • Legal – community, environmental and Health and Safety.	• Disaster recovery planning, business continuity planning and testing arrangements are not effectively developed and reviewed.	Business Continuity Policy in place	Fully Effective	1	<div>Impact</div> <table><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table> <div>Likelihood</div>																									
		Clear ownership of BCPs	Partially Effective	1																										
		Quarterly review by SMT	Partially Effective	1																										
		Regular Internal audit of BC Planning and Disaster recovery.	Partially Effective	1																										
	Annual assurance by Audit, Risk and Scrutiny Committee.	Partially Effective	1																											
Suite of BCPs in place for all non-critical CG functions	Partially Effective	1																												
Annual committee oversight of BCPs established	Fully Effective	1																												
Regular BCP testing regime	Partially Effective	1																												
					Very serious																									
					Low																									
Mitigating Actions					Residual Risk Assessment																									

<ul style="list-style-type: none"> • Rigorous testing regime to support continuing fit for purpose BCP is in place and will be further developed in 2016/17. • Quarterly reporting to SMT on BCP procedures to begin in 2016/17. • Desktop and scenario based testing to be programmed for 2016/17 onwards. • Annual report to Education and Children's Services Committee is now in place with first report approved at 24 March 2016 meeting. • Annual review of establishment BCPs. 		 <p>Impact</p> <p>Likelihood</p> <p>Very serious</p> <p>Almost Impossible</p>	
Risk Owner	Euan Couperwhite	Risk Manager	Lesley Kirk; Kate MacKay
Latest Note			

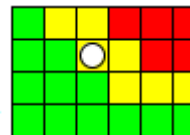
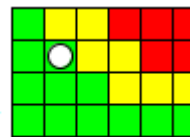
Category	Governance					
Code	ECS002	Risk that performance management arrangements are not robust				
Definition	Performance management supports an effective compliance culture and change and continual improvement processes.					
Potential Impact		Causes	Control Effectiveness			Current Risk Assessment
			Control	Control Assessment	Weight	
<ul style="list-style-type: none">• Effectiveness - measurement of impacts and outcomes.• Consistency - approach to the transformation and improvement agendas.• Capacity and capability - accountability, evidencing Best Value delivery and Public Performance Reporting.• Reputation – confidence and trust which stakeholders have in the organisation.• Governance –assurance and accountability, government agency approval.		<ul style="list-style-type: none">• Performance culture not ingrained throughout the organisation.• Performance indicators do not support service improvements.• Poor benchmarking activity.• Varying performance reporting framework.• Target-setting inadequate.• Performance metrics are not reviewed and do not demonstrate outcomes.	Review of performance metrics to match changes in service delivery	Partially Effective	1	<div><div>Impact</div><div>Likelihood</div></div>
			Robust governance structure at committee level with quarterly reporting	Fully Effective	1	
			Access to dashboard for relevant staff	Partially Effective	1	
			Performance reporting reviewed by DLT and Committee	Fully Effective	1	
						Serious
			Low			
Mitigating Actions						Residual Risk Assessment
<ul style="list-style-type: none">• Consistent performance reporting framework covering DLT, CMT, 1-2-1 and committee levels• Robust performance indicator identification which supports business priorities, outcome evidencing and transformation• Proper sourcing of benchmarking information to support stretching targets• Suite of performance metrics in place for Reclaiming Social Work.• Review of Education and Children's Service metrics will be undertaken by the Policy and Performance team to ensure that they match the future needs of the service.						<div><div>Impact</div><div>Likelihood</div></div>
						Serious
						Very Low
Risk Owner	Euan Couperwhite		Risk Manager		Reyna Stewart	
Latest Note						



Category	Governance						
Code	ECS003	Risk of non-compliance with health and safety management system					
Definition	The Council is required by law to safeguard its employees and users and to ensure their wellbeing through effective implementation of the Health and Safety Policy.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		<ul style="list-style-type: none">• People – injury/fatality, absence and industrial action.• Legal and regulatory – prosecution and policy breaches.• Financial – compensation claims,absence levels, enforcement action and cost recovery of regulator time.• Delivery – frontline service and relationships.• Reputation – confidence and trust in which stakeholders have in the organisation.	<ul style="list-style-type: none">• A positive health and safety culture is not ingrained across all areas of the Directorate.• Inconsistent delivery of appropriate training to meet the health and safety needs of ECS staff.• Communication of H&S matters is not co-ordinated.• Non-reporting/recording of incidents and near misses with poor or no investigation resulting in no identification of remedial action to prevent reoccurrence• Compliance with health and safety management system is not monitored.• Lack of clarity of health and safety responsibilities.	Plan, Do, Check, Act approach based on known risk adopted in the Health and Safety Policy	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>
				Service health and Safety Committee structure in place with Trade Union membership	Fully Effective	1	
Directorate Health, Safety and Wellbeing Plans prepared	Partially Effective			1			
					Very serious		
					Low		
Mitigating Actions					Residual Risk Assessment		
<ul style="list-style-type: none">• Annual action plans with improvement targets is in place.• All H&S incidents are investigated.• Importance of health and safety raised at staff inductions.• Quarterly meetings of Directorate Health and Safety Committee.					<div>Impact</div>  <div>Likelihood</div>		

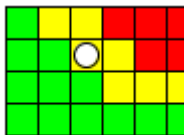
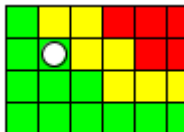
<ul style="list-style-type: none"> • Attendance at quarterly Corporate Health and Safety Committee by senior staff. • Effective links are in place with Corporate Health and Safety Service. • A H&S training matrix has been developed for staff at all levels with input from the H&S Manager. • Electronic reporting consistently used. • Implementation of Maximising Attendance Improvement Plan. • Create a culture of H&S competence throughout workforce. 				Very serious
				Almost Impossible
Risk Owner	Euan Couperwhite	Risk Manager	Lesley Kirk; Kate MacKay	
Latest Note				

Category	Governance						
Code	ECS004	Risk that legislative and policy changes are not anticipated or planned for					
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						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
<ul style="list-style-type: none">• Legal/regulatory - statutory responsibilities, policy and legislation.• Financial – government penalties.• Delivery – effectiveness of service.	<ul style="list-style-type: none">• Horizon scanning is ineffective or not in place.• Communication shortfalls between Scottish Government and national bodies in the preparation of legislative changes.• Internal planning processes are ineffective.	Embedded legislation and policy tracking	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>		
		Effective consultation with legislative and policy-making bodies which draws on both member and officer input	Partially Effective	1			
		Robust 1-2-1 structure (CE-Director) which includes legislation / policy monitoring	Partially Effective	1			
		Understanding of and willingness to embrace opportunities arising from legislation	Partially Effective	1			
		Membership and attendance at national groups such as Social Work Scotland and ADES	Fully Effective	1			
			Very serious				
			Low				
Mitigating Actions					Residual Risk Assessment		
<ul style="list-style-type: none">• Effective Service planning is in place, eg annual ECS Service Plan and for individual Services.• Membership of national bodies such as ADES and Social Work Scotland.• Close working is in place with the Scottish Government.• Working groups are established to consider the impact of new legislation or changes to existing legislation.• Reports are submitted to Committee outlining the implications of legislative changes or to seek Policy changes.					<div>Impact</div>  <div>Likelihood</div>		
						Very serious	
						Almost Impossible	
Risk Owner	Gayle Gorman	Risk Manager	Euan Couperwhite; Andrew Griffiths; Bernadette Oxley; Helen Shanks				
Latest Note							

Category	Governance				
Code	ECS005	Risk that appropriate governance of ALEOS is not in place			
Definition	The Council delivers services for sports and arts through Arms-Length External Organisations and it must ensure that these organisations are delivering the services specified in the contract agreements and that robust governance arrangements are in place within each ALEO				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">• Delivery -Service provision to the public as specified in the contract agreement/terms.• Reputation – confidence and trust which stakeholders have in the Council damaged by ALEO non-performance.• Financial – ineffective and ungoverned spending of the annual budget of £7.25 million across the ALEOs under the remit of Education and Children’s Services.	<ul style="list-style-type: none">• Communication between Service representatives and ALEO senior management is ineffective.• Contractual relationships are not updated to reflect the services being provided by ALEOs.• Key performance data is not received or effectively analysed to ensure compliance with the contract specification.• Deliberate ultra vires spending by ALEO management.	Business Plans are in place for 2016/17 and approved by the Education and Chikldren's Services Committee	Not Effective	1	<div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div><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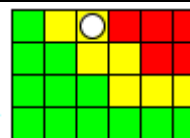
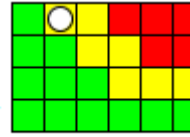
Category	Capacity / Capability				
Code	ECS006	Risk that service delivery is hindered by staff recruitment and retention issues			
Definition	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas. With high staff vacancies the pace of change may be slowed and more pressure put on the staff in post.				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
		Annual census data is in place for teachers and monitored to ensure that national requirements for pupil : teacher ratios are delivered	Fully Effective	1	
		Reclaiming Social Work Board establsihed and revieweing staffing structures	Fully Effective	1	
		Service workforce plans in place	Fully Effective	1	
<ul style="list-style-type: none">• Service delivery - the breadth of the curriculum delivered in schools, particularly affecting the senior phase. Children and Young People do not receive the best educational or life opportunities.• Operations – overall capacity and capability to deliver.• Resources – recruitment and retention (the pace of change in Reclaiming Social Work may be reduced due to the number of Social Work vacancies).	<ul style="list-style-type: none">• Staffing levels for teachers and Social Workers do not meet with business need.• Training and development opportunities are reduced due to staff shortages.• Cost of living in Aberdeen is seen as being above that of most places in Scotland.				<div>Impact</div> <div></div> <div>Likelihood</div>
					Low
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">• Innovative recruitment practices are now in place such as “golden hello” of £5,000 for teachers.• Innovative schemes are in place to attract new staff to the teaching profession eg TIES and DLITE.• Competitive relocation expenses are in place for staff moving to Aberdeen.• Use of agency Social Workers to reduce the gaps is well established.• Recruitment of teachers from outside Scotland is in place.• Teacher Workforce conference held in September 2015 with input from Scottish Government and the Cabinet Secretary.• Annual employee surveys are in place and staff engagement is embedded across the Service.					<div>Impact</div> <div></div> <div>Likelihood</div>
					Serious
					Very Low
Risk Owner	Euan Couperwhite	Risk Manager		Euan Couperwhite; Andrew Griffiths; Bernadette Oxley; Helen Shanks	
Latest Note					

Category	Capacity / Capability					
Code	ECS007	Risk of poor contract management				
Definition	An effective and properly maintained contracts register underpins good supplier management and efficient use of resources.					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
<ul style="list-style-type: none">• Resources – sourcing emergency supplies, essential services unsupported, duplication of effort and reduction in pool of suppliers.• Reputation - audit outcomes, litigation, confidence and trust in the organisation.	<ul style="list-style-type: none">• Absence of properly maintained contracts register and expiration dates, and skills level and relationships with suppliers leads to inadequate management of contracts.• Communication with the Corporate Procurement Teams ineffectual.• Not adhering to Council or National Policy on contract frameworks.	Delegation of powers in standing orders to ensure correct authorisation levels in place	Partially Effective	1	<div><div>Impact</div><div>Likelihood</div></div>	
		Contracts register for Children's Social Work to be created	Partially Effective	1		
		Procurement Working Groups established and led by appropriate officers	Fully Effective	1		
		Contract management procedures	Partially Effective	1		
		Focus on continuous improvement and cost reduction	Partially Effective	1		
			Very serious			
			Low			
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">• Close liaison with the Corporate Procurement team has been achieved with a greater understanding of the Services' needs.• Input from Internal Audit was secured at the start of the process by the Head of Children’s Social Work.• Children's Social Work have developed a Commissioning Strategy.• Reduction in off-contract spend will be delivered.• A suite of performance metrics will be included in contracting arrangements to ensure contract compliance by providers.					<div><div>Impact</div><div>Likelihood</div></div>	
					Very serious	
					Almost Impossible	
Risk Owner	Euan Couperwhite		Risk Manager			
Latest Note						

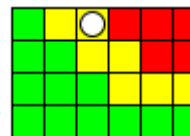
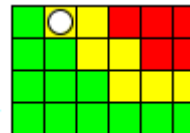
Category	Capacity / Capability					
Code	ECS008	Growing demographic demands result in service delivery pressures				
Definition	ECS services are increasingly delivering to a greater number of looked after and accommodated children and to a greater number of school aged pupils.					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
<ul style="list-style-type: none">• Capacity and capability – overcrowding and operational ability to deliver (600 hours early education and childcare).• Service delivery - the best service cannot be guaranteed for children and young people; an increase in out of authority placements as provision cannot be delivered internally.	<ul style="list-style-type: none">• A significant increase in house building is projected for the city in the coming years.• Immigration into Aberdeen from across the globe has resulted in an increase in the city's population, including children and young people.• Inaccurate projections regarding the increase in pupil rolls across the city and within individual schools, including parental choice for each school.• Failing to invest in increasing the capacity of the ECS estate to meet the educational or care needs of increasing numbers of young people.	Pupil roll projections are conducted annually and monitored against school capacities	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>	
		Numbers of looked after and accommodated children and young people are recorded and monitored	Fully Effective	1		
		The number of children and young people on the Child Protection Register is monitored as is referrals	Fully Effective	1		
		The ECS Estate Plan reviews the needs of the service to effectively deliver to the citizens of Aberdeen	Partially Effective	1		
		Service Plans take account of demographic changes and how they will be met	Fully Effective	1		
					Serious	
			Low			
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">• The ECS Estate Plan involves close liaison with Service Managers from across ECS.• The ECS Estate Plan is forward looking to ensure additional capacity where required.• Demographic changes are reflected in the budget setting process.• Performance data captures the number of looked after and accommodated children and young people and the number of children on the Child Protection Register.• Close liaison with Planning colleagues to review the impact of new housing developments and the need for s75 contributions.					<div>Impact</div>  <div>Likelihood</div>	
					Serious	
					Very Low	

Risk Owner	Euan Couperwhite	Risk Manager	Andrew Jones; Maria Thies
Latest Note			

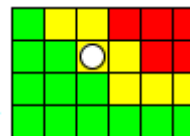
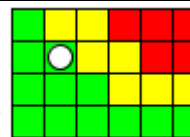
Category	Delivery					
Code	ECS009	The physical condition of the ECS Estate is insufficient to meet service delivery demands				
Definition	The ECS estate is unable to provide a platform from which effective service delivery can be maintained.					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
		Premises managers are required to complete a suitability survey annually	Fully Effective	1		
		The Council's 5 year capital programme is set each year and monitored at Finance, Policy and Resources Committee	Fully Effective	1		
		The SIP Group reviews progress against the capital programme and considers new project requests	Fully Effective	1		
		The ECS Estate Group reviews all ECS projects on a monthly basis	Fully Effective	1		
		Building condition surveys are carried out on a rolling 5 year programme	Fully Effective	1		
					Very serious	
					Low	
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">• The ECS Assets team has sufficient resources, making it fit for purpose to meet the needs of all service areas within ECS.• The Council has a clearly defined 5 year capital programme which includes significant investment in schools and nurseries, Children’s Social Work offices and residential premises for children and young people.• The ECS Estate Plan will set out the long term vision and objectives for the estate.						
					Very serious	
					Very Low	
Risk Owner	Euan Couperwhite		Risk Manager		Andrew Jones	
Latest Note						

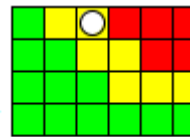
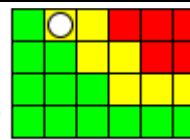
Category	Delivery						
Code	ECS010	Risk that financial planning is not robust					
Definition	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources. Robust financial planning is essential to ensure that high class services are delivered to the citizens of Aberdeen.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		<ul style="list-style-type: none">• Financial – service costs, budgets; poor management and reduction in available funds.• Legal/regulatory – criticism from the Council’s External Auditor and Audit Scotland and breach of Financial Regulations.• Service delivery –the reduction of expenditure without due consideration of the impact on children and young people.	<ul style="list-style-type: none">• Financial pressures faced by the Council unrecognised.• Overall reduction in the revenue and capital grants to the Council from the Scottish Government.• Contractual cost pressures increasing.• Increasing demographics result in additional service obligations.• Changes in legislation and consequential service delivery implications are not effectively planned.• Expectations from the public and Elected Members that service delivery will be maintained at current levels.	Council financial plans are agreed at the budget setting Council meeting each year	Fully Effective	1	<div><div>Impact</div><div>Likelihood</div></div>
				Budget monitoring arrangements are in place between Service Managers / Head Teachers and Finance Service colleagues	Fully Effective	1	
				Budget responsibilities are set out in the Financial Regulations	Fully Effective	1	
The new scheme of Devolved School Management is to be completed	Partially Effective			1			
			Very serious				
			Low				
Mitigating Actions					Residual Risk Assessment		
<ul style="list-style-type: none">• Strategic budget planning is in place and led by Head of Service: Policy, Performance and Resources.• Budget groups have been established with representation from all service areas to develop budget proposals.• Budget planning will clearly link with service and Council priorities.• Input and support from the Finance Service has been secured.• Clear, costed budget proposals will be presented to the Service DLT for August 2016.					<div><div>Impact</div><div>Likelihood</div></div> <div>Very serious</div>		

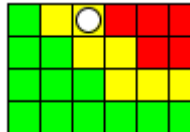
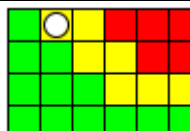
• Support and challenge is provided by the Corporate Management Team.			Very Low
Risk Owner	Euan Couperwhite	Risk Manager	
Latest Note			

Category	Delivery					
Code	ECS011	Risk of major SEEMiS and / or Carefirst systems failure				
Definition	Secure, well-functioning IT systems are critical to carrying out statutory Education and Children's Social Work functions.					
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment	
		Control	Control Assessment	Weight		
<ul style="list-style-type: none">• Service delivery– frontline and essential services impacted.• Resources, capacity and capability – information access, child protection, educational attainment and achievement cannot be recorded.• Legal - statutory requirements in terms of the Children and Young People Act 2014 not met.	<ul style="list-style-type: none">• IT systems suppliers unable to provide adequate support to the Council, and Service practitioners.• Suppliers fail to have effective business continuity and disaster recovery planning arrangements.• Council and Mainframe systems ability to provide sufficient protection of data.• Systems unable to meet the needs of practitioners.• IT systems are not user friendly and do not provide appropriate reporting mechanisms.	Appropriate staff training in place to ensure effective use of both SEEMIS and Carefirst systems	Partially Effective	1	<div><div>Impact</div><div>Likelihood</div></div>	
		Membership of Northern Group	Fully Effective	1		
		Update of SEEMIS membership agreement in 2015	Fully Effective	1		
		Development of GIRFEC module supported by enhanced payment to SEEMIS in 2015/16	Fully Effective	1		
					Very serious	
			Low			
Mitigating Actions					Residual Risk Assessment	
<ul style="list-style-type: none">• Additional resources paid to SEEMiS to continue systems development work.• Close liaison is in place with the Account Managers for Carefirst and SEEMiS.• Officer representation at user groups to ensure developments meet the needs of the Service.• Attendance at the SEEMiS AGM.• Piloting of Carefirst modules at no cost to ACC.• Effective data security arrangements in place to ensure no loss of data.• Disaster recovery plans are well established.					<div><div>Impact</div><div>Likelihood</div></div>	
					Very serious	
					Very Low	

Risk Owner	Euan Couperwhite	Risk Manager	Richard Elliot; Ian Geddes; Trevor Gillespie
Latest Note			

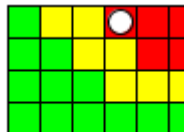

Category	Delivery						
Code	ECS012	Failure of partnership working with key stakeholders to deliver for children and young people					
Definition	To ensure an effective delivery of the GIRFEC agenda, agencies must work together to deliver the best life and educational outcomes for children and young people.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		• Culpability - likelihood of children being at risk is increased	• Quality assurance procedures are ineffective and not operating efficiently • Communication between agencies regarding their roles, agendas, and service delivery is not effective which results in gaps in service provision. • Separate agencies may have their own priorities which do not align to effective partnership working.	Integrated Children's Services Board in place, with appropriate representation from agencies	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>
		• Service delivery –appropriate services for individual children and young people not met and educational and life opportunities not maximised		Children's Services Plan in place and approved by Committee	Fully Effective	1	
		• Financial - duplication of agencies; cost and staff time		Thematic groups report progress to ICSB	Fully Effective	1	
				Accountabilities are clear and in place	Fully Effective	1	
				Serious			
				Low			
Mitigating Actions					Residual Risk Assessment		
• Clear progress in strategic partnership working has been evident in meeting the Action Plan resulting from the Integrated Children's Services Inspection. • Implementation of communications strategy (additional communications plan for Reclaiming Social Work). • Staff engagement through briefings and floor events. • External stakeholder events for transformational programmes. • Events delivered in order to use stakeholder perception analysis to inform development. • Representation from partners at key strategic and operational meetings where Education and Children's Service have a lead role					<div>Impact</div>  <div>Likelihood</div>		
					Serious		
					Very Low		
Risk Owner	Gayle Gorman		Risk Manager		Euan Couperwhite; Andrew Griffiths; Bernadette Oxley; Helen Shanks		
Latest Note							

Category	Delivery						
Code	ECS013	Failure to implement 'Reclaiming Social Work.'					
Definition	Reclaiming Social Work aims to deliver earlier interventions for children and young people based on a community model.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
		• Resources – staff retention and recruitment during RSW, staff ability to maintain on-going day-to-day responsibilities. • Capacity and capability – staff and service vulnerabilities due to implementation hiatus. Delivery – service delivery of support to children and young people in times of need.	• Insufficient staffing and property capacity may result in delays to the implementation or inability to deliver RSW. • Unclear communication regarding the impact of RSW on staff may impede its successful implementation; uncertainty could result in staff opposing the implementation of RSW.	Funding allocated to implement the Reclaiming Social Work model	Fully Effective	1	Impact  Likelihood
				Reclaiming Social Work Project Board in place and led by Head of Children's Social Work	Fully Effective	1	
				Implementation of RSW on a phased basis started on 29 February 2016	Partially Effective	1	
RSW Implementation Risk Register is in place and updated as necessary	Fully Effective			1			
			Very serious				
			Low				
Mitigating Actions					Residual Risk Assessment		
• Amendments to the timeline have now been made to reflect changes within Children's Social Work. • Publication of the implementation timescale has lessened vulnerability for staff and the Service. • As the implementation plan gets underway additional resources will require to be identified as other pressures are exerted, for example in relation to the matching/recruitment process. • Regular communication briefings are distributed to all staff. • Experience gained in delivering earlier modules of RSW create 'lessons learned' for future delivery.					Impact  Likelihood		
					Very serious		
					Very Low		
Risk Owner	Bernadette Oxley		Risk Manager	Graeme Simpson			
Latest Note							

Category	Delivery				
Code	ECS014	Failure to deliver the implementation of the Inclusion Review			
Definition	The implementation of the Inclusion Review will lead to pupils being educated in their local schools with the introduction of supports. It will appropriately support the Council to reduce the need for young people to be educated in out of authority placements.				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
<ul style="list-style-type: none">• People – exclusions both temporary and permanent and the number of young people in out of authority placements.• Statutory – the presumption of the provision of mainstream education.• Financial – future costs (avoidable by early interventions) and potential Tribunal Hearings due to statutory failure.	<ul style="list-style-type: none">• Engagement between Head Teachers (primary and secondary) is not effective.• Inability to adapt buildings and increase staff capacity to support a wider range of learning needs.• Parental resistance to their children being educated in a mainstream setting as they may perceive this to provide less support than that provided at a Special School.• Reluctance of individuals to willingly participate in the Inclusion agenda.	Inclusion review approved by Committee in November 2014	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>
		Implementation progress is monitored by the Inclusion Implementation Group	Partially Effective	1	
		A suite of SMART performance metrics is in place to allow monitoring (Inclusion Review)	Fully Effective	1	
		The Inclusion Service Plan has been developed	Fully Effective	1	
					Very serious
					Low
Mitigating Actions					Residual Risk Assessment
<ul style="list-style-type: none">• An Implementation Manager has been appointed along with a team of highly qualified and experienced individuals to support schools and lead the implementation.• The Inclusion Review has buy in at Elected Member, Chief Officer and Senior Management levels.• Communication with stakeholders, including Head Teachers, is well developed.• A clear implementation plan has been developed and is reviewed at the Implementation Group.• Significant resource has been identified to provide training opportunities.• Inclusion is a standing item on the Teacher's Consultative Forum					<div>Impact</div>  <div>Likelihood</div>
					Very serious
					Very Low
Risk Owner	Helen Shanks		Risk Manager	Eleanor Sheppard	
Latest Note					

Category	Delivery				
Code	ECS015	Failure to deliver statutory obligations for early learning and childcare			
Definition	Local authorities are required to deliver 600 hours per year of early learning and childcare and by 2020 this will increase to 1,140 per year				
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
		Quality assurance processes are in place with existing partner providers	Fully Effective	1	
		Staff are registered with SSSC	Fully Effective	1	
		Lead staff in early education will be required to be educated to degree level (SVQ9)	Partially Effective	1	
• Legal/regulatory - statutory duties and requirements. • Service delivery – children and young people, especially those most vulnerable, (best start in life), preparation for formal educational journey into Primary 1.	• The capacity of the primary school estate is insufficient to meet the increased demands of the Children and Young people Act 2014. • Recruitment and retention of key staff along with the difficulties of finding suitable partner providers will hamper the Council’s ability to deliver its duties. • The fundamental shift in the approach to service delivery is not recognised by all agencies. • The 600 hours required for all eligible 3 and 4 year olds is currently not being fully met.	External inspections are carried out by Education Scotland and Care Inspectorate	Fully Effective	1	
					Very serious
					Low
Mitigating Actions					Residual Risk Assessment
• National discussions are on-going with the Scottish Futures Trust and Scottish Government to review the financial support required to deliver the 1,140 hours in terms of capital and revenue. • Revision to staffing structures has been agreed and is currently being implemented. • Work is on-going to identify suitable partner providers, including national organisations. • Planning is in place to enhance capacity to deliver the Policy.					
					Very serious
					Almost Impossible

Risk Owner	Andrew Griffiths	Risk Manager	Sheila Sansbury
Latest Note			

Category	Delivery						
Code	ECS016	Risk that fundraising for the Aberdeen Art Gallery refurbishment and extension does not meet the previously agreed target of £10 million					
Definition	The Council is committed to refurbishing and extending the Aberdeen Art Gallery, with funding from 3 equal sources – Council capital programme, heritage Lottery Fund and public fundraising. The risk is that public fundraising does not meet the agreed £10 million target.						
Potential Impact	Causes	Control Effectiveness			Current Risk Assessment		
		Control	Control Assessment	Weight			
<ul style="list-style-type: none">• Financial – shortfall, potential need to realign and postpone other capital programmes.• Project - reduction in the Art Gallery project scope.	<ul style="list-style-type: none">• Engagement and communication with the public about fundraising opportunities lacking.• Strategy for planning and fundraising not clearly defined.• Resources to deliver the required fundraising inadequate.• Individuals leading the fundraising activity being insufficiently trained and qualified.	Fundraising reported through SIP updates to CMT and Committee	Fully Effective	1	<div>Impact</div>  <div>Likelihood</div>		
		External advice sought prior to the commencement of fundraising activities	Fully Effective	1			
		Art Gallery Project Board established and monitoring fundraising	Fully Effective	1			
		Monitoring reports on fundraising to be provided to Finance, Policy and Resources Committee	Partially Effective	1			
							Very serious
							Significant
Mitigating Actions					Residual Risk Assessment		
<ul style="list-style-type: none">• Interventions put in place at Directorate level in April 2016.• Revised fundraising strategies being prepared and provided to the Director and Head of Education Services.• Roles and responsibilities are being clarified with the Trustees.• Greater scrutiny placed on fundraising activities.• Publicity activities being reviewed to increase public awareness of the fundraising campaign and the role that the Art Gallery plays in the life of Aberdeen.• Approval at Finance, Policy and Resources Committee to underwrite the balance of the fundraising target.					<div>Impact</div>  <div>Likelihood</div>		
					Very serious		
					Almost Impossible		
Risk Owner	Gayle Gorman		Risk Manager	Neil Bruce			
Latest Note							

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Internal Audit Report

Corporate Governance

Data Protection

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Fraser Bell, Head of Legal and Democratic Services
Simon Haston, Head of IT & Transformation
Steven Whyte, Head of Finance
Craig Innes, Head of Commercial & Procurement
Jessica Anderson, Interim Legal Manager – Legal Services
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The Data Protection Act 1998 regulates the processing of personal data from which a living individual could be identified. Processing of data includes obtaining, holding, use and disclosure of such information. The Act applies to any computerised or manual records containing personal information about living and identifiable people, and requires that appropriate technical and organisational measures are taken to ensure compliance with the Act.

The objective of this audit was to review arrangements in place across the Council to consider whether Data Protection legislation is being complied with. This included a review of Data Protection governance; policies and procedures; staff training; information management; the use ICT equipment; contracts and contractor performance; data sharing; confidential waste; subject access requests and risk management.

In general, arrangements are in place to demonstrate compliance with the Data Protection Act 1998. Areas where improvements could be made include key performance indicators for monitoring staff training; guidance for information asset owners; tracking of ICT equipment throughout its life; use of Data Protection terms and conditions in third party contracts; and use of Information Sharing Protocols. Recommendations made in respect of these issues have been agreed.

1. INTRODUCTION

- 1.1 The Data Protection Act 1998 regulates the processing of personal data from which a living individual could be identified. Processing of data includes obtaining, holding, use and disclosure of such information. The Act applies to any computerised or manual records containing personal information about living and identifiable people, and requires that appropriate technical and organisational measures are taken to ensure compliance with the Act.
- 1.2 The objective of this audit was to review arrangements in place across the Council to consider whether Data Protection legislation is being complied with.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jessica Anderson, Team Leader - Governance - Legal Services and Simon Haston, Head of IT and Transformation.

2. FINDINGS AND RECOMMENDATIONS

2.1 Data Protection Act 1998 and Registration

- 2.1.1 The Data Protection Act (DPA) 1998 is the legislation that applies to 'Data Controllers'; that is individuals or organisations who determine the purposes for, and manner in, which personal data is processed. The DPA 1998 includes 8 Data Protection Principles of good practice to be followed when processing personal data as well as additional conditions to follow when processing sensitive personal information.
- 2.1.2 The Act also covers: the rights of individuals, defined as 'data subjects', whose personal data is being held; exemptions to the DPA 1998 such as safeguarding national security; registration requirements and obligations to notify the Information Commissioner; as well as offences and penalties.
- 2.1.3 The Act requires that every Data Controller who is processing personal information registers with the Information Commissioner's Office (ICO) unless they are exempt. Failure to register is a Criminal Offence. Registration requires the Data Controller to provide details of the information processed and the purpose for which it is held. This is then published on the ICO website which is available to the public for inspection. Registration must be renewed annually and requires the Data Controller to review the details of the existing registration and, where appropriate, amend and record any new processes and collection of information.
- 2.1.4 The Council is classified, and is registered with the ICO, as a Data Controller. Registration is updated on an annual basis on behalf of the Council's Data Protection Officer (Head of Legal & Democratic Services) by the Governance Team within Legal Services. The Council's current registration is shown on the ICO website.
- 2.1.5 The ICO notifies the Council when the annual registration fee is due to be paid. The Governance Team checks if there have been any changes to the categories of personal information processed or the purposes of processing. The SIRO will be notified of any changes through the Information Governance Group (see paragraph 2.3.2).

2.2 ICO Audit

- 2.2.1 The Information Commissioner is responsible for enforcing and promoting compliance with the DPA 1998. The Council invited the ICO to conduct an audit of the Council's compliance with the Act, known as a Good Practice Assessment, which was completed in June 2013. This found that there was a reasonable level of assurance that processes and procedures were in place and were delivering Data Protection compliance.
- 2.2.2 The audit focussed on three main areas: Data Protection governance, training and awareness, and the security of personal data, and highlighted both good practice and areas for improvement.

2.3 Data Protection Governance

- 2.3.1 Data protection governance is the extent to which Data Protection responsibility, policies and procedures, performance measurement controls, and reporting mechanisms to monitor DPA compliance are in place and in operation throughout the organisation.
- 2.3.2 The Council has in place a clear framework of roles to meet its obligations under the Data Protection Act (DPA) 1998:
- The Head of Legal & Democratic Services is the nominated Data Protection Officer

(DPO) and also the nominated point of contact for the ICO. The Head of Legal & Democratic Services has overall responsibility for the Council's Data Protection Policy and Procedures. The role of the DPO is distinct from that of the SIRO and focuses on overall legal compliance with the Act.

- Previously, the Data Protection Technical Officer (DPTO) dealt with matters pertinent to ICT and Data Protection. The scope of the role of the DPTO has now been assumed within the wider and holistic role of the Senior Information Risk Officer (SIRO). The role of SIRO focuses on overall ownership of information risk management namely; information governance, risk management, risk assurance and compliance with information management and security. The SIRO's responsibilities are to lead a culture of good information management.
- There is an Information Governance Board made up of the SIRO, Information Manager and team, Security Architect, Risk Manager, and representatives from Communities, Housing and Infrastructure, Education and Children's Services, Integrated Health and Social Care, the Corporate Investigation Team and members of the Governance Team of Legal Services.
- Each Head of Service is responsible for adherence to Policy and Procedures by their staff. Each Service has an Information Management Liaison Officer (IMLO) who are responsible for providing support to all staff within their Service with respect to any Data Protection queries and are the first-point-of contact should queries arise. IMLO meetings are held every 6 months and one of the agenda items is Data Protection.
- The Governance Team within Legal Services provide detailed advice, assistance and training on Data Protection matters to the IMLOs and Services across the Council.

2.3.3 Data Protection compliance has been reported on a quarterly basis to the Audit, Risk & Scrutiny Committee, as a result of the recommendations made by the 2013 ICO Audit. As part of a wider Governance Review in 2016, the Council is reviewing its arrangements for managing and reporting on Information Governance. As a result of this review the Council is now proposing that compliance with the DPA is also reported quarterly to the Corporate Management Team (CMT) as part of a wider overview of compliance on Information Governance, which encompasses, Data Breaches, Subject Access Requests, Freedom of Information Statistics, Data Incidents, Security Management and Records Management. The report proposing these new arrangements, and including a quarterly compliance update, was considered by the CMT in July 2016, and is scheduled to be considered by the Audit, Risk & Scrutiny Committee in September 2016.

2.3.4 The 2013 ICO audit recommended that a formal Data Protection strategy, including information management and information security, should be written and implemented as soon as is practicable. The ICO went on to advise that this should identify a steering group, attended by appropriately senior subject matter experts, in order to achieve satisfactory corporate oversight. It was agreed the Information Management Strategy and Action Plan would be updated by August 2013 to cover this. The Council set up a corporate information management advisory group (IMAG) to facilitate the implementation of the wider Information Management Strategy.

2.3.5 As a result of the Council's review of its arrangements for managing and reporting on information governance, an Information Governance Board was established in May 2016, which will replace the IMAG in respect of responsibility for driving the Council's required programme of work for Data Protection compliance. The Information Governance Group is currently undertaking a review of Data Protection compliance including systems and processes, training and awareness and breach reporting.

2.4 Written Policies & Procedures

- 2.4.1 The Council has a clear and concise Data Protection Policy, located on the Zone. This explains the need for such a policy, and sets out the Corporate Data Protection Framework of roles and responsibilities in order to meet the requirements of the DPA 1998. This includes the duties and responsibilities of all staff with regard to the DPA 1998 including the specific roles of Service Information Management Liaison Officers (IMLO); Service Data Protection Technical Officers (DPTO); the Head of Legal & Democratic Services; All Heads of Service and Elected Members. The policy also covers training; disciplinary matters; registration responsibilities with the ICO for the Council and Elected Members; how information should be managed during its lifecycle; and when things typically go wrong.
- 2.4.2 As reported in Internal Audit report AC1604, Corporate Policies and Procedures, the Council has several individual procedures supporting the Data Protection Policy. These are attached in the appendix to the Policy
- 2.4.3 It has been identified that there are links to older versions of the policy and procedures which exist within other policies on the Zone which may be confusing for staff as older superseded versions may conflict with the most recent versions.

Recommendation

A review should be undertaken of the documents on the Zone to ensure there are no conflicting policies / procedures and to ensure that only the current version of procedures is available to view.

Service Response / Action

Agreed. This will be picked up as part of the wider Information Governance Group review.

Implementation Date

March 2017

Responsible Officer

Public Performance
Reporting and Digital
Engagement Manager

Grading

Important within audited
area

2.5 Training

- 2.5.1 The Council's Data Protection Policy requires all staff who process personal information to undertake specified Data Protection Training at the commencement of their employment and also to complete regular refresher training thereafter. The introduction of refresher Data Protection Training was also one of the recommendations within the ICO's 2013 Audit Report, which the Council accepted.
- 2.5.2 The Council has three Data Protection related training courses – 'Data Protection – Essentials', which focusses on Data Protection, the recently introduced E Induction which covers core Council policies for new employees, and 'For Your Eyes Only', focussed on Information Security. There is also face to face and paper based training which is available to staff who do not use a computer, or staff who are not required to complete the full training due to the requirements of their job.
- 2.5.3 Management reports were requested to show completed and outstanding Data Protection training however such reports did not provide clarity or assurances on compliance in relation to all formats of Data Protection training and it was not clear how non-compliance was managed.
- 2.5.4 The ICO recommended in its 2013 Audit Report that reporting improvements should be

implemented in relation to the monitoring of training completion, in order to simplify the identification of staff who have not undertaken mandatory training within an acceptable period. The ICO also recommended that formal Key Performance Indicators (KPIs) be introduced, overseen by CMT, to formally measure mandatory Data Protection training completion.

- 2.5.5 Organisational Development within Human Resources have implemented changes to the Induction Checklist which requires managers to identify what level of Data Protection training is required for the post. Further, employees will be asked to confirm that they have received and understood messages in respect of core policies through the Performance, Review and Development programme. In July 2016, the Interim Director of Corporate Governance sent round a reminder to staff to update their Data Protection knowledge. This stated that Data Protection training is a mandatory requirement for all staff and requested that managers should ensure all staff have completed the appropriate level of training. Where the Data Protection Essentials course had been completed in the last 12 months there was no requirement for further action. Where the Data Protection Essentials course has never been completed this course or the E-Induction needed to be completed by October 2016. E-induction is a recently developed mandatory course for new employees covering core policies including Data Protection. Reports on completion of the Data Protection module training have been sent to managers in July and August 2016 to show the compliance of Data Protection training and work is ongoing in respect of staff who do not use a computer, which will require them to confirm they are aware of and understand their responsibilities in respect of Data Protection.
- 2.5.6 The ICO recommended in the 2013 Audit Report that a training course specific to Subject Access Requests should be implemented. The Governance Team in Legal Services confirmed face to face training is provided to Services on bespoke issues (monthly training on Adult Protection and Information Sharing, Information Sharing training to City Wardens, and annual training to the Educational Psychology Service). In addition, the Service confirmed that in March 2015, due to a change in personnel, the Complaints, Rights and Enquiries Team in Social Work had specialised training on Subject Access requests and Third Party Request procedures and a specialised presentation was developed for that training. The Service has also advised that the training reflects the current guidance from the ICO and is compliant with the Council's current procedure. Refresher Training has been identified as a priority by the Information Governance Group though it will focus on more practical advice / tips for staff about good information management.

Recommendation

The SIRO should work with all relevant Services to develop and deliver all appropriate Council staff with refresher training which includes the areas of Data Protection related information security and information management standards, on a three yearly basis.

The SIRO should consider what appropriate measures should be implemented to measure all forms of Data Protection training. As per the recommendation made by the ICO in its 2013 Report, formal KPIs, overseen by CMT, should be introduced to measure mandatory Data Protection training completion. Additionally, this should also include how instances of non-compliance shall be dealt with.

Service Response / Action

Agreed. Issues around the uptake and recording and reporting on the uptake of mandatory training are being investigated and reviewed by the Information Governance Group as a priority.

Implementation Date

March 2017

Responsible Officer

Information Manager

Grading

Significant within audited area

2.6 Records Management

- 2.6.1 The Council's Information Management Team maintains an Information Asset Register, which records all information assets (of which the Information Management Team have been advised). This should allow the Council to ensure all information and personal data is managed (stored, used, distributed, disposed of) correctly as per the DPA 1998.
- 2.6.2 The Information Asset Register is still fairly new in the Council and the Information Management Team understands that further work is required to develop the register to ensure all Services advise them of new / changed information to allow updating of the register. This will allow the register to be used as a management tool to identify high risk areas for further assessment and attention.
- 2.6.3 The Information Asset Register links to the Council's Records Retention & Disposal Schedule via the Council's Business Classification Scheme and this allows the two to be linked and appropriate retention and disposal triggers, dates, rationales to be understood for each asset. The Records Retention & Disposal Schedule also provides guidance on how different types of information should be disposed of. The Council also has in place Corporate Information Management Procedures for staff which gives guidance on managing information appropriately throughout its lifecycle.
- 2.6.4 It is the responsibility of each individual Information Asset Owner to manage their piece of information including, for example, ensuring the information is used only for the purpose(s) specified. Services also have file plans in place which set out what information each team has, where it is, and how long it should be kept for. These are at different stages of maturity, and will be further embedded and developed with Information Asset Owners as part of the IGG Improvement Programme.
- 2.6.5 The Information Asset Register Policy sets out the roles in relation to managing Information Assets. These roles will be further developed and embedded as part of the Information Governance Group's improvement programme.

Recommendation

The Service should embed and develop roles and responsibilities of Information Asset Owners with supporting guidance as appropriate.

Service Response / Action

Agreed

Implementation Date

September 2017

Responsible Officer

Information Manager

Grading

Significant within audited area

2.7 Protective Marking Scheme

- 2.7.1 In the 2013 Audit Report, the ICO recommended that the Council adopt a protective marking scheme so as to provide clear benchmark guidance for appropriate security standards to apply to any data being processed. The Council advised that they would undertake an options appraisal to assess whether a Protective Marking Scheme would be adopted.
- 2.7.2 As per the Council's June 2014 update document to the ICO (detailing progress made against each of the ICO recommendations), progress on implementing this recommendation had been delayed due to wider issues in respect of the government marking scheme. An options appraisal was to be carried out including considering the new Government Classification Scheme with two markings that could be used –

‘OFFICIAL’ and ‘OFFICIAL SENSITIVE’.

- 2.7.3 The ICO further recommended that protective markings should be applied to data and follow to ‘end of life’ including occasions of further processing.
- 2.7.4 From discussion, it was advised that the Government Classification Scheme has been piloted within Social Work. It has not been decided whether the Scheme will be fully rolled out within the Council.

Recommendation

The Council should conclude work on the options appraisal following the Social Work pilot and roll the Scheme out to all other Services, if appropriate.

Service Response / Action

Agreed

Implementation Date

March 2017

Responsible Officer

Information Security
Architect

Grading

Important within audited
area

2.8 ICT Equipment

- 2.8.1 Breaches of Data Protection can involve the loss of computers, laptops and USB memory sticks. The security arrangements in place were reviewed for adequacy.
- 2.8.2 ICT assets are recorded on the Council’s Corporate Asset Register, where asset numbers are allocated and the make, model, serial number, user, service, location, PO number, PO date, cost and input date are recorded. Where the end user of the equipment is not known, the name of the person placing the order may be recorded as the user. In addition, the location may not be entered if this is not known.
- 2.8.3 The Corporate Asset Register is not updated during the life of the equipment. From testing a sample of 30 former employees, laptops are still assigned to 4 individuals who no longer work for the Council.
- 2.8.4 The Council went through an exercise in 2012 to upgrade and replace all Council owned laptops where necessary to allow for disk encryption to take place. This exercise was completed and all laptops are encrypted with the exception of one old Art Gallery laptop which is being used for presentations only.

