

# Public Document Pack



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 15 February 2017

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Committee Room 2 - Town House on **THURSDAY, 23 FEBRUARY 2017 at 2.00 pm.**

FRASER BELL  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **BUSINESS**

- 1 Determination of Exempt Business
- 2 Deputation Requests
- 3 Minutes, Workplan and Decision Tracking Sheet
  - 3.1 Minute of Previous Meeting of 24 November 2016 (Pages 5 - 16)
  - 3.2 Workplan (Pages 17 - 22)
  - 3.3 Decision Tracking Sheet (Pages 23 - 26)
- 4 Referrals

4.1 Public Mortuary Status Report - Report by the Director of Communities Housing and Infrastructure (Pages 27 - 36)

5 Performance and Improvement

5.1 Internal Audit Progress and Performance - Report by the Internal Auditor (Pages 37 - 46)

5.2 Internal Audit Plan 2017/18 - Report by the Internal Auditor (Pages 47 - 60)

5.3 External Audit Strategy 2016/17 - Report by the External Auditor (Pages 61 - 92)

5.4 Website Breach - Report by the Interim Director of Corporate Governance (Pages 93 - 100)

6 Risk Management System

6.1 Review of the Risk Management System - Report by the Interim Director of Corporate Governance (Pages 101 - 106)

7 Control Environment and Assurance - Internal

7.1 Council Owned Land and Property - Report by the Internal Auditor (Pages 107 - 120)

7.2 Timesheets/Allowances - Report by the Internal Auditor (Pages 121 - 132)

7.3 Treasury Management - Report by the Internal Auditor (Pages 133 - 146)

7.4 Cash Receipting System - Report by the Internal Auditor (Pages 147 - 156)

7.5 Agency Staff - Report by the Internal Auditor (Pages 157 - 168)

7.6 Primary School Visits - Report by the Internal Auditor (Pages 169 - 176)

7.7 3rd Don Crossing Action Plan - Report by the Interim Director of Corporate Governance - to follow

7.8 Aberdeen Treasure Hub - Report by the Director of Education and Children's Services - to follow

- 8 Control Environment and Assurance - Audit Follow Up
  - 8.1 Internal Audit Recommendations Outstanding Pre 15/16 - Report by the Internal Auditor (Pages 177 - 178)
  - 8.2 Internal Audit Follow Up on Recommendations from 15/16 - Report by the Internal Auditor (Pages 179 - 202)
  - 8.3 3rd Don Crossing - Report by the Internal Auditor (Pages 203 - 206)
- 9 Financial Reporting
  - 9.1 Annual Accounts 2016/17 - Action Plan - Report by the Interim Director of Corporate Governance (Pages 207 - 212)
- 10 Value for Money
  - 10.1 Audit Scotland Value for Money National Reviews - Report by the Chief Executive (Pages 213 - 222)

**ITEMS THE COMMITTEE MAY WISH TO DISCUSS IN PRIVATE**

- 11 Control Environment and Assurance - Audit Follow Up
  - 11.1 Gas Central Heating Maintenance Framework Contract - Report by the Internal Auditor (Pages 223 - 228)
  - 11.2 Solar Photovoltaic Agreement - Report by the Internal Auditor (Pages 229 - 240)

Website Address: [www.aberdeencity.gov.uk](http://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](mailto:karrennie@aberdeencity.gov.uk)

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## AUDIT RISK AND SCRUTINY COMMITTEE

ABERDEEN, 24 November 2016. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett (up to item 3.1), Dickson, Donnelly, Jackie Dunbar, Graham, Grant (as substitute for Councillor Malik up to item 3.1 and as substitute for Councillor Crockett from item 3.1), Greig, Lawrence, Malik (from item 3.1), Jean Morrison MBE, Nicoll (as substitute for Councillor Samarai), Taylor (as substitute for Councillor Reynolds), Townson and Young (as substitute for Councillor Nathan Morrison).

The agenda and associated documents for this meeting can be found using the following link:

<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=507&MId=3889&Ver=4>

### DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that item 9.1 of today's agenda (article 20 of this minute refers) 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 so as to avoid disclosure of exempt information of the class described in paragraph 8.

### MINUTE OF PREVIOUS MEETING OF 27 SEPTEMBER 2016

2. The Committee had before it the minute of its previous meeting of 27 September 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.

**The Committee resolved:-**

to note the content of the workplan.

### DECISION TRACKING SHEET

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
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4. The Committee had before it the decision tracking statement prepared by the clerk.

**The Committee resolved:-**

- (i) to delete items 2 (Social Work Tendering – Internal Audit Report) and 3 (Compliance with Procurement Related Legislation and Financial Regulations – Internal Audit Report); and
- (ii) to otherwise note the content of the decision tracking sheet.

**MINUTE OF THE CORPORATE HEALTH AND SAFETY COMMITTEE OF 26 AUGUST 2016**

5. The Committee had before it for information the minute of meeting of the Corporate Health and Safety Committee of 26 August 2016.

**The Committee resolved:-**

to note the content of the minute.