Recommendation

Consideration should be given to using the Corporate Asset Register to track IT equipment throughout its life, recording current status, owner and location.

Where the name of the end user or location is not known, notes explaining the situation should be recorded in the Register.

Service Response / Action

Agreed. A Service Management Tool is scheduled to go live in October 2016. This will contain an Asset Management module for tracking IT equipment.

Implementation Date

March 2017

Responsible Officer

IT Customer Services
Manager

Grading

Significant within audited
area

2.9 Access Controls – Leavers or Movers

- 2.9.1 IT are notified retrospectively of personnel who have already left, through a monthly spreadsheet provided by HR. This creates a potential risk that staff who have left the Council can access Council systems during the month following their leaving date.
- 2.9.2 There is no formal procedure surrounding return of leavers' ICT equipment to IT. The online Leavers Form reminds leavers to return ICT equipment but there does not appear to be a requirement for Line Managers to return the equipment to IT. On discussion with IT & Transformation, the leavers' ICT equipment is handled by the exiting employee's Line Manager.
- 2.9.3 It is not clear whether individual Services consistently advise IT regarding any changes to an employee's role. There does not appear to be a documented requirement for Services to advise ICT of such role changes.

Recommendation

ICT should work with HR&OD to develop and introduce a clear procedure surrounding leavers including, for example, notification to IT of the scheduled leaving date (to allow for disabling of their account on the leaving date) and return of ICT equipment to IT. The procedure should also set out the requirements surrounding personnel role changes including promotions and secondments.

Service Response / Action

Agreed

Implementation Date

January 2017

Responsible Officer

IT Technology Manager

Grading

Important within audited area

2.10 User Accounts

- 2.10.1 The Service undertakes regular checks for dormant network user accounts.
- 2.10.2 The Service has in place ICT Operations Standards, including guidance on the processes for setting up user accounts. The Service advised that there is a process of risk assessment in place before a generic user account is set up but this is not explicitly documented in the ICT Operations Standards.

Recommendation

Current ICT Operations Standards should be updated to document the processes in place surrounding the use of generic network user accounts.

Service Response / Action

Agreed

Implementation Date

December 2016

Responsible Officer

IT Technology Manager

Grading

Important within audited area

2.11 ICT Acceptable Use

- 2.11.1 The ICT Acceptable Use Policy provides a high level overview of acceptable use of ICT equipment. The Policy defines unacceptable use and provides some guidance surrounding passwords, personal use of Council ICT equipment, systems and networks, system back-ups, access and monitoring; and breaches and incidents reporting.

Corporate Information Management Procedures are available to staff which cover use of encrypted ICT equipment, remote working, email guidance and general good practice guidance on managing information throughout its lifecycle.

Recommendation

Consideration should be given to updating the ICT Acceptable Use Policy to include links to other ICT procedures.

Service Response / Action

Agreed

Implementation Date

December 2016

Responsible Officer

Information Manager

Grading

Important within audited area

2.12 Contracts & Contractor Performance

- 2.12.1 The Council has agreements in place with a number of third parties who have access to the data for which the Council is responsible, as Data Controller. It is important that adequate Data Protection and Confidentiality Terms & Conditions are in place (either within the main contract with the third party or as a separate agreement) to ensure protection of this data and compliance with the Data Protection Act 1998.
- 2.12.2 Employees have an implied duty of confidentiality under the terms of their contract of employment and Code of Conduct (see Clause 7.6 - Confidential Information) and are required to comply with the DPA 1998 without the need to sign a confidentiality agreement. Non-employees, include agency staff engaged outwith a framework agreement, volunteers, placement students and contractors, who process personal data on behalf of a Data Controller and are classed as Data Processors under the DPA 1998. Only Data Controllers are obliged to comply with Data Protection legislation and are responsible for any processing undertaken by their Data Processors. Non-employees who will potentially have access to personal or sensitive data must therefore sign a confidentiality agreement. Where staff are provided by a third party supplier which the Council has a contract or approved framework agreement with, the third party organisation providing the staff is deemed to be the Data Processor and is required to sign a confidentiality agreement rather than the individual staff members.
- 2.12.3 A sample of 12 suppliers with access to personal data was selected in order to establish valid contracts and confidentiality agreements are in place and that the Council is monitoring contract performance to ensure terms and conditions are being complied with. Information was unavailable for 5 of the 12 sampled suppliers. Of the 7 provided, 1 of the contracts relating to residential care services has not been signed. The remaining contracts provided are valid and include within them Data Protection and confidentiality terms and conditions.
- 2.12.4 CPS have developed a contracts register in collaboration with Services. However, contracts selected for testing were not stored centrally and instead were held by the respective Services. It has proven difficult for staff to locate contracts. This would suggest that contract management, including monitoring expiry dates, could be difficult.
- 2.12.5 One of the contracts requested was agreed 18 years ago and it was advised that there has since been only a single two and half year extension. It has not been possible to obtain a copy of the original contract to verify the agreed contract term but there is a risk that work has been carried out without a valid contract in place.
- 2.12.6 A plan of audits to be carried out on supplier performance was requested. Such audits

are beneficial for ensuring the terms of a contract are being complied with. The plan has not been provided and since no reports have been provided, it would appear that audits of contract compliance have not been carried out on any of the 12 sampled contractors.

Recommendation

Work should not be carried out with a third party without a valid, signed contract in place.

Services should be advised to seek the advice of the Legal Team within CPS, when engaging with a new supplier to ensure appropriate Data Protection clauses are included in the contract.

The Council should exercise their contractual rights to carry out contract compliance audits to provide assurance of Data Protection Act compliance.

Service Response / Action

Agreed

Implementation Date

March 2017

Responsible Officer

Team Leader, Legal
Team, Commercial and
Procurement Services

Grading

Important within audited
area

Recommendation

Contracts and supplier evaluations should be stored centrally, easily accessible and regularly reviewed in order to ensure effective contract management, including monitoring of expiry dates, exercising rights under the contract (such as the right to perform an audit) and ensuring fulfilment of contractual obligations.

Service Response / Action

Agreed

Implementation Date

April 2017

Responsible Officer

Head of Commercial &
Procurement

Grading

Important within audited
area

2.13 Data Sharing

- 2.13.1 Data Sharing refers to the disclosure of data from one (or more) organisation(s) to a third party organisation, or the sharing of data between different parts of an organisation. As well as one-off decisions to share data for any range of purposes, data sharing covers systematic, routine data sharing where the same data sets are shared between the same organisations for an established purpose. Data sharing primarily refers to the sharing of data between data controllers (rather than between a data controller and data processor – which requires a written contract with specific Data Protection terms and is covered in 2.12 above).
- 2.13.2 Testing of an example ACC Memorandum of Understanding and associated Information Sharing Protocol confirmed that the ISP is in accordance with the principles of the Data Protection Act 1998.
- 2.13.3 From discussion however, it was advised that ISPs may not always be sent to Legal prior to implementation.
- 2.13.4 As per the Corporate Data Protection Procedure – Routine Data Sharing Procedure, if any routine sharing of personal data is to take place with an external agency then the Head of

Legal and Democratic Services has to be informed as soon as possible and a legally binding Information Sharing Protocol must be entered into with the external parties. Advice must be sought from the Head of Legal and Democratic Services prior to an ISP being signed.

- 2.13.5 In its 2013 Report, the ICO recommended that a central log of data sharing instances be created and implemented, which should include occasions where Data Protection Act 1998 s29 and s35 exemptions are engaged. Section 29 allows disclosure of personal data for the purpose of preventing/detecting crime, for apprehending/prosecuting an offender and for assessing/collecting a tax or duty (where informing the data subject(s) may prejudice an investigation). Section 35 allows disclosure of personal data where there is a law or court order requiring the information or where it is necessary in connection with legal proceedings.
- 2.13.6 Despite the Council's update to the ICO in June 2014 (reporting on progress made against each of the recommendations) stating that a central log was now being maintained, it has not been possible to verify that a central log of data sharing instances has been implemented. Legal Services confirmed that they do not hold a central log since each Service maintains their own data sharing log. Services retain information about third party data sharing and these statistics are collated and provided as part of a quarterly report to the Audit, Risk and Scrutiny Committee.

Recommendation

Services should be reminded of the requirement that advice must be sought from Legal and Democratic Services prior to Information Sharing Protocols being signed.

As per the ICO recommendation in its 2013 Audit Report, consideration should be given to implementing a central data sharing log which includes all agreed Information Sharing Protocols.

Service Response / Action

Agreed. Work should be done to investigate the possibility of all Services using the same database so that statistics recorded by Services on Subject Access and Third Party Request compliance can be accessed centrally for reporting purposes.

Implementation Date

March 2017

Responsible Officer

Interim Legal Manager –
Legal Services

Grading

Significant within audited
area

2.14 Confidential Waste

- 2.14.1 There is a shared contract with Aberdeenshire Council engaging an external company to manage the Council's confidential waste. The company securely collects confidential waste and shreds it in their secure vehicles before obtaining a signature from Council staff on the Certificate of Destruction and transporting the shredded material to their depot, where it is baled and then recycled. The Contract adequately addresses Data Protection but it only states that the contractor must comply with Aberdeenshire Council's Data Protection Policies and does not mention Aberdeen City Council's policies.
- 2.14.2 No audits have been carried out of the contractor and minutes are not formally recorded at performance management / contract compliance meetings. Regular performance management / audits would be beneficial to ensure continued satisfactory performance as recommended in Section 2.12.

2.15 Subject Access Requests

- 2.15.1 The 'Right to Subject Access' is the right of individuals under the Data Protection Act 1998 to establish if data controllers are processing information relating to them and the purposes for which it is being processed. As per the legislation, any requests for such information must be responded to within 40 days.
- 2.15.2 8 Subject Access Requests were made to Communities, Housing and Infrastructure in the last 6 months. As per the Data Protection Act 1998, data controllers may charge a fee in return for responding to a Subject Access Request. A fee was not charged for 7 of these requests. Where fees were not charged, the reason for not charging has not been recorded.
- 2.15.3 There may be confusion surrounding the charging of fees for subject access requests. The 2015 procedure states that all Services have their own guidance surrounding the charging of fees. The 2012 procedure (also accessible on the Zone) states that consideration should always be given to not charging a fee, if appropriate. Section 2.4, above, already recommends that a review be undertaken of version control of procedures stored on the Zone.
- 2.15.4 In the last 12 months, 63 of the total 84 subject access requests received by the Council were responded to within the legislatively prescribed 40 days. The late responses were largely due to extensive staff time and resource involved in examining multiple voluminous records to remove third party data and make appropriate redactions.
- 2.15.5 The 2013 ICO audit recommended that a dedicated Subject Access Request training course, written at a suitably detailed level, be devised and rolled out to appropriate Council staff. The Council had identified the need for such training including the intricacies of exemptions applications and third party requests prior to the 2013 ICO audit. The ICO recommended the training should be implemented by January 2014. As noted at 2.5.8 above, a dedicated module on subject Access training was developed and was delivered in March 2015 to the Complaint, Rights and Enquiries Team within Social Work and the respective Council procedure, approved in September 2015, reflects up to date guidance from the ICO in relation to handling of subject access requests.
- 2.15.6 There does not appear to be a central log of Subject Access Requests. All subject access requests are logged by individual Services, being the relevant Service holding and processing the data. The Governance Team in Legal Services collates data from Services and analyses the types of data, number of requests compared with other quarters, trends and response times. In the 2013 Audit Report, the ICO also recommended that controls be implemented to ensure that all subject access requests are centrally recorded. The Council accepted this recommendation but following requests for a copy of the central log, it was advised that each Service maintains its own log and there is not a central one. Rather, core datasets from each Service on subject access compliance are collated, analysed and reported on by the Governance Team, within Legal Services.

Recommendation

Clear guidance should be introduced surrounding charging fees for Subject Access Requests.

As per the ICO recommendation, the Council should consider implementing a central log of Subject Access Requests.

Service Response / Action

Agreed. It is noted that the charging of the Subject Access Fee is not consistent across the Council and the Governance Board will be considering whether the fee should be

waived for all requests or, if a fee is to be charged, develop guidance for staff on when the fee is to be applied.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2017	Interim Legal Manager – Legal Services	Important within audited area

2.16 Risk Management

- 2.16.1 Data Protection has been included as a general risk within the Corporate Governance Risk Register and work has commenced on the mitigating actions – for example, the Information Governance Board has been established.
- 2.16.2 An Information Governance Risk Register is being finalised as one of the Information Governance Board's actions.
- 2.16.3 A report on 'Data Protection Reporting (April 2015 – March 2016)' went to the Audit, Risk and Scrutiny Committee on 27 June 2016. The Management of Risk section of the report states the importance of compliance with the legislation and of monitoring compliance but does not provide any detail surrounding the results of such compliance monitoring in practice.

AUDITORS: D Hughes
M Beattie
A Johnston
A Mitchell

Appendix 1 – Grading of Recommendations

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



Internal Audit Report

Commercial & Procurement Services

InfoSmart System

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Craig Innes, Head of Commercial & Procurement Services
Steve Whyte, Head of Finance
Carol Wright, Business & Procurement Improvement Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

InfoSmart is an electronic document and record management system used by the Council to manage the processing of invoices, payment vouchers and batch headers. During the year to 31 March 2016, the system was used to process 127,958 documents.

The objective of this audit was to consider whether appropriate control is being exercised over the InfoSmart system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled. This involved reviewing written procedures, interviewing staff and accessing the system.

In general, the InfoSmart system controls were found to be robust, well managed and adhered to. Areas identified for improvement included contract management; user access; and system reporting capabilities to enable reconciliation of data in eFinancials and InfoSmart.

1. INTRODUCTION

- 1.1 InfoSmart is an electronic document and record management system used by the Council to manage the processing of invoices, payment vouchers and batch headers. The system is currently supplied and supported by Computacenter; the contract is due to be renewed in April 2017, although there is an option for a year's extension. The original software vendor, OpenText, provides support for the AdLib module which provides PDF scanning capabilities direct to InfoSmart on a rolling renewal basis which is next due for review in July 2017. Contracts are held by ICT.
- 1.2 During the year to March 2016, the system was used to process 127,958 documents. In the current year to 2 August 2016, 39,172 documents have been processed.
- 1.3 The objective of this audit was to consider whether appropriate control is being exercised over the InfoSmart system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Carol Wright, Business & Procurement Improvement Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 System Information

- 2.1.1 InfoSmart is the name used by the Council to refer to the OpenText R/KYV electronic document and record management system, which is used as part of the processing and storage of invoices, payment vouchers and batch headers. Data is input into the InfoSmart system directly by staff or through an interface with the DB Capture server which is updated by a suite of software designed to capture invoice data in a variety of formats for transferring to financial systems. Data is then automatically interfaced from the DB Capture server to the eFinancials creditors system to make payment.

2.2 System Supply & Maintenance

- 2.2.1 The system is currently supplied and supported by Computacenter; the contract is due to be renewed in April 2017. The original software vendor, OpenText, provides support for the AdLib module which provides InfoSmart with PDF scanning capabilities. The OpenText support is provided on a rolling annual renewal basis and is due for review in July 2017.
- 2.2.2 The contract with Computacenter consists of three documents, one of which has expired. The expired document contained the contractual terms and conditions.
- 2.2.3 Under the InfoSmart contract the supplier is required to monitor and review the quality of the Services provided and report to the Council on this. To date, performance management reports have not been provided by the supplier.

Recommendation

Commercial and Procurement Services should liaise with ICT to complete a contract review to ensure that all contract documents are valid and contain appropriate terms and conditions.

Commercial and Procurement Services should liaise with ICT to identify an individual to act as system owner, who should ensure that performance management reports are provided as required by the contract.

Service Response / Action

Agreed.

Implementation Date

December 2016

Responsible Officer

Business & Procurement
Improvement Manager

Grading

Important within audited
area

2.3 System Access & Security

- 2.3.1 In order to gain access to the system, a New User Form has to be completed and authorised electronically by the new user's Line Manager, sent to the relevant Directorate Support Officer for authorisation, and then emailed to the InfoSmart inbox to be processed by the Accounts Payable (AP) team. The form states the access level and authorisation limit.
- 2.3.2 The system is not password secured and does not disable user account access after a period of inactivity. However, the system can only be accessed by staff who have logged on to the Council network with a Novell username and password, which is maintained and monitored by ICT. The InfoSmart system identifies the user through these credentials to offer the correct level of access.

- 2.3.3 Staff are required to undertake a data protection course “Data Protection Essentials” and information security training “For Your Eyes Only” which reduces the risk of inappropriate access to the system. Data Protection training within the AP team was addressed following an audit of the creditors system (issued in November 2015), while Data Protection across the Council is currently the subject of a separate audit.
- 2.3.4 Services are requested to inform the AP team of members of staff with access to the system leaving the Council so that access can be revoked. The AP team do not currently have any other way of identifying members of staff who have since left the Council. From testing a sample of 28 former employees, 7 are still ‘active’ in the InfoSmart System.
- 2.3.5 Under the terms of the InfoSmart contract, Computacenter provide 2000 named user licenses for perpetual OpenText RKYV electronic document management and workflow. There are currently 1737 licenses in use. If former employees continue to be allocated InfoSmart licences there is a risk that the Council could allocate named user licenses in excess of the 2000 allowed under the terms of the contract. This could result in an unexpected charge for the use of the additional licenses.
- 2.3.6 It is important that authorised users are granted appropriate access levels commensurate with their role, whilst simultaneously giving due consideration to segregation of duties. Access levels are assigned to users when their profile is first set up by the AP team. Access levels are:
- View only – permits read-only access to all documents
 - Requisitioner – permits read-only access to all invoices; raise payment vouchers and view and amend those raised by user
 - Authoriser – permits read-only access to all invoices; access to all invoices without a related Pecos order to add financial data and comments; raise payment vouchers and view and amend those raised by user
 - Processing – permits invoice and supplier records to be accessed and amended
 - System Administrator – all access (only two members of staff have this level).
- 2.3.7 There is not an option on the System Access Form for a ‘view only’ access level. For one employee, the System Access Form ‘notes’ section requests ‘view only’ access but the employee has been given requisitioner access.

Recommendation

Consideration should be given to adding a ‘view only’ option to the System Access Form.

The Service should investigate and amend the incorrect level of access granted.

Commercial and Procurement Services should work with HR&OD to amend the leavers’ process so that they are advised when employees with InfoSmart access cease their employment with the Council.

The Service should ensure that the 7 active user accounts for personnel who have left the Council are disabled.

Service Response / Action

Agreed.

Implementation Date

October 2016

Responsible Officer

Accounts Payable Team
Leader

Grading

Significant within audited
area

2.4 Written Procedures

- 2.4.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.4.2 The InfoSmart system is used by Services across the Council as part of the invoice processing procedure and is administered on a day to day basis by the AP team. A basic guide for users is available on the Zone, while the AP team have administrative guidance and process maps. The manuals are clear and the processes described were followed by Internal Audit without difficulty.

2.5 Interfaces & Data Input

- 2.5.1 Electronic copies of invoices are provided, for the most part, through DB Capture. The InfoSmart system interfaces with the DB Capture server in order to acquire invoice data and images from that system's Archive area. This data is input to the DB Archive by staff scanning paper invoices using DB Capture software; by suppliers sending PDF invoices in the appropriate format to a specified email address, which are then processed by the software; or through the online CloudTrade service used by certain suppliers to send invoices. Such invoices are validated by CloudTrade before the data is interfaced directly to eFinancials, registering the invoice and creating a voucher number, while the image is uploaded to the DB Archive.
- 2.5.2 The DB Capture system interfaces the invoice data it holds with eFinancials for registration and identifies if the invoice has a purchase order number. If not, a script is run every 30 minutes to extract the data and transfer it to InfoSmart, where an electronic index card is created for each invoice and a workflow task is created for the invoice to be authorised and manually processed. Invoices with PO numbers are held until a matching exercise is run in eFinancials at the end of the working day. The results of the exercise are reported back to DB Capture and the data is sent to InfoSmart for index cards to be created. Workflow tasks are created for invoices which could not be matched to purchase orders to be investigated and resolved. Matched invoices will have been automatically batched for payment within eFinancials and are auto-indexed as "Filed", with no further action necessary.
- 2.5.3 Invoices which cannot be read by the DB Capture software are scanned directly into InfoSmart by the AP team and then manually validated by authorised signatories in InfoSmart before being registered and paid in eFinancials by the AP team.
- 2.5.4 As a result every invoice received by the AP team is recorded within InfoSmart with an image and electronic index card to allow searching. The original paper invoices are filed by the AP team and securely destroyed after 6 months.
- 2.5.5 30 invoices input to InfoSmart during the week beginning 4 July 2016 were checked against the original documents to confirm that the data transferred correctly between financial systems before updating InfoSmart. All the electronic records in InfoSmart agreed to the invoices which had been submitted by suppliers in an electronic format. The Service advised that an error had yet to be observed when invoice data was received from suppliers in an electronic format.
- 2.5.6 In one case, an invoice had been manually scanned directly to InfoSmart by the AP team. Invoice details were input into eFinancials manually as a result, with the supplier being identified in eFinancials using data provided in the invoice. The index card in InfoSmart

was then automatically updated as a result. The forename of the supplier, a sole trader, in the eFinancials record did not match that given on the invoice but this mis-match was not observed or investigated at the time. The Service has since established that the supplier was the source of both names and the supplier has been requested to ensure that future invoices are consistent with the data originally given. While this error appears minor, there is a risk that, if the invoice details are not matched to the supplier data, the wrong supplier could be paid. Making inappropriate payments could expose the Council to reputational damage as well as potentially causing financial loss through difficulty in recovering the payment and late payment to the correct supplier. The Service has advised that the risk is controlled as the correct supplier is identified through matching other details such as purchase order numbers or bank account information.

2.5.7 InfoSmart is also used to process payment vouchers, internal purchase orders and batch headers, and to store supplier data records and supporting documents. To confirm the accuracy and timeliness of data input, 30 records input to InfoSmart (10 each of invoices, payment vouchers and supplier data amendments) during the week beginning 4 July 2016 were compared with the original document and, where relevant, with data in eFinancials.

2.5.8 All 20 invoices and payment vouchers had been entered timeously and accurately. However, three errors were observed in supplier standing data form input. In two cases names had been misspelt when input to InfoSmart. However the names had been spelled correctly when input to eFinancials. The Service advised that such errors in InfoSmart had no consequences so long as the correct data is held in eFinancials. In the third case, when a document had been received to support an amendment to standing data, it was attached to the wrong supplier record. The error was corrected the next day. The Service advised that this happened because the document was sent from another Service who provided an incorrect supplier number. When the document was initially filed it was given the number provided; however as soon as the document was processed the error was observed and the correct supplier record was updated.

2.6 Reports & Reconciliation

2.6.1 There are currently no regular reconciliation checks by AP staff to confirm that all files have interfaced successfully. Both the DB Capture system and the CloudTrade system send emails confirming job success or failure which are filed for reference in case of disputes. Scans input directly to InfoSmart are reviewed by AP Processing staff to confirm that images are acceptable and invoices are valid.

2.6.2 Spot checks are run by ICT of the DB Capture holding area to review file transfers. The ICT Analyst responsible is looking at working with the system supplier to create a script which could identify all files which have not been transferred. The AP Team Leader has access to a report within the eFinancials system that checks the holding area for items which have not been transferred to InfoSmart because an issue needs to be resolved.

Recommendation

The Service and ICT should continue to explore the possibility of creating reports which would enable a reconciliation of the number of invoices in eFinancials and InfoSmart.

Service Response / Action

Agreed.

Implementation Date

December 2016

Responsible Officer

Operational Support
Analyst

Grading

Important within audited
area

2.7 Business Continuity & Disaster Recovery

- 2.7.1 The Disaster Recovery and Business Continuity Plan is held by the Grampian Emergency Planning Unit, a shared service team co-ordinating the emergency planning for Aberdeen City and Aberdeenshire Councils. The InfoSmart and associated systems are considered within the Finance Service Business Continuity Plan, which describes the risk reduction measures, how critical data is backed up and the procedure to follow in the event systems cannot be accessed. The Plan was provided to Internal Audit and was found to be comprehensive and up to date with the exception of the named system owner for InfoSmart. The Service advised that the Plan is in the process of being updated.
- 2.7.2 A disaster recovery exercise was run with Atos, who provided Data Centre services to the Council at the time, in November 2014. This included the InfoSmart and DB Capture systems. The results were satisfactory. Since January 2016 Data Centre services have been provided by Brightsolid in Aberdeen. Until the new disaster recovery process is fully configured, ICT have put temporary arrangements in place to secure data in the event of there being unavailability of the necessary servers. All data is currently being replicated to a recovery datacentre based in Dundee. Current arrangements were reviewed and were found to be adequate.

AUDITORS: D Hughes
A Johnston
L Jarvis
A Mitchell

Appendix 1 – Grading of Recommendations

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

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Internal Audit Report

Finance

Scottish Welfare Fund

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Steven Whyte, Head of Finance
Wayne Connell, Revenues & Benefits Manager
Steve MacRae, Scottish Welfare Fund Team Leader
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The Scottish Welfare Fund was introduced in 2013 to replace Crisis Loans for Living Expenses and Community Care Grants paid by the Department for Work and Pensions. It is delivered by local Councils and provides two types of grant - Crisis Grants and Community Care Grants. During 2015/16, the Council paid out £915,000 of grants relating to 7,352 eligible applications.

The objective of this audit was to consider whether administration arrangements are robust and being complied with. This involved reviewing written procedures, interviewing staff and analysing a sample of grant awards made over the last twelve months.

Based on the testing undertaken, the systems in place for administering the Scottish Welfare Fund were found to be robust, well managed and adhered to.

1. INTRODUCTION

- 1.1 The Scottish Welfare Fund was introduced in 2013 to replace Crisis Loans for Living Expenses and Community Care Grants paid by the Department for Work and Pensions. It is delivered by local Councils and provides two types of grant - Crisis Grants and Community Care Grants. The former are available to meet expenses that have arisen as a result of an emergency or disaster, in order to avoid an immediate threat to health or safety. The latter are available to enable or support independent living, preventing the need for institutional care.
- 1.2 The total Scottish Welfare Fund awards made by the Council in 2015/16 were as follows:
- Total number of applications –10,161
 - Total number of awards – 7,352
 - % awarded – 72%
 - Total spend –£915,000
- 1.3 £900,000 was awarded to the Council by the Scottish Government for the financial year 2015/16 for Crisis Grants and Community Care Grants. This has increased to £921,000 for 2016/17.
- 1.4 The objective of this audit was to consider whether administration arrangements are robust and being complied with. This involved reviewing written procedures, interviewing staff and analysing a sample of grant awards made over the last twelve months.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Wayne Connell, Revenues and Benefits Manager and Steve MacRae, Scottish Welfare Fund Team Leader.

2. FINDINGS AND RECOMMENDATIONS

2.1 Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Guidance has been produced by the Scottish Government, most recently in April 2016, covering the administration of the Scottish Welfare Fund (SWF), including decision making, definitions of terms, and indicative rates of awards. Copies of this are provided by the Service to team members. During audit testing the Service was found to be complying with this guidance.
- 2.1.3 The Service has basic procedures for staff covering day to day administration of awards and interactions with customers. These were reviewed and found to cover all essential points. However, the team's Cashing Up procedure conflicted with the Revenues & Benefits Risk Assessment procedure governing secure cash handling. The Aberdeen City Council Scottish Welfare Fund (ACC SWF) team are required to maintain levels of cash held in the office safe used for making awards. This involves cashing cheques at a local bank. While this is carried out by two members of staff, it is done without using a secure container, contrary to instructions in the Risk Assessment procedure. This exposes staff and valuables to the risk of theft or loss.
- 2.1.4 In order to improve the service to claimants and mitigate the risk regarding cash handling, the team intend to cease cash payments and use PayPoint electronic based technology as an alternative. Cash can be transferred to claimants using PayPoint technology either by text message to a mobile phone or by issuing an award letter with a PayPoint barcode. Either the PayPoint code sent by text or the PayPoint barcode on the award letter can then be redeemed for cash at an associated retailer.

Recommendation

In the interim, the Service should explore the use of a secure courier service to deliver cash to the office.

When cash or vouchers are being transported this should be done by a minimum of two members of staff using a secure container.

Service Response / Action

Agreed.

Implementation Date

August 2016

Responsible Officer

Revenues and Benefits
Manager

Grading

Important within audited
area

2.2 System

- 2.2.1 The Service uses Case Manager (Local Welfare Assistance) software provided by Capita. This system is also used by a number of other Local Authorities (LAs) and is hosted on a centralised server. Capita have access to the system in order to provide maintenance and support. A contract was agreed on 1 April 2013 for two years and it is being extended on an annual basis in line with other ICT systems.

- 2.2.2 As Case Manager is a hosted system, were it to become unavailable, the responsibility for recovery and reinstatement would lie with Capita. The arrangements for recovery are included in the contract and are considered adequate. The Service has advised that if the system were to be unavailable, the contingency plan would be to use paper-based applications processed manually. Some applications are already made using paper forms and secure storage arrangements are in place; files are stored in locked cabinets in the ACC SWF team office until they are sent to the City archives.
- 2.2.3 Case Manager can only be accessed from a registered IP address meaning that users inputting data must be based in the ACC SWF team office. The ACC SWF team comprises 9 members of staff and all have accounts permitting access to read and input data to the system. User accounts are created or cancelled on receipt of the appropriate form, authorised by a manager, by the Revenue & Benefits Technical Team.
- 2.2.4 Two members of staff based in the Customer Service Centre in Frederick Street have been granted read-only access to the system in order to handle queries about applications.
- 2.2.5 Under Data Protection regulations personal information should only be kept as long as necessary. It is a statutory requirement for SWF application data to be retained for 6 years plus current. As the Fund has only been in place since 2013, the first applications will not require destruction until 2020. When files are archived a flag is attached for the attention of the Archivists noting the required review date.
- 2.2.6 All Aberdeen City Council staff who deal with personal information are required to complete training courses on Data Protection and Information Security. During the audit training records were reviewed and all ACC SWF team staff have completed the data protection training; however one appeared not to have completed the information security training. The Team Leader advised that the training had in fact been completed and that HR would be advised to update the record.
- 2.2.7 A robust system of internal control requires that staff who administer a system should not have processing access and should not have sole responsibility for system reconciliations. The Case Manager system is administered by the Revenues and Benefits Technical team, who do not process applications. Applications are processed and decisions made by team members, while reviews and reconciliations are carried out by the Assistant Team Leader and supervised by the Team Leader.

2.3 Grants

- 2.3.1 Grants made from the ACC SWF budget do not have to be repaid by claimants. They should only be made to qualifying individuals or those in qualifying circumstances; the Guidance offers examples of qualifications. In order for a claim to be valid the applicant must be over 16 and on a low income. Claims should be made only to cover living expenses, essential items such as utilities or toiletries, or basic household goods. The Guidance offers indicative rates for awards for living expenses based on a proportion of the Income Support personal allowance rate, and certain items are excluded from being awarded.
- 2.3.2 A limit may be set on the number of claims made in a period. Under the SWF Regulations LAs need not consider more than 3 applications for Crisis Grants by an individual in a rolling 12 month period. However, they have discretion to allow multiple awards in exceptional circumstances; evidence should be retained to support the exception. There is no limit on the number of Community Care Grants that may be made to an individual in a year, but applications repeated within 28 days for the same items or services need not be considered if the circumstances have not changed.

- 2.3.3 Crisis Grants will be awarded as cash for food and utilities. Supermarket vouchers may occasionally be given as a cash equivalent if this is judged by the Service to be of benefit to the applicant. Cash and vouchers are held in the office safe and are made up by the team member as soon as the decision has been made, ready to be collected by the applicant. The award is then double checked by another team member to confirm the amount is correct.
- 2.3.4 Community Care Grants are awarded for essential household goods which are chosen from a catalogue, covering such basics as cookers, washing machines, bedroom furniture, and soft furnishings. The goods are supplied by The Furnishing Service under a Scotland Excel Framework Agreement. Invoices are sent to and processed by the Accounts Payable team; copies are emailed to the Service and details are input to a spreadsheet maintained by the Assistant Team Leader for reconciliation purposes (further discussed in 2.4.4 and 2.5 below).
- 2.3.5 Of the 5,385 Crisis Grants made in the first three quarters of 2015/16, 98% were processed within the 2 working days target set by the Scottish Government. For 2014/15 this was 96%, compared to a national average of 96%. As these payments are designated “crisis” it is important that the required timescale is achieved wherever possible. The Service advised that any delays were the result of necessary information not being supplied by the applicant in time.
- 2.3.6 Of the 1,810 Community Care Grants made in the first three quarters of 2015/16, 83% were processed within the 15 working days target set by the Scottish Government. For 2014/15 this was 51%, compared to a national average of 84%. The Service advised that the 2014/15 figures were below average because cases were not being closed in Case Manager, and therefore reported as processed, until invoices had been received from the supplier. The process was changed in 2015/16 so that the case is closed when the decision has been made, more accurately reflecting processing times.
- 2.3.7 In some cases the award is not redeemed, either because the applicant does not collect a cash award, or because they fail to arrange a goods delivery with the supplier. This is noted on the record within Case Manager and the value is re-credited to the Fund.

2.4 Applications and Awards

- 2.4.1 The Guidance states that LAs have discretion as to who should process applications and how the Fund should be linked to other support schemes. However a minimum of 3 channels should be available for taking applications. The ACC SWF team take applications by phone, online, and by post, and offer face-to-face support if required.
- 2.4.2 Applications are input to the Case Manager system, either directly if made online or by a member of staff if by phone or post. A record is created with a unique identifier and assigned to a member of the ACC SWF team, who accesses the application, and determines its type and priority. The claimant is identified by their National Insurance number. These identifiers allow staff to identify the number of applications made by the same individual and track the progress of current claims.
- 2.4.3 Due dates are assigned to tasks according to the nature of the case and these appear in the assigned team member’s workflow. As each application progresses through the system the stage and status are updated by the system as tasks are completed. The stage relates to the progression of the application while the status relates to the decision making and payment process. Once a decision has been made the record is completed by the team member with details on the decision making process and any award made, before the status is updated as Closed.

- 2.4.4 Awards are also recorded as soon as they are made in spreadsheets covering each calendar week, which identify the client number, the amount and type of award, and the team member responsible. Awards made, whether in cash or in kind, must be double checked by another member of staff to ensure that the award is for the correct amount or item.
- 2.4.5 Decisions are required under the Regulations to be notified in writing. The ACC SWF team attempts wherever possible to notify the applicant by phone as soon as the decision has been made. A letter is then generated, printed out at the end of the day and posted out as confirmation. If the applicant is unhappy with the decision they may request a Tier 1 review, to be carried out by the Service; failing this they may approach the Scottish Public Services Ombudsman for a Tier 2 review. Tier 1 reviews are carried out by the Assistant Team Leader and decisions, as above, are notified by phone and by letter.
- 2.4.6 15 each of Crisis Grant and Community Care Grant applications were reviewed to confirm that they were valid under SWF guidelines. All applications reviewed were comprehensively recorded in Case Manager. Checks had been made in every case to ensure that claimants were eligible, that need was appropriately prioritised, and that the claim was appropriate. Checks had also been made on how many applications had been made by the claimant within the past 28 days and 12 months.
- 2.4.7 In 6 cases (3 each of Crisis and Community Care Grants) awards were not made as the claims were found not to be valid. For all 3 Crisis claims, this was because the maximum number of claims within 12 months had already been made. For the Community Care Grants, this was because the applicant was found not to qualify.
- 2.4.8 15 each of Crisis Grant and Community Care Grant awards made were reviewed to confirm that they were made following SWF guidelines and were consistent with the applications. For all cases reviewed, the award matched that applied for; the decision was made within the required timescale, and notified to the claimant timeously; the award had been recorded as redeemed and records had been retained of the application, the decision making process, and where relevant the purchase orders for goods procured and the related invoices.
- 2.4.9 Evidence was available to support the decision in 27 cases. In two cases, the team member used their discretion to make the award without seeking further evidence as the claim was low value and plausible; this was approved by the Team Leader. In the remaining case, for a Crisis Grant, a Department for Work and Pensions (DWP) Customer Information System benefits check was attempted but was not possible as DWP systems were down. The team member used their discretion to make the award without further checks as the claimant was vulnerable and the need was assessed as high priority.
- 2.4.10 10 cases where a review had been requested were examined to confirm that reviews followed procedure per Scottish Government guidance and that reasons for declining awards, and for upholding or overturning decisions, were valid and fully recorded. All were Tier 1 reviews as the ACC SWF team has yet to have a Tier 2 review.
- 2.4.11 8 decisions were upheld and 2 were overturned. All of the original decisions had been made on valid grounds. Of the two which were overturned, one was because new evidence was obtained from a support worker demonstrating that an award would assist the applicant to continue a settled way of life. The other was because the award made was less than had been applied for, and while the amount originally awarded was consistent with similar cases, there was precedent for awarding more.

2.5 Reconciliations

- 2.5.1 All financial administration of the Fund is carried out by the ACC SWF team. Orders placed for goods to fulfil Community Care Grants, and cash awards for Crisis Grants, are recorded daily in spreadsheets covering each calendar week, as well as in the Case Manager system, which shows a running total of the monthly budget remaining. The running total is reviewed on a daily basis by the Team Leader and any unusual spend checked.
- 2.5.2 The values for cash and voucher awards are checked every day at close of business against the totals actually in the safe. Any cash counts lower than expected would be investigated by the Team Leader immediately. The Service advised that these are extremely rare and have always been found to be the result of an award made up but not yet collected.
- 2.5.3 Written procedures cover making up awards and cashing up at the end of each day. However, there is nothing in the procedures to state that cashing up should be carried out by at least two members of staff, to protect staff from suspicion in case cash counts are lower than expected. There is also no requirement for staff to evidence who carried out the check, by signing or otherwise authorising the count results. Providing an audit trail of checks done would give more protection to staff and assist investigations if necessary.

Recommendation

The Service should amend the Cashing Up procedure to require two members of staff to be present when cash is being counted, and to have staff sign or otherwise authorise the results of the daily count.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Revenues and Benefits
Manager

Grading

Important within audited
area

- 2.5.4 Copies of spending records for April 2016 were obtained and reviewed. All copies of spreadsheets and records were found to have been completed following procedures. The Pecos Orders spreadsheet, for goods awarded in fulfilment of Community Care Grants, should be completed with invoice data once invoices are received. It was observed that this had not been done in 4 cases out of 36. The Scottish Welfare Fund Assistant Team Leader advised that this was because the invoices had not yet been received. The cases were checked in Case Manager by Internal Audit and in all 4 cases the goods had been delayed at the request of the client due to unforeseen circumstances. Invoices are not sent by the supplier until the goods have been delivered.
- 2.5.5 On a monthly basis a ledger report is forwarded from Accounting which is checked by the Assistant Team Leader against the weekly spreadsheets. Item prices and financial codes recorded in the ledger report are also checked for anomalies. Errors are investigated by the Team Leader. The ledger report for April 2016 was obtained and reviewed; no errors or discrepancies were found.

2.6 Procurement of Awards in Kind

- 2.6.1 When a decision is made to give an award for goods, the team member responsible creates a requisition through Pecos, the Council's corporate procurement system. This means that order information is recorded both in Case Manager and in Pecos. The

Service advised that Case Manager cannot interface with Pecos and therefore the duplication of effort is unavoidable.

- 2.6.2 The client's contact details and the delivery address are sent to the supplier with the order, who confirms to the ACC SWF team when delivery has been made and sends an electronic invoice to the Accounts Payable team, copied to the ACC SWF team. The order is receipted in Pecos by the Assistant Team Leader and the invoice is processed and paid by the Accounts Payable team following their procedures.
- 2.6.3 10 orders placed within the current financial year were selected and reviewed in Pecos and InfoSmart to confirm that orders complied with Financial Regulations and Standing Orders on Contracts and Procurement. All orders had been placed through Pecos with the agreed Framework supplier; the orders matched the awards made, while the invoices matched the orders and had been paid timeously.

2.7 Reporting

- 2.7.1 The ACC SWF team is required to report data on applications and awards to the Scottish Government. Comprehensive Monitoring Guidelines have been produced by the Scottish Government on what data is required and how reports should be made. The Case Manager system was designed to be in full compliance with the reporting criteria.
- 2.7.2 Quarterly, an extract from the system is uploaded to the Scottish Government ProcXed site, run by the ScotXed Unit which collates statistics from LAs. This produces the annual report published each July by the Scottish Government. Each year since 2013, no further information has been requested after the data upload, indicating that the reporting by the ACC SWF team is sufficient.
- 2.7.3 In 2014 the Service was visited by a Scottish Government team carrying out case observations and the Service was advised to improve their records of decision making. All cases reviewed by Internal Audit dated from 2015 or 2016 and demonstrated clear and comprehensive records of decisions made.

AUDITORS: D Hughes
M Beattie
L Jarvis

Appendix 1 – Grading of Recommendations

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



Internal Audit Report

Building Services

Recharges

Issued to:

Pete Leonard, Director of Communities, Housing and Infrastructure
Richard Ellis, Interim Director of Corporate Governance
John Quinn, Head of Land and Property Assets
Steven Whyte, Head of Finance
Graham Williamson, Operations Manager
Pamela Cruickshank, Performance and Resources Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Following a request from Building Services Management Internal Audit undertook a review to determine whether or not it was possible for incorrect charges for repairs undertaken to be levied through the use of current systems and procedures.

A review of the systems used was undertaken and a number of recommendations were made and agreed by the Service. These include improving the recording of employees' time coded to jobs, stock control, responding to invoice queries within an agreed timeframe, and introducing additional management reviews.

1. INTRODUCTION

- 1.1 Internal Audit were approached by Building Services management to assist with determining whether or not it was possible for incorrect charges to be levied through the use of current systems and procedures.
- 1.2 The objective of this review was to determine what current systems and practices were being used and the effectiveness of overall controls within the Service. This involved looking at job and time recording, stock control and any discrepancies between expected and actual billing.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with John Quinn, Head of Land and Property Assets, Graham Williamson, Operations Manager, and Pamela Cruickshank, Performance and Resources Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Recording Jobs

- 2.1.1 Following notification of the requirement for a repair to be effected, Team Leaders will determine the likely cost of a repair, taking into account labour and materials required. A 'ready reckoner' is used to assist in this process which is reviewed on a regular basis. Amendments are made where appropriate and in particular where there are changes to contracts or prices. The customer (which may be a tenant or the Housing Service) is then notified of the estimated costs of the repair.
- 2.1.2 The Service confirmed that the system is checked to determine whether or not any similar repairs have been performed recently. Where similar previous work has been performed this is investigated to determine if it is a recurrence of the same issue.
- 2.1.3 Jobs are then input to the Opti-Time system from where they are allocated to Tradesmen. Materials which are required are obtained from the Store (if applicable) and the materials and subsequent costs are automatically allocated against the job number on the Consillium Totalview System (TOTAL) which records all costs. Materials not required for a job and subsequently returned are automatically removed from the system. Costs for materials which have to be ordered specifically are not added to the system until such time as the invoices are received and paid.
- 2.1.4 Where a Tradesman arrives onsite and finds that the job is likely to take significantly longer than envisaged they inform their Team Leader in order that job times can be adjusted on Opti-Time. The Service has stated that it is responsible for the HRA budget from which the cost of repairs for tenants is covered therefore no notification for these types of properties is needed. However, an owner or tenant who is responsible for a repair may become liable for additional costs due to any additional labour or materials charges. Notification of the additional charges is not given until after the job has been completed thereby denying the owner the opportunity to challenge any potential charges. Whilst it could be argued that it is more cost effective to complete the job while the employee is onsite, this must be balanced against the rights of the owner to be informed of the potential increased costs of any work.

Recommendation

The Service should ensure that, where increases in job costs are identified, revised estimates (where appropriate) are issued to an owner / tenant prior to the work going ahead.

Service Response / Action

Agreed. Under our QMS we have a process to be implemented which is under development and will be implemented within the next 3 months.

Implementation Date

September 2016

Responsible Officer

Contract Manager CHI /
QA & Customer Service
Manager

Grading

Important within audited
area

2.2 Recording Time

- 2.2.1 Time spent against jobs can either be recorded via timesheets or via handheld units. In the case of the latter, a Tradesman will record on the handheld unit when they receive notification of a job, leave to attend the job, when they start the job and when they complete it. This should then record the travelling time and time spent on the job allowing for an accurate recharge of hours against the job. The Service has acknowledged that

there remain issues with Tradesmen failing to record time spent travelling and job start and finish times. This can be due to electronic equipment not functioning properly or employees simply forgetting to record their time.

2.2.2 The Service confirmed that processes and procedures are in place for work planning and supervision. This involves site visits which are part and parcel of routine management practice whereby line managers keep in touch with the workforce to see how they are getting on and to ensure staff:

- have the available allocation of time for each job,
- have the necessary material for their tasks,
- have the necessary equipment (tools and protective clothing) and understand the importance of using them appropriately, and
- follow safe working practices.

The service acknowledged that there are challenges involved in managing the availability of resources in order to ensure all of the processes and procedures are followed and are working towards a balanced approach.

2.2.3 The Service has stated that were employees to allocate time to jobs that they were not involved in, the system may not flag this up. Instead, the above process is relied upon. Whilst no evidence was identified during the review to suggest that such misallocation of time is occurring, it may be worthwhile for the Service to consider whether it would be possible to highlight such exceptions to provide an additional level of assurance.

Recommendation

The Service should investigate the possibility of introducing a mechanism which would highlight instances where time is allocated incorrectly to jobs.

Service Response / Action

Agreed. The Service has implemented changes in the Total system with the introduction of a check digit. Job number are no longer sequential, this improvement will reduce the amount of incorrect time allocated to jobs.

Implementation Date

Implemented

Responsible Officer

Systems Development
Officer

Grading

Important within audited
area

2.2.4 In addition to the above, the Service maintains a spreadsheet which records 'missing time'. Each employee's available hours (total standard hours for the week) is recorded on this sheet. This is then compared to the hours worked by the employee based on the handheld unit information and the job costing timesheets.

2.2.5 An initial report (shown as run 1 in appendix 1) is produced which shows the 'missing time' and Managers should query this with employees and input any missing time. When all time is input the report is then run again to identify any further missing time (shown as run 2 in appendix 1). No further action is taken after run 2. As each employees time should in the main be allocated against a repair job, missing or overstated time could result in inaccurate charging information.

2.2.6 As shown in appendix 1, there has been an improvement in the recording of time, however there still remains a significant amount of time unaccounted for. In addition, the Service's reported position shows a net rather than gross error percentage (i.e. under-recorded time has been netted off over-recorded time). As shown in the appendix, whilst still showing a reduction, the gross error rate remains significant.

- 2.2.7 Where time is not recorded at the point of tasks being undertaken (job time, travelling, other work) there is an increased risk of errors occurring, as time has to be retrospectively allocated. Where this occurs, for chargeable jobs there is a risk of over / undercharging occurring. The Service should therefore address this issue at source.

Recommendation

The Service should address the issue of 'missing time'.

Service Response / Action

Agreed. Whilst there has been improvements made within this area, the audit has highlighted that further work is required and a further check is required to address failures in the process.

Implementation Date

September 2016

Responsible Officer

Senior Work Planner

Grading

Significant within audited area

2.3 Stock Control

- 2.3.1 On receipt of a job number the Tradesman will obtain stock from one of four depots. The Store or Administrative Person will verify the request for materials against the materials shown as being required for the job on the system. Whilst all stock issued is recorded, it is accepted by the Service that it is possible for duplicate materials to be issued as staff do not always have the time to check whether the stock has been issued for the job previously.
- 2.3.2 Store persons have hand held Wi-Fi scanners which should record all stock which has been issued and that which has been returned. The Service advised that these scanners do not always work and if working, there are areas within the store in which the wifi functionality doesn't work. In these instances stock movements have to be input to the system manually. The Service acknowledged that were the scanners to work all the time this would free up time for stores staff to check all stock issued more thoroughly. The issue with scanners and their coverage within the stock room should be discussed with the supplier with the aim of ensuring that the systems are more reliable.

Recommendation

The Service should ensure that issues with the scanners are resolved.

Service Response / Action

Agreed.

1. The Service has improved the use of the scanners by installing new data cables and access points in the stores.
2. Further work is required by ICT at the Kincorth depot

Implementation Date

1. Implemented
2. September 2016

Responsible Officer

System Manager
Consillium

Grading

Important within audited area

- 2.3.3 The Service confirmed that where a job has been cancelled or closed that this will be flagged on the system and that if a Tradesman attempts to obtain stock against the job number, the request will be refused. The store system automatically links to the TOTAL system which records all expenditure against the job number and where stock has been returned this is removed from the cost of the job thereby ensuring that stock which is returned is not charged against the job.

- 2.3.4 It is important that stock takes are undertaken to ensure that levels of stock are accurately recorded and that any issues with either missing or excess stock are identified at an early stage. The Service has 4 depots: the main one at Kittybrewster plus 3 satellite depots. 100% stock checks are performed twice yearly with ad hoc stock checks performed throughout the year. Results from the year end stock takes were obtained for 2 of the 3 satellite depots. These are summarised in the tables below.

Kincorth Depot	
Number of stock lines	499
Number of stock lines in which there were anomalies	127
Total number of stock Items (from system)	13,064.34
Total variance in stock items counted (Service Figures)	121.94
Total gross variance in stock items counted (Internal Audit Figures)	849.56
Total value of stock items (from system)	£20,208.52
Total variance in value of stock items (Service Figures)	£21.08
Total gross variance in value of stock items (Internal Audit Figures)	£868.34

Hilton Depot	
Number of stock lines	561
Number of stock lines in which there were anomalies	134
Total number of stock Items	30,570.35
Total variance in stock items counted (Service Figures)	777.65
Total gross variance in stock items counted (Internal Audit Figures)	1,157.65
Total value of stock Items	£62,932.88
Total variance in value of stock items (Service Figures)	-£442.15
Total gross variance in value of stock items (Internal Audit Figures)	£2,255.37

- 2.3.5 As with the timesheets the Service's reported position shows a net rather than gross error percentage. Where stock present is less than that which is recorded on the system (negative figure) and where stock counted is more than that which is recorded on the system (positive figure) this is currently netted off, even though the specific items with positive or negative variances may be different. The gross error more effectively demonstrates the quality of stock control.

Recommendation

The Service should report on and take action in respect of gross stock errors.

Service Response / Action

Agreed the following action:

1. Increase stock balance checks – we currently run balance checks on high value items on a weekly basis, this will be extended to our whole range- with the intention of identifying any errors/ discrepancies quickly so that we can investigate and resolve – thus maintain a more accurate account of our stock.
2. Implement further staff training (Store Operatives) :-
 - Use of the scanners – scanning correct barcodes, entering correct quantities, etc. – reduce human error.
 - Returns process – note that since this audit we have now introduced Return slips to record all returns to the store and also held a team talk to ensure returns process is understood.
 - Conversion factors / Units of issue - Identify any discrepancies, i.e. paint purchased by tin, issued per litre.
3. Implement further staff training (Tradesmen):-
 - Van stocks (email has been sent out to team leaders to gain feedback on problems/ issues occurring – this will be used to develop further training).

- Returns process- i.e. no entry jobs – material must be returned to store not kept in van.
- Multiple use items – i.e. plasterers stock- 25kg bags, only small amounts used per job.

4. No entries – material that is not returned to store - we will run weekly report to identify material issued against no entry jobs, this will then be followed up with the specific team leaders.

5. Increase store security:-

- Those entering the store must be supervised by a member of the stores team (since the audit we have introduced fob only access to the stores, which allows only the stores team and team leaders to enter, we are also in the process of sourcing additional CCTV throughout the store).
- Compound security – tradesmen currently using stores compound for storage of mixers and for mixing cement (tap access available) – looking into the possibility of moving the tap out with the compound, thus limiting access to stock material stored within.

6. Call-out requisitions – develop stricter call-out procedure with team leaders (i.e. must accompany tradesman, sign of requisitions, etc.) / introduce call-out log to record those accessing stores out of hours.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2016	Contract Manager / Assistant Contract Manager	Important within audited area

2.3.6 In both of these stores around 25% of the stock lines contains an error in the counted items. Whilst the figures relating to the total amount of items and value are not material, they do highlight the need for tighter stock control.

2.3.7 Figures were then obtained for the year end stock count for the Central (Kittybrewster) depot. The results of these are shown below.

Number of stock lines	1,670
Number of stock lines which didn't match system	1,088
Total number of stock items (across all stock lines)	227,212
Total number of stock items (across all stock lines) which didn't match system (Service Figures)	20,631
Total gross number of stock items (across all stock lines) which didn't match system (Internal Audit Figures)	57,022
Total Value of Stock (on system)	£358,707
Total gross value of variance items	£93,652

The above figures are cause for concern with 65% of stock lines showing a difference between the figures recorded on the system and that which was counted.

2.3.8 £39,154 worth of stock recorded in the system was not present whilst £54,498 worth of stock was present which was not recorded on the system resulting in a net difference of £15,344 too much physical stock. This could suggest that stock has been booked out and charged to jobs, but not physically removed from the store, or has been returned but not deducted from the job costing. The Service should establish the reason for the high levels of errors and put in place practices to prevent recurrence of the above issues.

Recommendation

The Service should identify the causes of the inaccuracies within all stores and ensure that procedures are enhanced to prevent recurrence.

Service Response / Action

Agreed. See response to 2.3.5

Implementation Date

September 2016

Responsible Officer

Contract Manager /
Assistant Contract Manager

Grading

Significant within audited
area

2.3.9

Items that are ordered for specific jobs are not counted during stock counts. Where these items are not used on the job for which they were ordered, they are either retained for use in another suitable job or if not required may be returned to the supplier, subject to a re-stocking charge. However, as any directly purchased goods are not included in stock counts, if these items were to go missing at any time, it would not be possible to determine.

Recommendation

The Service should ensure that non stock items are adequately recorded.

Service Response / Action

Agreed. A process whereby all incoming and outgoing non-stock items are recorded will be developed.

Implementation Date

December 2016

Responsible Officer

Contract Manager /
Assistant Contract Manager

Grading

Important within audited
area

2.4

Billing / Complaints

2.4.1

Since December 2015 the Service has confirmed that where a customer has been issued with an estimate and the cost of the job turns out to be higher, that only the estimated costs are charged. Where the cost of the job is lower than the estimate, the actual cost is charged.

2.4.2

The Service does not currently maintain a record or database showing all job estimates against costs actually charged. Maintaining such a database would allow Management to review whether or not the estimation process is sufficiently accurate. It would also highlight any specific areas where estimates do not match job costs and allow Management the opportunity to review options to address these areas.

Recommendation

The Service should consider developing a mechanism to allow for a regular management review of differences between expected and actual costs. This would highlight significant variances and would assist in the management scrutiny of Service performance.

Service Response / Action

Agreed. Monthly reports will be developed and used as a Management Performance tool. This will highlight improvements needed to practices currently used and ensure future accuracy to estimates provided to our customers.

Implementation Date

September 2016

Responsible Officer

Senior Admin Assistant

Grading

Important within audited
area

2.4.3

Guidance is provided to tenants and owners where they are issued with a quotation and this provides information with regards to the responsibilities and liabilities for each party. The guidance was examined and found to contain relevant information in addition to contact information.

- 2.4.4 Following a dispute between a liable party and the Service, the liable party can submit an invoice enquiry detailing the issues they have. Whilst the Quality Assurance and Customer Services Team use the Corporate Complaints Procedure for corporate complaints, it is not used for invoice enquiries, and the Service confirmed that there is no timeframe within which a reply has to be issued, rather they are done as quickly as possible. It may be useful were a protocol to be developed to give guidance (including timescales) for dealing with invoice enquiries.

Recommendation

The Service should ensure that a formal procedure is developed, to provide guidance to staff dealing with enquiries relating to invoices issued.

Service Response / Action

Agreed. The Corporate Complaints Procedure and timescales will be implemented for invoice enquiries.

Implementation Date

December 2016

Responsible Officer

Customer Services Officer

Grading

Important within audited area

- 2.4.5 A record of complaints is, however, maintained along with the outcomes following investigation. An examination of 156 complaints which had been resolved between January and March 2016 showed that in 55 cases the invoice amounts were amended. In 29 cases the invoices were cancelled altogether while in the remaining 72 cases the charges stood. The level of complaints which resulted in changes to the charge applied suggests that in more than half of the instances errors of some sort were discovered. It would be useful for the Service to monitor these figures to determine whether there are specific issues which require to be addressed.
- 2.4.6 It would also be worthwhile to monitor the number of complaints received per month against the number of invoices raised to determine whether or not tenant / owner satisfaction with the Service is improving as this in turn could be seen to be a reflection of the quality of the work performed. It is accepted, however, that there will always be illegitimate complaints.

Recommendation

The Service should investigate the reasons for the errors identified in the above paragraph and should ensure that any systematic errors are resolved to reduce future occurrences.

The Service should ensure that statistics relating to resolved complaints are reported to Management to determine if there are issues which require to be addressed.

Service Response / Action

Agreed. Statistics relating to corporate complaints are recorded and reported to management. Invoice enquiries are not. The service will implement the recording of all enquiries and report to management monthly.

Implementation Date

December 2016

Responsible Officer

Customer Services Officer

Grading

Important within audited area

AUDITORS: D Hughes
M Beattie
D Henderson

Appendix 1 – Analysis of ‘Missing Time’ Spreadsheet

Run 1	For Period 31/8/15 to 4/10/15					
	Wk 23	Wk 23 (Audit)	Wk24	Wk25	Wk26	Wk27
Total Missing Hours	4084.21	5630.47	4470.30	5118.88	3689.57	6139.22
Available Hours	18833	18833	19342	19186	18923	19138
% of hours missing against total time available	21.7%	29.9%	23.1%	26.7%	19.5%	32.1%
Average missing time (not including audit figures) 24.6%						

Run 2						
Total Missing Hours	-2761.63	n/a	-2821.83	-3228.05	-3345.32	-5505.47
Available Hours	18833	18833	19342	19186	18923	19138
% of hours missing against total time available	14.7%	n/a	14.6%	16.8%	17.7%	28.8%
Average missing time (not including audit figures) 18.5%						

Run 1	For period 1/2/16 to 6/3/16					
	Wk 45	Wk45 (Audit)	Wk 46	Wk 47	Wk 48	Wk 49
Total Missing Hours	-3245.58	4321.66	-3108.05	-1665.36	-1915.21	-2762.51
Available Hours	18397	18397	18619	18545	18341	18415
% of hours missing against total time available	17.6%	23.5%	17.7%	9%	10.4%	15%
Average missing time (not including audit figures) 13.9%						

Run 2						
Total Missing Hours	-2285.17	n/a	-1250.06	-1246.06	-1426.28	-1734.8
Available Hours	18397	18397	18619	18545	18341	18415
% of hours missing against total time available	12.4%	n/a	6.7%	6.7%	7.8%	9.4%
Average missing time (not including audit figures) 8.6%						

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



Internal Audit Report

Housing

Building Services Procurement

Issued to:

Pete Leonard, Director of Communities, Housing & Infrastructure
Richard Ellis, Interim Director of Corporate Governance
John Quinn, Head of Land & Property Assets
Steven Whyte, Head of Finance
Craig Innes, Head of Procurement
Graham Williamson, Operations Manager
Pamela Cruickshank, Property Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The objective of this audit was to consider whether adequate controls are in place regarding procurement of materials by Building Services. During 2015/16, the Service procured £4.963 million of construction materials for the repair and maintenance of social housing.

In general, materials were procured from framework suppliers providing assurance over compliance with legal requirements regarding procurement. However, some materials were purchased from non-framework suppliers and the level of spend with certain suppliers, including framework suppliers, was not approved by Committee as required by the Council's own governance procedures.

The Service has agreed with recommendations made to address the issues identified.

1. INTRODUCTION

- 1.1 In 2015/16, £4.963 million was spent on construction materials for the repair and maintenance of social housing. The letting of contracts is undertaken by the Building Services team within Communities, Housing and Infrastructure, supported by Commercial and Procurement Services (CPS).
- 1.2 The objective of this audit was to consider whether adequate controls are in place regarding procurement of materials. This involved a review of procedures and analysis of procurement spend by Building Services during the financial year 2015/16.
- 1.3 References to specific Financial Regulations are to the September 2014 version and references to the Standing Orders relating to Contracts and Procurement refer to the March 2014 revision. These were the governance documents in place at the time that the transactions tested were completed. A new set of Procurement Regulations was approved by the Finance, Policy and Resources Committee in June 2016 for immediate implementation.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with John Quinn, Head of Land & Property Assets, Graham Williamson, Operations Manager, Pamela Cruickshank, Property Manager and Carol Wright, Business and Procurement Improvement Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Procedures & Written Guidance

- 2.1.1 The procurement of building materials is governed by EU Procurement Legislation and the Council's Financial Regulations and Standing Orders Relating to Contracts and Procurement.
- 2.1.2 Relevant staff were aware of the provisions of the above documents, and the Service has developed local procedural flowcharts which are both comprehensive and version controlled.
- 2.1.3 Financial Regulation 5.11.2 states that "Orders must be issued for all work, goods or services, or such other expenditure as the Head of Finance may approve." It is therefore required that an official Purchase Order is raised prior to instructing works and services or requisitioning goods from suppliers. 30 orders placed during the financial year 2015/16 were reviewed; all were raised in accordance with Financial Regulation 5.11.2.
- 2.1.4 It is good practice to ensure that requisitions are approved by a member of staff senior to the requisitioner, to protect staff from accusations of undue influence. The authoriser should also be someone within the Service that has the authority to incur expenditure on behalf of the Council, and who has knowledge of the budget availability. It was noted that this is not always the case, with some authorisers of orders on the same grade as the individuals creating the order. The Service advised that it was considered a necessity to have a number of people available to approve orders to prevent delays in the supply chain.

Recommendation

The Service should consider reviewing who has authority to approve purchase orders.

Service Response / Action

Agreed. A review will be undertaken of the approval process structure with a view to introducing key check points and drop down menus within the Total System to aid consistency and authorisation in the management of purchase orders.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Important within audited area

2.2 Contracts Monitoring

- 2.2.1 In order to comply with EU Procurement Regulations, most categories of supply with an estimated value exceeding specified thresholds must be publicly tendered; in 2015/16 the relevant threshold was £172,514. Section 3 of the Standing Orders Relating to Contracts and Procurement require EU compliant tender exercises to be completed in all instances where the estimated cost over the life of the contract is 10% less than these thresholds and above (thus, £155,263). Between £60,000 and this figure a non-EU tender exercise was required; up to £60,000 requires four competitive quotes.
- 2.2.2 Financial Regulations require the Head of Procurement to maintain a Contract Register for the monitoring of all contracts and framework agreements developed or in use across the Council, which should include the value and amount of each contract. Each Commissioning Service is responsible for ensuring that the prescribed information as detailed by CPS is communicated to them on an annual basis. The Service advised that they have assisted CPS in the provision of this information.
- 2.2.3 The Service does not maintain a Contracts Register since, rather than entering into contracts with suppliers, it uses external framework agreements for Timber and Building Materials, Trade Materials, Plumbing Supplies, and Electrical Supplies. Section 21(1) of the Standing Orders states that use of any specific external frameworks or contracts by

the Council must be approved in writing by the Head of Procurement and the Head of Legal and Democratic Services prior to the Council entering into such frameworks / contracts. The CPS confirmed that an exercise is underway to ensure all such contracts and frameworks in place have been approved.

- 2.2.4 The Service has created a “Suppliers Dashboard” for use by staff when placing orders. This is drawn from the framework agreements and includes supplier information and the dates over which the agreements are valid. It was reviewed and was up to date. However, no information on kitchen suppliers was included despite there being a framework / contract available for the provision of kitchen materials. The Service has advised that this information will be added to the Dashboard; a recommendation is added to track progress. In addition, no information was included about alternative trading names or subsidiary companies used by framework suppliers; this is further discussed below.

Recommendation

Kitchen suppliers’ information should be added to the Suppliers Dashboard.

Service Response / Action

Agreed. The Service will extend the scope of the Supplier Dashboard to cover not just Scotland Excel tenders (which was its original purpose), but also other selected tenders, that would benefit from being communicated to staff within the Service. The contract register has already been put in place, following a request from CPS in May 2016, and the Service will continue to maintain the register.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Important within audited area

2.3 Suppliers

Framework Suppliers

- 2.3.1 Whilst staff are encouraged to refer to the Supplier Dashboard before ordering, there is no control within Total Consilium to prevent the use of other suppliers, and there are a number of apparent non framework suppliers included on the system. A number of these suppliers are subsidiary companies for suppliers named in the framework agreements. This is not evident within Total Consilium.

Recommendation

An exercise should be undertaken to improve supplier data available within the Total Consilium system and restrict available suppliers to framework suppliers and non-framework suppliers awarded contracts in accordance with Standing Orders Relating To Contracts and Procurement.

Service Response / Action

Agreed. The Service will investigate introducing key checkpoints and drop down menus in the Total System, together with adding relevant data for Scotland Excel supplier subsidiary companies. There may be a cost implication, due to Total making charges for these types of system changes. We will continue to direct any orders towards framework suppliers, although compliant ordering from non-framework suppliers is permitted.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Important within audited area

- 2.3.2 The majority of procurement of building materials was from framework suppliers. However, of the top 30 suppliers, 5 were identified as non-framework suppliers. During the financial year 2015/16, £70,150 of orders were placed with these suppliers as shown below:

Supplier 1	£4,700
Supplier 2	£8,800
Supplier 3	£45,800
Supplier 4	£2,600
Supplier 5	£8,250
Total	£70,150

2.3.3 Per Standing Order 6, a written contract is required for this level of expenditure, following the receipt of 4 quotes to ensure best value. Since these suppliers were not part of a framework agreement, and no contract was in place, these orders were placed in breach of Standing Orders Relating to Contracts and Procurement.

2.3.4 The Service advised that orders were no longer being placed with Supplier 4. The Service also advised that three of the suppliers (1, 2 and 5) had, until recently, been framework suppliers. Some orders had been placed during a transitional period while systems were updated.

Recommendation

To reduce the risk of breaching the Council's procurement rules, the Service should ensure that systems are updated as soon as possible after framework agreements are renewed. This is to ensure that only current framework suppliers and suppliers with contracts compliant with Standing Orders Relating to Contracts and Procurement, are shown.

Service Response / Action

Agreed. There are significant limitations of the Total system, when updating suppliers and prices, and there could be a staff cost for updating these systems. An element of a transition period will always be unavoidable, due to the way that these contracts operate. This transition period will be minimised as much as possible. We will continue to direct any orders towards framework suppliers, although compliant ordering from non-framework suppliers is permitted.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Significant within audited area

2.3.5 In other cases the Service advised it was necessary to continue using the suppliers in order to maintain consistency with goods previously supplied, or because the framework suppliers were not able to meet the needs of the Service. In such cases the Service should work with Commercial and Procurement Services to ensure that correct procedures are followed, considering estimated spend, with regards to obtaining quotes or putting the requirement out to tender.

Recommendation

The Service should ensure that it complies with Standing Orders Relating to Contracts and Procurement and Financial Regulations. This should be done in partnership with Commercial and Procurement Services.

Product quality or compatibility issues should be raised with Commercial and Procurement Services who can address as part of the contract management process.

Service Response / Action

Agreed. Building Services and CPS have arranged regular meetings to work closer together on interpreting the Financial Regulations, and in discussing examples of how to implement the regulations in practice. CPS will also be creating a form for notifying them of any instances of requiring to purchase materials from a non-framework supplier.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2016	Surveying Manager	Significant within audited area

Aggregate Spend

2.3.6 The List of Delegated Powers permit Directors, in consultation with the relevant Conveners of Committees, to authorise spend up to £60,000 without the need to report to Council or Committee for approval, subject to the requirements of Standing Orders in relation to competitive quotes for supplies / services contracts below £60,000. Standing Order 3(2) mandates that aggregate value must be taken into account. The issues raised by listing the requirements of the Financial Regulations, Standing Orders relating to Contracts and Procurement and delegated powers separately, and by exception rather than rule, are discussed in Internal Audit report AC1605. However, officers have no documented delegated authority to approve spend in excess of £60,000 (£50,000 from 1 April 2016) and therefore such spend should be reported to Committee for approval in advance of tendering and committing expenditure. This also applies when orders are placed with a framework supplier.

2.3.7 The amount of money spent with each supplier in the Financial Year 2015/16 was reviewed. The five suppliers with the highest levels of spend are shown in the table below. The analysis was extended to consider the values spent with these suppliers over the preceding years. The Service confirmed that the aggregate spend was not considered and Committee approval was not sought.

Supplier	Spend in 2015/16	Spend over 3 year period (including 2015/16)	Spend over 4 year period (including 2015/16)
1	£854,800	£1,841,500	£1,955,200
2	£528,100	£1,648,500	£2,518,500
3	£324,200	£760,300	£855,000
4	£295,600	£1,062,000	£1,391,600
5	£260,600	£948,300	£1,063,700

2.3.8 The Service has highlighted that in the Draft Housing Revenue Account (HRA) 2015/16 to 2019/20 Budget presented to the Finance, Policy & Resources Committee on 4 December 2014 that it sought approval in item 2(a) for spend on Response Repairs and Maintenance as part of the proposed HRA budget. Estimated expenditure was set against subject headings within the Housing Repairs Draft Budget in Appendix 1 to the report. The Service therefore considers that overall estimated spend on Response Repairs and Maintenance has been reported to and approved by Committee. However, Standing Orders 1 (3) states that "the allocation of a budget as part of the Council's budget setting process is insufficient".

2.3.9 Internal Audit considers that the budget headings within the report are not specific enough to identify the relevant works and supplies to be procured. There therefore remains a risk that commitments may be entered into by the Service which the Council could not have anticipated, and may not have approved had the full details been made available in advance. A similar issue was considered in audit report AC1623 and is being addressed by CPS through new Procurement Regulations, section 4.1.1.4 of which states that: "Where it is expected that there may be multiple call-offs from a framework agreement that has been approved for use by the Head of Commercial & Procurement Services, then an initial report detailing requirements shall be submitted to the relevant Committee depending on the estimated total value of the call-offs and in advance of these being made ... Where such a report has been submitted and approved, then the procuring Service must advise the Committee on an annual basis of expenditure made within that year, and cumulative expenditure against initial estimate".

Recommendation

The Service should work with CPS to ensure that staff are familiar with and follow new Procurement Regulations on approval of call-offs from framework agreements.

Service Response / Action

Agreed.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Important within audited area

2.4 Financial Monitoring

- 2.4.1 Budget monitoring information is discussed by the Accountancy team with the Service on a monthly basis. The period 12 budget monitoring statement for financial year 2015/16 provided by Accountancy was reviewed.
- 2.4.2 The Accountancy team advised that they had observed during analysis of their year end figures drawn from eFinancials that in some areas the reported spend differed significantly from the budget; for instance, in Response Repairs, spend on materials was 166% of the budget, whilst Payments to Outside Contractors was only 40% of the budget. The Service advised that their figures within Consilium did not show similar differences.
- 2.4.3 The Accountancy team advised that this could be explained by the mis-coding of invoices as materials rather than services, however could not confirm this as invoice data in eFinancials is limited to supplier, invoice number and value, and the codes input by the Service during processing through Total Consilium. As a result, the Accountancy team are not able to effectively monitor spend and identify miscoding, which in turn makes it more difficult to forecast spending accurately and establish appropriate budgets.

Recommendation

The Service should review the codes used when processing invoices to ensure that they are correct and accurately reflect the expenditure incurred. The Accountancy team should be advised of any errors, and a journal entry processed.

The Service should work with the Accountancy team to share data to allow for better forecasting and budget monitoring.

Service Response / Action

Agreed. The Service will continue to work closely with the Accountancy team. Regular meetings have been set up with our contact at the Accountancy team, and cost forecasting information will now come from the Quantity Surveyors team within the Service, instead of the Contract Managers, in order to provide more accurate budget forecasting.

Implementation Date

December 2016

Responsible Officer

Surveying Manager

Grading

Important within audited area

AUDITORS: D Hughes
M Beattie
L Jarvis

Appendix 1 – Grading of Recommendations

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

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Internal Audit Report

Land and Property Assets

Cleaning Payroll

Issued to:

Pete Leonard, Director of Communities, Housing and Infrastructure
Richard Ellis, Interim Director of Corporate Governance
John Quinn, Head of Land and Property Assets
Ewan Sutherland, Head of HR&CS
Steven Whyte, Head of Finance
Andy Campbell, Facilities Manager
David Cheyne, Payroll Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The Council's cleaning service is responsible for the cleaning of all Council Buildings including schools. The Service is made up of the Cleaning Manager who reports to the Facilities Manager, 8 team leaders, 12 cleaning charge hands, and 394 cleaning keyholders. The total staffing costs for 2015/16 was £4.3 million.

The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours within the cleaning service, and to include the co-ordination of additional hours to minimise overtime costs.

There were issues identified during the course of the audit, which the Service has agreed to address, however recommendations on how to reduce the levels of overtime paid have not been agreed. These are discussed in the report.

1. INTRODUCTION

- 1.1 The Council's cleaning service is responsible for the cleaning of all Council Buildings including schools. The Service is made up of the Cleaning Manager who reports to the Facilities Manager, 8 team leaders, 12 cleaning charge hands, and 394 cleaning keyholders. The total staffing costs for 2015/16 was £4.3 million.
- 1.2 These staff are paid through the corporate payroll system (PSe) which is administered by the Payroll Section in Human Resources and Customer Service (HR&CS).
- 1.3 The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours within the cleaning service, and to include the co-ordination of additional hours to minimise overtime costs.
- 1.4 The factual accuracy of this report and action to be taken have been agreed with Andy Campbell, Facilities Manager, Rose Turner, Cleaning Manager, David Cheyne, Payroll Manager, and Tracy Runcie, HR Team Leader.

2. FINDINGS AND RECOMMENDATIONS

2.1 New Starts

- 2.1.1 When a cleaning keyholder is appointed, and following receipt of a new start memo from the recruiting manager within the Service, a Notice of Appointment Form is completed by the HR Service Centre. This details the 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 leave year for local government employees operates from January to December, and the employee's annual salary should be paid in 12 equal monthly instalments. Annual leave entitlement is dependent on an employee's length of service, starting from 27 days for those with less than five years' service; 32 days for those with more than five but less than ten years' service; rising to 35 days for those with ten years' service and above.
- 2.1.3 Cleaning keyholders may be employed either on a 52 week (full year) contract or a 41 week (term time) contract. The 41 week contract applies to cleaning keyholders in schools, and is made up of 39 school weeks and 2 weeks in the school holidays for deep cleaning. Annual leave is added to the term time contracts.
- 2.1.4 In the period between October 2015 and March 2016, 39 new cleaning contract appointments were made. (Some of the appointments were staff new to the Council, however others were staff who already had an existing part time contract, and were being appointed to an additional part time contract). The first month salary payment for thirty of these (twelve full year, eighteen term-time) was reviewed, and all were calculated and paid correctly.

2.2 Leavers

- 2.2.1 When an employee resigns from a post, their line manager should submit a Leavers Form to the HR Service Centre, who in turn will complete a Termination of Service Form which details the total days worked in the year and any accrued holiday entitlement. This is then passed to Payroll for final salary calculation and input.
- 2.2.2 26 cleaning contracts were terminated in the period October 2015 to March 2016. The final salary payment entitlements for fifteen of these contracts (eight full year, seven term-time) were calculated and compared to the salary payments made. Fourteen were paid the correct final salary, one was not.
- 2.2.3 The one error related to an employee who had three part time contracts, two of which were to be terminated in December 2015. However, in error, only one of these was terminated. This was identified by the Cleaning Manager In January 2016 as part of her budget monitoring process. The overpayment that arose was £530 basic pay and £125 Nonstandard Working Week Allowance (NSWW – this allowance is discussed in more detail in paragraph 2.3 below). Payroll instigated recovery of this overpayment in March 2016. The Service advised that the employee failed to notify their line manager, or the HR Service Centre of the overpayment.

Recommendation

The Service should determine why the employee involved failed to advise of the overpayment, and take action, if appropriate.

Service Response / Action

The Service has investigated this issue with the employee concerned. The employee

had transferred posts several times, had been doing periods of additional hours and the information contained on her payslip was confusing. The employee had resigned from two out of three contracts, wasn't aware of the error and wishes to repay.

For all future contract resignations, Cleaning Team Leaders have to consult the Cleaning Service employee database to determine if the employee who is resigning from a contract, has any other contracts with the service, highlighting to HR colleagues, which contract number the employee is resigning from.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Cleaning Manager	Important within audited area

- 2.2.4 This error arose as a result of the employee's Team Leader incorrectly using one Leavers Form to record the termination of two distinct contracts. The HR Service Centre misinterpreted the information on the form and only terminated one contract. The Leavers Form does not require contract number or contracted hours to be recorded. This type of error should not arise in the future as there is now an electronic online Leavers Form within the YourHR Portal. Instructions on the Zone were updated to reflect this change of form in April 2016. The online form does require the contract number.

2.3 Non Standard Working Week Allowance

- 2.3.1 The standard working week is Monday to Friday, 7am to 8pm. Hours worked outside of this are eligible for a non-standard working week (NSWW) allowance as follows:

Monday – Friday: 8pm – 7am	33% of salary	(NSWW33)
Midnight Friday – Midnight Sunday	40% of salary	(NSWW40)

- 2.3.2 Details of an employee's shift pattern is included in the new start memo. This is referred to by the HR Service Centre for calculation of NSWW entitlement for including on the Notice of Appointment Form. When line managers advise the HR Service Centre of a change in working hours, a Notice of Changes Form is completed including amendments to NSWW hours, for Payroll to input to PSe. NSWW is automatically paid on contracted hours that are eligible for the enhancement once input to PSe by Payroll. Where a contract is to be terminated, the monthly NSWW hours are already stored within the PSe system, Payroll use this information to calculate the payment due in the final month.
- 2.3.3 The NSWW payments made to the new starts and leavers examined in sections 2.1 and 2.2, above, were reviewed to ensure accuracy of calculation and correct payment. The findings are included in the paragraphs below.
- 2.3.4 Of the thirty new contracts reviewed, ten were contracted to work hours outside of the standard working week. Eight were entitled to an enhancement of 33% for working between 8pm and 7am (NSWW33), one was entitled to an enhancement of 40% for working at the weekend (NSWW40), and one was entitled to both. Six were paid NSWW payments correctly.
- 2.3.5 Two employees had been underpaid £205 (NSWW33) and £120 (NSWW33) respectively. These arose as a result of an error of omission by the HR Service Centre who failed to include the allowance on the Notice of Appointment Form. The second of the cleaners notified HR and a correcting payment was made. These errors were discussed with the Service during the audit, and management has since issued a reminder to staff to ensure that the NSWW hours are considered and input to the Notice of Appointment Form.
- 2.3.6 One employee had been underpaid £180 (NSWW33) because Payroll had missed the

NSWW allowance that the HR Service Centre had input on the Notice of Appointment form.

Recommendation

The HR&CS Service (Payroll) should ensure the above underpayments are paid to the cleaners involved.

Service Response / Action

Agreed. The underpayments were paid in the May 2016 Salary.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

Recommendation

The HR&SC Service (Payroll) should remind staff to ensure NSWW hours are input to the PSe Payroll system, where noted on the Notice of Appointment Form.

Service Response / Action

Agreed. All staff have been reminded.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

2.3.7 The remaining employee had been overpaid a net amount of £595 on two separate contracts. Following an appointment to a new contract, the employee had been overpaid £10 (NSWW33) due to a Payroll calculation error and underpaid £90 (NSWW40) due to the HR Service Centre missing the +40% hours on the new start memo. The employee's contracted days were Monday to Saturday and so was entitled to NSWW33 on qualifying weekday hours and NSWW40 on the qualifying Saturday hours.

2.3.8 The same employee changed her working hours on her original existing contract, in September 2014, which resulted in a loss of entitlement to NSWW allowance. The change of entitlement was not included in the Notification of Changes form submitted to Payroll by the HR Service Centre and the employee received the allowance for 20 months when not entitled to receive it. The employee did not highlight this error.

Recommendation

HR&CS (Payroll) should ensure the above overpayment is recovered from the employee involved and NSWW allowances are accurate going forward.

Service Response / Action

Agreed. Payroll has written to the overpaid employee.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

Recommendation

The Service should determine why the employee involved failed to advise of the overpayment, and take action, if appropriate.

Service Response / Action

Agreed. This has been discussed with employee concerned. As the overpayment was a relatively small amount for each of the 20 months, it was not immediately obvious to the

employee that they were being overpaid. An arrangement is now in place for the employee to repay the overpayment over a period of months.

Implementation Date

Implemented

Responsible Officer

Cleaning Manager

Grading

Important within audited area

2.3.9

After these errors were highlighted to the HR Service, the process regarding changes to working hours, and NSWW allowances was reviewed and the following improvements agreed:

- A copy of the New Start Memo or Change of Details Form, sent by line managers, must be saved in HR file, not just an email;
- Development Team staff are exploring the possibility of automating the NSWW calculation within the Notice of Appointment / Notice of Changes Forms, in the meantime the calculation will be saved in HR file along with the rota;
- Staff will receive a copy of their rota, sent out with their contract;
- When signing to authorise forms, HR Co-ordinators must double check Notice of Appointment / Notice of Changes Forms to ensure NSWW is added, where applicable.

The Service use a checklist to ensure each step of the process is completed, and this should be updated to reflect the procedure changes agreed. A recommendation is included for tracking purposes.

Recommendation

HR&CS (HR Service Centre) should update their process checklist to include the new process requirements.

Service Response / Action

Agreed. The checklist will be updated. A copy of the rota will be required to be attached to the Notice of Appointment or Notification of Change document to allow for the calculation to be verified.

Implementation Date

July 2016

Responsible Officer

HR Team Leader

Grading

Important within audited area

2.3.10

Of the fifteen reviewed, eight terminated contracts were entitled to payment for contracted hours outside of the standard working week. Four were entitled to an enhancement of 33% for working between 8pm and 7am (NSWW33), three were entitled to an enhancement of 40% for working at the weekend (NSWW40), and one was entitled to both. Six were paid NSWW payments correctly.

2.3.11

One employee had been overpaid £125 NWW33 for two months as the contract had not been terminated, as highlighted within the leavers testing in paragraph 2.2.3 above. The overpayment calculation was checked and confirmed accurate. Recovery took place in February 2016.

2.3.12

The same cleaner had been underpaid £415 NWW40 on a second contract. This arose as a result of the calculation being incorrectly based on a term-time 41 week contract and not on the correct 52 week contract. This miscalculation occurred when the contract commenced in August 2014.

Recommendation

HR&CS (Payroll) should ensure the above underpayment is paid to the cleaner involved.

Service Response / Action

Agreed. The underpayment was paid in the employee's May 2016 Salary.

Implementation Date

Implemented

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

- 2.3.13 In light of the number of errors identified within the sample examined, there is a risk that there could be more errors in the NSW allowances paid and this requires further investigation.

Recommendation

HR&CS (Service Centre) should review all new starts / leavers where there has been a payment of NSW to determine if there are other errors that have been made but not identified through testing.

Errors identified should be corrected.

HR&CS (Service Centre) should understand the reasons for the errors, and take action where appropriate.

Service Response / Action

Partially Agreed. There are currently 595 contracts in receipt of this allowance therefore to check everyone would take significant resources. A sample of employees in receipt of NSW will be reviewed and the outcome discussed with audit. Should there be a significant number of errors identified then a wider review will be considered.

Implementation Date

September 2016

Responsible Officer

HR Team Leader

Grading

Significant within audited area

2.4 Additional Hours and Overtime

- 2.4.1 Council employees under EP&M terms and conditions are paid for any hours worked as part of their contracted hours at plain time (normal hourly rate). Contracted hours are paid automatically having been set up on the payroll system whilst additional hours and enhancements have to be claimed on a monthly timesheet.

- 2.4.2 Work in excess of an employee's contract hours is paid as follows:

- Where the employee is contracted to work less than 37 hours per week, additional hours up to 37 hours per week are paid at plain time. Any hours over 37 hours per week, unless part of an agreed rota where the average weekly hours are 37 hours or less, are defined as overtime.
- Where an employee is contracted to work over 37 hours per week (this can be up to 45 hours per week), all hours over the employee's contracted hours (except where this is part of an agreed rota where the average weekly hours covering the

rota period are below the employee's contracted hours) shall be considered as overtime.

- Overtime is paid at the rate of time and one half.

- 2.4.3 Certain hours that are not paid at the overtime rate attract an enhancement, as discussed in section 2.3 above.
- 2.4.4 A review of the overtime paid in 2015/16 showed a total of 1687.5 hours, £22,476 claimed by Cleaning Chargehands and 8289 hours, £98,066 claimed by Cleaning Keyholders.
- 2.4.5 It is incumbent on Team Leaders or Chargehands at larger sites to ensure that there is sufficient staff to fulfil the cleaning requirements of an establishment and where necessary arrange cover for absent employees or vacant posts. Cover for Chargehand vacancies or absences is commissioned by a Team Leader. The Service advised that whilst some overtime paid to Chargehands will relate to Chargehand duties there will also be instances where the cover is for a Cleaning Keyholder. The overtime paid for cleaning cover is at a Chargehand rate. HR advised that additional / overtime hours worked by a Chargehand undertaking cleaning duties should be paid at the lower Cleaning Keyholder hourly rate and not at the higher rate.

Recommendation

The Cleaning Service in conjunction with HR should undertake a review of the overtime rates payable to all staff, with a view to matching the rate payable to the job covered rather than the employees' regular hourly rate.

Service Response / Action

Cleaning

The Service has met with the Digital HR Project Manager, who shared the E&CS Supply Teacher availability module. It is thought that this system may be able to be adapted for Cleaning Service staff availability for working additional hours.

HR

The Service currently has a number of projects that will be looking further at overtime analysis and multiple contracts and it is anticipated that these issues will be picked up as a result. These are due to commence in June 2016.

Audit Response

Whilst it is acknowledged that the introduction of the new system will afford the Service greater visibility of staff available to undertake additional hours at the required rate, and that the projects planned within HR should help identify any anomalies going forward, the payment of overtime at the higher rate should cease immediately.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Important within audited area

January 2017 (in line with above)

HR Team Leader / HR Business Partner

- 2.4.6 It was noted that one Chargehand Cleaner was paid in excess of £10,000 overtime: this is three times higher than the second highest overtime paid to a Chargehand. Whilst it is recognised that obtaining cover may be problematic in this area, the Cleaning Service should ensure that every effort has been undertaken to offer the additional hours to existing cleaning keyholders to ensure that costs are minimised.

Recommendation

The Cleaning Service should undertake regular reviews of the overtime worked by Chargehands to understand the reasons for the additional hours worked, and where possible to take corrective action.

The Service should ensure that there is a robust process in place to ensure that all available additional hours and overtime are offered to appropriate Cleaning Keyholders.

Non-emergency cover for Cleaning Keyholders by Chargehands should be agreed in advance with a Team Leader.

Service Response / Action

The introduction of the system described in the response to recommendation 2.4.5 above will allow the Service to identify Cleaning Keyholder availability without the need to phone other teams each time the need for cleaning cover becomes apparent. Until this system becomes available the Service will continue to try to cover the any additional hours at the lowest possible rate using Cleaning Keyholders at flat rate as the first option.

Audit Response

In not reviewing and addressing the causes of overtime, the Service risks incurring additional costs when there may be alternative less expensive solutions available.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Significant within audited area

- 2.4.7 Were the hours identified in paragraph 2.4.4 to have been paid at the basic rate of £7.97, the reduction in cost to the Service would be £9,027 (Chargehand overtime) and £40,970 (Cleaning Keyholder overtime). Where there is regular and sustained overtime required it may be more cost effective to employ additional part-time staff. The Service anticipates that the downturn in the local economy will result in a reduction in the number of vacancies which should in turn result in a reduction in the amount of overtime required.

Recommendation

The Cleaning Service should consider the cost efficiency and effectiveness of employing more Cleaning Keyholders on part-time contracts rather than paying overtime.

Service Response / Action

Cleaning

Not agreed. Proportions of the overtime worked are for covering short or long term sickness absences and for covering short term additional work which the service is asked to take on. As there is no permanence of the work being undertaken, we could not justify permanent posts being created. The Service will continue to cover additional hours at the lowest possible rate by using Cleaning Keyholders at flat rate as the first option and has advised that overtime paid has reduced by £1,000 in the first month since the audit was completed.

HR

This would be for the Service to determine, however this may be reviewed as part of the overtime analysis and multiple contracts projects being undertaken by HR. These are expected to commence in June 2016.

Audit Response

Whilst it is recognised that the much of the overtime is on an “as and when required” basis, it would be prudent of the Service to review the overtime paid over the past 2 to 3 years, and consider in conjunction with HR whether the overtime costs could be reduced by the appointment of additional part time staff, failure to do this risks additional unnecessary costs being incurred.

Grading

Important within audited area

- 2.4.8 The overtime relating to two employees who had changed role from a Cleaning Keyholder to a Cleaning Chargehand during the year were reviewed to ensure that the overtime rates were paid at the hourly rate for the role within which the overtime was worked. One employee was paid correctly, the second employee had worked 10 hrs overtime as a Cleaning Keyholder. These hours were however paid at the incorrect higher rate of Cleaning Chargehand. This was a payroll input error.

Recommendation

HR&CS (Payroll) should recover the overpayment identified above.

Service Response / Action

Agreed. This will be recovered from the employees June 2016 salary.

Implementation Date

June 2016

Responsible Officer

Senior Payroll Officer

Grading

Important within audited area

2.5 Future Developments

- 2.5.1 Currently each Team Leader maintains a record of their own team's working patterns and hours in a spreadsheet, and the arranging of absence or vacancy cover is reliant on local knowledge or discussions with fellow Team Leaders, there is no centralised database maintained of available staff.
- 2.5.2 Staff working additional or overtime hours are required to complete a timesheet for each site that they work at, meaning that employees may have more than one timesheet each month. Where a cleaner works for a team that is not their base team, the team within which the overtime was worked is recorded at the top of the timesheet, this is used to record the additional hours and overtime worked within each team on a management information spreadsheet. All cleaning staff costs are coded to the same cost centre, thereby preventing monitoring of overtime through the financial ledger.
- 2.5.3 The Digital HR Project Manager advised of planned improvements and greater use of YourHR, which should be of benefit to the Cleaning Service. There are plans to pilot an online timesheet which will allow staff to update them as the hours are worked. These will be authorised monthly by Team Leaders and the Cleaning Manager, initially the employee will have to input their authorising manager, this will be replaced at a later date by a system based hierarchy. This online timesheet should allow for the calculation of any enhancements due, and should prevent hours being claimed for twice. There is also the functionality to allow the Service to record details of rotas, this is currently being used by the Catering Service, and may remove the need for Team Leaders to maintain separate

spreadsheets.

Recommendation

The Cleaning Service should liaise with the Digital HR Project Manager and explore the possibility of using YourHR to:

- monitor staff contracted hours and rotas;
- create a database of employees available to work extra hours at particular times;
- record the team that additional hours / overtime are worked in and provide data to cleaning management.

Service Response / Action

Agreed. See undernoted actions.

- Digital HR Project Manager will explore potential for a cost effective and practical means of monitoring staff contracted hours and rotas via YourHR.
- The recommendation to 'create a database of employees available to work extra hours at particular times' might be easily achievable through reusing the engine created for Supply Staff in schools. Digital HR Project Manager will explore this and if not practical will liaise with service to discover potential for a cost effective and practical solution via YourHR.
- The recommendation to 'record the team that additional hours / overtime are worked in and provide data to cleaning management'. Can be implemented as part of the launch of Online Overtime and Additional Hours Module as it is relatively straight forward and would benefit other services.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Digital HR Project Manager

Grading

Important within audited area

2.5.4

Timesheets may be authorised by either the Team Leader within whose team the hours were worked or they may be authorised by the employee's line managing Team Leader. The authorisation of additional or overtime hours worked should be authorised by the person who can substantiate that the hours have been worked.

Recommendation

The Service should ensure that timesheets are authorised by the Team Leader who can substantiate that the hours have been worked.

Service Response / Action

Agreed. The introduction of the overtime module in YourHR will ensure that all overtime being worked in a Team Leaders area of responsibility, will be input to Your HR by that Team Leader before being authorised for payment by the Cleaning Manager or Facilities Manager in the Cleaning Manager's absence. The existing method of authorisation will not be changed in the interim, as the trial for YourHR process commences in August 2016.

Implementation Date

January 2017 (following introduction of Your Overtime module, Trial commencing August 2016)

Responsible Officer

Cleaning Manager / Digital HR Project Manager

Grading

Important within audited area

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

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Internal Audit Report

Communities, Housing and Infrastructure

Roads Payroll

Issued to:

Pete Leonard, Director of Communities, Housing and Infrastructure
Richard Ellis, Interim Director of Corporate Governance
Mark Reilly, Head of Public Infrastructure and Environment
Ewan Sutherland, Head of HR and Customer Service
Steve Whyte, Head of Finance
Mike Cheyne, Roads Operations Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts and leavers, and levels of additional or overtime hours within the Roads Service.

Whilst in general the procedures are adequate, minor payment errors have been identified, and checks and authorisation controls are not always being evidenced. The Service, in conjunction with HR and Payroll has agreed a number of actions to improve assurance over these areas as outlined in the following audit report. Whilst the Service has agreed to correct underpayments to staff, it intends to seek agreement from the Heads of HR and Finance that the small number of minor overpayments identified be written off.

Overtime is currently managed at an individual team level. The Service has noted that the majority of overtime relates to winter operations and resurfacing works that, due to road occupation, are required to be carried out overnight or at weekends, however a management level review of the levels of overtime will be completed on a six monthly basis.

1. INTRODUCTION

- 1.1 The Roads Teams are responsible for a range of duties including Road Patching, Drainage and Gully Cleaning, Winter Maintenance, Street Lighting, Traffic Signal and Pedestrian Crossing Maintenance and Design, Resurfacing Carriageways, Resurfacing Footways, Road Markings, Street Signs, Traffic Safety and Management. The total staffing cost for 2015/16 was just over £6 million, including just over £0.5 million relating to overtime (which includes early morning, evening and weekend operations for winter).
- 1.2 The objective of this audit was to consider whether adequate controls and procedures are operating in relation to new starts and leavers, and levels of additional or overtime hours.
- 1.3 A sample of employees was selected at random from payments made between August 2015 and April 2016 and from paperwork stored at the West Tullos Roads Depot Office. This consisted of 33 employees and where relevant the appropriate paperwork was obtained; including 5 new start forms, 5 leavers forms, 5 notifications of changes, 85 timesheets, 17 overtime forms / spreadsheets, 11 standby forms, 5 long term absences and 3 working time directive opt-outs.
- 1.4 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 Ewan Sutherland, Head of HR and Customer Service.

2. FINDINGS AND RECOMMENDATIONS

2.1 HR Forms

- 2.1.1 A Notice of Appointment Form is completed by the HR Service Centre when a new employee starts with the Council. When there is a change in an employee's contract a Notification of Changes form will be completed. These forms detail the post information, salary scale, hours / days to be worked, continuous service details where relevant, as well as any annual leave entitlement. It is then passed to the Payroll Team for the first pay calculation or change in pay calculation to be done. The relevant details are entered onto the PSe Payroll System and the forms are updated to reflect completion of the Payroll part of the process.
- 2.1.2 When an employee resigns from a post, the HR Service Centre complete a Termination of Service Form which includes the total days worked in the year and any accrued holiday entitlement. This is then passed to Payroll for any final salary to be calculated and the relevant details entered onto the PSe Payroll System. The forms are updated to reflect Payroll input.
- 2.1.3 Each of the New Starts, Leavers and Notification of Changes forms reviewed had been processed and after appropriate adjustments had resulted in the employees being paid correctly.
- 2.1.4 There are 5 Notice of Appointment forms and 4 Notification of Changes forms where Payroll have only entered initials instead of their full name. Payroll consider this adequate and more efficient, and is satisfied that they could trace the initials back to the individual member of staff where necessary. Although this may be reasonable the form states that a full name is required. If it is not required the form should be changed to reflect the correct requirement.
- 2.1.5 In two cases minor input errors by the HR team were identified: On one Notification of Appointment form the sex of the employee was wrongly input on the form. This has already been rectified on the system. There was also one instance where the surname of next of kin contained a typographical error. It is important that the forms and the system are completed correctly to avoid any confusion.

Recommendation

HR should ensure the content of forms, and input to the system, is complete and accurate.

HR should review the Notice of Appointment and Notification of Changes forms to ensure the stated requirements are correct.

Service Response / Action

Agreed. The form will be changed to show that initials are required. A reminder has been issued to the HR Service Centre (HRSC) to check forms are completed fully and correctly and that authorised signatories (HR Co-ordinator or Team Leader (HRSC)) will follow up if required.

Implementation Date

Implemented

Responsible Officer

Team Leader (HRSC)

Grading

Important within audited area

2.2 Timesheets

- 2.2.1 All contracted hours are paid at plain time (normal hourly rate). Contracted hours are paid automatically and have been set up on the payroll system. Any additional hours and enhancements have to be claimed on a monthly overtime sheet or the appropriate standby allowance form.
- 2.2.2 Hours in excess of contract are paid an overtime rate of time plus one half, subject to a cap at the G13 grade even where an employee's contracted grade is higher.
- 2.2.3 Operational Roads staff complete timesheets. These are dual purpose – serving as a record of hours worked in order to maintain a job costing system, and a record of overtime and additional hours for payment. The Roads Administration Team at the West Tullos Office check these sheets for accuracy, collate data to input to the costing system, and prepare an overtime spreadsheet. The spreadsheet is checked and signed by a Line Manager, authorising the overtime before it is sent to the Payroll Team at Marischal College to be applied to the payroll for payment.
- 2.2.4 A sample of timesheets relating to five employees was reviewed against data on the Roads job costing system, and it was confirmed that data held on the system matched. Further timesheets, as noted at paragraph 1.3 above, were reviewed to confirm that they were complete, accurate, authorised, and that appropriate payments had been made as a result.
- 2.2.5 59 of the 85 timesheet pages reviewed had not been fully completed: omissions included the employee number, page numbers, hours and overtime totals, week numbers and week ending dates. In one case the date on the time sheet was incorrect. In 52 instances the time sheets were not scored off to avoid any further entries being added.
- 2.2.6 In 15 cases overtime hours have been claimed for vehicle maintenance without specifying when they were worked. In these cases the authorised signatory has no assurance that this work was completed outside of standard working hours, and therefore should have been paid at overtime rates. HR has stated in response to a cross-service audit of timesheets that these payments are not allowable under current terms and conditions, and should be completed within contractual hours.
- 2.2.7 In 3 instances overtime on the timesheets was not calculated correctly with reference to the hours recorded. These incorrect totals were then input into an overtime spreadsheet and passed to Payroll for payment, resulting in incorrect payments to 2 employees: 0.75 hours £13.65 overpaid; 0.75 hours £15.59 underpaid. A further timesheet had two compensating errors of 0.75 hours each, which had no net impact on pay for the employee.
- 2.2.8 It is important that the timesheets are fully completed and that these are checked by an authorised signatory before signing. These timesheets should give a clear description of who and what the forms pertain to, and when any overtime or additional hours were worked. There is a risk where the forms are not completed fully and reviewed for accuracy that a page could be missed, a page could be added, and the totals could be marked in for more or less than what they actually should be.

Recommendation

The Service should ensure that all timesheets are checked to ensure they are fully and accurately completed and correctly calculated before they are authorised.

The Service should ensure the errors identified are corrected.

Service Response / Action

Agreed. Timesheets will be checked and authorised. The underpayment will be corrected, and the Service will seek authorisation to write off the overpayment as it is considered likely to cost more to recover it than would be recovered.

Implementation Date

September 2016

Responsible Officer

Team Leader (Roads Operations)

Grading

Significant within audited area

- 2.2.9 4 timesheets had not been signed by the Supervisor and 3 had not been signed by the employee. These timesheets had been processed for inclusion in the spreadsheet which is passed to Payroll, and therefore the employees had been paid for the hours and overtime declared. Without signatures there is no evidence to demonstrate that these hours have been agreed as worked.

Recommendation

The Service should ensure only authorised timesheets are passed for payment.

Service Response / Action

Agreed. All timesheets will be signed by employee and Superintendent, those not signed will be sent back and this could mean a delay in payment of overtime worked. Timesheets for sickness absence will only be signed by the Superintendent.

Implementation Date

September 2016

Responsible Officer

Team Leader (Roads Operations)

Grading

Significant within audited area

- 2.2.10 Although all of the overtime spreadsheets processed by Payroll had evidence of authorisation, in one instance there was no signature from the person completing the spreadsheet to evidence segregation of duties.

Recommendation

The Service should ensure that the overtime spreadsheets are signed by two separate officers.

Service Response / Action

Agreed. The spreadsheet will be signed by the person completing the spreadsheet and by a Team leader or above for approval.

Implementation Date

September 2016

Responsible Officer

Team Leader (Roads Operations)

Grading

Significant within audited area

- 2.2.11 Employees working on a flexi time system print off and sign a four weekly summary of their hours worked and flexi time balance, in addition to overtime & additional hours request or standby forms as appropriate. Although there is a section for signature by their line manager, in one instance this was not signed as checked. Although no errors were identified, without this signature it is not clear that the manager has agreed the times

worked, or used the information from the flexi time report to ensure there is no overlap of flexi time and overtime claims.

Recommendation

The Service should ensure flexi time records are checked and signed.

Service Response / Action

Agreed. Flexitime records will be checked and signed.

Implementation Date

September 2016

Responsible Officer

Team Leader (Roads Operations)

Grading

Important within audited area

- 2.2.12 Supervisors and Superintendents are regularly claiming overtime for administration and supervisory duties at the start and end of each day. These employees will have additional responsibilities, including work planning and administration, and this will be reflected in their pay grade. However, each job should have been sized appropriately so that regular activities can be completed within contracted hours.
- 2.2.13 There are similar arguments for vehicle checks, which as noted above at paragraph 2.2.6 are regularly being claimed for as overtime (Road Workers), or as additional hours (Craftworkers).

Recommendation

The Service should review options to ensure all relevant duties (including supervision, administration and vehicle checks) can be completed within contractual hours.

Service Response / Action

Agreed. Where the work can be carried out under the contracted hours no payment will be made for the operation, there will be instances where this work will be required to be carried out outwith the contract period and will need to be paid for.

The relevant HR Business Partner will work with the Service to identify necessary changes to working patterns to meet the above recommendation.

Implementation Date

February 2017

Responsible Officer

Team Leader (Roads Operations)
HR Business Partner

Grading

Important within audited area

- 2.2.14 In one case an employee promoted part way through a month has been paid overtime for the whole month at the higher grade. Work should be paid for at the relevant rate applying for the employee on the date it was carried out. This resulted in £8.21 being overpaid. Payroll has advised that this overpayment will be recovered.
- 2.2.15 Overtime and allowances are claimed at the end of each calendar month / four weekly period, and therefore are paid the following month in arrears. For example overtime hours or standby for work carried out in March 2016 will be paid in April 2016.
- 2.2.16 Hourly rates and allowances were subject to a cost of living increase in April 2016. It was identified that in one instance overtime worked in March 2016 was paid at the April 2016 rate. In five cases Standby Allowance has been paid at the April 2016 rate for Standby completed in March 2016.

- 2.2.17 Payroll advised that the calculations were done like this in order to calculate additional holiday pay and therefore 'overpayments' would not be recovered. Payroll has stated that within Roads this only affected 4 employees' overtime claims with a total overpayment of £24.70, plus £40.94 of Standby Allowance over 38 staff, and £2.05 additional holiday pay.
- 2.2.18 Although the amounts are small, Financial Regulations state that The Head of Human Resources and Organisational Development shall ensure that all reasonable steps are taken to recover any identified overpayments. In the event that it is not considered appropriate to do so, the Head of Finance will need to be asked to approve these being written off.
- 2.2.19 There is a risk that further overpayments may not have been identified, across all Council Services, and as a result of Payroll's calculations further overpayments will be made in the future.

Recommendation

1) Payroll should ensure all payments, including those made in arrears, are at the rate applicable on the date the work was carried out.

2) Payroll should review all instances where this has not been the case and either recover the overpayments or seek approval from the Heads of HR and Finance to write them off.

Service Response / Action

1a) For all Overtime that will go through YourHR, this issue will be resolved as the value will be converted to hours for payment, and applied at the appropriate 'earn date'. This covers the majority of overtime payments once it has been fully rolled out through YourHR anywhere. This is an ongoing process and the date could change.

1b) Other Elements – We will go back to our current Payroll provider and ask if there is anything that can now be done.

1c) The procurement of a new HR/Payroll system will commence when practical and with this new system we would look for this to be resolved.

2) Payroll has reviewed all cases and approval given from Heads of HR & Finance to write off.

Implementation Date

Responsible Officer

Grading

1a) March 2017

Digital HR Project
Manager

Significant within audited
area

1b) November 2016

Payroll Manager

1c) March 2019

Head of HR

2) Implemented

Payroll Manager

- 2.2.20 The Service does not routinely reconcile the Roads job costing system (Consilium) with the Payroll system to confirm that the hours passed across have been applied correctly. Completing such a reconciliation would provide more assurance that records on both systems were accurate.

Recommendation

The Service should consider reconciling job costing and payroll system records of employee hours.

Service Response / Action

Agreed. This will be carried out annually to check hours. There are several reasons why this does not match exactly, especially long term sickness.

Implementation Date

April 2017

Responsible Officer

Roads Admin Team
Leader

Grading

Significant within audited
area

- 2.2.21 Payroll provided figures showing that over 29,000 hours of overtime and additional hours were worked in the Service in 2015/16 at a cost of over £528,000. However, there is no regular management review of overtime and additional hours worked. Periodic review of payroll data could highlight areas where higher levels of overtime are being worked, and identify where resources need to be prioritised.

Recommendation

The Service should periodically review overtime and additional hours worked across the Service.

Service Response / Action

Agreed. Monthly overtime analysis sheets used to be produced and analysed. An analysis of last year's overtime spend will be carried out, although the majority of the spend relates to winter operations and resurfacing works that, due to road occupation, are required to be carried out overnight or at weekends. A review of the first 6 months of this year will be carried out in October.

Implementation Date

October 2016

Responsible Officer

Roads Operations
Manager

Grading

Significant within audited
area

2.3 Allowances

- 2.3.1 Employees may be entitled to claim allowances for various activities in the course of their employment. Some are paid automatically along with salary, whilst others must be claimed on a designated form.
- 2.3.2 The Local Terms and Conditions for Local Government Employees document held on the Zone contained out of date allowance rates. Following notification by Internal Audit HR rectified this by adding a note to contact HR for current rates of allowances. Unless details of allowances are up to date and easily accessible for all staff there is a risk of incorrect allowance rates being claimed and paid, and errors not being identified and corrected.

Recommendation

HR should ensure that pay and allowance rates are publicised and maintained up to date.

Service Response / Action

Agreed. HR will update the schedule of rates in the EP&M Local Conditions of Service document on the Council's intranet and will also put in place an arrangement whereby a periodic check is done on the document to help ensure that the correct rates are detailed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
October 2016	HR Team Leader, Policy and Performance	Important within audited area

2.3.3 *Non Standard Working Week Allowance*

2.3.4 The standard working week is Monday to Friday, 7am to 8pm. Hours worked outside of this are eligible for a non-standard working week (NSWW) allowance. Where this is contracted it is calculated at commencement of employment and included in employees' monthly pay:

Monday - Friday - 2000 hours to 0700 hours	33% of salary	(NSWW33)
Midnight - Friday - Midnight Sunday	40% of salary	(NSWW40)

2.3.5 As employees in receipt of these allowances must work fixed shift rotas, so long as they remain on those rotas the allowance should be correct and there is no requirement for separate claims for non-standard hours.

2.3.6 *Standby*

2.3.7 Where employees undertake standby duties they receive a standby allowance. As from April 2016 the rates are:

Monday – Friday per night	£8.41
Saturday & Sunday per night	£11.01
Standby Saturday & Sunday (24 hours)	£17.91
Standby (whole week)	£84.47
Public Holidays	£48.82

2.3.8 There are several forms on which standby allowance may be claimed. There is a corporate Standby / Disturbance Claim Form, a Roads Allowances Claim Form, and it may also be claimed on a Craftworkers Claim Form. Similarly, Craftworkers and Engineers complete slightly different forms for claiming additional hours and overtime. Having more than one form risks confusion or duplication.

Recommendation

The Service in conjunction with HR should streamline the number of different forms for collecting and processing the same data.

Service Response / Action

Agreed. The Service and Payroll Team will review the various forms used by the Service to administer payments.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
January 2017	Roads Admin Team Leader	Important within audited area

2.3.9 3 Roads Allowances Claim Forms had been signed by a Supervisor alone, and not by the employee claiming the allowance. There is no set place for the employee to sign. In another case a Roads Allowances Claim Form had been authorised by a Superintendent for his own standby duty. Without appropriate segregation of duties and management authorisation, there is an increased risk of incorrect claims being paid.

- 2.3.10 8 Standby / Disturbance Claim Forms had been signed by Roads Administration Staff instead of by the employee at the declaration "I confirm that the above were worked by me and that prior approval by the appropriate officer was obtained". Without an employee signature there is limited assurance that the employee has agreed they were on duty on the date noted, or that they take responsibility for the accuracy of their claim.

Recommendation

The Service should ensure that standby allowance claim forms are signed by the employee making the claim, and are reviewed and authorised by appropriate officers.

Service Response / Action

Agreed. Additional columns have been added to the timesheet which should assist in managing this.

Implementation Date

September 2016

Responsible Officer

Roads Admin Team
Leader

Grading

Significant within audited
area

- 2.3.11 *Tool Allowance*

- 2.3.12 Where designated Craft Workers are expected to provide their own tools, rather than the Council providing them, they are entitled to a tool allowance. This is paid as an enhancement to the employee's standard hourly rate, in line with rates agreed by CoSLA.

- 2.3.13 In one case reviewed a tools allowance should have ceased on 1 December 2014 when the employee was promoted. This was still in payment in May 2016. HR has stated that this has resulted in £169.92 being overpaid. HR does not intend to recover this overpayment immediately, as it plans to review all such payments to ensure entitlement to and payment of tool allowance across the Council is correct before taking action to resolve individual errors. Until this is complete further overpayments will be made. A recommendation is made here to track progress.

- 2.3.14 It is not clear that a tool allowance should be payable at all given that the Service provides the relevant equipment and training for employees to do the jobs assigned to them. This may be an unnecessary additional cost.

Recommendation

HR should review payment of Tool Allowance and ensure all identified overpayments are recovered.

Service Response / Action

Agreed. There is now no one in the Roads Service who is in receipt of a Tool Allowance, with this practice now ended. It is not intended to seek recovery of the overpayment, it being a relatively small amount which accrued over approximately a 2 year period. Approval for the write off will be sought from the Heads of HR and Finance.

Implementation Date

September 2016

Responsible Officer

HR Business Partner

Grading

Significant within audited
area

- 2.3.15 The process for moving employees between roles, or changing their post / job role may be insufficiently controlled if payment of allowances can continue after the employee leaves an eligible role.

Recommendation

HR should ensure processes are in place to amend or suspend all relevant allowances following notification of changes to employees / posts.

Service Response / Action

Agreed. Following the cleaning payroll audit, HRSC Team was advised to complete both columns on a Notice of Appointment or Notification of Change. This would either have a value or 0 as appropriate signifying the change to be made.

Implementation Date

Implemented

Responsible Officer

Team Leader (HR Service Centre)

Grading

Significant within audited area

2.3.16 *First Aid Allowance*

2.3.17 Where a first aid needs assessment and the relevant Directorate Health and Safety Coordinator have indicated that a First Aid at Work certificate holder is required, Services may approve the payment of a monthly First Aid Allowance to suitably certificated employees. Employees sign an undertaking to ensure valid certification whilst in receipt of the allowance, and certificates must be renewed by attending training every 3 years.

2.3.18 In one case reviewed an employee was receiving a First Aid Allowance, however their first aid certificate had been out of date for 5 months before this was renewed. Payroll advised that this resulted in £136.75 being overpaid, however HR has stated that due to difficulties obtaining and retaining First Aiders these payments will not be recovered.

2.3.19 There is no routine reconciliation between First Aid Allowances on the Payroll system and records of valid First Aid Certificates. There is therefore a risk of further allowances being paid after Certificates have expired. There is also a risk that First Aiders may not have sufficiently up to date training to deal with incidents as they arise and, therefore, the Council may fail in its duty of care to employees.

2.3.20 The HR Health Safety and Wellbeing Team has stated that bi-monthly reports are run from the payroll system to identify employees requiring training and re-certification, and this information is passed to Services to remind them to book courses. This only covers First Aid training organised and delivered corporately via the Health and Safety Development Programme. It will not cover any training that has been sourced and delivered independently by Services and also if the information has not been kept up to date.

Recommendation

HR should ensure procedures are put in place to ensure First Aid training records are up to date, and First Aid Allowances are being correctly paid.

Service Response / Action

Agreed. Services have a responsibility to ensure this is done, but there needs to be a joined up approach. Every six months Payroll will produce a list of first aiders per service. This list will be scrutinised by the Health and Safety Team to ensure that provision continues to match policy and guidance; either directly from Payroll or via the HR Business Partners the list will be shared with the services and verified as accurate or amended as appropriate. The expectation is that changes will be made on an ongoing basis but this verification will ensure that there are no long standing anomalies in the system. A similar approach will be taken in relation to other payments e.g. Floor Warden payments, and Payroll will determine if there are any other payments outwith the health and safety area which require to be reviewed routinely and verified as accurate.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2016	Payroll Manager	Significant within audited area

- 2.3.21 The First Aid Provision procedure had the wrong allowance rates noted on them. HR Health Safety and Well Being Team will amend the procedure and the Zone so that staff can find the current rate of the First Aid Allowance. The recommendation at 2.3.2 above applies.

2.4 Absences and Sick Pay

- 2.4.1 Where an employee is absent due to sickness their pay depends on their entitlement to sick leave. This varies from nil pay where the employee has worked for the Council for less than 26 weeks; up to 26 weeks full pay and then 26 weeks half pay where they have worked for over 5 years.
- 2.4.2 From 1 May 2016 Roads has been recording absences on the Your HR system, which replaced a number of manual paper based processes.
- 2.4.3 In one case the date from the self-certificate of sickness has been input incorrectly by the Service. This resulted in £224.34 being overpaid.

Recommendation

The Service should ensure that all absence self-certificates are input to the HR system correctly.

Service Response / Action

Agreed. Filling in of the electronic form is now taking place and this should assist in managing this system, especially with the team becoming more familiar with the system.

Implementation Date

September 2016

Responsible Officer

Roads Admin Team
Leader and Team Leader
(Roads Operations)

Grading

Significant within audited area

- 2.4.4 The Non Standard Working Week Allowance is manually calculated by Payroll for staff absences. In one instance this had been incorrectly calculated, resulting in the employee being underpaid £166.00. Payroll confirmed that this will be corrected in the next payroll run. It is important that the correct calculations are done to avoid these errors.

Recommendation

Payroll should ensure all manual calculations are checked for accuracy prior to passing them for payment.

Service Response / Action

Payroll staff have been trained in all manual calculations to keep mistakes to a minimum. Whilst occasional human errors happen, this should be seen in the context of the scale of the exercise undertaken each month. It is hoped future technological developments will automate the process in time and reduce the impact of human error. We will introduce a system of random checks until we can implement future technology that will help.

Implementation Date

Implemented

Responsible Officer

Payroll Manager

Grading

Significant within audited area

- 2.4.5 In another case an employee has stated on their absence paperwork that the absence was due to industrial injury. Industrial injury is subject to separate rules and allowances, however the normal absence rules, including reduction to half and nil pay, have been applied in this case.

Recommendation

The Service should confirm whether this absence was as a result of industrial injury sustained during Council employment, then ensure records and payments are correct.

Service Response / Action

Agreed. The need to separate industrial injury and sickness absence has been highlighted, along with the need to change the description in the reason for absence if an employee says it was industrial injury and their line manager agrees.

Implementation Date

September 2016

Responsible Officer

Team Leader (Roads Operations)

Grading

Significant within audited area

2.5 Working Time Directive

- 2.5.1 Under the Working Time Regulations, employees must not be compelled to work in excess of an average of more than 48 hours per week over an annual period.
- 2.5.2 There are currently no payroll reports specifically for the purpose of identifying employees working above 48 hours per week or to highlight those at risk of doing so. It was however possible to extract information on basic hours and overtime for a period, and a sample of 3 employees was selected to determine whether they had chosen to 'opt-out' of the regulations. In these instances opt out forms had been completed.
- 2.5.3 However, as this is not routinely monitored there is a risk of employees who have not opted out of working in excess of 48 hours. In the absence of opt out forms and monitoring it would be difficult to demonstrate compliance with the Regulations.

Recommendation

The Service should review options with HR for monitoring Working Time Regulations compliance.

Service Response / Action

Agreed. The HR Service will analyse relevant additional payments data on a regular basis and then liaise with the appropriate Service Managers to identify employees / groups of employees who may require to sign an opt-out form in relation to the Working Time Regulations.

Implementation Date

February 2017

Responsible Officer

HR Business Partners and relevant Service Managers

Grading

Significant within audited area

AUDITORS: D Hughes
C Harvey
J Galloway

Appendix 1 – Grading of Recommendations

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

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Internal Audit Report

Social Work

Family Centres

Issued to:

Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Interim Director of Corporate Governance
Bernadette Oxley, Head of Children's Social Work
Euan Couperwhite, Head of Policy, Performance and Resources
Steven Whyte, Head of Finance
Anne Donaldson, Service Manager, Education & Children's Services
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

In order to ensure that income and expenditure, payroll records, inventories and computer security was adequately controlled and completed at Family Centres, three establishments were visited, and a sample of records examined.

There were areas of non-compliance and poor administrative practices identified at each of the centres visited and these are detailed in the report. In order to address the identified issues, the Service, with reference to Financial Regulations and assistance from the Finance Service, has agreed to provide staff with additional guidance.

1. INTRODUCTION

- 1.1 The Education and Children's Service operates 3 Family Resource Centres: Deeside Family Resource Centre, Tillydrone Family Resource Centre and Williamson Family Resource Centre. In addition they also operate a Contact Service within the Quarry Centre and 2 Intensive Support and Learning Services within Craigielea Children's Centre and Westburn. The Centres fulfil a number of functions within the community supporting vulnerable children/young people and their families where there are care and protection issues.
- 1.2 The objective of this audit was to consider whether income and expenditure, payroll records, inventories and computer security was adequately controlled and completed at the Centres. Three centres were visited during the course of this audit.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Bernadette Oxley, Head of Children's Social Work, Euan Couperwhite, Head of Policy, Performance and Resources, Anne Donaldson, Lead Service Manager and Fiona Cameron, Service Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving. Guidance should be available to all and should reflect current systems and adhere to any regulatory requirements.
- 2.1.2 Administrative procedures have been provided to all centres, and this was confirmed during the visits. The procedures provide sufficient information to allow for the effective management of purchasing and payment for goods and services, and petty cash.
- 2.1.3 The procedures include a section explaining how an amenity fund bank account should be operated. However, the need for a Constitution (the rules governing the operation of the account) is not covered when it would have been expected that it do so. The absence of such governance documents increases the risk of funds being used inappropriately. Amenity funds are discussed in greater detail in Section 2.4 below.
- 2.1.4 Inventory guidance provided to centres is limited to the instruction 'to be done as and when'. Financial Regulation 5.6.3 requires that *"Each Director shall maintain on a continuous basis an inventory of equipment, furniture, information technology hardware and software, etc. ... Each Director is responsible for an annual checking of all items in the inventory. ... Each Director/Head of Service will appoint a "Registrar" from within their own Service responsible for maintaining inventories"*. Detailed instructions taking into account the recommendations relating to inventories discussed in section 2.5 below should be provided to staff.
- 2.1.5 Family Centres may also request funds from charities for the purchase of specific items for families who attend the Centre where a need is determined. It is important that they are managed correctly and in accordance with the Charities' conditions. Anomalies highlighted in section 2.4, below, suggest that production of guidelines would be beneficial.

2.2 Income & Expenditure

- 2.2.1 Family Centres do not charge for services provided as part as their daily activities. Therefore no testing was necessary with regards to income.
- 2.2.2 The Service uses PECOS, the Council's electronic ordering system for the majority of expenditure incurred. Exceptions to this include use and reimbursement of petty cash, services paid for as part of a contractual agreement, or where Suppliers are not on the PECOS system. Orders placed through PECOS must be approved within the system by an authorised member of staff (usually the budget holder) thereby ensuring that all orders placed are reviewed prior to the order being placed. Receipt of goods and services is recorded on the system, which then allows for the invoice to be processed by Accounts Payable when received.
- 2.2.3 By using the PECOS system for all orders it is not possible to circumvent the authorisation and review system. For this reason all orders, where possible, should be placed through the PECOS system. An examination of all goods and services purchased for a 12 month period at the 3 Family Centres showed that, with the exception of 4 instances out of 712, orders which should have been placed through the PECOS system, were.

- 2.2.4 Excessive order quantities or ordering of inappropriate items which are subsequently unused can put a strain on budgets and management of Centre funds. A review of a sample of expenditure chosen at random showed that all purchases were appropriate, both in nature and in quantity.
- 2.2.5 It was noted that one invoice from the Performing Rights Society, the value of which was allocated over a number of family centres, was signed by a member of staff from Finance. Whilst it is acknowledged that the member of staff is an authorised signatory, they are not the budget holder and should not be authorising invoices on behalf of the Service. However, Finance advised that they receive a consolidated invoice for all Education establishments for the provision of this service and before an invoice is paid each establishment is required to confirm usage and authorise the cost that will be posted to the budget.
- 2.2.6 All invoices which were examined as part of the sample of expenditure selected had been authorised for payment. It was however noted that 1 in 4 invoices (from a sample size of 20) had been paid outwith 30 days of receipt of the invoice. In one instance an invoice remained unpaid for a year. Failure to pay invoices within the appropriate time period can leave the Council open to financial penalties, withdrawal of credit facilities and can erode business relations with Suppliers. It is acknowledged that as more suppliers provide e-invoices directly to the accounts payable team, the risk of invoices being paid late will be lessened.

Recommendation

The Service should ensure that payment is made promptly following receipt of an invoice, once all necessary checks have been completed.

Service Response / Action

Agreed. Every effort is made to ensure that payment is made promptly at the resource centres. The reasons for the delays will be reviewed and discussed with Finance.

Implementation Date

July 2016

Responsible Officer

Senior Support Assistant
& Admin Officer

Grading

Important within audited
area

2.3 Petty Cash / Other Monies

- 2.3.1 Petty Cash should be used for low value infrequent purchases where the administrative cost of ordering items through PECOS would not be cost effect. All 3 Centres visited operate petty cash and record expenditure either in a spreadsheet or a hand written ledger.
- 2.3.2 Each Centres' imprest was counted and reconciled to the records of expenditure and receipts, cash held and outstanding claims, indicating appropriate control over the Funds.
- 2.3.3 The purchases and receipts were examined and all expenditure was considered to be appropriate. It was however noted that VAT was being reclaimed in some instances without an appropriate VAT receipt. Additionally where VAT was shown on receipts it was not always being claimed.

Recommendation

The Service should ensure that wherever possible, a valid VAT receipt is obtained and the VAT subsequently reclaimed.

The Service should ensure that VAT is not reclaimed without a valid supporting

receipt.

Service Response / Action

Agreed. Advice will be sought from the Finance business partner and guidance will be issued to staff.

Implementation Date

September 2016

Responsible Officer

Admin Officer

Grading

Important within audited area

- 2.3.4 The Administration Officers at each Centre confirmed that the imprest values were sufficient and confirmed that staff do not use their own monies and reclaim at a later date. Monies were held securely in locked tins within locked safes at all locations visited. Controls over cash held by one of the Centres for reimbursing travel costs to parents were found to be operating effectively.

2.4 Amenity / Other Funds

- 2.4.1 Amenity Funds are in operation at all 3 Centres with named staff mandated to operate on the account. There are no Service guidelines available to staff to advise how these accounts should be operated. To demonstrate good governance, Internal Audit's view is that every amenity 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 money. None of the establishments visited currently has a constitution. The Service advised that Financial Regulations does not specify a requirement for such funds to have a constitution.
- 2.4.2 The Service has an obligation to ensure that funds are held in a secure fashion and that access to cheque books and cash are suitably restricted. All cash and cheque books at the centres visited were held in locked safes.
- 2.4.3 Cheques books should require 2 signatories to ensure greater assurance over any spend which is incurred. It was noted at one centre that only one signature was required on cheques. Whilst the other Centres' cheque books required 2 signatories, it was found during Internal Audit visits that both had cheques that were pre-signed by one of the authorised signatories. This negates the control afforded from having two signatories and means that the signatory pre-signing cheques would be held to account should funds be used inappropriately. The Service has confirmed that following the audit these pre-signed cheques were destroyed and staff reminded that this practice should cease.
- 2.4.4 Bank mandates detail who may operate and authorise transactions on an account. The mandates for each of the amenity funds contain names of individuals who are no longer employed at the Centres but continue to be employed within the Family and Community Support Service. In two of the three centres Team Leaders continue to be signatories. At one centre the authorised signatories on the mandate are the Team Manager who is currently an acting Service Manager and a Lead Service Manager.
- 2.4.5 All Centres maintain a ledger record of account transactions. One Centre's amenity fund was last used in 2013. The Service advised that the account is not used frequently due to the nature of the service provided, and needs to remain open to allow for the purchase of equipment and resources for clients as and when required. All staff at each Centre advised that there is a regular reconciliation of the ledger to the receipts and bank account, and this was confirmed at two centres. There was no evidence of the checks having taken place within the third centre, additionally some information reflected in the ledger could not be reconciled to the bank statements.

- 2.4.6 Within one centre there is an 'Explorers Fund' which is financed through the Amenity Fund. Records for this were examined and receipts were present for all transactions. The Centre also has a 'Wellbeing Group' which supports both the physical and mental wellbeing of very vulnerable parents. Again all expenditure was appropriate with receipts for all transactions. It was however noted that there is no recorded reconciliation of these funds.

Recommendation

The Service should provide staff with guidance on the management and operation of amenity fund accounts to address control weaknesses identified in paragraphs 2.1.3 and 2.4.1 to 2.4.5 above.

Service Response / Action

Agreed

Implementation Date

August 2016

Responsible Officer

Children's Services
Manager

Grading

Important within audited
area

- 2.4.7 Expenditure from the Amenity Funds was examined to ensure that it was appropriate and that receipts had been retained where appropriate. In the majority of instances this proved to be the case, however anomalies were noted as below.
- 2.4.8 It was noted that one Centre had made a payment for public / products liability insurance. This was purchased to support the "Explorers Groups" that is underpinned by the Forest School process which is a specialised learning approach. The Team Manager advised that the Insurance Team was not consulted before this policy was procured. This breaches Financial Regulations which require that 'the Head of Commercial and Procurement Services, in conjunction with the Head of Finance, shall effect all insurance cover. Directors will ensure that all officers in their Service adhere to all insurance policy requirements, and the Head of Commercial and Procurement Services will arrange that the Council regularly tests the market by way of competitive tender to ensure best value is achieved'. The Insurance Team confirmed that they were not consulted prior to the procurement of this policy. The Team Manager of the Centre has been advised, and has agreed that on expiry of the current policy to seek advice from the Insurance Team.

Recommendation

The Service should comply with Financial Regulations and ensure that all insurance is requested through the Insurance Team.

Service Response / Action

Agreed. Further guidance will be provided to all centres in this respect.

Implementation Date

July 2016

Responsible Officer

Children's Services
Manager

Grading

Significant within audited
area

- 2.4.9 All Centres can apply to charities for funding for clients or clients' dependents when a need has been identified. Monies received are required to be spent in accordance with the original application or charity guidance, with charities requiring that original receipts for goods purchased are returned to them as proof of correct use of funds. It is incumbent on the Service to ensure that charitable donations are managed in an appropriate manner. Failure to do so may result in these donations ceasing and / or reputational damage to the Council in the event of mismanagement.

- 2.4.10 One centre received charity funding for a family in October 2015 who subsequently left the area before the monies could be spent. The money was not returned to the charity. It was noted that the Centre currently has receipts for £252.04 for goods purchased for a second family. There has been no charity application for this family, and the Centre confirmed that the original funding had been spent on this family instead.
- 2.4.11 At one centre, out of a £300 charitable donation received for a client, receipts were present for £280.38, with £19.62 reflected as being returned to the charity, six months previous. However this was not the case, £19.62 was being held in a locked tin within the safe. A further £12.45 which was change from a £100 charitable donation noted as having being returned to the charity was also being held. Within another centre, there was an amount of £6.16 remaining from a donation of £400 which was also to be returned to the appropriate Charity. Whilst it is acknowledged that most of the amounts are relatively low value, the Service should ensure that the balances are returned or should seek advice from the appropriate charity.
- 2.4.12 The Service advised that some of the clients for whom charitable donations are received are vulnerable and may have competing financial needs. It was noted at one centre that £300 had to be refunded to a charity due to a member of staff giving a client £300 in cash which was subsequently spent in a manner contrary to that intended. It was noted at another centre that two clients were given £250 and £100 in cash respectively. The Centre was awaiting the receipts four and three months respectively after the monies were given.
- 2.4.13 Whilst it was noted that all the clients highlighted above signed to acknowledge receipt of the funds, the Service has a responsibility to ensure compliance with the charity conditions and it may be prudent where possible that vulnerable clients are accompanied to make the required purchases.
- 2.4.14 Within one centre the charitable donations paperwork shows fields which require to be signed by staff members to acknowledge receipt of funds for clients. Five records were examined and it was noted that staff members had not signed for funds received on 2 occasions. It is important when cash is passed between members of staff, as well as to clients, that there is an audit trail. Staff should therefore ensure they sign for any monies received.
- 2.4.15 An examination of receipts at one centre identified an instance where a client had received charitable funding which was used to purchase a second hand mattress from the client's friend. A receipt was produced at the Centre, sent to the charity and accepted as evidence. Whilst it is acknowledged that there may be instances whereby the funding available may only allow for the purchase of second hand goods, in this instance it was sufficient to buy new. It is incumbent on staff to ensure that clients get best value for money. Goods purchased from a retailer will usually be accompanied by a guarantee.
- 2.4.16 It was additionally noted that the submitted receipts to the Charity also contained a receipt for a gift card. The Service cannot be assured that gift cards will be spent on the intended recipient. These are equivalent to cash which could be spent by someone other than the client or exchanged for cash.
- 2.4.17 It was found that at one centre there were no receipts to support the use of a charitable donation of £200. Staff at the Centre advised that the original receipts were sent to the charity and no copies were taken. In this instance there is no evidence that the monies were spent appropriately and there is an additional risk should receipts go missing in the post as there would be no records supporting the expenditure.

Recommendation

The Service should provide staff with guidance on how to manage charity funds to ensure compliance with the conditions of the award, to demonstrate good governance of funds and to address the control weaknesses identified in paragraphs 2.4.9 to 2.4.17 above.

Service Response / Action

Agreed.

Implementation Date

September 2016

Responsible Officer

Children's Services
Manager & Team
Managers

Grading

Important within audited
area

2.5 Inventories

- 2.5.1 Financial Regulation 5.6.3 requires that all services maintain an inventory of equipment, furniture, and information technology hardware and software costing in excess of £50. It also requires that the each inventory should be maintained on a continuous basis and have a physical annual check.
- 2.5.2 All of the Centres visited had an inventory. However, the frequency with which they are updated varies from relatively frequently to "as and when". Regular inventory checks allow for early identification of any missing items and also provide assurance over the condition of items. Additionally in the event of an item going missing, where an inventory has not been updated regularly it becomes difficult to identify when it went missing.
- 2.5.3 It is prudent for copies of inventory records to be held offsite or on a shared network drive to prevent loss of information. Only one of the Centres visited had the inventory on a shared drive.
- 2.5.4 The inventories were of a standard format and give space for details such as make and model of item, purchase date and estimated value. In a number of instances ~~cases~~ these details were not completed.
- 2.5.5 When disposing of items the method of disposal should be described and there should be two signatories to confirm the method and date of disposal. Without this record, the Service cannot be assured that items have been legitimately removed. Although items were noted as having been disposed of and a date was given, on most occasions the inventory had not been signed (either electronically or manually) to indicate that the items had been disposed of.

Recommendation

The Service should ensure that up to date inventories in accordance with Financial Regulations are maintained electronically or off site.

Service Response / Action

Agreed. Guidance will be provided to staff as per Financial Regulations.

Implementation Date

September 2016

Responsible Officer

Admin Officer

Grading

Important within audited
area

2.6 Security / Staffing

- 2.6.1 Family Centres have both cash and sensitive information on both PCs and in paper format on site. It is therefore important that access to areas where these are held is restricted. It was noted at all Family Centres that members of the general public are required to be let in to buildings by a staff member.
- 2.6.2 During the visits to the Centres it was noted that paper documents were kept in locked cabinets with access to office only areas of buildings generally restricted. In all cases cash and cheque books were held in locked tins within locked safes in rooms to which the general public have no access to. PCs were also observed to be locked when staff were away from desks.
- 2.6.3 The Service have confirmed that staff employed within the Centres have been PVG checked.

AUDITORS: D Hughes
M Beattie
D Henderson

Appendix 1 – Grading of Recommendations

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

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Internal Audit Report

IT and Transformation

Public Records (Scotland) Act

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Simon Haston, Head of IT and Transformation
Steven Whyte, Head of Finance
Caroline Anderson, Information Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Under the Public Records (Scotland) Act 2011, public bodies are required to prepare a records management plan which sets out the proper arrangements for the management of their public records and submit it to the Keeper of the Records of Scotland for agreement. Once agreed, public records should be managed in accordance with the plan, and annual updates should be provided to the Keeper detailing any changes to the plan.

Where the Keeper considers an authority to have failed to comply with its records management plan, or any other duty imposed by the Act, the Keeper may issue an action notice to the authority. If the authority fails to comply with any requirements of the action notice, the Keeper may publicise the failure to comply, if deemed appropriate, resulting in reputational damage for the Council.

The Council submitted their first Records Management Plan (RMP) to the Keeper in December 2014, which the Keeper agreed in January 2015. A new combined Records Management Plan for Aberdeen City Council and Aberdeen City Licensing Board was submitted to the Keeper in April 2016. A response is expected from the Keeper in autumn 2016.

The objective of this audit was to consider whether arrangements in place to ensure compliance with the Act are adequate.

The Service are in the process of changing their information governance and reporting arrangements through the Information Governance Group, reporting to the Council's Corporate Management Team and Audit, Risk, and Scrutiny Committee. This will provide assurance on areas covered by the Act including Data Protection, Freedom of Information and Information Security, as well as Information and Data Management. A recommendation has been agreed to develop an operational monitoring tool specific to the Records Management Plan to ensure compliance with the Public Records (Scotland) Act can be evidenced.

1. INTRODUCTION

- 1.1 Under the Public Records (Scotland) Act 2011, public bodies are required to prepare a records management plan which sets out the proper arrangements for the management of their public records and submit it to the Keeper of the Records of Scotland for agreement. Once agreed, public records should be managed in accordance with the plan, and annual updates should be provided to the Keeper detailing any changes to the plan.
- 1.2 The Keeper has issued a model records management plan to assist authorities in developing their own plans, and suggests 14 elements that the Keeper would expect a Scottish public authority to consider, six of which are compulsory. These 14 elements are:
1. Senior management responsibility (*compulsory*)
 2. Records manager responsibility (*compulsory*)
 3. Records management policy statement (*compulsory*)
 4. Business classification
 5. Retention schedules
 6. Destruction arrangements (*compulsory*)
 7. Archiving and transfer arrangements (*compulsory*)
 8. Information security (*compulsory*)
 9. Data protection
 10. Business continuity and vital records
 11. Audit trail
 12. Competency framework for records management staff
 13. Assessment and review
 14. Shared information
- 1.3 Where the Keeper considers an authority to have failed to comply with its records management plan, or any other duty imposed by the Act, the Keeper may issue an action notice to the authority. If the authority fails to comply with any requirements of the action notice, the Keeper may publicise the failure to comply, if deemed appropriate, resulting in reputational damage for the Council.
- 1.4 The Council submitted their first Records Management Plan (RMP) to the Keeper in December 2014. The Keeper agreed the RMP in January 2015, recommending that the Council should publish it as an example of good practice within the authority and the sector. The RMP is available on the Council's public website. Two elements of the plan, business classification and retention schedules, were agreed as an "improvement model" which means that the Keeper is convinced of the authority's commitment to closing a gap in provision and requests updates as the work on these elements progresses.
- 1.5 A new combined Records Management Plan for Aberdeen City Council and Aberdeen City Licensing Board was submitted to the Keeper in April 2016. As the RMP states, the joint plan reflects the common staffing, administrative and governance arrangements in place across the Council and Licensing Board. A response is expected from the Keeper in autumn 2016.
- 1.6 Previous audits of compliance with the Public Records (Scotland) Act were undertaken by PWC in two phases. Phase one, submitted to the Audit, Risk and Scrutiny Committee in November 2014, compared the council's RMP to the model RMP and highlighted actions to be taken prior to submitting the plan to the Keeper in December 2014. Phase two, submitted to the Audit, Risk and Scrutiny Committee in June 2015, was originally planned to assess the design of the programme of controls testing to be implemented. However, due to limited progress having been made by the Council, the scope of the audit was changed to assess the progress made on implementing the RMP.

- 1.7 The objective of this audit was to consider whether arrangements in place to ensure compliance with the Act are adequate.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Caroline Anderson, Information Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Records Management Responsibility

- 2.1.1 The role of Senior Information Risk Officer (SIRO) was established as a result of recommendations made in the Information Commissioner's Office audit on Data Protection, issued in June 2013, and is included in the responsibilities of the Head of IT and Transformation. The SIRO has overall responsibility for the management of the public records created and held by Aberdeen City Council. For Aberdeen City Licensing Board, senior management responsibility is held by the Clerk to the Licensing Board, a role undertaken by the Council's Head of Legal & Democratic Services.
- 2.1.2 The Council's Information Management Team, led by the Information Manager, is responsible for the day-to-day implementation of the Records Management Plan (RMP), providing advice and support across the Council on managing information. Prior to the Council-wide restructure in 2014, the team was part of the Information Compliance Team which also had responsibilities relating to the Freedom of Information (Scotland) Act 2002 (FOI) and Environment Information (Scotland) Regulation 2004 (EIR).
- 2.1.3 According to the 2016 RMP, the Information Management Team consists of the Information Manager, a Senior Information Compliance Officer, an Information Management Officer, 3 Information Management Advisers and 2 Information Compliance Assistants. However, changes have since taken place, with the Information Management Adviser posts being converted into Business Analysts posts and transferred to another team within IT and Transformation, and an Information Security Officer recently appointed in July 2016. A business case is currently being drafted to go to the Head of Finance and Head of Legal for consultation prior to approval by the Director of Corporate Governance regarding further changes to the team to align the job profiles to the new team priorities.
- 2.1.4 According to the IT and Transformation Business Service Plan for 2016/17, the Revenue Budget for Records Management is £254,000.

2.2 Governance and Reporting

- 2.2.1 The Act requires that an authority keep its records management plan under review and the Keeper's model records management plan says that the authority's RMP must describe the procedures in place to regularly review it in the future. The RMP states that ongoing monitoring of compliance with the Act is to be reported to the Council's Corporate Management Team (CMT), on a quarterly basis, by the Senior Information Risk Officer (SIRO).
- 2.2.2 The Service provided Internal Audit with the most recent report on Information Risk presented to CMT from August 2015. It details how the Council intends to manage its information risk through its Information Risk Register and Information Asset Register, as well as reporting levels of Information Security and Data Protection breaches for the quarter.
- 2.2.3 A review of governance and reporting arrangements has since taken place and the Information Governance Group was set up in May 2016. The Group, chaired by the SIRO, includes representatives from across the Council and will meet regularly to manage and mitigate the Council's information risk through the Information Governance Framework. A report went to CMT in July 2016, and is expected to go to the Audit, Risk and Scrutiny Committee in September 2016, detailing the remit of the Group and the proposed reporting arrangements, including a template performance report. It is anticipated that this Group will provide a single point of oversight encompassing Data Protection, Freedom of Information and Environmental Information, Information Security, Information and Data

Management, and Open Data and Information Re-use (the availability of public sector information for re-use, free from copyright and the Act that governs this), reporting quarterly to CMT and annually to the Audit, Risk and Scrutiny Committee.

2.3 Improvement Programme and Ongoing Projects

- 2.3.1 The Information Management Strategy states that the Council “*will publish an Improvement Programme outlining how the strategy will be implemented across the Council, its third party contractors and Arms Length External Organisations (ALEOs).*” This is now incorporated into the broader IT and Transformation Business Service Plan for 2016/17, a copy of which was provided to Internal Audit.
- 2.3.2 The service plan includes “Valuing our Information” as one of the Service Goals and details the following activities:
- Implement Master Data Management (MDM) and update security protocols.
 - Establish business intelligence capabilities and requirements, linked to the MDM project.
 - Protecting the Council’s data and staff from information security breaches and misuse.
 - Manage and modernise the Corporate Records Stores.
 - Develop and implement corporate Information Standards in order to ensure best practice in data governance, linked to the MDM project.
 - Manage the compliance with the Public Records (Scotland) Act 2011.
- 2.3.3 The plan highlights the Service’s commitment to ensuring the Goals are translated into specific, measurable, accountable, realistic and timely (SMART) objectives and targets. Although each of these activities have an implementation date of March 2017 and state the lead officer is the Information Manager, the plan does not go into the specifics of how the activities will be achieved, measured or how progress against their completion will be monitored. The Service have advised that progress is monitored through the Corporate Governance Strategic Work Plan, which is held by the Director of Corporate Governance and is updated on a fortnightly basis, for discussion at Corporate Governance Senior Management Team meetings.
- 2.3.4 This Work Plan is a high level overview of Service actions, including those relating to information governance and compliance with the Act, but does not list actions by elements of the RMP. The Service recognises the importance of embedding good information and records management practices rather than treating compliance with the Act as an add-on to business. Accordingly, activities and progress relevant to the Council’s PRSA compliance will form part of the Information Governance Group’s improvement programme which will be monitored on an ongoing basis by the group. It would, however, be beneficial to develop an operational monitoring tool which the Information Governance Group can use to be able to evidence how their programme of work supports progress toward Public Records (Scotland) Act compliance.

Recommendation

The Service should develop an operational monitoring tool to ensure that evidence is captured on an ongoing basis around how their programme of work supports progress towards Public Records (Scotland) Act compliance.

Service Response / Action

Agreed.

Implementation Date

January 2017

Responsible Officer

Information Manager

Grading

Significant within audited area

- 2.3.5 According to the RMP, the next phase of the Information and Records Lifecycle Management project work is to pilot, test and refine the implementation of the corporate Business Classification Scheme. As part of this pilot, relevant corporate metadata standards were due to be considered and developed. This is now part of the Council's wider Digital programme which aligns to the Council's new enterprise architecture approach. A key project within this programme is master data management, which will drive the creation of corporate metadata standards and guidance, and will be managed through the Council's Information Governance Group, discussed in section 2.2.3 of this report.
- 2.3.6 In December 2015, the Finance, Policy and Resources Committee approved a report to conduct a joint procurement exercise with Aberdeenshire Council to purchase a Master Data Management (MDM) solution. Tata Consultancy Services Limited were selected to conduct a review of both Council's existing Information Management capabilities across their numerous systems, with assessment reports due to be issued in August 2016. The next phase involves a review of current data governance arrangements, providing a roadmap for what is required to ensure industry best practice. This will inform the procurement of the MDM solution, a system, or number of systems, which will interface with existing systems to allow for a joined up view across a number of systems, applications and locations. Introducing MDM will allow a single view of the Council's customers, so that when their information changes, they only need to tell the Council once. The Service is taking a phased approach to MDM implementation but expects the first phase of implementation to be completed by March 2017.

2.4 Records Management Plan

- 2.4.1 As the Keeper is currently reviewing the 2016 combined Records Management Plan (RMP) and is expected to give his feedback in autumn 2016, this audit did not review each element in detail. A brief summary of what is required within each of the 14 elements of the Keeper's model RMP, and what the Council has submitted under each element is included in Appendix 1.
- 2.4.2 The Keeper agreed two elements of the 2015 RMP on an "improvement model" basis which means that the Keeper is convinced of the authority's commitment to closing a gap in provision and requests updates as the work on these elements progresses. Element 4 relates to Business Classification, which forms part of the master data management project within the improvement programme, discussed in section 2.3.6 of this report. Progress has been made towards Element 5: Retention Schedules with the creation of a fully searchable Records Retention & Disposal Schedule, hosted on the Zone. However, as this is aligned to the Business Classification Scheme, and the master data management project is still underway, the Service expects these two elements to, once again, be agreed on an "improvement model" basis in the 2016 RMP.
- 2.4.3 Whilst reviewing the elements of the RMP, it was noted that the Archival Transfer and Acquisition Policy, referred to in Element 7 of the RMP, was due to be reviewed in December 2015. Available on the Council's public website, the Policy sets out the Archive's requirements for records from within the Council and from bodies external to the Council. The policy is to be reviewed annually, however the published document does not include any dates to determine when it was last reviewed. The City Archivist has confirmed that the policy was reviewed in December 2015 but no changes were made. The introduction of a version control table within the policy would be beneficial to show a review has taken place, what changes have been made, when, and by whom, as well as detailing the date of the next scheduled review.

Recommendation

The Service should introduce a version control table within the Archival Transfer and Acquisition Policy, when it is next reviewed.

Service Response / Action

Agreed

Implementation Date

January 2017

Responsible Officer

City Archivist

Grading

Important within audited
area

AUDITORS: D Hughes
A Johnston
C Pirie

Appendix 1 – Elements of the Records Management Plan

Element 1: Senior Management Responsibility

Section 1(2)(a)(i) of the Act requires an RMP to identify the individual with overall responsibility for the management of the authority's public records.

The 2016 RMP names the Head of Service for IT and Transformation, as the Senior Information Risk Officer (SIRO) who has senior management responsibility for the RMP for Aberdeen City Council. For Aberdeen City Licensing Board, senior management responsibility for the RMP is held by the Clerk to the Licensing Board, a role undertaken by the Council's Head of Legal & Democratic Services.

Element 2: Records Manager Responsibility

Section 1(2)(a)(ii) of the Act requires an RMP to identify the individual responsible for ensuring the authority complies with its plan. The individual who has overall day-to-day responsibility for the implementation of the plan, and is the Keeper's initial point of contact for records management issues, should be named, as well as all those with records management responsibilities as part of their formal job description.

The individual responsible for ensuring the authority complies with its plan is the Information Manager. The Information Manager leads the Council's Information Management Team, and, according to the 2016 RMP, consists of a Senior Information Compliance Officer, Information Management Officer, 3 Information Management Advisers and 2 Information Compliance Assistants. There have, however, been changes to the team since the RMP was submitted, which is discussed further in section 2.1 of this report.

Element 3: Records Management Policy Statement

Section 1(2)(b)(i) of the Act requires an RMP to include provision about the procedures to be followed in managing the authority's public records. The Keeper expects each authority's plan to include a records management policy statement which should describe how the authority creates and manages authentic, reliable and useable records, capable of supporting business functions and activities for as long as they are required.

The Council's strategic Information Management objectives, and the improvement programme required to make them a reality, are set out in the Corporate Information Management Strategy. The Policy Statement is included within the Council's Information Lifecycle Management Policy and is as follows:

The Council will take a consistent, corporate approach to the management of Council information throughout its lifecycle, where we manage our information based on its:

- *business context (why information exists and therefore how long it should be held)*
- *content (what information is about and therefore who has access to it)*
- *location (where and how information is held and therefore what business continuity arrangements are required / appropriate)*
- *ownership (the job role responsible for the information, and is therefore accountable for ensuring the authenticity, usability, reliability and integrity of the information).*

Element 4: Business Classification

In order to ensure that the Council has a full understanding and effective control over the information it keeps, the Keeper requires it to have a properly considered business classification scheme. A business classification scheme describes what business activities an authority undertakes, whether alone or in partnership. All of the records an authority creates should be managed within a single

business classification scheme, even if it is using more than one record system to manage its records. Details of the business classification scheme should be included within the authority's RMP.

This element of the 2015 RMP was agreed on an 'improvement model' basis, where the Keeper notes the Council have detailed within the RMP that this forms part of the improvement programme, and progress is discussed in section 2.4.2.

Element 5: Retention Schedules

Section 1(2)(b)(iii) of the Act requires an RMP to make provision about the archiving and destruction, or other disposal, of an authority's public records. In order to satisfy this, the Council must have corporate records retention procedures which include retention schedules, lists of records for which pre-determined disposal dates have been established, and procedures the authority follows to ensure records are destroyed or transferred to an archive in line with these.

This element of the 2015 RMP was agreed on an 'improvement model' basis, where the Keeper notes the Council have detailed within the RMP that the retention schedule is still to be fully rolled out corporately across the Council's Services, in line with its Records Retention & Disposal Schedule Policy. Since the 2015 plan was submitted, the Council have created a fully searchable version of its Records Retention & Disposal Schedule, available through the Zone in an accessible format.

Element 6: Destruction Arrangements

To comply with Section 1(2)(b)(iii) of the Act which requires the Council to make provision about the archiving and destruction, or other disposal, of an authority's public records, an RMP must detail the destruction arrangements in place.

There are a number of methods in place across the Council to ensure the appropriate destruction of all records in all formats. The Council have a contract with an external document shredding organisation who collect and destroy their paper documents using corporate confidential waste bins/sacks. The Council's Managing Information Corporate Procedures document details the importance of managing the retention and disposal of electronic records. An external company, recycles all of the Council's hardware. The contractor responsible for back-up and disaster recovery of the ICT infrastructure has changed since the 2015 RMP.

Element 7: Archiving and Transfer Arrangements

Section 1(2)(b)(iii) of the Act requires an RMP to make provision about the archiving and destruction, or other disposal, of an authority's public records, showing that it has a mechanism in place for dealing with records identified as being suitable for permanent preservation. This mechanism will be informed by the Records Retention & Disposal Schedule, detailed above under element 5.

Aberdeen City & Aberdeenshire Archives, a shared service with Aberdeenshire Council, is the recognised place of deposit for information scheduled for permanent preservation. The Archival Transfer and Acquisition Policy, available on the Council's public website, sets out the Archive's requirements for records from within Aberdeen City Council and from bodies external to the Council. The policy is to be reviewed annually, however the published document does not include any dates to determine when it was last reviewed. The City Archivist has confirmed that the policy was reviewed in December 2015 but no changes were made. The introduction of a version control table within the policy would be beneficial to show a review has taken place, what changes have been made, when, and by whom, as well as detailing the date of the next scheduled review.

Element 8: Information Security

Section 1(2)(b)(ii) of the Act requires an RMP to make provision about maintaining the security of information contained in the authority's public records and the Keeper's model records management plan states authorities must include evidence within their RMP that they have procedures in place to

adequately protect their records. The security procedures must put in place adequate controls to prevent unauthorised access, destruction, alteration or removal of records.

The Council has a corporate Information Security Policy, which has been updated since the 2015 RMP was agreed, and corporate Information Security Incident Reporting Procedures, agreed in August 2014. The RMP also refers to the Council's Managing Information Corporate Procedures document which includes information security best practice, as well as stating the Council issue regular Information Security Advisories, however the last one was in March 2015, due to the Information Security Officer post being vacant. This post has now been filled and the new postholder will be putting together alternative and refreshed communications. The staff training discussed under Element 9, includes an Information Security module. The RMP also refers to the Smarter Working Programme that the Council is currently implementing, which involves the move towards more flexible working styles, highlighting the importance of good information and records management practice. At the time the 2015 RMP was published, 1200 of the Council's 7000 staff had implemented Smarter Working, with the remainder scheduled to implement it over the next two years. When the 2016 RMP was submitted to the Keeper, 1500 of the 7000 had implemented it. The Service has advised that Phase 1 moves are now complete and a review is currently underway, expected to be completed by August 2016. The responsibility for leading the Smarter Working Programme has moved from Communities, Housing and Infrastructure, to IT and Transformation, who will develop the Phase 2 priorities. The programme is to be monitored by the Smarter Working Board.

Element 9: Data Protection

The Keeper will expect an authority's RMP to indicate compliance with its data protection obligations. This might be a high level statement of public responsibility and fair processing.

The Council has a corporate Data Protection Policy which was updated in 2015 in accordance with recommendations made in the PWC Internal Audit Report on Compliance with the Public Records (Scotland) Act – Phase 2. Compliance with the Data Protection Act, including data relating to breach numbers and trends, is reported to the Audit, Risk and Scrutiny Committee quarterly, the most recent report was provided to Internal Audit. To ensure staff are aware of their responsibilities under the Act, all staff undertake mandatory training. Work has recently been completed on a single mandatory induction and refresher online learning module, which brings together key messages on Information Management, Data Protection, Information Security, and Freedom of Information. Within the Data Protection Audit Report completed by the Information Commissioner's Office and issued in June 2013, recommendations were made relating to the ongoing monitoring of staff refresher training. Progress made with implementing these recommendations, and other Data Protection related issues, are covered in more detail within the Internal Audit Report AC1707 – Data Protection.

Element 10: Business Continuity and Vital Records

The Keeper expects an authority's RMP to indicate arrangements in support of records vital to business continuity to ensure these records will be accessible in the event of an emergency affecting their premises or systems.

The Council has a corporate Business Continuity Policy which states that each Service within the Council will develop, implement and maintain its own business continuity plan and ensure these are reviewed and tested annually, the policy also includes template business continuity plans. The Council is currently conducting a test and review phase of work, based on recommendations made within the PWC Internal Audit Report Business Continuity – Business Impact Analysis arrangements in May 2013. The Emergency Planning Manager, has advised that the way in which plans are reviewed has moved from Services completing self-assessments to them submitting their plan to him for comments and recommendations. There are 20 Service Business Continuity Plans to be reviewed, six of which have been completed already with the remainder expected to be completed by the end of 2016. It is noted that Social Care plans now need to be managed jointly through the

Integrated Health and Social Care Joint Board. NHS and Local Authority colleagues across Grampian are currently considering how this can be effectively managed. The RMP refers to quarterly reporting of progress to the Council's Corporate Management Team, however, due to the changes in how plans are assessed, this has not yet taken place.

Element 11: Audit Trail

The Keeper expects an authority's RMP to provide information relating to audit trails of its records, defining an audit trail as a sequence of steps documenting the movement and / or editing of a record resulting from activities by individuals, systems or other entities.

The RMP states that the Council has a number of ways of managing their information and records. Hardcopy records are stored in corporate records stores (on and off-site), the Social Work Record store, and office accommodation secure storage, whilst electronic records are kept within corporate shared drives, bespoke ICT applications and employees' email accounts. The audit trail for records within the corporate records stores are held showing accession to disposal, and the management of hardcopy records kept in individual business areas is undertaken by employees within those teams. The Managing Information Corporate Procedure outlines best practice in information and records management, including version control, naming conventions, and disposal of records. The RMP also states that there is currently no corporately agreed standards or system in place for evidencing the audit trail of all Council information and records, though the main ICT applications used do allow the evidencing of audit trails in relation to creation, alteration and disposal of records within them.

Element 12: Competency Framework for Records Management Staff

The model records management states the Keeper will expect an authority's RMP to detail a competency framework for the person(s) designated as responsible for the day-to-day records management within the authority and the implementation of the RMP.

The job profile for Records Manager was reviewed by the Keeper in 2015, who agreed that the individual in post would have appropriate skills for the role. The job title for this post has since changed to Information Manager to reflect changes to responsibilities. The job profile for this post, and the others within the team as at submission date, was submitted along with the RMP for the Keeper to review.

Element 13: Assessment and Review

Section 1(5)(i)(a) of the Act states that an authority must keep its records management plan under review and the Keeper's model records management plan says that authority's RMP must describe the procedures in place to regularly review it in the future.

The RMP states that ongoing monitoring of compliance with the Act is to be reported to the Council's Corporate Management Team, on a quarterly basis. The format of this reporting is expected to change, as discussed in section 2.2.3. The RMP gives details relating to the audits undertaken by PWC, as noted in the introduction to this report, and confirms its commitment to providing annual updates to the Keeper on its progress.

Element 14: Shared Information

The model records management plan states the Keeper will expect an authority's RMP to reflect its procedures for sharing information.

The Council's Corporate Data Protection Procedures govern the sharing, transfer and processing of personal information, which include when and how an Information Sharing Protocol may be entered into. Previous audits highlighted that the Council does not currently keep a register of the information shared with external parties and recommended that a Register of Information Sharing Protocols be developed. This has since been created and is available on the Zone.

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

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Aberdeen City Council

Major capital investment
follow up

2015/16 Audit

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

September 2016

Key contacts

Stephen Boyle, Assistant Director
sboyle@audit-scotland.gov.uk

Anne MacDonald, Senior Audit Manager
amacdonald@audit-scotland.gov.uk

Mark Johnstone, Senior Auditor
mjohnstone@audit-scotland.gov.uk

Audit Scotland
 Business Hub 15, 3rd Floor South
 Marischal College
 Broad Street
 Aberdeen
 AB10 1AB

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

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

Stephen Boyle is the engagement lead for the audit of Aberdeen City Council for the period 2012/13 to 2015/16.

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

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Key Messages

1. This report is the summary of our findings from our review of the council's progress against recommendations made in Audit Scotland's national performance audit report, *Major Capital Investment in Councils*, initially published in March 2013
2. Our work was based on a review of the of project management arrangements in place for a sample of four projects. As these projects were linked with the Strategic Infrastructure Plan, the operation and management of the SIP was also examined.
3. The council has an ambitious capital investment programme involving a mix of traditional and alternative funding arrangements. There are also a variety of working arrangements with external partners and agencies to deliver the more complex projects. .
4. Where more complex projects are involved, there is a greater risk that decisions may not be as transparent due to legal requirements or the commercially sensitive nature required by some arrangements. It is therefore important robust public engagement strategies are in place to keep the public informed.
5. We concluded that the SIP met many of the good practice criteria suggested by Audit Scotland in 2013.
6. The project management framework provides a strong basis for officers to agree and meet milestones, identify and manage risks, and identify resources required to action tasks. The sample of project summary sheets reviewed were detailed and complete.
7. While the concept of the performance dashboard supported by the General Fund monitoring report is sound, reports to elected members should provide more information where progress is not going to plan for example, where there is an indication of delay or other increased risks. This would assist the level of scrutiny by elected members. In addition, the covering report to elected members could usefully signpost the key messages from each dashboard.
8. Where project plans include detailed finance models, the council should continue to keep assumptions used in the models around income streams and other estimates under regular review and maintain an audit trail to evidence significant changes.

Introduction

9. This report is a summary of our findings from routine audit work around capital investment carried out as part of the 2015/16 audit of Aberdeen City Council. The nature and scope of the audit were outlined in our Annual Audit Plan presented to the Audit, Risk and Scrutiny Committee (ARSC) in March 2016 and follows the requirements of Audit Scotland's Code of Audit Practice which was published in May 2011.
10. The council has a range of infrastructure programmes including the City Region Deal, the council's Strategic Infrastructure Plan (SIP) and City Centre Masterplan (CCM). They contain a range of ambitious developments involving a mix of traditional and alternative funding arrangements. There are also a variety of working arrangements with external partners and agencies to deliver the more complex projects. Consequently, the council has different risks to manage and additional governance frameworks to monitor in comparison with a more traditional programme funded by borrowing.
11. Where more complex projects are involved, there is a greater risk that decisions may not be as transparent due to legal requirements or the commercially sensitive nature required by some arrangements. It is therefore important robust public engagement strategies are in place to keep the public informed.
12. Using a sample of current capital projects, we reviewed progress against recommendations made in Audit Scotland's national performance audit report, *Major Capital Investment in Councils*, initially published in March 2013. (the 2013 report)
13. Pages 6 to 11 of this report set out the recommendations from the national report and for each, we have provided a summary of our findings based on the review of four Aberdeen projects and wider consideration of the framework around the Strategic infrastructure Plan. The four projects considered were the replacement Aberdeen Exhibition and Conference Centre (AECC), the Art Gallery extension, Brimmond School and the Third Don Crossing.
14. In assessing progress, we have used the terminology adopted by the national study – yes, partial, limited and no. The subsequent pages of the report set out our findings in respect of the 4 projects selected. The scope of our work was as follows:
 - arrangements for tender and award of a contract
 - operational project management
 - scrutiny by elected members
15. In addition, for the art gallery extension, we reviewed the grant awarded by the Heritage lottery Fund and the council's arrangements to meet reporting requirements.

16. Appendix A is an action plan setting out our recommendations from the audit. Officers have considered the issues and are taking the specific steps in the column headed "management action". The ARSC should ensure that they are satisfied with the proposed management action and that there is a mechanism in place to monitor progress.
17. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit, or of risks or weaknesses, does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
18. The co-operation and assistance given to us by officers is gratefully acknowledged.

Action taken on 2013 national study recommendations

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
1.	Yes	Develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders, such as service users and suppliers, as they develop these strategies.	One of the council's main investment strategies is the strategic infrastructure plan (SIP) which sets out a single programme of priority infrastructure projects over a 10 year period. Longer term, there is also the council's City Centre Master Plan which sets out an agreed 25 year regeneration programme for the city. The development of both plans included wide ranging public consultation.	Comprehensive capital investment strategies in place - Satisfactory
2	Yes	Assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help each council achieve value for money	The SIP lists high level funding options for each project. The detail is examined further in individual project business cases Funding strategies are individually tailored on a project by project basis with the overriding requirement being to minimise the cost to the public purse. Two recent capital projects have been taken forward with the appointment (following competitive tender) of strategic partners who have an important role in identifying optimum solutions.	Innovative programme of development involving a range of finance solutions and partnership working - Satisfactory

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
			<p>The Strategic Asset and Capital Plan Board has oversight and stewardship of capital programmes including the capital budget and is therefore the forum which considers the costs and risks associated with funding investment.</p> <p>The council has recently brought all its existing financial commitments together within a financial plan covering the period 2016-2056.</p>	
3	Partial	Actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement.	<p>The council has a shared procurement service with Aberdeenshire Council and shortly, the arrangement will be extended to include The Highland Council.</p> <p>The council is involved in a number of partner working arrangements:</p> <ul style="list-style-type: none"> • with a strategic partner for the delivery of the replacement AECC • the council is the agent for the delivery of the Aberdeen Western Peripheral Route. Both Aberdeen City and Aberdeenshire Councils have made significant funding contributions to this project. • through the City Region Deal, the council is developing opportunities to take forward important infrastructure projects in partnership. 	There are several examples of innovative shared practice developing in this area. Too early to assess the effectiveness and impact of shared working and be able to report the associated good practices.

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
4	Partial	Develop and use clearly defined project milestones for monitoring and reporting. This should include a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects	<p>Operational monitoring</p> <p>The project management framework requires completion of project summary reports by the project manager and development of the SIP dashboard. Review of achievement against milestones is carried out at an operational level through project team meetings.</p> <p>The Programme Management Office (PMO) sets out the framework for the development of outline and full business cases. Reports to elected members setting out the business case tend to be detailed committee reports rather than business cases set out in a standard format. Based on our experience within the council, business cases tend to assist decision making more so than for ongoing monitoring of benefits.</p> <p>Elected member scrutiny</p> <p>The dashboard is central to the council's monitoring and reporting at CMT and Finance, Policy and Resources Committee. The main focus of the dashboard is a traffic light mechanism which gives an indication of progress and flags concerns around budget, timescale, resource and risk</p>	<p>Business cases are prepared to support decision making but are not routinely used as a benchmark for monitoring and reporting purposes.</p> <p>Refer recommendation 1</p>

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
5	Partial	Collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned. Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils.	<p>Each committee cycle, through the SIP dashboard, progress on each project is reported using a traffic light system to grade the following factors: timeline, budget and resource. While such reports are considered by the committee in public session alongside the General Fund Monitoring Report, there is limited information, for example on the cost implications of slippage.</p> <p>Increases in budgets and extensions to contracts are approved by council or the Finance, Policy and Resources Committee. For completeness of scrutiny trails, such decisions and key events should also be reported within the SIP dashboard/Monitoring Report process so that a complete picture is provided for the reader.</p> <p>Earlier dashboard report formats had also considered risk, scope, benefits and quality factors but these factors no longer appear within the current dashboard reporting format.</p> <p>For each project, a risk/issues/lessons learnt log is maintained and discussed at operational level on an ongoing basis.</p>	<p>The dashboard provides an effective summary of overall progress for each project. Where there are delays, the supporting narrative (in the dashboard and the General Fund Monitoring Report) does not sufficiently explain the reasons. More cohesive reporting is recommended.</p> <p>Refer recommendation 2</p> <p>It would be useful to draw lessons learnt together for reporting to management and elected members. As a minimum this should be done as part of the post completion evaluation.</p> <p>Refer recommendation 3</p>

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
6	Partial	<p>Improve the quality of capital project and programme information that is routinely provided to members. Information should cover:</p> <ul style="list-style-type: none"> • annual financial performance against the capital budget • project and programme level performance against cost, time and scope targets • risk reporting (including identification, likelihood, financial impact and actions taken) • an assessment of intended and realised benefits. 	<p>Elected member scrutiny</p> <p>The SIP dashboard supported by the General Fund Monitoring report potentially provides a strong framework to assist members in scrutinising progress on priority projects.</p> <p>Current dashboards provide a snapshot of each project against cost, time and resource targets as demonstrated by traffic light reporting. Snapshot reporting against risk, benefits and quality targets is no longer carried out.</p> <p>High level finance information sets out total actual v budget and forecast figures for the capital programme at service level covering whole of life costs. (capital programme monitoring covers a 5 year period)</p> <p>Operational management</p> <p>Risk identification and management is carried out at operational level and recorded in the risk/issues/lessons learnt log and monthly project summary reports.</p>	<p>The use of whole of life costs in reporting is best practice.</p> <p>The high level finance information supported by the project by project dashboard does provide strong assurance when progress is going to plan. However, where issues arise, there are risks that not providing cumulative spend/revised forecasts on a project-by-project basis limits the ability of elected members to effectively scrutinise. We suggest that more detailed reporting of significant project-by-project variances from plan is included within General Fund Monitoring Reports (i.e. report variances and provide narrative)</p> <p>Refer recommendation 2</p> <p>Steps should be taken to provide elected members with the results of post project completion evaluation, benefits</p>

No.	Progress	Recommendation from 2013 national study report	Commentary on processes in place	Conclusion/Findings
				realised and lessons learnt. Refer recommendation 3
7	Yes	Carry out early assessments of risk and uncertainty to improve the accuracy of early-stage estimating of the cost and timescale of projects.	The identification and management of risk is carried out as part of the operational management of projects (risks/issues/lessons learnt logs and monthly project summary reports) Business cases provided to elected members set out the key risks to be considered as part of the decision making process.	Elected members are alerted to increased/ongoing risks in the dashboard report. There is scope to signpost key issues in the covering report and to provide more narrative describing the potential impact of the risk on time, cost, scope and benefits of the project. Refer recommendation 2
8	Yes	Consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary	Training is provided as part of the elected member induction process. In addition, briefings have been provided where complex projects are being developed. The council's ongoing Governance Review includes plans for next year's post election induction training for elected members.	The council should continue to keep elected member training in this area under review.

Governance

19. Through a number of plans including its Strategic Infrastructure Plan (SIP) and City Centre Masterplan (CCM), the council is taking forward a number of significant developments. These plans have recently been enhanced with the agreement of a City Region Deal. The SIP was approved in 2013 after consultation and sets out the council's single programme of priority infrastructure projects to be implemented over a 10 year period.
20. In terms of Audit Scotland's Major Capital Investments study, a good practice guide was produced in 2013 which set out good practice criteria for an investment strategy. Taking the SIP into account, the council meets many of the good practice criteria set out in respect of capital investment strategies. For example, it shows:
 - the council's consideration of future service and community infrastructure needs
 - how investment may be funded and likely timescales for investment plans
 - provides clear links between investment objectives and the council's strategic objectives
 - outlines investment plans over a number of years
 - provides an assessment of the various funding options available and how these may be used.
21. The criteria also suggest that a strategy should provide clear information on asset management activity, the overall condition of the

council estate, provide links between investment objectives and service needs and identify opportunities for collaboration. The SIP could be strengthened by the inclusion of information in these areas.

Refer Action Plan No. 4

22. The CMT monitors corporate performance, including progress with the SIP by use of a performance dashboard and this is scrutinised regularly at the Finance, Policy and Resources Committee.

Exhibit 1 SIP Dashboard

Project Name	Programme/Project Manager	Stage	Last Completed Milestone	Next Milestone	Milestone Target Date	Project End Date	Timeline	Budget	Resource	Risk	Notes
TRANSPORTATION PROGRAMME Hugh Murdoch											
Third Con Crossing	Ian Taylor	Implement	Start on site	completion of project	Mar-16	Mar-16	R	A	A	4	The contractual completion date for the project is March 2016. The contractor has it with the contractor to substantiate any delays and mitigate these. The budget has a overall cost, however officers are working this through with the contractor.

23. The Programme Management Office leads on the development of the SIP dashboard. Progress on individual projects is discussed by the Strategic Asset and Capital Plan Board (previously the SIP and Capital Review Group) on a regular basis. The group has responsibility for managing the capital plan, considering business cases, approving change control requests and challenging the content of the SIP dashboard before consideration by CMT and elected members. Action notes from the board are considered by CMT as a matter of routine.

24. At operational level, a Project Summary Sheet is updated by the relevant project manager each month and discussed at the relevant project team meeting. This provides the detail behind the SIP dashboard, for example, progress against milestones, key tasks completed in period and planned for next period, new and emerging risks and resource needs. In addition, a Risks/issues/lessons learnt log is kept for each project.
25. Each committee cycle, elected members receive finance monitoring reports which include an overview of the total capital project position by service. Actual against budget information is shown alongside the forecast over a five year period. As the majority of capital projects span more than one financial year, the capital programme takes account of the whole life of projects rather than just the in-year position. In addition, a traffic light provides an indication of progress for the overall current and previous period service total position.
26. We concluded that the SIP dashboard and general fund monitoring reports provide a sound framework for regular monitoring and scrutiny by members. However, there is merit in reviewing the content of such reports to ensure that members are receiving sufficient information especially where there are emerging issues on projects. Financial information is provided at service level rather than project by project basis which may be adequate where progress is going to plan. Where that is not the case, we would suggest more project specific information is required to enable effective scrutiny to be carried out.
27. The main indicator in the report is the traffic light mechanism in relation to timescale, cost and resource. Without having the benefit of the project summary sheet, it is unclear how many milestones exist for individual projects and therefore how the council is progressing against them. The covering report could usefully explain what the factors mean and how the grading works, for example, timescale and budget are fairly clear but the resource factor could have different interpretations. The covering report could also signpost the key points for elected members. While we acknowledge that a red grading should alert attention, we noted comments on dashboards around delays which affected the timescale grading but not the cost and on occasion, we felt this was not sufficient.
28. While we acknowledge that increased costs and extensions are approved by elected members, the audit trail is not always clear. For example, a capital investment decision could be made as part of the budget process but may not be picked up as part of the SIP dashboard reporting process. In our opinion, there is scope to strengthen the audit trail with more cohesive reporting around key projects.

Refer Action Plan No. 2

Aberdeen Art Gallery

29. The contract for the Aberdeen Art Gallery extension is £30m and the funding strategy includes Heritage Lottery Funding of £10m, council contributions £10m and public donations £10m. In the event that public donations are not on target, the council has agreed to underwrite the shortfall.
30. During 2015/16, the contract was awarded, works commenced onsite and arrangements for the fundraising campaign were more formally launched with the support of Aberdeen Art Gallery and Museums Development Trust.
31. In selecting the project for review, we were interested in reviewing the arrangement for the award of the contract, the development of the proposed funding package and the council's project management arrangements.

Award of grant

32. In January 2015, the grant award contract with the Heritage Lottery Fund was concluded following an award of just under £10m. Claims are made quarterly in arrears and by 31 March 2016, the council had submitted claims totalling £1.6m.
33. Lottery funding requires a comprehensive application process and detailed monitoring and evaluation. In addition, to a detailed cost analysis, each claim requires the latest risk assessment to be set out and a detailed narrative report is also required setting out progress

under a number of specified headings. The council has so far complied with these requirements.

Costs

34. The approved cost for the successful tender was £29.7m. At 31 March 2016, the agreed cost has not moved significantly. We reviewed the arrangements for the tender, scoring, evaluation and award of the contract and observed the following:
 - while there were initially 5 interested parties, most did not have the capacity to complete the documentation and consequently, only one tenderer was considered in the final evaluation
 - in order for the council to demonstrate best value in evaluating the outcome, costs were compared with the pre-tender estimate provided by AECOM which were based on similar refurbishments in the sector. The overall budget had originally been set out in the business case considered by council in 2012.
 - Scoring was carried out by a team including officers, the council's advisor and the architect. Further evaluation was undertaken AECOM. We were satisfied that the council could demonstrate compliance with standing orders and EU tender requirements in respect of the award of this contract.

Project management

35. Detailed project summary sheets have been completed each month in line with the standard template. The information provided on the dashboard largely reflected the information discussed by the project team. Additional risks were identified operationally in the amber /red zones which have not been mentioned on the dashboard. In addition, while construction work was delayed to enable archaeological finds to be extracted, the impact on the final cost was not estimated for elected members or confirmation made that there would be no impact.

Refer Action Plan No. 2

36. The 2016/17 approved budget assumed that all public donations of £10m would be received in the year. Due to the uncertainty around this outcome, the Finance, Policy and Resources Committee agreed that if necessary, the council should underwrite any shortfall.

AECC

37. In seeking to replace the exhibition centre, the council was open to offers for redevelopment of the existing site at Bridge of Don or relocation to an entirely new site. One of the key aims for the council is to have facilities which will enable Aberdeen to continue to host the

Offshore Europe event and other similar events because they have previously attracted significant investment into the local economy.

38. In October 2013, Henry Boot Developments was identified as the preferred bidder. In March 2015, the business case for the project came forward totalling £333m and setting out a proposed funding strategy intended to minimise the council's financial exposure.
39. During 2015/16, legal agreements were signed with Henry Boot following receipt of planning permission in December 2015 and market testing was carried in respect of the funding partner and for the construction of the new exhibition centre. More recently, a revised funding strategy for the centre has been pursued which was approved by council in August 2016.
40. In selecting the project for review, we were interested in reviewing the award of the contract to Henry Boot as the council's strategic partner. While there have been further tender processes linked with this project, the contract awarded to Henry Boot was the only one in place at the time of our audit field work and therefore the only one included in this review. We also reviewed the development of the funding strategy for the project and the council's project management arrangements.

Tender and award of contract

41. There are a number of tender exercises involved in the AECC development. We reviewed the first of those, the appointment of a strategic partner which was carried out in October 2013. The approved cost for the successful tender was £187m. While the council agreed this in principle, there was also an instruction to officers to continue to consider options to provide the least cost option for the council. A further report considered by council approved a project gross cost of £333m to include an energy centre and a further hotel. The revised project contained additional income streams which will offset the cost of the investment and consequently, the revised plan demonstrates an improved revenue position for the project.
42. We reviewed the arrangements for the tender, scoring, evaluation and award of the contract. Three bids were received and evaluated and the best option was agreed as being Henry Boot with an offsite location.
43. Scoring was carried out by a team covering different aspects of the bids including council officers, Henry Boot staff and representatives from the council's external legal advisors. A further comparison of the two tenders was carried out by the council's legal advisers, Brodies LLP. We were satisfied that the council could demonstrate compliance with standing orders and EU tender requirements in respect of the award of this contract.

Funding strategy

44. From the outset there were plans to secure an innovative funding model to deliver the replacement AECC. Several options have been pursued over the last year and discussions are now being finalised to enable the council to conclude a funding option which demonstrates the least cost option. .
45. The business case sets out the expected income streams from the different strands of the project. The council appointed financial advisors to review the content of the business case and in addition, specialists in the hotel sector were appointed to review relevant financial plans and income stream forecasts. In line with best practice, we would recommend that the council continues to review the assumptions supporting the income model and maintain an audit trail to support significant changes.

Refer Action Plan No. 5

Project management

46. This is a complex project for the council in terms of the scale and value but also because of the range of mini-projects which it entails. Operational teams are managing the project within the council and Henry Boot respectively. Overseeing this activity is the Project Board which has representation from both organisations and is the main link with the council's management team and elected members. The board receives comprehensive progress reports each month.

47. Project summary reports for 2015/16 were reviewed and found to be detailed in terms of action, work-in-progress and tasks. While the dashboard reflected the summary information correctly, they failed to convey the delay experienced in reaching agreement on certain matters and/ or to provide more context on some of the reasons e.g. legal agreements were concluded much later than anticipated, concerns about the availability of staff resources. While we acknowledge that this is a complex project and the aim is to keep the dashboard high level, there is a risk that members' cannot scrutinise effectively if explanations are not provided. Given the significance of this project, it may be that the dashboard should separately include each element rather than show the project as a single line so that progress on each element of the overall project is more transparent e.g. exhibition centre, hotels, energy centre.

Refer Action Plan No. 2

public bodies such as health boards, councils, police and fire and rescue services, have teamed up with a private sector development partner to form a joint venture company known as a hubCo. Projects are mostly new buildings and include many schools in the Scottish government's 'Schools for the Future' programme which aims to rebuild or refurbish schools.

50. We selected this project simply because it was a different delivery arrangement. The council concluded a Territory Partnering Agreement with the hubCo. In accordance with the agreement, the council agreed a new project request, essentially a project brief. Key documentation included a value for money paper and stage 1 and stage 2 pricing models setting out the detailed costs and associated assumptions. We understand that a post project completion evaluation has yet to be carried out and would recommend that the council considers its achievement of value for money as part of the evaluation process.

Refer Action Plan No. 3

Brimmond School

48. Brimmond School was delivered using the hub model, in which hub North Scotland was appointed by Aberdeen City Council as development partner to lead the building of a new school between April 2014 and October 2015 at a cost of approximately £12m.
49. The hub programme is a Scotland-wide initiative for delivering new community facilities through private finance. The hub programme operates in five geographical territories: South East, East Central, West, South West and North. In each territory, the participating

Third Don Crossing

51. The contract for the Third Don Crossing was awarded in June 2014 for £18m. In November 2015, a seven week delay was announced which moved the expected completion date to March 2016. This was due to unexpected delays to re-route utilities linked with the Aberdeen Western Peripheral Route (AWPR). In March 2016, the SIP and Capital Review Group approved a further 8 week extension required as a result of poor weather conditions and further unexpected work. This took the completion date into June 2016. On delivery of the bridge in summer 2016, costs incurred amounted to £22m compared with the approved tender which amounted to £18m.
52. We selected this project because it was a traditional capital project funded by borrowing. We reviewed the award of the contract and the project management arrangements in place including review of a sample of invoices relating to the contract.

Award of contract

53. We reviewed the arrangements for the tender, scoring, evaluation and award of the contract and were satisfied that the council could demonstrate compliance with standing orders and EU tender requirements in respect of the award of this contract.

Costs

Based on postings to the financial ledger, Exhibit 2 shows the level of spend by financial year for the whole project while Exhibit 3 provides a profile of the spend between December 2014 and summer 2016, the main period of spend. This shows that there was low spend in autumn 2015 and February 2016 which confirms that these were the periods during which delays were experienced.

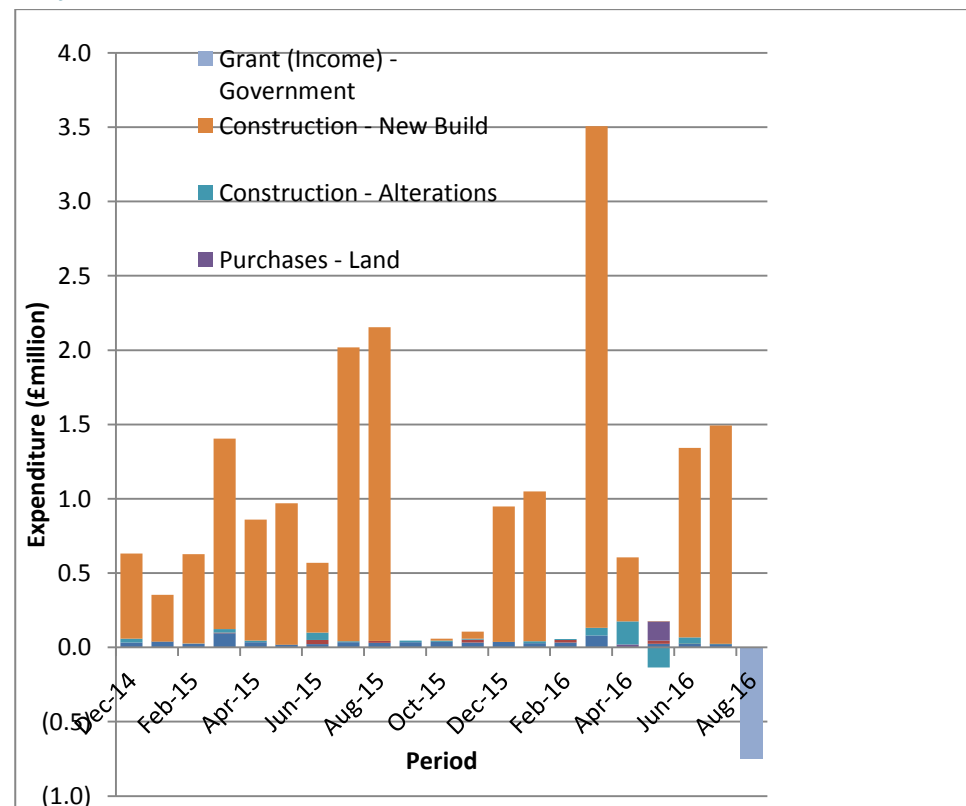
Exhibit 2 – Third Don Crossing Expenditure

Year	£000
2012/13	317
2013/14	1,884
2014/15	4,814
2015/16	12,338
2016/17	2,732
Total	22,085

54. We had anticipated being able to analyse this spend between planned, unexpected and additional work but this is not possible without expert engineering input. We understand that the project team are currently endeavouring to compile such an analysis. In addition, an independent review around the design and procurement of the project has been carried out and an action plan is now in place.

Refer Action Plan No. 3

Exhibit 3 – Third Don Crossing analysis of spend December 2014 to July 2016



Project management

55. Detailed project summary sheets have been completed each month in line with the standard template. The information provided on the dashboard largely reflected the information discussed by the project team. Throughout the year, the completion date was revised and the commentary suggested there were delays due to bad weather and unexpected work. On the whole, however, the traffic lights identified timeline issues but not budget issues. It was unclear from the SIP dashboard monitoring why the increased cost of the project was not signposted earlier for elected members. While we appreciate that council approved an extension for this project, for completeness and project scrutiny purposes, it would be helpful to record those key decisions and events as part of the SIP monitoring process as well.

Appendix 1: Action Plan

Action Point	Page/ Para No.	Recommendation	Management Action	Responsible Officer	Target date
1	8/No 4	Consideration should be given to monitoring and reporting progress against business case aims and targets.	Recommendations will be implemented as part of the review to be undertaken by the Strategic Asset and Capital Plan Board.	Strategic Asset and Capital Plan Board	Pending governance review
2	9/No 5 10/No 6 11/No 7 13/28 15/35 16/45 17/47	Progress reporting for capital projects should be reviewed to ensure that sufficient information is provided e.g. about costs compared to budget, key decisions, slippage etc; and audit trails are complete to assist more effective scrutiny. It is also important that key messages are adequately signposted.			
3	9/No 5 11/No 6 17/50	lessons learnt should be collated and reported to management and elected members. As a minimum this should be done as part of the post completion evaluation			

Action Point	Page/ Para No.	Recommendation	Management Action	Responsible Officer	Target date
4	12/21	While the SIP meets a number of best practice criteria, consideration should be given to including the following - overall condition of the council estate, links between investment objectives and service needs and identify opportunities for collaboration.	Recommendations will be implemented as part of the review to be undertaken by the Strategic Asset and Capital Plan Board.	Strategic Asset and Capital Plan Board	Pending governance review
5	16/45 18/54	The assumptions in project financial models should be kept under regular review and audit trails provided to evidence significant changes.			

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	27 September 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. RECOMMENDATIONS

- 2.1 The Committee is requested to:
- 2.1.1 review, discuss and comment on the issues raised within this report and the attached appendix, and
- 2.1.2 consider whether the remaining action relating to the ALEOs Tier 2 Review be amended to “The Council will ensure that Councillors appointed to ALEO Boards following the Local Government Elections in May 2017 attend training appropriate to the role”, that this be addressed by June 2017, and that progress be monitored by Internal Audit through its routine report on recommendations made since 1 April 2015.

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 27 June 2016, the Committee was advised that there were 12 recommendations, made previously by PWC, which had not been implemented by their due date of before the end of April 2016.
- 4.2 There are currently 10 agreed Internal Audit recommendations, which were due to be implemented by the end of July 2016, that

have not yet been implemented. The detail relating to these is shown in the attached appendix.

5. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
David.Hughes@aberdeenshire.gov.uk
(01224) 664184

Outstanding Internal Audit Recommendations

Appendix A

<u>Report Title</u>	<u>Date Issued</u>	<u>Recommendation and Risk Rating</u>	<u>Update</u>	<u>Responsible Officer</u>	<u>Original Due Date</u>	<u>Revised date</u>
ALEOs Tier 2 review	Feb-15	<u>Risk Rating – Medium</u> 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.	Training was offered to Councillors in March 2016, but only five attended. The Service is in the process of re-arranging training and will ensure that Councillors are made aware that it is mandatory for those holding roles on ALEO Boards.	Team Leader, HR&OD	31-Mar-16	Training has been made available on 22-Aug-16
			<u>Update for September 2016:</u> Councillors were advised by HR on 25 July 2016 that training had been arranged for 22 August 2016. Of the 13 Councillors who are on ALEO Boards, only 2 have confirmed that they will be attending. In order to address this issue, Internal Audit recommends that the Council ensures that those Councillors appointed to ALEO Boards following the Local Government Elections in May 2017 attend training appropriate to the role by the end of June 2017. If this is agreed as an appropriate way forward, Internal Audit will monitor this through its routine report on progress with implementing agreed recommendations made since 1 April 2015 and remove this recommendation from this progress report.			
Carefirst	Feb-15	<u>Risk Rating – Medium</u> 1. Management should assign responsibility for reviewing and actioning the unmatched transactions report. Management may consider creating a dedicated role for this task as it would benefit	<u>Update for March 2016 Committee:</u> Progress has been further delayed by the long term absence of a service manager resulting in the lead for the project having to cover operational services	Head of Joint Operations <u>Update for March 2016 Committee:</u> This work	30-Jun-15	31-Mar-16 Now 30-Sep-16

		<p>from a technical understanding of CareFirst, knowledge of the Council's financial arrangements with suppliers and all client groups.</p> <p>2. Agreement will be reached on the criteria/ parameters to be used for deciding whether transactions should be investigated or not. The unmatched transaction report will be modified by the CareFirst Team to ensure it only includes the transactions for assessment before it is issued to the individual responsible for reviewing and actioning.</p> <p>3. Dummy invoices will be processed in CareFirst to remove illegitimate transactions. This will not impact actuals (which are reported through e-Financials) and will allow for accurate commitment reporting. The individual responsible for the unmatched transaction report should also be responsible for this task.</p> <p>4. To ensure temporarily suspended care packages do not accrue costs, the person responsible for reviewing and actioning the unmatched transactions report should enter variances to offset the amount. A list of users who are not closing care packages as per the guidelines should be issued to Service</p>	<p><u>Update for April 2016 Committee:</u></p> <p>1. An officer has been assigned to review the unmatched transactions report, and has recently commenced work on the review. Early findings suggest 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.</p> <p>2. As for 1</p> <p>3. As for 1</p> <p>4. As for 1</p> <p>5. As for 1</p>	<p>stream will sit with the Integrated Social Care Partnership Responsible Officer will be Lead Service Manager (Older People).</p>		
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		<p>Managers for appropriate action.</p> <p>5. The completed unmatched transaction report should be reviewed and signed off by the responsible person's line manager on a monthly basis.</p> <p>6. Consideration will be given to separating the roles of those who assess and manage frontline client needs and those who are sourcing the supply of care and subsequently recording the care on the system.</p>	<p>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.</p>			
Corporate Landlord Responsibilities	Apr-15	<p><u>Risk Rating – High</u></p> <p>(1) The Council will consider implementation of elements of suggested practice from CIPFA.</p> <p>(3) For each property type, standard indicators of utilisation should be agreed to allow for benchmarking</p>	<p>(1) The Council holds centralised budgets in relation to the capital plan, condition & suitability and repairs & maintenance. Revenue budgets around energy and soft facilities management are also centralised. A property asset management policy/strategy has been drafted and will go to CMT on 25 August 2016 and the Finance Policy & Resources Committee on 20 September 2016. A key task within this exercise is to further review the corporate landlord model.</p> <p>(3) This work is still in progress. A Property Strategy has been drafted which incorporates an Action Plan</p>	Director of Communities, Housing and Infrastructure	<p>31-May-16</p> <p>31-May-16</p>	<p>30-Sept-16</p> <p>31-Mar-17</p>

		<p>and evaluation of value for money.</p> <p>(4) Schedules of reporting on the agreed asset utilisation information should be arranged with the different service areas.</p>	<p>highlighting that utilisation is an area for further development. Some elements of the portfolio have been considered on a project by project basis across the estate, in particular reviews of community assets. There are long standing utilisation assessments in place for corporate offices and schools. Potential methods for assessing properties in the wider estate have been devised and will be discussed with Services when resources are made available. The Service is currently looking to recruit to vacancies with appointments in place early next year. Associated work will be prioritised between then and the beginning of the next financial year.</p> <p>(4) Within the draft Property Strategy a Property Performance Report has been proposed which will be submitted to Committee. It is currently under development and will include utilisation indicators.</p>		31-May-16	31-Mar-17
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 September 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 made by Services with implementing recommendations that were agreed in Internal Audit reports issued since April 2015.

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. Where all recommendations contained in reports issued before 1 April 2016 have been completed, these are no longer shown in the appendices.
- 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

David Hughes, Chief Internal Auditor
David.Hughes@aberdeenshire.gov.uk
(01224) 664184

APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 14 SEPTEMBER 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 27 June 2016, the Committee was advised that, as at 15 June 2016, there were 26 recommendations which were due to have been completed by 30 April 2016 which were not fully complete. This has reduced to 15. The total not fully complete, which had an original due date of before 31 July 2016, is 38. 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 30.04.16	Confirmed complete by Service	New in May to July 2016	Confirmed complete by Service	Not fully complete by original due date of 31.07.16	Major	Significant	Important
Cross Service	100	54	47	29	23	13	0	7	6
Communities, Housing and Infrastructure	77	24	24	35	23	12	2	8	2
Corporate Governance	37	19	11	10	6	12	2	8	2
Education and Children's Services	51	4	4	26	25	1	0	0	1
Health and Social Care Partnership	5	4	4	0	0	0	0	0	0
Total	270	105	90	100	77	38	4	23	11

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 14 SEPTEMBER 2016

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	

CROSS SERVICE

AC1601	Recruitment Procedures	February 2016	35	35	29	6	6 Important
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The 6 recommendations that are overdue were due to be implemented by the end of March 2016. Progress with these is detailed below.

Recommendation	Position
2.1.3 – HR should review and, where applicable, update information in the Managing Recruitment and Selection document, and should consider how often and by whom this document is reviewed in the future (graded “important within audited area”).	A reported previously, HR has advised that it has taken longer than anticipated to undertake the necessary review of guidance. The agreed recommendations have been reflected in a draft of the guidance, however, other updates were required which are being made at the same time but are delaying the process. This was due to be complete by the end of July 2016 but will now be finalised by the end of November 2016.
2.1.4 – Documents being published for use should be dated with an author’s name or post, and the next proposed review date. HR should ensure consistency when classifying documents as policies, procedures, protocols (graded “important within audited area”).	As 2.1.3, above.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1601 – Recruitment Procedures – Continued)</i>	
2.1.6 – A staff procedure manual should be created and issued to staff. An agreed document, filing and naming convention should be agreed and followed (graded “important within audited area”).	<p>As reported previously, HR has just merged the Recruitment and ELC Teams with effect from 03/05/16 so they will be doing end to end process from appointment through to termination. Members from each former team have been paired together in a new HR Support Team (which there will be 3 of) and each pairing will be training up their ‘partner’ in tasks they do. As part of this they will be expected to draw up guides for use by the new teams. Initial areas to be covered will be those that are not scheduled for YourHR developments in the next few months. The YourHR ones have workflow behind them when developed.</p> <p>Guides were to be provided to Internal Audit once created to close this off by the end of August 2016, however, although progress has been made, these will not now be complete until the end of September 2016.</p>
2.3.12 – HR should provide guidance on completion of candidate assessment forms (graded “important within audited area”).	As 2.1.3, above.
2.6.2 – HR should review and, where appropriate, update the Managing and Recruitment Selection document (graded “important within audited area”).	As 2.1.3, above.
2.6.3 – HR should consider whether to enforce the panel composition for primary school teachers or amend it to reflect current practice (graded “important within audited area”).	As 2.1.3, above.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CROSS SERVICE (continued)

AC1604	Corporate Policies and Procedures	March 2016	2	0	0	0	0
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AC1615	Timesheets	January 2016	25	22	18	4	4 Significant
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Progress with the 4 recommendations that are overdue is detailed below.

Recommendation	Position
2.4.6 (1c) was due to be implemented in July 2016 – On-line timesheet to be implemented which will have built in rules that will help ensure that payments are made in accordance with the rules and conditions of service (graded “significant within audited area”) .	This has been delayed due to competing priorities and because testing identified issues with the formulas. It is anticipated that a pilot will begin in October 2016 with full implementation in January or February 2017.
2.4.6 (2) was due to be implemented in July 2016 – Spot checks will be put in place on an ongoing basis to ensure the correct application of guidance in relation to payment for non-standard hours (graded “significant within audited area”) .	This is now going to be addressed through the on-line timesheet in Your HR. In view of this, and the issues detailed at 2.4.6 (1c) above, this will now be implemented in January or February 2017
2.6.4 was due to be implemented in June 2016 – HR should ensure that the draft Working Time Regulation Exclusions and Modifications adequately cover working practice in the Roads Service and ensure that they are finalised through a Collective Agreement process (graded “significant within audited area”) .	The revised Working Time Collective Agreement has been prepared and discussed, and is in the process of being signed off by various parties.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1615 – Timesheets – Continued)</i>	
2.10.4 - As reported previously one recommendation <i>(graded “significant within audited area”)</i> was due to be implemented in March 2016. It relates to introduction of a standard format of authorised signatory approval across the Council.	<p>Business Managers across all Services have considered their authorised signatory lists and are comfortable that the lists are suitably standardised and procedures are in place in terms of ongoing maintenance. The lists are to be placed on the Council’s Intranet to ensure that communication of them is more transparent.</p> <p>Internal Audit has requested copies of the lists to confirm the above and has been advised that they are currently being pulled together and should be available by the end of August 2016.</p>

AC1621	ALEOs	February 2016	10	4	4	0	0
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AC1623	Compliance with Procurement Legislation	June 2016	28	22	19	3	3 Significant
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Progress with the 3 recommendations that are overdue is detailed below.

Recommendation	Position
2.1.12 was due to be implemented in June 2016 – C&PS in conjunction with Finance should review Financial Regulations to clarify whether and what exceptions to the requirement to raise a Purchase Order are allowed <i>(graded “significant within audited area”)</i> .	The Service has advised that a draft list of exceptions has been prepared and requires to be finalised with Finance colleagues. The review of Financial Regulations after the approval of the revised Procurement Regulations is now part of the overall Governance Review within the Council for which C&PS have deadlines for completion of regulations, appropriate communications and training by Autumn 2016. A revised completion date of 31 October 2016 would fit with this review.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1623 – Compliance with Procurement Legislation – Continued)</i>	
2.6.4 was due to be implemented in June 2016 – C&PS in conjunction with Finance should review whether revision and re-authorisation of Purchase Orders is necessary for minor changes to content and value <i>(graded “significant within audited area”)</i> .	As 2.1.12 above.
2.6.6 was due to be implemented in June 2016 – C&PS will issue guidance clarifying the raising of purchase orders and any exceptions <i>(graded “significant within audited area”)</i> .	As 2.1.12 above.

COMMUNITIES, HOUSING AND INFRASTRUCTURE

AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	9	0	9	2 Major 7 Significant
All of the recommendations in this report were due to be implemented by the end of June 2016. The Service has advised that they are being progressed through discussion and negotiation, and that it is anticipated that they will all be resolved by December 2016.							

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

AC1607	Rent Collection and Arrears Management	April 2016	8	6	6	0	0
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AC1608	Trade Waste	January 2016	14	12	10	2	2 Important
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Progress with the 2 recommendations that are overdue is detailed below.

Recommendation	Position
2.1.9 was due to be implemented in June 2016 – The Service in conjunction with Finance should review the charging system for extraordinary uplifts (graded “important within audited area”).	The Service has advised that it has developed a revised process management system for extraordinary uplifts and is working with Finance on integrating this with other systems. However, the proposed introduction of a Council-wide Digital Platform is limiting completion of this work although the Waste and Recycling Service will be one of the first areas for integration with the Digital Platform. The completion of this action cannot be determined until the Digital Platform provider is appointed and its project plan delivered although it is anticipate that it will be complete by June 2017.
2.1.13 (a) was due to be implemented in June 2016 – The Service should review the cost of uplifts against charge rates, and determine whether or not it is appropriate for reduced charges to be offered to either attract or retain customers (graded “important within audited area”).	The Service has advised that a review of costs of uplifts cannot be completed until data derived from the Bartec Collective System have been gathered and validated. Use of a non-standard charging rate is rare at this time and therefore the Service considers that the impact of deferring this action until confidence in its outcome can be gained is low. The recommendation will be implemented by the end of March 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

AC1611	Sheltered Housing	February 2016	10	10	9	1	1 Significant
<p>The overdue recommendation (<i>graded “significant within audited area”</i>) was due to be implemented in May 2016 and relates to the Service ensuring that a detailed prediction of staffing levels is undertaken and any forecasts from this are used in future planning for budgeting, staffing levels and negotiations with Bon Accord Care. The Service has advised that the Communities, Housing and Infrastructure Committee has approved that officers develop a method of delivering the Services required and after that an assessment of staffing levels. The Service anticipates that this will be complete by the end of October 2016.</p>							
AC1618	Vehicle and Driver Records	April 2016	22	14	14	0	0
AC1703	Cleaning Payroll	June 2016	14	8	8	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CORPORATE GOVERNANCE

AC1602	Payroll System	October 2015	3	1	1	0	0
AC1606	Creditors System	November 2015	5	5	3	2	2 Significant

As reported previously, the first 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. The Service had stated that this would be completed in June 2016. The latest update from the Service is that, due to a combination of resource and technical issues (that are under review with HR and ICT), the full team has not completed the training. This will be complete by the end of October 2016.

The final recommendation (***graded “significant within audited area”***) was due to be implemented by the end of June 2016 and relates to IT and Transformation ensuring that remote access agreements are in place for all systems that require one. The Service has advised that this is taking longer than anticipated. A system is now in place for any new suppliers requiring access and it is anticipated that existing suppliers will be completed by the end of September 2016.

AC1612	Council Tax	November 2015	4	3	3	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

AC1614	Risk Management	November 2015	10	9	2	7	5 Significant 2 Important
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Six of the overdue recommendations were due to be implemented by the end of March 2016. The position with each of these is as follows:

Recommendation	Position
2.1.6 – The Strategic Risk Register should be updated, approved and reported to the Audit, Risk and Scrutiny Committee (graded “significant within audited area”)	As reported previously, there will now be a strategic risk register (SRR) and a corporate operational risk register. The operational one will be drawn from those risks with corporate impact which are recorded in the service risk registers. The corporate operational risk register was to be reported to the Audit, Risk and Scrutiny Committee in June 2016 and the SRR would follow (no timescale yet). The latest update is that the corporate operational and strategic risk registers are nearing completion and will be reported to CMT on 25 August 2016. There is no firm timeline for reporting these to Committee.
2.1.7 – Performance Dashboards held on The Zone should be populated with the required data (graded “important within audited area”).	As reported previously, all risk registers will be uploaded to the relevant dashboards once agreed. The Corporate Governance register was uploaded to the Corporate Governance Dashboard after the Audit, Risk and Scrutiny Committee on 28 April 2016. The Corporate Dashboard, where the SRR and Corporate Operational Registers will be housed, has yet to be approved by CMT.
2.1.13 – The Risk Management Manual should be reviewed and updated where appropriate (graded “important within audited area”).	As reported previously, the strategy will be revised through work with consultants on the governance review and the manual will then need to be revised after that. The strategy was due to be reported to the Audit, Risk and Scrutiny Committee in September 2016 and the manual revision would be complete by September 2016. The revised strategy will now be reported to Committee in November with the manual being revised in 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

Recommendation	Position
<i>(AC1614 – Risk Management – Continued)</i>	
2.1.16 – Services should bring their risk registers up-to-date and these should be monitored through CMT and Service Management Teams, and reported to Committee in accordance with an agreed timetable (graded “significant within audited area”) .	<p>As reported previously, the Corporate Governance risk register was considered by the Audit, Risk and Scrutiny Committee on 28 April 2016 and the Service’s performance scorecard was reported to the Finance, Policy and Resources Committee in June 2016. Other Services were to report their risk registers to the June 2016 meeting of the Audit, Risk and Scrutiny Committee at a similar point. The risk registers will then be considered quarterly at SMT.</p> <p>The latest update is that the other two Service’s risk registers will be reported to the September meeting of the Audit, Risk and Scrutiny Committee.</p>
2.1.17 – The Council should ensure that the Risk Management Group meets on a regular basis and that attendance is monitored (graded “significant within audited area”) .	As reported previously, this matter is to be discussed with the consultants working on the governance review.
2.1.18 – Terms of Reference should be agreed for the Corporate Risk Management Group to ensure clarity of purpose (graded “significant within audited area”) .	As reported previously, this is dependent on the outcome of 2.1.17, above. If the group is reconvened Terms of Reference will be a requirement.
<p>As reported previously, a further recommendation (2.1.19 graded “significant within audited area”) was due to be implemented by the end of April 2016 and relates to a risk management annual report being prepared and presented to the Audit, Risk and Scrutiny Committee. This had been delayed to the September 2016 meeting of the Committee to allow for inclusion of a benchmarking exercise.</p> <p>The latest update is that the benchmarking exercise has not commenced and it is intended to report to the November 2016 meeting of the Audit, Risk and Scrutiny Committee.</p>	

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

AC1619	Social Work Tendering	April 2016	14	10	7	3	2 Major 1 Significant
The three overdue recommendations were due to be implemented by the end of June 2016. The position with each of these is as follows:							
2.3.5 – Commercial and Procurement Services should ensure that its contracts register provides adequate information of its contracts so that it can act as a foundation for planning tendering activity (graded “significant within audited area”)			As reported previously to Committee, the Service had advised that this would be complete by the end of July 2016. The contracts have been uploaded onto the Team’s contracts management system but have still to be uploaded onto the corporate contracts register system. This will be complete by the end of September 2016.				
2.5.4 (i) – 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. Where double funding has been identified, Services will work together to identify the extent of this , secure repayment where appropriate, and put systems in place to ensure it does not happen again (graded “major at a service level”)			The Service has advised the contract management framework was rolled out in June 2016, staff have completed training and new procedures have been implemented. The recharge protocol issue has been agreed in principle by the two Councils. The value of the necessary adjustment has to be agreed following which work can begin on a recharging protocol to identify and recover double funding, although this is being held up with complications over resource transfer issues at present.				
2.5.4 (iii) – Social Work should consider the risks and value for money associated with block-funded care arrangements and report to Committee the number of providers that have been double funded by other local authorities (graded “major at a service level”)			As 2.5.4 (i), above.				
AC1626	Council Tax Reduction	April 2016	1	1	1	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	3	2	1	1 Important
The overdue recommendation (<i>graded "important within audited area"</i>) was due to be implemented by the end of June 2016 and relates to Financial Services reviewing and rationalising supplier numbers to ensure that there are no duplicates. Implementation of the enhanced reporting tool that would have enabled this recommendation to be completed has been delayed. The Service is working with the provider, Finance and ICT colleagues to resolve the issues and expect that this will be achieved by the end of November 2016.							
AC1605	Secondary Schools	April 2016	17	16	16	0	0
AC1624	Family Centres	July 2016	6	2	2	0	0
AC1625	Teachers Payroll	April 2016	9	9	9	0	0

HEALTH AND SOCIAL CARE PARTNERSHIP

AC1609	Pre-Integration Financial Assurance	January 2016	5	4	4	0	0
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APPENDIX C

Grading of Recommendations

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

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Aberdeen City Council

Outstanding External Audit Recommendations

September 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.

At September 2016, the majority of actions have been completed or have been picked up by other action plans. Where that is the case, I have assumed the actions are complete for the purpose of this report.

Anne MacDonald

September 2016

Progress against outstanding recommendations

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
1	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. Corporate Investigation Manager	31 December 2015	The Corporate Investigation Team business plan for 2016/17 was considered by the Audit, Risk and Scrutiny Committee in April 2016. The plan included a revised programme of work for the year ahead and this included the development of a fraud, bribery and corruption risk assessment process with services. The revised target date was given as March 2017.	Revised completion date March 2017. Corporate Investigation Manager
2	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 revised performance management framework was approved. The April/June 2016 committee cycle saw the introduction of a revised framework for performance	Process needs to rollout and become embedded but action considered complete. Action completed

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
					reporting which commenced with a new Corporate Governance pack being submitted to the Finance, Policy and Resources Committee. Rollout is expected to all other committees from September 2016.	
3	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 Public Performance Reporting (PPR) action plan was agreed by the Audit, Risk and Scrutiny Committee in April 2016. This sets out actions to be taken forward over the period to September 2017. This item is included in our 2015/16 annual report action plan. Rather than duplicate the matter, it is regarded as a closed action here.	Action completed
4	ICT	A new ICT service strategy needs to be developed and implemented. In due course, delivery should be monitored within the	Following appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with	March 2016	A draft strategy was considered by Management Team in January 2016 and the principles reflected within the council's revised Strategic	Action completed.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		council's PMO arrangements. <i>Risk: until a new strategy is published, a perception could develop that the council is not taking a long-term approach to ICT services.</i>	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)		Business Plan.	
5	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. <i>Risk: delivery of this solution is likely to be complex, with dependency on third parties. This may give rise to delay, the need for an interim data centre and increased costs.</i>	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	Transitional arrangements are complete. Regular service performance reports received from Bright Solid and reviewed by IT management. No significant issues experienced to date.	Action completed.
6	ICT	There is a large portfolio of priority projects which places significant demands	The portfolio of projects will be expanded to incorporate resource demands for wider IT and	March 2016	A fortnightly programme board is in place which reviews projects, priorities and progress. The board has	Action completed

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		on the ICT projects team. <i>Risk: projects could be delayed due to ICT staffing constraints and competing priorities.</i>	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)		oversight of all demands on the service and can prioritise accordingly.	
7	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. <i>Risk: as with any change process, it may take time to become embedded.</i>	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.	The areas identified in our recommendation are being addressed through the Master Data Management project.	Action completed
8	ICT	Email and internet borne security incidents highlight the importance of effective refresher training to maintain levels of electronic security awareness in all staff.	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	March 2016	Through the intranet, staff are regularly reminded of the importance of information security. As part of the 2015/16 audit, we reviewed the council's arrangements for managing cyber-attacks and found sound controls and	Action completed

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<i>Risk: as people grow increasingly trustful of the performance and convenience of new technology, they may become less cautious in using their electronic equipment.</i>	of a wider information management culture, training and communications programme Records Manager		processes to be in place.	
9	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. <i>Risk: during the transitional period between data-centres, there may be a loss of knowledge about configuration and recovery.</i>	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	Plans to undertake testing in June 2016 were delayed due to major network changes required in the first instance. In the meantime, alternative DR plans are in place which provide for daily back ups and prompt restoration of applications.	Action completed

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
10	Annual Report	<p>Financial position</p> <p>The council has a significant task ahead in meeting the funding shortfall set out in its 5 year business plan.</p> <p><i>Risk: the ongoing need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.</i></p> <p>Recommendation: the council needs to develop its strategy for delivering the savings required over the next 5 year period. This should bring together the different strands of work which are in progress e.g. shared service opportunities, outcome budgeting and service targets.</p>	<p>Work is well underway to progress the 2016/17 and indicative 5 year budgets. The council's approach to financial planning, incorporating the Extended Corporate Management Team into the process, ensures that all options are considered in developing a strategy to deal with future financial pressures. Progress is also being made in the development of an outcome based budgeting approach for future years.</p> <p>Head of Finance, in conjunction with the Corporate Management Team & Extended Management Team</p>	Update position in February 2016	<p>The council has acknowledged the need for a longer term financial strategy with the recent development of a 40 year financial model. This will be further developed to build in 'what if' scenario planning so that the model can accommodate unknown future economic and social factors.</p> <p>For the purposes of this action, it is considered to be completed.</p>	Action completed.

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
11	Annual Report	<p>Long term financial planning</p> <p>Longer term horizon scanning through the development of long term planning will support the strategic infrastructure plan but also give a more rounded view of the financial landscape. In addition, links should be made with workforce plans.</p> <p><i>Risk: financial difficulties arise through unexpected events</i></p> <p>Recommendation: Long term planning continues to be developed.</p>	<p>The importance of long term financial planning is acknowledged and will continue to be developed.</p> <p>Head of Finance, in conjunction with the Corporate Management Team</p>	Update position in February 2016	See Action Point 11	Action completed
12	Annual Report	<p>Marischal Square Development</p> <p>In responding to economic conditions, the council may mitigate risks by providing financial support, for example,</p>	Each regeneration investment decision will have a full business case prepared which will examine the case for proceeding with the investment decision and will clearly state the financial implications and risks associated	Update by 31 March 2016	The oversight and steward of all the council's capital investment programmes falls within the remit of the refreshed Strategic Asset and Capital Plan Board. The rationale and direction of all projects would therefore come	Action completed

Action Point	Source Report	Recommendation	Management Action agreed/ Responsible officer	Agreed Target date	Action taken	Outcome
		<p>rental assistance to encourage city centre investment.</p> <p><i>Risk: the council's rationale for offering support lacks transparency</i></p> <p>Recommendation: The council's should set out a framework which explains the type and level of regeneration investment it wishes to financially support.</p>	<p>with it.</p> <p>Corporate Management Team</p>		within this remit.	



Aberdeen City Council

2015/16 Audit

Annual Audit Report to
Members and the
Controller of Audit

September 2016

Key contacts

Stephen Boyle, Assistant Director
sboyle@audit-scotland.gov.uk

Anne MacDonald, Senior Audit Manager
amacdonald@audit-scotland.gov.uk

Mark Johnstone
mjohnstone@audit-scotland.gov.uk

Audit Scotland
Business Hub 11, 2nd Floor West
Marischal College, Broad Street
Aberdeen
AB10 1AB
Telephone: 0131 625 1500
Website: www.audit-scotland.gov.uk

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

Stephen Boyle is the engagement lead for the audit of Aberdeen City Council for the period 2012/13 to 2015/16.




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




The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none"> • The independent auditor's reports on the 2015/16 financial statements for Aberdeen City Council and its group and the Aberdeen City Council Charitable Trusts are unqualified. • A timetable for the earlier delivery of the audited financial statements was agreed between the respective finance and audit teams. This was successfully delivered enabling us to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"> • The council has a record of sound financial management supported by a level of reserves which is above the average held by local authorities across Scotland. This provides the council with a financial cushion in the short term. • A new 40 year financial model which recognises all existing obligations has been developed. • In line with its Strategic Infrastructure Plan, the council is currently managing a wide range of significant capital projects.
 <p>Governance and transparency</p>	<ul style="list-style-type: none"> • The council's strategic priorities have been aligned and linked between the council's refreshed Strategic Business Plan, and Directorate and Service plans (the 'golden thread') • Systems of internal control operated well and new arrangements for the internal audit function meet required standards. There are sound anti-fraud and whistleblowing arrangements in place. • Scrutiny arrangements for ALEOs have had a positive impact. Further development is required to ensure that the council can demonstrate the best return from the funding invested in such services and that there are clear expectations around measuring service performance.

 <p>Wider scope issues</p>	<ul style="list-style-type: none"> • Aberdeen City Integration Joint Board was established in February 2016 and became operational in April 2016. Significant work was carried out during the year to build capacity within the board and to develop working relationships in preparation for it taking responsibility for delegated budgets. • Alongside this, the council is embedding governance arrangements to support the City Centre Masterplan, and a City Region Deal with Aberdeenshire Council.
 <p>Best Value</p>	<ul style="list-style-type: none"> • The council has made good progress in responding to the areas for improvement identified by the Best Value report of July 2015. • There has been cross party elected member involvement in key working groups and evidence of consensus on strategic decisions. • A Performance Management Framework has been agreed and a revised template for reporting performance to committee has been piloted with Finance, Policy and Resources Committee. An action plan is in place to improve public performance reporting.
 <p>Outlook</p>	<ul style="list-style-type: none"> • Reductions in funding, at the same time as growing demands on services, means that the council will continue to face financial challenges. • The value of assets on local authority balances will increase significantly from 2016/17 due to the inclusion of infrastructure assets using a depreciated replacement cost basis of valuation. Across Scotland this will add billions to balance sheets and in Aberdeen this is expected to be around £17bn.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Aberdeen City Council. The report is divided into sections which reflect our public sector audit model.

Our Annual Audit Report

2. This report is a summary of our findings arising from the 2015/16 audit of Aberdeen City Council. The report is divided into sections which reflect our public sector audit model.
 - financial statements
 - financial management and sustainability
 - governance and transparency; and
 - best value/value for money
3. Our responsibility, as the external auditor Aberdeen City Council is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board. A revised Code was issued in May 2016 and while it is effective from 2016/17, the principles have, where possible, been adopted early as part of the 2015/16 audit.

4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. The management of Aberdeen City Council are also responsible for:
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
6. A number of reports have been issued by Audit Scotland during the course of the year. These reports, summarised at [appendix II](#), include recommendations for improvements.
7. [Appendix III](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Aberdeen City Council understands its risks and has arrangements in place to manage these risks. The council and Corporate Management Team should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Our audit appointment

10. Audit Scotland is responsible for public sector audit in Scotland with audit appointments generally covering a five year cycle. The financial year 2015/16 is the final year of the current cycle. From 2016/17, the auditor of Aberdeen City Council will be KPMG. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.
11. From 2016/17, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

Audit of the 2015/16 financial statements

Audit opinion	<ul style="list-style-type: none"> We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none"> The financial statements of the council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council's, its group and associated charitable trusts' ability to continue as a going concern.
Other information	<ul style="list-style-type: none"> We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.
Charitable trusts	<ul style="list-style-type: none"> We have completed our audit of the 2015/16 financial statements of the charitable trusts administered by Aberdeen City Council and issued an unqualified independent auditor's report.
Group accounts	<ul style="list-style-type: none"> Aberdeen City Council has accounted for the financial results of seven subsidiaries, one associate and one joint venture in its group accounts for 2015/16. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £111.326m

Submission of financial statements for audit

12. We received the unaudited financial statements on 14 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.
13. In 2015/16, for the first time, local government group accounts are required to include the financial results of Integration Joint Boards (IJBs) in their area, where material. The Aberdeen City IJB was established on 6 February 2016 but did not become operational until 1 April 2016. Consequently the relevant expenditure only amounted to £26k for the period which is not considered to be material and therefore it has not been consolidated into the group accounts.

Overview of the scope of the audit of the financial statements

14. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit, Risk and Scrutiny Committee on 9 March 2016.
15. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

16. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.
17. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial

statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Aberdeen City Council we set our planning materiality for 2015/16 at £8.766m (1% of gross expenditure). We report all misstatements greater than £100k. Performance materiality was calculated at £6.136m, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
21. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculation remained appropriate.

Evaluation of misstatements

22. All misstatements identified during the audit, which exceeded our materiality threshold, have been amended in the financial statements. The impact of these is to reduce Total Comprehensive Expenditure by £31.285m, with a corresponding decrease in Net Assets and Total Reserves. The key items are explained in Table 1, following paragraph 26.
23. In addition we identified a number of presentational adjustments within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements accordingly.

24. A number of monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed not to amend the unaudited financial statements. Had these misstatements been adjusted the net impact would have been to decrease the Net Cost of Services by £1.262m, with a corresponding increase in Net Assets and the General Fund.

Significant findings from the audit

25. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
26. Table 1 details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Issue
<p>1. Property, Plant & Equipment - Revaluation of Council Dwellings</p> <p>As part of the council's rolling 5 year valuation programme for property, the majority of the council's dwelling stock was revalued during the year. The total value as at 31 March 2016 was £979.625m, an increase of 42% on the value as at 31 March 2015. This total includes not only the stock of dwellings, but also garage sites and land. In accordance with the Code, the basis of the valuation was Existing Use Value for Social Housing (EUV- SH). A Beacon approach was used to calculate the total EUV of the portfolio and the council engaged the firm Graham & Sibbald to carry out the physical valuation of the beacon properties. To calculate the discount to be applied to EUV to reflect Social Housing values, the council sought advice from professional firm Savills. This advice noted that in the private sector, valuation of a portfolio of housing stock would normally be based on the expected yield of the total rental value. A similar approach was suggested, and if this valuation fell into a range of 35-40% of the EUV this would be an acceptable level for Social Housing. The council used a yield of 8.75%, which was similar to the suggested yield of 8%. This resulted in a valuation of £946.472m, which equated to 38% of the EUV total. As this fell within the suggested range, it was the value used by the council.</p> <p>Errors were identified which impacted on the calculation of the total expected rent for the year. The total number of properties was adjusted from 21,935 to 22,145 to account for the removal of 151 new build properties not included in the revaluation and inclusion of 361 properties used by the Homeless service which had not previously been accounted for. In addition, the original calculation also incorrectly included other charges to the tenant, such as heating, which are included with the rent. These errors resulted in the total expected rent for the year reducing from £82.816m to £80.623m. The cumulative impact of this resulted in the final valuation being overstated by £22.785m. Consequently, Total Comprehensive Expenditure, Net Assets and Total Reserves should be reduced by this amount.</p> <p>While we were satisfied by the overall methodology followed, specific management representations will be required given the material increase in value.</p> <p>Resolution: Amendments were made to the revised financial statements and the matter was also included in our letter of representation.</p>

Issue

2. Investment in Aberdeen Sports Village

The council has a 50% share in Aberdeen Sports Village (ASV), a joint venture with the University of Aberdeen. Following completion of 'Phase 2' development at ASV, long term loans provided to ASV by the council and the university were converted into preference shares. This transaction was not reflected in the draft annual accounts which resulted in a reduction in Long Term Debtors and a corresponding adjustment to the Available for Sale Financial Instruments Reserve.

The impact of this is to reduce Total Comprehensive Expenditure by £8.500m, with a corresponding decrease in Net Assets and Total Reserves.

Resolution: Amendments made in revised financial statements. This matter was also included in our letter of representation.

3. Misclassification of transfer from Reserves as Financing and Investment Income

A transfer from ear marked reserves of £5.000m was incorrectly allocated to Financing and Investment and Expenditure rather than to service expenditure. The impact of this was to increase the Cost of Services, however it had no impact on the Deficit on Provision of Services.

Resolution: Amendments made in revised financial statements. This matter was also included in our letter of representation.

4. Provision for non-collection

The council has a wide range and age of debtors including council tax payers, rent arrears and sundry debtors. At 31 March 2016 such debtors amounted to £83.6m and the provision for non-collection was £52.1m. Note 4 to the accounts explains the uncertainty exists around certain figures where they are based on assumptions taking historical experience into consideration. As part of the audit we therefore reviewed the adequacy of the provision for non-collection.

Resolution: Taking trend information and current collection rates into consideration, we are satisfied that the provision is not materially misstated.

Issue

5. Charities SORP (FRSSE)

In considering the unaudited accounts for Aberdeen City Charitable Trusts against the requirements of the new charities SORP which was implemented with effect from 1 April 2015, there were a number of areas within the Trustees' Report we suggested needed to be strengthened.

Resolution: Amendments reflected in revised financial statements.

6. Charitable Trusts - Governance documentation

The governance documentation for several trusts could not be located as a consequence of the age of the trust, in some cases dating back over 100 years. The classification of these charities' funds between restricted, unrestricted and endowment funds could therefore not be readily established. We were also unable to verify whether spend in these areas was in line with the original stated purpose for these individual trusts.

Resolution: All funds are treated as endowments, and where there is an absence of governance documentation, the council rely on custom and practice to inform any decisions by the trustees in respect of the trusts' expenditure and use of assets. We are not aware of any matters which would materially impact on the financial statements.

Future accounting and auditing developments

Health and social care integration

27. IJBs are required to produce financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). From 1 April 2016, Aberdeen City IJB is responsible for the provision of health and social care in the area and its financial results will need to be reflected in the council's 2016/17 group accounts. The council will therefore need to include the IJB in its future plans for the preparation and audit of group accounts, including consideration of assurance arrangements relating to the annual governance statement.

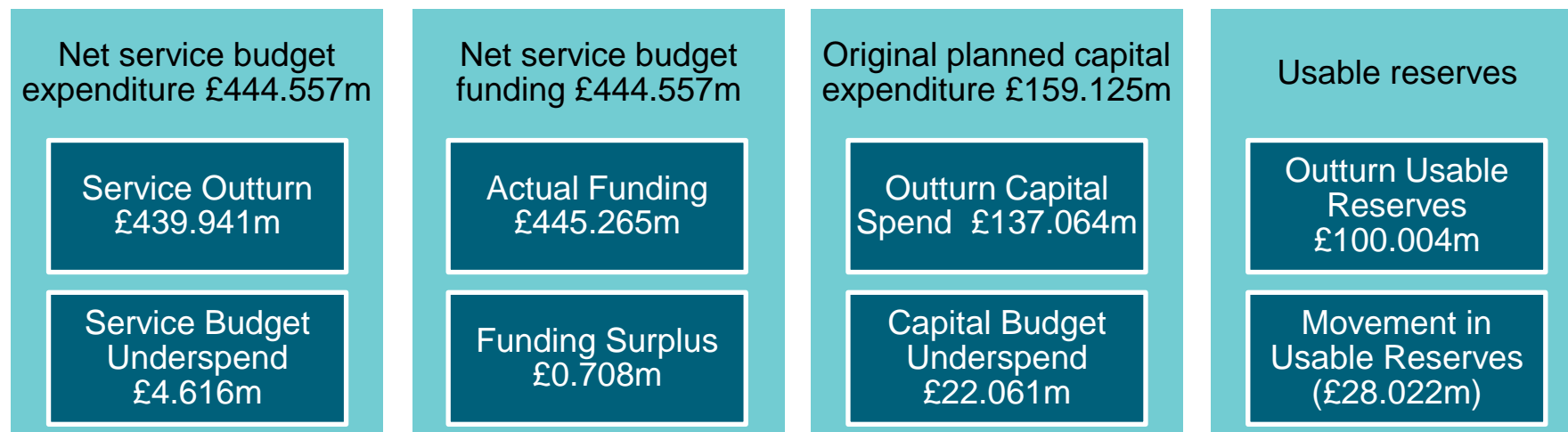
Highways network assets

28. The 2016/17 Code adopts a new measurement requirement for the valuation of highways network assets which is expected to have a significant impact on the value of local authority balance sheets. Initial estimates for Aberdeen suggest that the value added to its balance sheet will be of the order of £17bn and will be measured on a depreciated replacement costs basis.
29. Aberdeen City Council set up a working group of officers from both the Finance and Roads functions to address this matter. A project plan is in place and work continues to ensure compliance with the new Code requirements. An updated Roads Asset Management Plan (RAMP) is expected to be completed in October 2016 and this

will provide the basis for carriageway surface area to be used in the valuation process. A GIS Layer mapping system has been used to calculate carriageway length, and a sample has been undertaken to check actual width against standard. CIPFA are to provide national rates, amended for local factors, to calculate the overall valuation. The council expects to be notified of these rates in early 2017, with separate rates provided for valuations as at 1 April 2016 and 31 March 2017.

30. The council are to open early discussions with the incoming external auditors regarding the levels of assurance expected and are considering the scope for a specific review of the process by Internal Audit.
31. Overall, we would conclude that the council are well prepared for the introduction of the new valuation methodology and that they recognise the impact and scale of the valuations will have on the council's future balance sheets.

Financial management and sustainability



Financial management

32. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.
33. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

34. On a statutory basis, the council reported a deficit of £70.339m on the provision of services in 2015/16. Adjusting this balance to remove the accounting entries required by the Code, the council's general fund balance decreased by £5.831m. This decrease reflects use of the council's earmarked reserves carried forward into 2015/16, including £4.553m to fund capital investment in the year.

35. The council reported an underspend against budgeted expenditure of £4.616m and an increase on budgeted funding of £0.708m resulting in a total underspend against budget of £5.324m which equates to 1.2% of budgeted net expenditure. Exhibit 1 shows the level of underspends against net budgeted expenditure over the previous 5 financial years.

Exhibit 1: General Fund Budget Underspends 2011/12 – 2015/16

	2011/12	2012/13	2013/14	2014/15	2015/16
Total Net Budgeted Expenditure £000	444,904	451,675	421,222	429,929	444,557
Net Underspend £000	3,909	5,695	8,560	7,528	5,324
Underspend as % of Net Budgeted Expenditure	0.9%	1.3%	2.0%	1.8%	1.2%

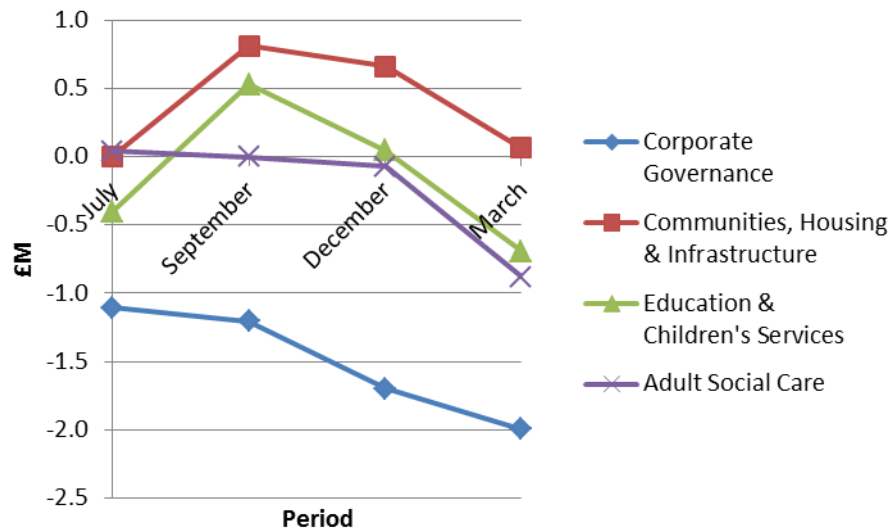
Source: Aberdeen City Council Final Year End Monitoring Reports

36. In overall terms, the management of staff vacancies across all services produced savings of £16.5m (£14.6m - 2014/15), representing 6.6% (6.1% - 2014/15) of the general fund staff budget. Higher than anticipated income levels and an increase in the Band D equivalent properties enabled the council to achieve a greater level of funding than was originally budgeted for.

37. Exhibit 2 shows the departmental projected results and final outturn as reported to members on a regular basis during the year. This shows that there was a significant increase in the level of underspend achieved in the final quarter of the financial year. This can partly be explained by, for example, unspent balances on delegated budgets and grants received which are not known until the year end. Key variations against budget included:

- Corporate Governance achieved an underspend of £2.130m, 7.7% of budget, due to underspends in Staff Costs (0.429m), Supplies and Services (£0.523m) and Administration Costs (£0.509m). Recharges to Aberdeenshire Council for the shared procurement service were greater than budget by £0.306k.
- The underspend of £1.023m in Adult Social Care is largely attributable to underspends against budget on commissioned services and direct payments due to actual demand being less than originally anticipated.
- Education and Children's Services unspent balance largely relates to underspends by schools in their delegated budgets which they are permitted to carry forward.

Exhibit 2: 2015/16 Projected and Final Outturn Variance against Budget – Key Services



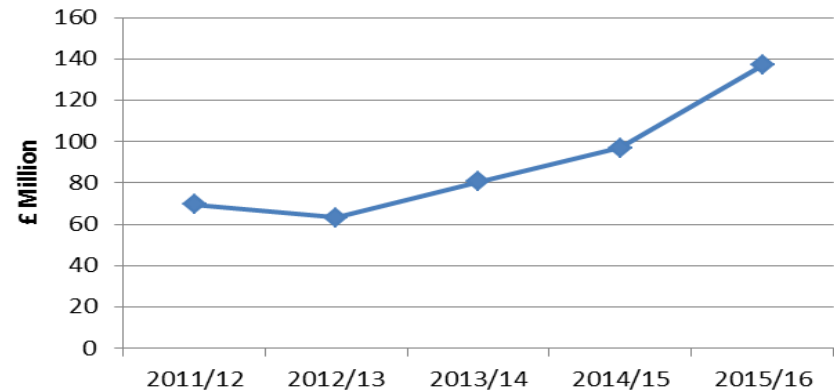
Source: Aberdeen City Council Revenue Budget Monitoring Reports

Capital programme 2015/16

38. The council approved its general services capital programme for 2015/16 in February 2015. Actual spend on the general services capital programme amounted to £102.027m, which was 82.5% of the budgeted figure of £123.740m. In line with the council's Strategic Infrastructure Plan (SIP), this level of capital expenditure represents an increase of 76% on capital expenditure compared with £57.923m in 2014/15.

39. The council approved its housing capital programme for 2015/16 in December 2014. The actual spend of £35.037m was 1% under the agreed budget of £35.385m. The major areas of expenditure were structural works on multi-storey blocks, heating system replacements, and the modernisation programme.
40. Exhibit 3 shows how capital investment has increased in the last few years as the council continues to implement the priorities set out in its Strategic Infrastructure Plan by progressing projects such as the Aberdeen Western Peripheral Route, Third Don Crossing, Art Gallery Redevelopment and Brimmond School.

Exhibit 3: Capital Investment

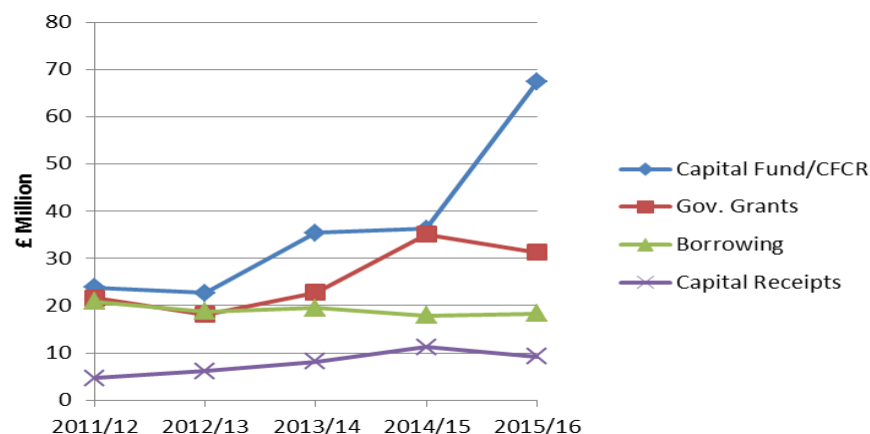


Source: Aberdeen City Council Annual Accounts

41. We reviewed how the council manages major capital projects and our findings are set out at paragraph 162 to 166 below.

42. The trend in sources of funding for capital expenditure is reflected in Exhibit 4. This shows that whilst other forms of financing have remained broadly similar compared to 2014/15, there has been a significant increase in internal financing from the councils Capital Fund (£32.0m, increase of £16.8m or 110.5%) and Capital from Current Revenue (CFCR) (£35.5m, increase of £14.5m or 69.0%). This is in line with the council's Treasury Management Strategy for 2015/16, which planned to use internally generated funds to support the Strategic Infrastructure Plan.

Exhibit 4: Sources of Finance for Capital Expenditure 2011/12 – 2015/16



Source: Aberdeen City Council Annual Accounts

Financial management arrangements

43. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the proper officer has sufficient status within the council to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the council
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
44. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.
45. We reviewed the council's standing orders, financial regulations, and scheme of delegation and concluded that they are were comprehensive and up to date. The council is currently undertaking a Governance Review (refer paragraph 101), which includes a refresh of these documents to ensure they continue to support implementation of the refreshed Strategic Business Plan.

46. Council-wide financial monitoring reports (both revenue and capital) are submitted to each meeting of the Finance, Policy and Resources Committee. Detailed financial monitoring reports, at a service level, are regularly submitted to the relevant committee. The reports provide good information on budgeted spend to date and the year end forecast position. Reports also include a narrative section which provides a commentary on significant issues and any risks arising which might impact on the budgeted position being achieved. Reports are comprehensive and well laid out.

Shared Section 95 Officer Arrangement

47. In December 2014, the Finance, Policy, and Resources Committee agreed to enter into a trial shared working arrangement for a section 95 officer with Shetland Islands Council.
48. As set out in the Business Case, the objective of the arrangement was to 'establish how successful a shared s.95 officer arrangement can be; to ensure that each local authority receives a seamless service from the point of view of financial leadership, strategic financial advice, maintaining financial stewardship levels and continued delivery of appropriate professional advice, guidance and front line service delivery to the internal and external customers of both local authorities.'
49. The Business Case proceeded on the basis that there would be 'no additional cost to Aberdeen City Council as the cost of creating capacity within the Finance structure, travel and associated costs will be met by Shetland Islands Council'.

50. The arrangement commenced with the Head of Finance and Corporate Accounting Manager sharing responsibilities. To ensure a comprehensive service was provided to both councils, the Corporate Accounting Manager assumed a greater role in Shetland but still under the oversight of the Head of Finance.
51. At the Finance, Policy & Resources committee meeting in December 2015, it was agreed that the shared service would continue until the 31 March 2016 but that Shetland intended to appoint its own s95 officer at that point. Both councils felt that the arrangement has been beneficial, not only in financial terms, but also in respect of the experience gained by the staff involved. A total of £70,000 was recovered by Aberdeen from Shetland Islands Council to meet the additional costs from the arrangement.
52. The shared s.95 agreement was not renewed for 2016/17, as a result of the Corporate Accounting Manager being appointed Section 95 Officer at Shetland Islands Council.

Conclusion on financial management

53. We have concluded that the council's financial management arrangements are satisfactory. Over the last number of years, the council has delivered a small surplus against budget which had been used to build up reserves. This year we have seen the council use the reserves it has built up to fund a significant level of capital investment. Sound financial management in this, and previous years, means the council has not been reliant on borrowing to fund its Strategic Infrastructure Plan.

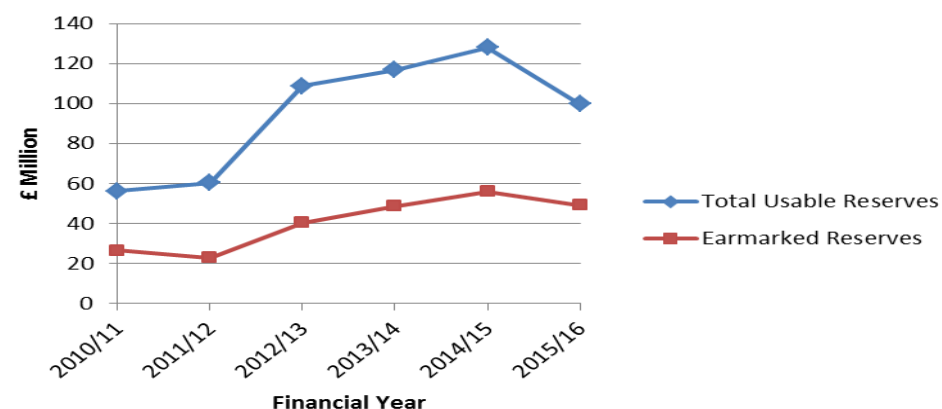
Financial sustainability

54. The council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the council has the capacity to meet the current and future needs of its communities.
55. In assessing financial sustainability we are concerned with whether:
- there is an adequate level of reserves
 - spending is being balanced with income in the short term
 - long term financial pressures are understood and planned for
 - investment in services and assets is effective.
56. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

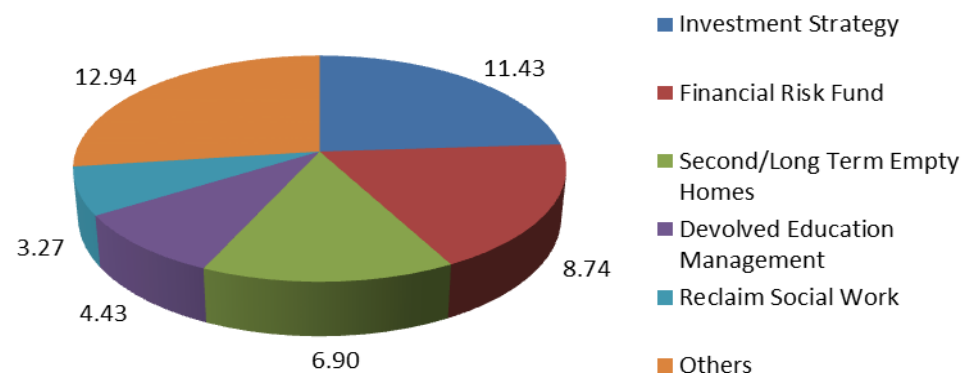
Reserves

57. The overall level of usable reserves held by the council at 31 March 2016 decreased by £28.022m compared to 2014/15 and totalled £100.004m. This decrease is attributable to the use of the Capital Fund to finance capital expenditure and use of earmarked reserves as described in paragraph 42. As shown in Exhibit 5, the total level of usable reserves had been increasing over the previous 3 years and these are now being used to support the Strategic Infrastructure Programme. The General Fund balance includes £11.291m of unallocated general fund reserves.

Exhibit 5: Usable reserves and earmarked balances



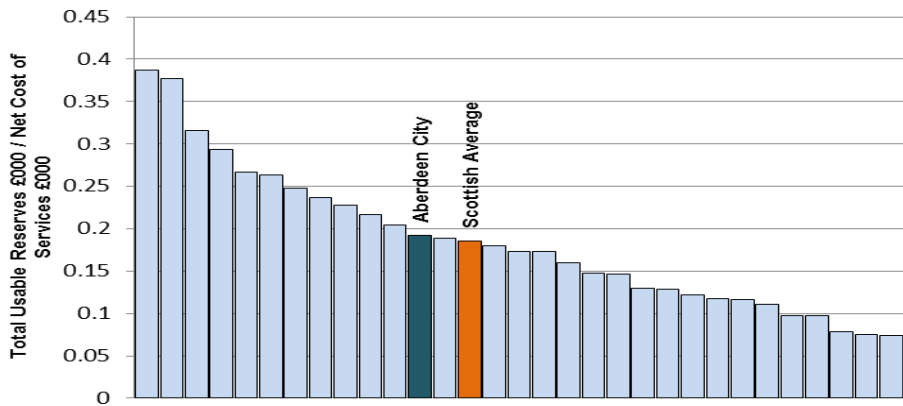
Earmarked Balances - £m



Source: Aberdeen City Council 2015/16 financial statements

58. Exhibit 6 presents the council's usable reserves position in relation to the net cost of services for the year in comparison to other Scottish councils. This demonstrates that the council's level of usable reserves is slightly above the average for Scotland.

Exhibit 6: Total Usable Reserves as proportion of Net Cost of Services



Source: Scottish councils' unaudited accounts 2015/16 (excluding Orkney and Shetland Islands councils)

59. Since the council launched its 5 year business planning process, it has aimed to ensure that resources are available to support the capital investment programme and the implementation of a de-risking strategy to minimise the impact of unexpected financial pressures. The use of earmarked reserves is central to the council in meeting these aims. They are used to keep track of resource decisions and in general terms, budget underspends are diverted into earmarked balances for future investment.

Financial planning

60. For 2015/16, the council approved a balanced budget, without having to identify savings options or use reserves. At that time, a cumulative shortfall of £52.613m was predicted by 31 March 2020 on the basis that the council did nothing and accepted estimated future cost pressures. During the year, the council has therefore been developing plans to address the forecast future shortfalls including transformation, outcome budgeting and income maximisation.
61. Further impacting on this position was the Scottish Government funding settlement announcement in December 2015. This covered one year only and in respect of the council, there was a decrease in funding of £10.3m which equates to 3.5%. The settlement included conditions regarding a continued freeze in council tax levels, maintenance of pupil teacher ratios and ensuring all social care workers, including those in the independent and third sectors are paid the Living Wage. This provided additional challenges in preparing a balanced budget for 2016/17 and limited the opportunity to prepare 3-5 year budgets.
62. The council approved its 2016/17 budget on 25 February 2016. Officers prepared a list of potential savings areas amounting to £5.9m, from which members agreed savings of £2.4m to achieve a balanced budget for the year. Key savings included the removal of the secondary teaching staff formulae (£0.4m) and reductions in council funding to two arms-length external organisations, Bon Accord Care (£0.7m) and Sport Aberdeen (£0.4m).

- 63. As a result of the lack of a future funding settlement from the Scottish Government, the council, in common with other councils, only approved a one year budget in February 2016. At the time of agreeing the budget it was expected that indicative figures for future years would be available after the Scottish Government's Comprehensive Spending Review was completed, probably in Autumn 2016 and thereafter, the council committed to preparing a revised 5 year budget.
- 64. Following a review of assumptions, the council's latest medium term financial targets indicate a forecast shortfall ranging from £20m in year 1 to £35m in year 5. A report to the council's CMT in May 2016 set out the overall approach for developing a budget for 2017/18 and agreed to commence two projects which will support the development of budgets for 2017/18 and in future, an activity analysis to review staff activity with the aim of ensuring that this is focused on priorities, and an income review looking at income generation both in terms of fees and charges and commercial opportunities.

Long term financial planning

- 65. Long term planning is essential to ensure that future levels of planned capital investment are affordable to the council. In our 2014/15 Annual Audit Report, we commented on the council's initial work in developing a long term financial strategy by setting out the economic and social factors affecting the public sector up to 2050.
- 66. Now that a range of projects from the SIP are being progressed, several have long term financial implications for the council. There

are also agreed five year Housing and Non Housing capital budgets for the period 2016/17 – 2020/21 involving another £566m of investment. In addition, two further plans involving significant regeneration for the city were agreed during the year which will require significant capital investment. The City Centre Masterplan is a 25 year programme to regenerate the city centre while a City Region Deal has been concluded with the UK and Scottish governments to support investment in a number of projects across North East Scotland. We comment further on these plans in the following section.

- 67. In recognition of the need for a longer term investment strategy, the council has recently developed a financial model covering the period up to 2056. This reflects known current commitments and borrowing requirements. It is also intended to provide forecast future income and expenditure levels and cash flows. In addition, there is scope to build in 'what if' scenario planning so that the model can accommodate unknown future economic and social factors.

Workforce Management

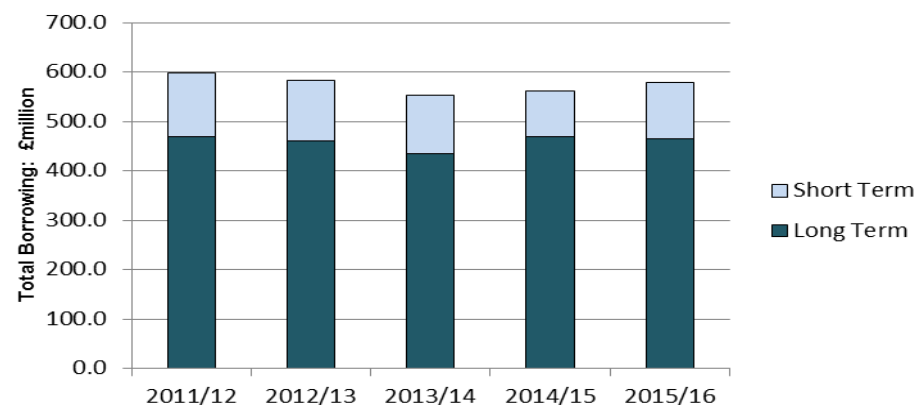
- 68. In November 2013, the Accounts Commission and Auditor General published a report on Scotland's public sector workforce. The report highlighted a number of key messages on workforce changes across Scotland and made a number of recommendations to the Scottish Government, central government bodies, the NHS, COSLA and local authorities. A national follow up exercise was carried out during 2015/16 to determine the extent to which public bodies are implementing previous recommendations.

69. In addition to this, the Best Value audit of Aberdeen City Council published in July 2015 noted as an area for improvement that the council should consider the capacity and capability required to deliver the strategic priorities against the recruitment challenges experienced in the North East.
70. We commented on our follow up findings in our Interim Report in June 2016. We found that a Strategic Workforce Plan for 2016/17 has been developed which provides a summary of the key actions and strategies to meet future workforce requirements. While each directorate is required to prepare a workforce strategy, workforce issues have been included in service level business plans (not directorate level), rather than a separate workforce document.
71. One of the council's key actions for 2015/16 has been developing succession plans for key occupational groups within the workforce and hard-to-fill business critical posts. Information was gathered to identify the likely numbers required in each service over the next 5 years. From this, the council will identify how overall strategies, such as 'Aberdeen Guarantees', Modern Apprenticeships and Graduate Support Scheme, can be applied to each hard to fill, business critical post. The council will also use the findings to identify skills and knowledge gaps that could be filled taking the current downturn in the oil and gas sector into consideration.
72. If the information that has been collected is used to develop comprehensive plans for succession planning then the council would be well placed to address all the recommendations contained in the national report

Treasury Management

73. At 31 March 2016 total borrowing increased from £562.3m in 2014/15 to £578.1m. Of this total, long term borrowing stood at £464.751m, a slight decrease of £4.870m on 2015. During the same period, short term borrowing increased from £92.658m to £113.348m. This is in line with the council's Treasury Management Strategy for 2015/16, which was to make use of internally generated funds before using long term borrowing facilities. Exhibit 7 shows the council's borrowing position for the last five years which is focused at reducing debt.

Exhibit 7: Total Borrowing 2011/12 – 2015/16



Source: Aberdeen City Council Annual Accounts

74. Of the total long term borrowing of £464.751m at 31 March 2016, £93.893m (20%) related to 'Lender Option Borrower Option' (LOBO) loans. These are loans where there is an option that allows the

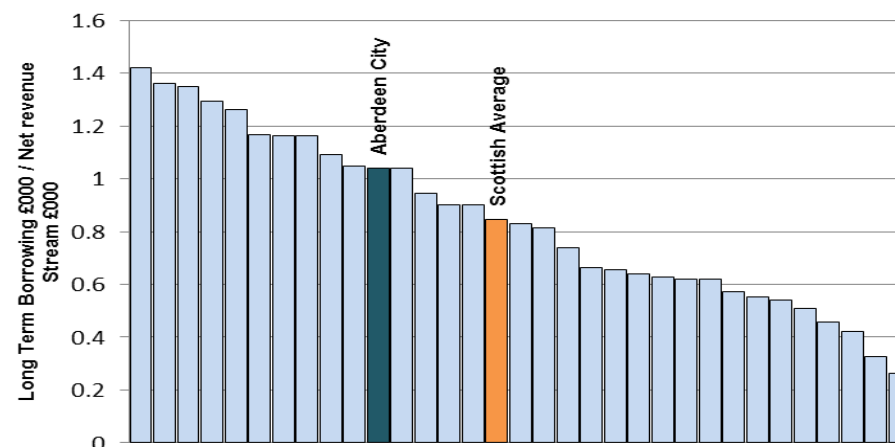
lender to increase the interest charge at specified dates, and the borrower has an option to repay the loan or accept the increased rate. The council has confirmed that one lender, with loans to value of £40m has since confirmed that they will not be taking up the option to increase the interest rate.

75. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. Exhibit 8 shows long term borrowing as at 31 March 2016 as a proportion of net revenue stream for all councils in Scotland. This shows that Aberdeen is among the councils at the higher end of the scale when borrowing as a proportion of net funding stream is compared.

Asset Management

76. A Corporate Asset Management Plan was last approved as part of the non-housing capital budget for 2014/15 in February 2014. This overarching asset management plan is supported by a number of more detailed plans covering specific asset categories, such as property, roads and infrastructure and fleet.

Exhibit 8: Scottish councils' long term borrowing as a proportion of net revenue streams



Source: Scottish councils' unaudited accounts 2015/16

Pension liability

77. During the year, the council's pension liability decreased by £38.037m to £251.118m. This movement is attributable to an increase in the discount rate used by the scheme actuaries. The pension liability represents the difference between the expected future pension payments and the underlying value of pension fund assets available to meet this cost. Exhibit 9 shows that the pension liability is amongst the lowest in Scotland when compared to Net Assets.

[illegible]

Conclusion on financial sustainability

- ## Outlook

- 79.** Councils face increasingly difficult challenges. In the context of overall reductions in public sector budgets, councils' revenue funding from the Scottish Government will reduce by five per cent in 2016/17, bringing the real terms reduction in revenue funding since 2010/11 to 11 per cent.¹ Despite this, demand for council services has increased, largely due to population changes. Increased pension contributions and national insurance changes will create further cost pressures on the council.
- 80.** In common with other councils, Aberdeen City Council is reporting gaps between income and the cost of providing services over the next few years. With further funding reductions expected, councils face tough decisions if they are to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances.

Capital Investment

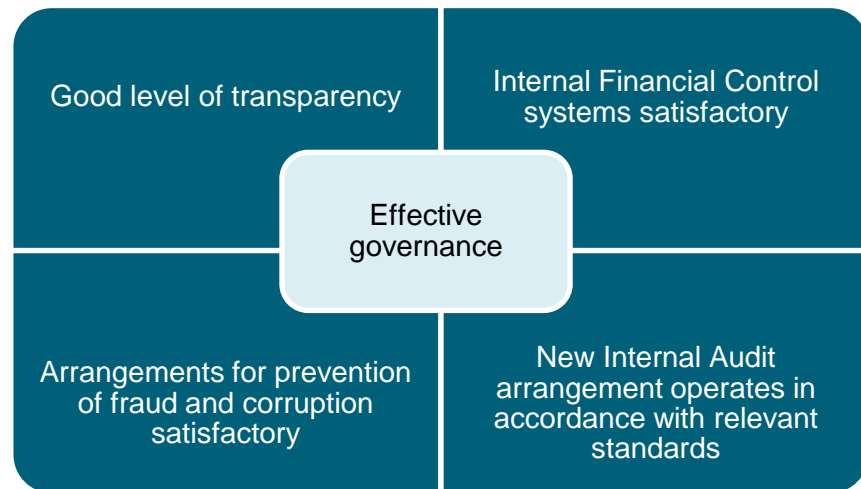
81. Through its SIP and City Centre Masterplan, the council is taking forward a number of significant developments. These plans have recently been enhanced with the agreement of a City Region Deal

¹ Per - <http://www.audit-scotland.gov.uk/report/an-overview-of-local-government-in-scotland-2016>

with Aberdeenshire Council. Some of the most significant upcoming projects include:

- construction has begun on a £300m development of a new site for Aberdeen Exhibition and Conference Centre (AECC). The council approved a preferred funding mechanism in May 2016, and negotiations are currently underway with external funders.
- development of a joint project with Aberdeenshire Council and The Moray Council to construct a new Energy from Waste (EfW) facility serving all three councils. This project is key to supporting the Zero Waste strategy for the councils, and offers the future opportunity to alleviate fuel poverty within areas of Aberdeen. The council's contribution to the project is budgeted at around £64m.
- the council and hub North Scotland have concluded a £47m finance deal for the design and build of a new south of the city academy. Construction has begun and is expected to be completed in June 2018.

Governance and transparency

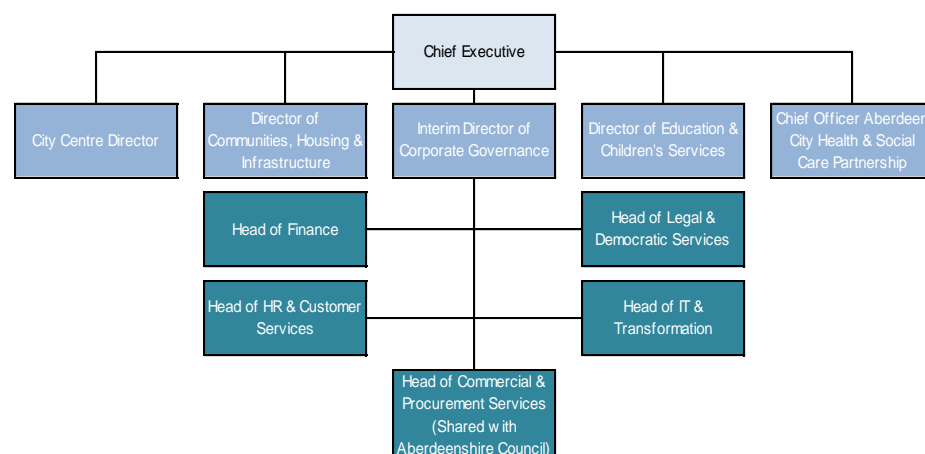


82. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
83. Citizens should be able to hold the council to account about the services it provides. Councils should therefore be transparent by making accessible and understandable information available about how the council is taking decisions and how it is using its resources

Corporate governance

84. An Interim Director of Corporate Governance was appointed in autumn 2015 who has led on many of the improvements being considered as part of the Best Value follow up activity. In addition, he is one of the sponsors for the council's governance review which was launched in 2015.
85. This post has been difficult to fill on a permanent basis. In June 2016, the council therefore agreed to re-designate this Director post in the council's management structure (set out in Exhibit 10) to Depute Chief Executive. The aim is to attract a wider pool of candidates when recruiting for the post in future.
86. The Head of Legal & Democratic Services, who acts as the council's Monitoring Officer left in April 2015. The new postholder took up the role in July 2015, with the Head of Commercial and Procurement Services acting as the council's Monitoring Officer in the interim. Within Legal and Democratic Services, two service managers support the head of service and both left the council in autumn 2015. This opened the way for the new head of service to restructure his team to meet the needs of the council.
87. Following the departure of the council's Head of Education, the opportunity was taken in December 2015, to enter into a joint working arrangement with Aberdeenshire Council to share the post. The arrangement was extended by a further 6 months in June 2016.
88. A City Centre Director was appointed to deliver the City Centre Master Plan.

Exhibit 10: Senior Management Structure, Council and Corporate Governance



Source: Aberdeen City Council

Political Leadership

89. During the year, there was evidence of cross party consensus on strategic decisions and more mature working relationships were observed. For example, agreement on the City Centre Master Plan and the funding strategy to support the council's capital programme. Group leaders continued to meet each council cycle providing the opportunity for sharing information on strategic priorities such as the City Region Deal and for building further consensus.
90. The economic downturn in the Oil and Gas sector and the continuing shortage of teachers in the North East are significant issues affecting the city and the wider North East Scotland region.

The council has provided effective political leadership in seeking to address these challenges.

91. The council hosted an Oil and Gas Summit in February 2015, which was attended by representatives of the UK and Scottish governments and local industry. A further roundtable discussion with key stakeholders was held in July 2016 to review/consider actions taken to sustain the oil and gas economy. A key conclusion from the summits was the need for infrastructure investment in the Aberdeen City region. Both governments expressed support for proposals by Aberdeen City and Aberdeenshire Councils to secure a City Region Deal.
92. The council also took the lead in bringing together 6 other councils from North Scotland to a 'Raising Attainment: Securing Teachers' summit held in October 2015. This brought together council leaders, directors of education and the Cabinet Secretary for Education and Lifelong Learning to identify actions to improve teacher recruitment.
93. There is senior councillor representation on a range of recently formed boards and working groups responsible for taking forward council priorities. Governance frameworks have recently been put in place to support the City Region Deal and the City Centre MasterPlan with administration and opposition party representation. In addition, a reference group has been established to ensure there is elected member involvement in each stage of the wide reaching governance review currently being undertaken.

94. The Aberdeen City health and social care Integrated Joint Board (IJB) was formally established in February 2016 but has worked well as a shadow board for some time and developed sound governance structures and processes. The capability and capacity of the board, including senior councillors and NHS board members working together, benefitted from support over the past year from the Good Governance Institute.
95. The council has also had highly sensitive cases to deal with, most notably, the tragic death of a teenager at Cults Academy and the outcome of an investigation at the crematorium. In both cases, independent reviews were commissioned and findings are expected shortly.

Scrutiny

96. In May 2015, the convenor of the Audit, Risk and Scrutiny Committee resigned following his election as an MP. A new leader of the opposition was chosen and also became the new convenor of the committee. In April 2016, she resigned as leader of the opposition and stood down as convenor but remains a member of the committee. The new leader of the opposition took the convenorship in April 2016, having previously served as a member of the committee for around a year.
97. The committee approved its Annual Report in June 2016 which was subsequently presented to the full council in August 2016. It included a summary of activity and outcomes including self-evaluation and areas for focus in 2016/17. The report also highlighted the training delivered to new members which covered for

example, the annual accounts process, internal audit and risk management.

98. We have reviewed the operation of the committee more generally and found that it meets CIPFA Audit Committee Principles. In line with good practice, there was an improved level of scrutiny during the year, annual self-evaluation by the committee of its operation and more self-reflection through short wash up sessions on conclusion of formal committee business.
99. The remit of the committee sets out that it will 'consider and approve the council's Annual Accounts'. The unaudited Annual Accounts were presented to the committee on 27 June 2016 with a covering report from officers setting out expectations regarding scrutiny and approval of the council's accounts including the charitable trusts, and the annual governance statement. The report also included an appendix containing Audit Scotland's guidance 'Why the Accounts Matter'. However, there was limited scrutiny of the accounts or the governance statement by the committee. This may be a consequence of the 2015/16 budget outturn monitoring report having been considered by the Finance, Policy and Resources Committee prior to the audit committee and with some common membership across committees, there was perhaps already a familiarity with some of the content.

Local code of corporate governance

100. The council has adopted a local code of corporate governance which reflects the 6 key principles as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government. The council discloses how it demonstrates compliance with these principles and any developments during the year are included in its Annual Governance Statement. We reviewed the statement and found it to be an accurate reflection of the council's arrangements.

Governance Review

101. CIPFA/SOLACE introduced revised principles in response to the increasingly complex environments within which local authorities operate. This includes addressing serious financial challenges, increased incidence of/requirement for arms-length operations, and the impact of these on ways of working. In addition to this, legislative drivers such as health and social care integration and community empowerment, mean that local authorities need to manage their external relationships more carefully than ever before.

102. The revised principles became effective from April 2016 and the Annual Governance Statement in June 2017 is required to demonstrate the extent to which the council's governance aligns with these principles.

103. The council has already commenced a Governance Review of its local framework against this backdrop. Other objectives include ensuring the framework supports the achievement of the council's objectives and that it responds to the findings of the Best Value

Exhibit 11: Governance Review: Outputs

- Reviewed and revised risk and performance management frameworks
- Reviewed and revised elected member development approach
- Public participation and engagement strategy
- Corporate Policies Framework
- Refreshed Local Code of Corporate Governance reflecting the seven CIPFA/SOLACE principles published in April 2016.
- An Aberdeen City Council Constitution, comprising the Council's constitutional documents, including:
 - Member / Officer Protocol
 - Standing Orders
 - Committee Reporting Procedures
 - Committee Orders of Reference and Reporting Relationships
 - Aberdeen City and Aberdeenshire Procurement Regulations
 - Scheme of Delegation, including Proper and Statutory Officers
 - Arms-length governance arrangements
 - Member and officer guidance on gifts, hospitality and registering interests
 - Financial Regulations
 - Following the Public Pound Guidance

Source: Governance Review – Report to Council, May 2016

report. The review is led by the Head of Legal and Democratic Services under the sponsorship of the Interim Director of Corporate Governance. Exhibit 11 sets out the agreed outputs from the review.

104. It is intended that the review will be completed and considered by council by 31 March 2017 in order that an improved and agreed framework is in place for the new council after the election in May 2017.

Strategic Planning

105. The audit of Best Value of Aberdeen City Council reported in July 2015 that the council should review how the political priorities of Aberdeen: the Smarter City, the Strategic Infrastructure Plan (SIP), the City Region Deal and the City Centre Masterplan are linked through to service plans. We reviewed developments in this area throughout 2015/16 and reported in our Interim report of June 2016.
106. We found that a refresh to the Strategic Business Plan was approved by the Council in February 2016 as part of the 2016/17 budget setting process. This brings together strategic planning and the 'Shaping Aberdeen' organisational plan for the delivery of the council's vision, resource planning and decision making. Directorate Business Plans for each of the council's 3 directorates were also made available to members at this time. Subsequent to this, Service Business Plans were developed and all were reported to the appropriate committees by June 2016.

107. We reviewed the directorate plans and a sample of service plans and found that a consistent 'golden thread' was identifiable from Aberdeen: The Smarter City, 'Shaping Aberdeen', through the Strategic Business Plan and personal objectives. A common set of core objectives was introduced for all managers aligned to the aims within 'Shaping Aberdeen'.

Internal control

108. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.
109. We reported our findings to the Audit, Risk and Scrutiny Committee in June 2016. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Our findings included a number of recommendations to enhance the control system in operation.
110. Over the past year, many organisations have experienced disruption to their IT systems due to "cyber-attacks" from the internet. We reviewed the council's arrangements for managing cyber-attacks and in general found well designed security controls and processes.

Internal audit

New Arrangements

111. From 1 April 2015, the council entered into an agreement with Aberdeenshire Council for the provision of a shared internal audit service. This arrangement was expected to deliver savings of up to £217,000 per annum in comparison to the previous contract for internal audit services. It is planned to develop rolling 3 year plans for each council, linking these as far as possible to improve efficiency and share best practice.
112. The Internal Audit Plan 2015/16, approved by the Audit, Risk and Scrutiny Committee (ARSC) in February 2015, was based on a strategic risk assessment with the following periodic assurance over key financial systems:
- aspects of procurement, payroll and income collection - annual basis
 - budget setting and monitoring, across all services on a rolling basis throughout a three year period
 - key financial and business systems (financial ledger, council tax, business rates, payroll, receivables, payables, housing rents) - once over the three year period.
113. Progress reports against the agreed plan were presented to each meeting of ARSC. Slippage was highlighted in the first progress report in September 2015 and continued to be a regular feature throughout the year. There were a combination of issues including

time taken to gain access and familiarisation with council systems, a number of unscheduled investigations and staffing matters.

114. The final 2015/16 progress report identified that eight reviews (25% of total planned) were either cancelled or carried into the 2016/17 plan. We met with officers and agreed which reviews should be prioritised in order to provide the necessary assurances for the financial statements process.
115. The Chief Internal Auditor provided his opinion on the council's internal control system for 2015/16. The associated Internal Financial Control Statement 2015/16 was presented to the ARSC in June 2016, and the Chief Internal Auditor concluded that, in his opinion, 'reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2016'.
116. The 2014 Regulations require councils to assess the efficiency and effectiveness of the internal audit service from time to time. The outcome of this review should be considered as part of the system of internal controls by the committee charged with governance (in this case the Audit, Risk and Scrutiny Committee) and arrangements are in place for this review to be concluded within the required timescales.

Reliance on Internal Audit

117. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. Generally, we seek to rely on

the work of internal audit wherever possible and, as part of our 2015/16 planning process, we concluded that the internal audit service operated in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enabled us to take assurance from their documentation and reporting procedures. We placed formal reliance on internal audit's Creditors and Council Tax reviews to support our audit opinion on the financial statements.

Arrangements for maintaining standards of conduct and the prevention and detection of fraud and corruption

- 118.** A revised Policy and Strategic Response to Fraud, Bribery and Corruption was approved by the council in September 2015. We reviewed the revised policy and confirmed that it provides good guidance to officers on definitions of fraud, bribery and corruption and how any suspected issues should be raised. We concluded that the arrangements in place were satisfactory and we are not aware of any specific issues that we need to record in this report.
- 119.** The council created a Corporate Investigation Team (CIT) in April 2015. During the year the CIT established working practices and prioritised investigations on a reactive basis. A Fraud Annual Report was prepared by the CIT and presented to the ARSC in April 2016. This provided a summary of the work of the CIT during the year and was the first to be presented during our five year appointment. The report also contained a very good level of detail for member scrutiny and set out a number of actions to improve fraud arrangements going forward.

- 120.** The CIT's business plan for 2016/17 was approved by the ARSC in June 2016 and sets out a more structured approach to work planning for the team.
- 121.** In our Interim Report of 2012/13, we made recommendations that risk assessments undertaken in response to the requirements of the Bribery Act should be evaluated and addressed as appropriate. This action was originally to be completed by August 2013 but was revised to 30 September 2016 following the establishment of the CIT. Due to the limited resources in the team, this work was delayed due to other tasks taking priority.
- 122.** A Whistleblowing Annual Report was also presented to the ARSC in June 2016 for the first time.

National Fraud Initiative in Scotland

- 123.** The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken around the effectiveness of the internal arrangements for preventing and detecting fraud.

- 124.** In our 2014/15 annual audit report we noted that limited progress had been made with the exercise due to the key contact responsibility transferring to the Corporate Investigations Manager and other priorities taking precedence such as the transfer of benefit fraud cases to the Single Fraud Investigation Service. This position had not significantly changed in February 2016, when we reported that the level of matches processed had increased from 5% (in 2014/15) to 22%. By 31 March 2016, this had increased to 32%.
- 125.** In April 2016, ARSC considered the Fraud Annual Report which stated that the level of engagement with the exercise would significantly improve over the subsequent 6 months to September 2016. While there was some movement, the planned progress over the six months did not emerge and the latest position was 35% matches processed as at August 2016.
- 126.** Outcomes for the 2014/15 NFI exercise show that the council had identified 59 errors with a value of £97,746. More positively, a large amount of progress was made in a separate matching exercise between the electoral register and council tax single person discount (66.7%).
- 127.** Past experience has tended to demonstrate that to be effective, matches need to be dealt with promptly otherwise the data loses its currency. The limited progress made with the main exercise since March 2016 could therefore be due to the length of time which has elapsed in the nineteen month period since the matches were issued. However, the Audit Scotland NFI national report issued in June 2016 highlights that 20 percent of the outcomes from the

previous NFI exercise occurred in the March of the year after the matches were issued. This means that, should this trend continue, between £2.9million and £6.3million could still be identified from the overall 2014/15 exercise across Scotland.

- 128.** As key contact, the CIT should have sufficient standing and independence within the council structure to progress the review of matches and therefore it is important that senior management demonstrate their commitment and support for NFI across the organisation.

Governance of ALEOs

- 129.** In June 2015, the council implemented a framework of Governance Hubs for its significant ALEOs – Bon Accord Care (BAC), Aberdeen Sports Village (ASV), Sport Aberdeen (SA) and Aberdeen Exhibition and Conference Centre (AECC) – to provide assurance around their governance arrangements. This was extended to ‘tier 2’ ALEOs – Aberdeen Heat & Power, Aberdeen Performing Arts and Garthdee Alpine Sports, in May 2016. The remit of the Hubs is to receive, through an agreed data set, a high level statement of assurance from ALEOs on the effectiveness of their systems of governance and operational performance, with a view to ensuring that the outcomes of that organisation are being met, and the risks to that organisation and to the council are mitigated and managed.
- 130.** In March 2015, the Accounts Commission took the opportunity to remind councils of its ongoing interest in ensuring that councils are able to hold ALEOs to account and the Controller of Audit set out his

expectation that auditors would regularly comment on councils' arrangements for, and compliance with, their statutory obligations for 'Following the Public Pound'.

131. The Accounts Commission's report on the audit of Best Value of Aberdeen City Council in July 2015 noted that the council 'needs to progress its plans to put in place systematic monitoring of its ALEOs'.
132. We reviewed the operation of the council's ALEO Governance Hubs and reported in June 2016. A number of positive outcomes were identified and we made a number of recommendations to further strengthen the level of scrutiny provided. Exhibit 12 shows that total payments of £54.6m, equating to 6.87% of gross service expenditure were made to Aberdeen ALEOs during 2015/16. The scale of these payments emphasises the importance of having service level agreements in place against which ALEOs can be measured and monitored in terms of delivery of service.

Refer Action Plan, Recommendation 1

133. Other recommendations related to the need for more robust scrutiny of service performance, updating the remits of the Hubs and providing a clear opinion on governance and service performance
134. The action plan included in our interim report reflected the need for the governance hubs to consider the recommendations and confirm how these were to be addressed. During the August 2016 cycle of meetings, a revised action plan was developed. As part of the wider governance review discussed at paragraph 101 above, the Good

Governance Institute was commissioned to advise on the council's assurance framework, including a review of stakeholders which will include ALEOs. The council has also engaged CIPFA to review all aspects of governance, including third party governance which again will include ALEOs. The outcome of these reviews is expected in October 2016.

Exhibit 12 – Total payments made to ALEOs 2015/16

ALEO	Payments - £'000
Aberdeen Sports Village	1,546
AECC	1,329
Bon Accord Care/Support Services	33,574
Sport Aberdeen	9,264
Aberdeen Heat & Power	6,735
Aberdeen Performing Arts	1,890
Garthdee Alpine Sports	298
Total	54,636
Gross Service Expenditure	795,494
ALEOs as % of Total	6.87%

Source: Aberdeen City Council – payments to related parties

Conclusion on Governance

135. We concluded that the council itself has effective governance arrangements and note the ongoing Governance Review to further strengthen these. Whilst the council has implemented the ALEO

Governance Hubs to scrutinise its wider group structure, this requires further development to ensure that they are able to provide assurance on governance and service performance. In addition, more could be done in response to the National Fraud Initiative.

Transparency

- 136. From June 2015, all council meetings were web-cast live as part of a 12 month trial period, with recordings available online. Following completion of the trial, the council agreed to invite tenders for a five year webcasting service for council meetings and to extend webcasting to any committee meeting held in the council chamber.
- 137. Agenda items for all council meetings are posted on the council's website a week in advance. However, as was the case in 2014/15, we continued to note that additional agenda items are fairly regularly circulated after initial publication dates. This reduces the preparation time available for members and may impact on the level of scrutiny subsequently carried out. We refer to the availability of financial monitoring reports at paragraphs 46 and 165 and Public Performance Reporting is covered at paragraph 181.
- 138. A decision sheet is publicly available promptly after each meeting and minutes are available once agreed. Our review of minutes did not highlight that excessive numbers of items were held in private. Where items were in private, the reasons for doing so were clear.
- 139. The council introduced a Petitions Committee in September 2013 to enable individuals, community groups or other organisations to raise issues of concern with members. Of the first 9 scheduled meetings,

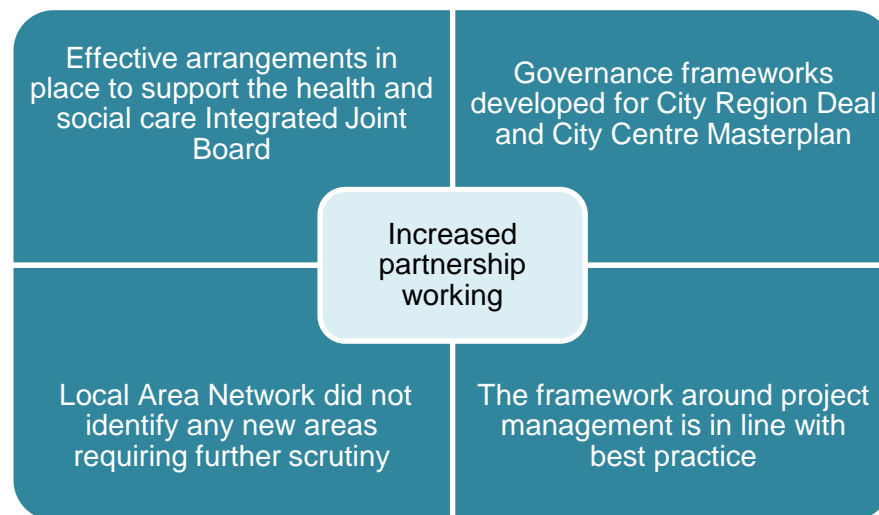
7 were cancelled due to a lack of any competent petition. Since September 2015 however, due to increasing awareness of the committee, all 5 scheduled meetings have been held.

- 140. Overall, we concluded that the council has a good level of transparency with regards to its decision making and reporting of financial performance.

Outlook

- 141. Councils will continue to operate in a changing environment with financial constraints. Under these circumstances councils will be obliged to consider the delivery of services by different means. Good governance will be particularly important where council resources and service delivery are devolved to third party organisations.
- 142. Partnership, joint working and arm's length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Where council services are being delivered by third party organisations, it will be crucial that the council implements robust assurance and governance arrangements to deliver best value, while at the same time ensuring an appropriate level of accountability for the public pound.

Governance and transparency – wider scope



143. The Code of Audit Practice recognises the increasingly high expectations the public has about the role of audit in the stewardship of public funds. It defines the wider scope of public audit as going beyond the financial statements to include work that contributes to audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

144. In our Annual Audit Plan, presented to the ARSC on 9 March 2016, we identified a number of risks which fell under the definition of our wider scope responsibilities. In this section, we conclude on these risks. We also comment on a number of other aspects of the council which we have reviewed during the year.

Integration of health and social care

145. The Public Bodies (Joint Working) (Scotland) Act 2014 provides the framework for the integration of health and social care services in Scotland. The council and NHS Grampian agreed on an integrated joint board (IJB) model for Aberdeen.
146. A shadow IJB operated from 1 April 2015 to oversee preparations prior to the 'going live' date of 1 April 2016 for the full IJB. An Integration Work Plan was developed and updated and discussed at each monthly meeting of the shadow IJB. The work plan set out the key actions and milestones required to develop the IJB.
147. Both the council and NHS Grampian approved the Aberdeen City Health and Social Care Integration Scheme at separate meetings on 4 March 2015 and subsequently it was submitted to the Scottish Government for final approval prior to the 1 April 2015 deadline. Following a period of discussion, the scheme was approved by the Cabinet Secretary and Aberdeen City Integrated Joint Board was formally established on 6 February 2016. The voting membership of the IJB comprises of four members of the council, three from the administration and one from the opposition, and four health board members.

Governance Arrangements

- 148.** The IJB is required to appoint a Chief Officer and Chief Financial Officer to oversee operation of the Health and Social Care Partnership. A chief officer, who is jointly accountable to both the council and NHS Grampian, has been in post since October 2014. A Chief Finance Officer was appointed in June 2016. For the period from 6 February 2016, the NHS Grampian Director of Finance filled the role on an interim basis. In addition to these posts, the IJB also appointed a Head of Operations from 1 April 2016.
- 149.** A summary of the statutory powers to be delegated by the Council and NHS to the IJB was presented to the full council in March 2016. At this meeting, the Council also agreed to receive an update report for members on matters relating to the IJB that the Chief Executive considered to be of interest at the Council meetings of in August and December 2016 and quarterly thereafter. These reports are to include financial monitoring information in relation to the IJB. The first such report, in August 2016, provided members with an overview of the arrangements in place for the governance of the IJB. This covered governance of the Board, Finance, Clinical Care, Procurement and Information. The report also provided details of Risk and Performance Management and Equalities. We would anticipate that in time, these reports will highlight both operational and financial performance to ensure that members have the assurance that services delivered by the IJB meet expectations.

Financial Assurance

- 150.** In May 2015, the Scottish Government issued final guidance for Integration Financial Assurance at both pre- and post-integration stages. This set out the assurances required by audit committees within each of the partner bodies, and subsequently from the IJB when established. Prior to the introduction of the IJB, where practical, it was recommended that the ARSC obtain assurance:
- on the finance provisions to be included in the integration scheme
 - on the plans for financial governance and financial assurance and risk
 - that lessons have been learned from other integration projects
 - that the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.
- 151.** In March 2016, ARSC received a report from internal audit setting out findings in respect of the key assurance areas controlled and influenced by the council. Key findings included:
- draft integration scheme contained the key financial requirements as set out by the Scottish Government.
 - delivery of statutory requirements, such as financial regulations and risk management strategy, had been prioritised to ensure that these were in place by 1 April 2016. More detailed resource plans would not be complete by this date, and therefore Internal

Audit was of the opinion that limited assurance that resources would be available for delivery of the IJBs Strategic Plan.

- lessons were being learned from developing partnerships across Scotland via the Chief Officers Group and Finance Leads networks, best practice is being shared, and joint pan-Grampian work is in progress. However, a substantial element of trust is being placed on officers within the IJB and partners to work together towards the partners' assumed mutual aims.
 - whilst the shadow IJB has been provided with regular joint monitoring reports, at a high level, on expenditure against both NHS and Council budgets for 2015/16, and each partner has continued with its own budget monitoring arrangements, there has been no sharing beyond officers of the partners' management accounts.
152. The council's agreed contribution to the IJB for 2016/17 amounted to £86.6m. In April 2016, a report to ARSC set out 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. This process was 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.

Conclusion

153. The IJB was established in February 2016 and became operational from April 2016. The council has transferred delegated powers to the IJB and a mechanism is in place for regular reporting of key issues, including financial monitoring information, to the council.
154. Whilst the due diligence process has provided assurance on the development of the budget, now the IJB is operational, robust budget monitoring is required and the council needs to be assured that ongoing expenditure is contained within budget and that there are no overspends requiring additional funding from the council.

City Centre Masterplan

155. In June 2015 the council unanimously approved a City Centre Masterplan and Delivery Programme – a 25 year regeneration programme for the city centre which was developed following wide consultation with the public and stakeholders. The masterplan is an overall vision and framework for regeneration, individual projects which are developed in response to the masterplan will require to be agreed by the council as they progress.
156. A City Centre Masterplan Reference Group was established in August 2015 to provide a representative forum which ensures that citizens, communities and key stakeholders have direct influence on the ongoing development and delivery of the masterplan. The group is expected to play a key role in monitoring delivery of the masterplan and in particular whether delivery is effectively realising the vision and objectives. The group consists of political group

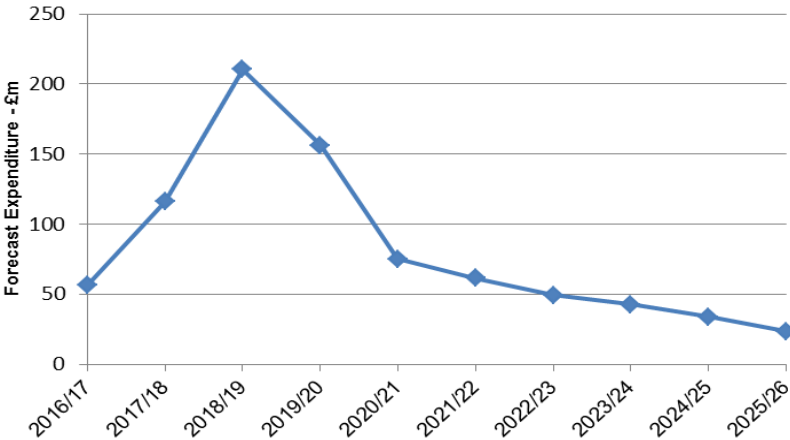
leaders and representatives from the community council forum, and the business, education and voluntary sectors.

City Region Deal

157. In January 2016, the UK and Scottish governments announced a £250m City Region Deal for Aberdeen City and Aberdeenshire councils. The deal will allow the councils to unlock financial support and powers from national government, giving them greater control over spending and decision making to deliver a long term improvement programme to provide further growth in the region.
158. The Aberdeen City Region Deal Joint Committee (the Joint Committee) has been established to oversee implementation of the deal and make recommendations in respect of strategy and policy plans, prioritisation of plans, improvements to the way the deal is being implemented and the setting of budgets. The Joint Committee comprises of 3 members from each of Aberdeen City and Aberdeenshire Councils, and 3 representatives from Opportunity North East (ONE), a private sector led body focused on ensuring a sustainable economic future for north east Scotland. The Joint Committee met for the first time in February 2016 and has met regularly since. It is supported by a Programme Board which meets on a six week cycle.
159. A City Region Deal Agreement, supported by more detailed Implementation Plan, Financial Plan and Assurance Framework was approved by the council in August 2016 and thereafter by other partners, Aberdeenshire Council, ONE, and the UK and Scottish

governments. The agreement sets out the six specific projects to be delivered as part of an overall £826m funding package. In addition to the £250m from the UK and Scottish Governments, the councils will contribute £20m, local universities £24m, with the balance of £532m to come from the private sector and other sources.

Exhibit 13 – City Region Deal – Forecast Expenditure per year



Source: Report to Council August 2016

160. As set out in the Financial Plan, funding from both Governments will be in the form of Capital funding to be released once business cases and implementation plans have been approved by both Governments. Business cases will also underpin the payment profile for funds paid across to projects. Financial monitoring reports will be reviewed by the Programme Board and approved by the Joint Committee, prior to issue to both Governments on a quarterly basis.

As per Exhibit 13 below, the majority of expenditure is forecast to take place in the period 2017/18 – 2019/20.

161. Alongside the City Region deal, the Scottish government announced a further investment of £254m for infrastructure projects to support the region. The council is currently in discussions with the Scottish Government over an agreement on this funding and whether it could be brought into the City Region Deal governance arrangements.

Capital Investment

162. Through its Strategic Infrastructure Plan (SIP), the council is taking forward a number of significant developments. Several projects have complex funding arrangements, involving different models of working with external partners and agencies and consequently, these projects are quite different in nature to traditional projects historically funded by borrowing.
163. Based on a review of a sample of current capital projects, we reviewed progress against recommendations made in Audit Scotland's national performance audit report, *Major Capital Investment in Councils*, initially published in March 2013 (the 2013 report).
164. We found that the governance and project framework around the capital programme met many of the good practice criteria suggested by the 2013 report.
165. In terms of scrutiny, in our opinion there is scope for improved signposting of key messages especially where there are increased

risks or significant slippage. While lessons learnt reviews are carried out operationally, there is scope for the findings to be collated for members' scrutiny.

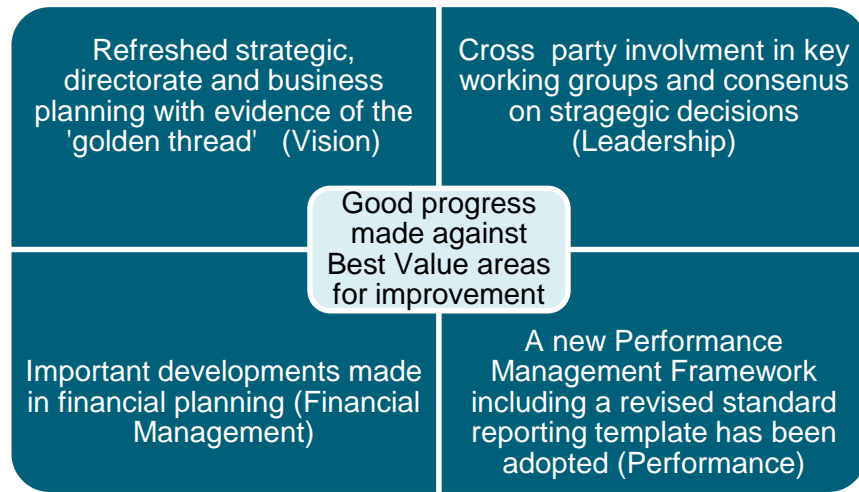
166. We reviewed the decision making process supporting a sample of capital projects including the existence of business cases and the tendering arrangements. No significant matters were identified. We would however suggest that financial models are kept under regular review and that there is a clear audit trail to evidence significant changes.

Refer Action Plan, Recommendation 2

Local scrutiny plan

167. The 2016/17 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners for the council was submitted to Aberdeen City Council in March 2016. The LAN did not identify any new risks which require scrutiny, however offender serious incident reviews and educational attainment were highlighted by scrutiny partners as areas of concern. The LAN concluded that additional scrutiny in these areas would not necessarily assist improvement but that continued oversight and monitoring by link inspectors/lead area officers was essential.

Best Value



- 168.** Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Best Value audit

- 169.** In July 2015, the Accounts Commission published the findings from its audit of Best Value and Community Planning. These findings were largely positive and while progress in a number of areas was recognised, the Accounts Commission also considered that it was

too early to assess the effectiveness of much of the improvements put in place.

- 170.** The Controller of Audit was therefore required to note continuing interest in the council and to monitor and report back if there is evidence that improvements are not being delivered or embedded. The council's progress in responding to the areas for improvement which are broadly set out below have been considered throughout the local audit and reflected in the content of this report.
- Vision and strategic direction
 - Leadership and working relationships
 - Performance management and scrutiny
 - Financial management and improvement.
- 171.** Overall, we concluded that the council has made good progress in each of the key areas identified for improvement. The council has refreshed its Strategic Business Plan and Directorate and Service plans show a 'golden thread' from this. A Performance Management Framework has been agreed. The first performance report in the new template was considered by elected members in June 2016 with plans in place for rollout to all committees from September 2016. The council is aware of the improvements required in public performance reporting and has an agreed action plan covering the next 12 to 18 months. The ALEO Governance Hubs are well established, but require further development to ensure they are well placed to provide assurances on governance and service performance.

Performance management

172. The Best Value review of July 2015 made a number of specific recommendations to improve performance management at the council:
- Implement plans to refocus performance measurement on outcomes.
 - Ensure clear links between the performance information submitted to members for scrutiny and the Council's strategic plans.
173. Following the refresh of strategic planning as discussed at paragraph 105, the council have developed a Performance Management Framework which brings together at a high level the overall purpose and principles and how performance management may look at different levels of the council and for different stakeholders, both internal and external.
174. In June 2016, the Finance, Policy and Resources Committee agreed to a revised standard template for reporting performance to committees. This is intended to ensure that members receive consistent information to enable them to discharge their scrutiny role effectively. All measures included in the template relate to policy priorities (Aberdeen: the Smarter city) or organisational priorities (Shaping Aberdeen). A summary dashboard of measures is supplemented by detailed analysis of "exceptional" performance and performance is contextualised with trend and benchmarking data along with a clear statement of why the measure is important for the delivery of council priorities.

175. As part of the 2016 strategic, directorate and service planning programme, Services have been reviewing their performance measures. This work is continuing and will see an increased focus on outcomes in performance reports to committee. As this work is completed, Committees will be asked to agree a revised set of performance measures which focus more on strategic priorities and outcomes than on the operational activity.
176. The revised reporting template was used for the Corporate Governance Directorate at the June 2016 meeting of the Finance, Policy and Resources Committee, and for the other directorates in the August/September committee meeting cycle.
177. In addition to these regular reports, it is recognised that some key performance information is only available annually – for example education attainment levels. The intention is that key annual performance data like this will be presented to committee when it is available as a separate report.

Statutory performance indicators (SPIs)

178. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting (PPR). The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

179. For 2015/16 three SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering a range of information relating to service performance
- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

180. In our 2014/15 Annual Report, we noted that an evaluation of all Scottish councils' approaches to PPR was carried out by Audit Scotland and reported to the Accounts Commission in June 2015. The review found that the council was alone in the lowest quartile, complying with only 4 out of 18 themes reviewed.

181. In response, a PPR action plan was approved by ARSC in April 2016 and contains a number of actions in the short (6 months), medium (9 months) and long (12 months) term to:

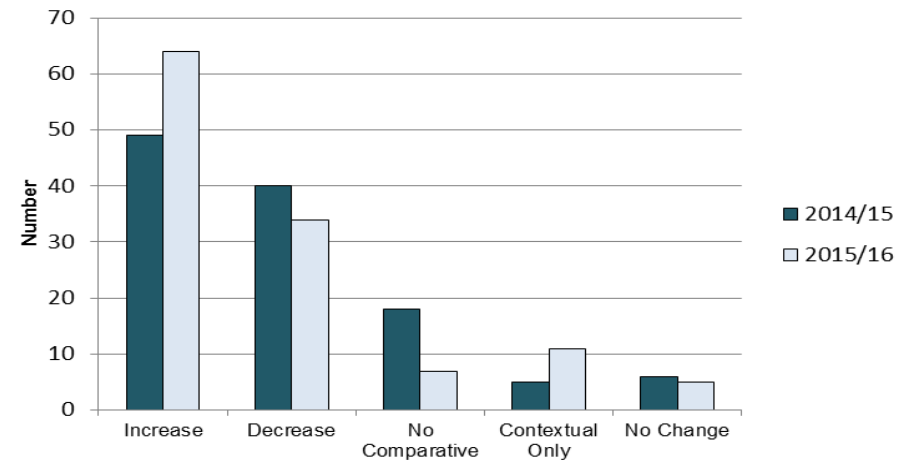
- improve engagement with the public
- develop a more comprehensive suite of measures
- ensure information is presented in a meaningful and understandable way
- provide a 'one stop shop' for performance information (Aberdeen Performs)
- embed principals of performance management within strategic objectives

Refer Action Plan, Recommendation 3

182. In the meantime, the council continues to publish performance information, including Statutory performance Information and a link to the Local Government Benchmarking Framework, in the 'Aberdeen Performs' section of the website.

183. The council has produced a total of 121 indicators covering SPI's 1 and 2 for 2015/16. A summary of the council's SPIs for 2015/16 compared with 2014/15 is set out in Exhibit 14 and shows that performance has been improving during the year.

Exhibit 14 – Direction of Performance 2014/15 - 2015/16



Source: Audit analysis of council's SPIs

184. The following list includes examples from the 64 indicators where performance has improved during the year:

- Percentage of complaints resolved within time – 65.78% (59.54% in 14/15)
- Average time taken in calendar days to process all new claims and change of events in Housing Benefit – 10 days (12.95 in 14/15)
- Percentage of decision notifications issued within 28 days of date of initial presentation where the council has a duty to secure permanent accommodation for the household – 83.9% (57.5% in 14/15)
- Average determination times of major development planning applications (weeks) – 24.1 (47.6 in 14/15)
- Percentage of eligible ante pre-school child population allocated part time nursery provision within council and partner provider settings – 84.4% (76.3% in 14/15)

185. Among the 34 indicators which showed a deterioration in performance from last year are:

- Percentage of council expenditure with local suppliers – 30.1% (34.9% in 14/15)
- Percentage of homecare clients aged 65+ receiving a service during evening/weekend – 25.8% (27.3% in 14/15)
- Percentage of partner provider early learning and childcare centres receiving positive Education Scotland reports per financial year – 50% (100% in 14/15)

- Percentage of all street light repairs completed within 7 days – 59.99% (67.24% in 14/15)
- Refuse complaints received per 1,000 households – 42.62 (25.34 in 14/15)

National performance audit reports

186. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the council. These are outlined in [appendix II](#). The Audit, Risk and Scrutiny Committee receive regular reports on the council's response to all national performance audit reports.

Outlook

187. In common with other councils, Aberdeen City Council faces challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Savings have been made in the past but as choices become increasingly difficult, councils will have to focus on making the best use of all available resources and to challenge existing ways of doing things. A strong and effective performance management framework will be critical to the success of the council achieving its key priorities and demonstrating best value.

Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Fair values The 2015 Code requires authorities to account for fair value measurement of assets and liabilities in accordance with IFRS 13. There is a risk that valuations are not carried out as per the requirements of the Code and therefore the value of assets and liabilities are misstated.	<ul style="list-style-type: none"> • Early planning meeting held with Head of Finance, his team and Estates Management staff to confirm understanding of requirement for Fair Value measurement and proposed actions to ensure these were available in accordance with the Annual Accounts timetable. • Review of balance sheet items to confirm that they had been valued in accordance with the code. 	We have reviewed the basis of valuation for assets and liabilities included in the balance sheet and conformed that all were in accordance with IFRS 13.
Council dwellings revaluation Council dwellings are revalued every 5 years, the current basis of valuation is fair value, determined using the basis of existing use for social housing (EUV-SH). This is a significant undertaking, requiring a number of complex judgements and calculations. There is a risk that the value of council dwellings is materially misstated.	<ul style="list-style-type: none"> • Early planning meeting held with Head of Finance, his team and Estates Management staff to confirm process involved in revaluation. • Full substantive testing of revaluation calculations. • Review of experts employed by management in terms of ISA 500. 	We reviewed the methodologies used by the council to determine the gross valuation and the adjustment required to reflect Social Housing. While we were satisfied with the overall methodology followed, a number of errors in the calculation of the total expected rent for the year were identified. The cumulative impact of these errors resulted in the valuation being overstated by £22.785m.

Audit Risk	Assurance procedure	Results and conclusions
<p>Highway assets</p> <p>The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis from 1 April 2016. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets.</p> <p>There is a risk that the new valuations will not be available when required or that they will be materially misstated leading to a qualified opinion on the 2016/17 accounts.</p>	<ul style="list-style-type: none"> • Ongoing discussions with finance and infrastructure officers. 	<p>The council has set up a working group of officers from both the Finance and Roads functions to address this requirement. We are satisfied that work is on schedule to ensure that the council will meet the implementation of the new valuation method.</p>
<p>Charities SORP (FRSSE)</p> <p>The new Statement of Recommended Practice for charities introduces a number of presentational and other changes to the annual accounts. There is a risk that the new requirements are not met.</p>	<ul style="list-style-type: none"> • Early planning meeting held with Head of Finance and his team. 	<p>Several suggestions to improve the content of the Trustees' report were made and are reflected in the revised charities' accounts.</p>
<p>Income recognition</p> <p>The council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means there is an inherent risk of fraud in</p>	<ul style="list-style-type: none"> • Confirmation of the key controls in place for Trade Receivables, Council Tax, Non Domestic Rates and Cash & Banking • Substantive testing of a sample of 	<ul style="list-style-type: none"> • Key Controls - Testing of the key controls in place including reliance on work carried out by Internal Audit, where appropriate, did not highlight any significant weaknesses in financial control systems.

Audit Risk	Assurance procedure	Results and conclusions
accordance with ISA240.	<p>income transactions, including agreement of amounts received from Scottish Government, grant income and other income</p> <ul style="list-style-type: none"> • Testing of a sample of income received at year end to confirm it was allocated to the correct financial year. 	<ul style="list-style-type: none"> • Income Transactions - We substantively tested the total Revenue Support Grant to Scottish Government confirmation, a sample of 3 grants received and 20 items (15 General Fund, 5 HRA) of other income. We found all had been accounted for correctly. • Year end income - Sample testing of 10 income items received at year end found that all were allocated to the correct financial year. • No fraud concerns identified in respect of income.
<p>Management override of controls</p> <p>As stated in ISA240, management in all entities is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business. 	<ul style="list-style-type: none"> • Journals - a sample of 46 journal entries was tested as part of debtors (16) and creditors (30) testing. We found no evidence to suggest that management were overriding controls. • Estimates - based on testing of debtors, creditors and provisions/contingencies, we found no evidence of bias in accounting estimates. • Significant transactions - based on our work on the annual accounts, we did not find any evidence of transactions outwith the scope of the council. • No fraud concerns identified in respect of management override of controls.

Audit Risk	Assurance procedure	Results and conclusions
<p>Severance payments</p> <p>The council is required to disclose the level of severance payments made to staff in the Remuneration report. We are aware of a number of senior staff members who have left the council during the year and therefore where such payments may have been made. There is a risk that any payments made have not been appropriately calculated and authorised.</p>	<ul style="list-style-type: none"> • Sample testing of 5 severance payments made during the year to ensure that they complied with council policy. Where a settlement agreement was reached with an employee, we confirmed that evidence supporting the rationale and authorisation of the amount paid were available. • Further sample of 3 additional significant severance payments disclosed in Remuneration report, but not included in our previous sample. 	<p>For all 8 severance payments sampled, we were satisfied that they were made in accordance with council policy and that appropriate rationale and authorisation was available in each case.</p>

Appendix II: Summary of Audit Scotland national reports 2015/16

Health and social care integration (December 2015) – Significant risks must be addressed if a major reform of health and social care is to fundamentally change how services are delivered, and improve outcomes for the people who use them.

Community planning: an update (March 2016) – Progress on community planning has not yet achieved the major change needed to fulfil its potential to reduce inequalities and put communities at the heart of delivering public services.

An overview of local government in Scotland (March 2016) – Budget reductions mean starker choices ahead for councils which will not be met simply by continuing to cut staff and services.

December 2015 January 2016 February 2016 March 2016 April 2016 May 2016 June 2016 July 2016 August 2016 September 2016 October 2016 November 2016

Major capital investments in councils: follow-up (January 2016) - Councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention, says the Accounts Commission.

Changing models of health and social care integration (March 2016) - A lack of national leadership and clear planning is preventing the wider change urgently needed if Scotland's health and social care services are to adapt to increasing pressures.

National scrutiny plan for local government (March 2016) – Provides a summary of strategic scrutiny activity for all councils in 2016/17.

Appendix III: Action plan

No./Para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/133	<p>ALEOs</p> <p>In order to demonstrate best use in following the public pound, there should be agreed SLAs in place between the council and its ALEOs setting out measurable outcomes for the funding provided which can be effectively monitored by the governance hubs.</p> <p><i>Risk: council expectations around the funding it is providing are not delivered</i></p> <p>Recommendation: the ongoing review of SLAs is concluded and ensure that the council can meet its following the public pound code requirements.</p>	<p>This is being progressed with legal colleagues.</p> <p>Arrangements around ALEOs are included within the council's governance review which will impact on future SLAs.</p>	Senior Democratic Services Manager	Pending governance review

No./Para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
2/165-166	<p>Scrutiny</p> <p>The dashboard supporting the Strategic Infrastructure Plan provides an effective summary of overall progress for each project. Where there are delays, the supporting narrative for the reasons is not included within the dashboard monitoring. We also noted that lessons learnt messages are not collated for members' consideration.</p> <p><i>Risk: there is insufficient information or mixed messages around key priorities</i></p> <p>Recommendation: To further assist elected member scrutiny and increase transparency, progress reporting for capital projects should be reviewed to ensure cohesive information is provided and audit trails are complete.</p>	Recommendations will be implemented as part of the review to be undertaken by the Strategic Asset and Capital Plan Board.	Strategic Asset and Capital Plan Board	Pending governance review

No./Para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
3/179	<p>Public performance reporting</p> <p>The council is aware of what it needs to do to improve public performance reporting and has an agreed plan in place. .</p> <p>Risk: Public performance reporting is not easily accessible for users.</p> <p>Recommendation: Ensure there are processes in place to support delivery of the plan.</p>	<p>A Public Performance Reporting Improvement Plan was approved by the Audit, Risk & Scrutiny Committee in April 2016.</p> <p>Its implementation is being managed through a corporate performance management project, which is part of the council's governance review.</p>	Head of Communications and Promotion	September 2017

ABERDEEN CITY COUNCIL

COMMITTEE: Audit, Risk & Scrutiny
DATE: 27 September 2016
INTERIM DIRECTOR: Richard Ellis
TITLE OF REPORT: Audited Annual Accounts 2015/16
REPORT NUMBER: CG/16/120
CHECKLIST COMPLETED Yes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Council's audited Annual Accounts 2015/16.
- 1.2 The report also provides the audited Annual Accounts 2015/16 for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- i) approve the Council's audited Annual Accounts for signature by the Head of Finance, Chief Executive and Council Leader; and
- ii) approve the audited Annual Accounts for those registered charities where the Council is the sole trustee, for signature by a trustee.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

- 4.1 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. BACKGROUND/MAIN ISSUES

5.1 Audited Annual Accounts

5.1.1 On 9th March 2016 this committee received and noted the contents of a report, “Annual Accounts 2015/16 – Action Plan” which provided high level information and key dates in relation to the production of the 2015/16 Annual Accounts.

5.1.2 The key dates contained within the above report were:-

31 March 2016	End of the financial year 2015/16
March – Sept 2016	Information from Group Entities (including ALEO's)
17 June 2016	Public Notice for the Public Inspection Period to be issued
27 June 2016	Audit, Risk and Scrutiny Committee to consider the draft Annual Accounts
30 June 2016	Statutory deadline for the Proper Officer to sign the draft Annual Accounts, submit to the Auditor and publish on the website
1 – 21 July 2016	Public Inspection Period for the draft Annual Accounts
30 July 2016	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
27 September 2016	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
27/28 Sept 2016	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
28 September 2016	Deadline for submission of the signed audited Annual Accounts to the Auditor
Early October 2016	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2016	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
16 December 2016	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

5.1.3 On 27 June 2016 this committee considered the unaudited Annual Accounts and they were signed by the Head of Finance (as Proper Officer) on 27 June 2016.

5.1.4 The unaudited Annual Accounts were available for public inspection for the period 1 – 21 July 2016.

5.1.5 The committee must now consider and aim to approve the audited Annual Accounts for signature.

5.1.6 In a separate report, this committee has considered the external auditor's Annual Audit Report to Members and the Controller of Audit. This report highlights any significant findings from the audit of the accounts and informs Elected Members of their audit opinion.

5.2 Financial Performance and Review of the Accounts

- 5.2.1 It should be noted that the audited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.
- 5.2.2 A report detailing the financial position of the Council was considered by the Finance, Policy and Resources committee on 7 June 2016. This report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2016.
- 5.2.3 The following paragraphs explain the audit adjustments made to the Annual Accounts:
- 5.2.3.1 The revaluation of the council's housing stock had initially been based on rental values including elements such as 'heat with rent' which should have been removed. The value of the housing stock has been reduced to reflect its current fair value taking account of the proper rental values.
- 5.2.3.2 The value of long term debtors has been reduced to reflect that the loan to Aberdeen Sports Village (ASV) has now been converted to shares and is thus included within long term investments.
- 5.2.3.3 An earmarked amount used to fund capital expenditure originally included within financing and investment income and expenditure has been re-allocated to the cost of services to reflect proper accounting treatment.
- 5.2.3.4 The group accounts have been amended to reflect the above adjustments as well as any changes arising from the audit of other group entities.
- 5.2.4 These adjustments do not affect the overall financial position of the Council as reported to Finance, Policy and Resources committee on 7 June 2016.

5.3 Registered Charities

- 5.3.1 This encompasses those trusts, registered with OSCR, for which the Council (all 43 Councillors) is the sole trustee. There are eight separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts.
- 5.3.2 These accounts are subject to the same audit process as the Council with the audited accounts and are included with the aforementioned report from the external auditor.

- 5.3.3 The committee must now consider and aim to approve the audited Annual Accounts for signature.

6. IMPACT

Improving Customer Experience –

Whilst there is no direct impact arising from this report, the publication of the Annual Accounts demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

Improving Staff Experience –

Whilst there is no direct impact arising from this report, a robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience.

Improving our use of Resources –

Whilst there is no direct impact arising from this report, the approval of the Annual Accounts demonstrates that the Council has systems in place to govern its use of resources.

Corporate -

Financial governance is a vital part of ensuring that the resources required to take forward the council's plans and vision are robustly monitored and used effectively.

It is the aim of the Council to maintain working balances to a level that provides sufficient scope to deal with unexpected or unforeseen events in order that this does not have a detrimental and immediate impact on service delivery.

Public –

This report is likely to be of interest to the public as it concerns the stewardship of the council's financial resources.

7. MANAGEMENT OF RISK

The robust process of closing the accounts at the financial year-end means that all reasonable steps have been taken to ensure that they are reflective of the financial circumstances of the Council during 2015/16 and as at 31 March 2016.

8. REPORT AUTHOR DETAILS

Sandra Buthlay, Accounting Manager
sbuthlay@aberdeencity.gov.uk
01224 522565

9. BACKGROUND PAPERS

Audited Annual Accounts 2015/16

Audit Scotland Annual Audit Report to Members and the Controller of Audit

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Exempt information as described in paragraph(s) 14 of Schedule 7A of the Local Government (Scotland) Act 1973.

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