**INTERNAL AUDIT PROGRESS REPORT - REPORT BY THE INTERNAL AUDITOR**

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

**The Committee resolved:-**

to note the content of the report.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - REPORT BY THE INTERIM DIRECTOR OF CORPORATE GOVERNANCE**

7. The Committee had before it a report by the Interim Director of Corporate Governance which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made during 2016/17 to date which related to Aberdeen City Council complaints.

**The report recommended:**

that the Committee note the details of the report and recommends any additional actions as appropriate.

**The Committee resolved:-**

to approve the recommendation contained in the report.

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**SOLAR PHOTOVOLTAIC AGREEMENT - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

8. With reference to article 15 of the minute of its meeting of 27 June 2016, the Committee had before it a report by the Director of Communities, Housing and Infrastructure which presented the circumstances relating to the solar panel incident specifically around the financial implications and total loss to the Council.

**The report recommended:**

That the Committee -

- (a) note the circumstances leading to the payment of £275,000 to Our Generation Solar in 2015; and
- (b) to request that a future report be submitted to the Finance, Policy and Resources Committee with an action plan to mitigate any further contractual payments towards loss of income to Our Generation Solar.

Councillors sought clarification on various matters in relation to the contract and financial loss to the Council. Specific questions related to why reports to the Finance, Policy and Resources Committee in April 2011 and October 2012 did not highlight the risks to the Council in terms of payment of loss of income generated from the solar panels if they were switched off and around the procurement process and the information that was available at the time of the decision being made to award the contract. Additional questions were asked relating to the health and safety concerns relating to the panel installations and whether the documentation relating to the process and procurement was comprehensive.

Mr Booth advised that the payment for the loss of income was in relation to the decision to switch off all of the solar panels and not just those that were faulty to give assurance to the Council that the installations were fitted correctly. He further advised that the contractor was selected following a tender process wherein the bidders had to submit method statements which included a risk register.

Ms Buchanan advised the Committee that the nature of some of the discussion was straying into matters that should be heard in confidence, specifically around the contract, an outstanding contractual payment and that further discussions on the detail of the contract might have an impact on any future negotiations.

The Convener requested that Internal Audit undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Solar Photovoltaic Agreement and whether there was the appropriate level of reporting the risks to members before and during the contract period and that in order to have as much detail discussed around the contract and financial risks that detailed questions be presented and discussed in private session.

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At this juncture, Councillor Young moved as a procedural motion:-  
that the Committee continue all further discussions on the item in public.

On a division, there voted:- for the procedural motion (9) – Councillors Cooney, Donnelly, Graham, Grant, Lawrence, Malik, Jean Morrison, Taylor and Young; against the procedural motion (8) - Convener; the Vice Convener; and Councillors Cameron, Dickson, Jackie Dunbar, Grieg, Nicoll and Townson.

**The Committee resolved:-**  
to adopt the procedural motion.

Further questions were raised relating to the current contract and whether further payments would be made if a similar situation arose in the future, wherein Mr Booth advised that the current situation was that 40% of the panels were switched off due to a variety of reasons including refurbishment works to buildings and health and safety concerns in some areas and that any payments would be made under the same terms of the contract.

**The Committee resolved:-**

- (i) in response to various concerns raised by members relating to the contract and decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Solar Photovoltaic Agreement and whether there was the appropriate level of reporting the risks to members before and during the contract period; and
- (ii) to otherwise approve the recommendations contained within the report.

**REVIEW OF RISK MANAGEMENT SYSTEM - REPORT BY THE INTERIM DIRECTOR OF CORPORATE GOVERNANCE**

9. The Committee had before it a report by the Interim Director of Corporate Governance which presented the output of the Good Governance Institute's (GGI) evaluation of the Council's risk management system and the next steps with regard to implementing the agreed actions arising from their report.

**The report recommended:**

that the Committee consider the attached report and implementation plan and agree to receive updates on the implementation of the actions to address the agreed recommendations arising from the review of the risk management system.

The Committee were advised that the review undertaken was a comprehensive one and that the recommendations provided within the GGI report would provide additional assurance to the Council once they had been fully implemented.



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Councillor Greig made reference to the training for staff and asked if it would be burdensome for officers to deliver the training to staff and members, wherein the Performance and Risk Manager advised that a team of staff would be brought together to enable the delivery of the actions contained in the implementation plan and that additional training for everyone would be beneficial to the organisation.

Councillor Greig further asked if the scrutiny of Arm's Length External Organisations (ALEO's) was burdensome to the Council, wherein the Performance and Risk Manager advised that it was a demanding process however the Council required the assurance that they were operating efficiently and that ALEO Governance was an item within the Governance Review so a revised process might be implemented at the end of the review.

Councillor Young requested an update on recommendation 11 (to establish a rigorous and objective evaluation process for all committees, to be considered by Council) and when it was likely that a report would be presented, wherein the Performance and Risk Manager advised that some of the recommendations were not currently contained in the implementation plan as further discussions were ongoing.

**The Committee resolved:-**

in response to a question from Councillor Dunbar relating to when the Committee were to receive an update on the implementation of actions to address the recommendations arising from the review of the risk management system, to note that Appendix 2 to the report contained timeframes for the recommendations to be completed and that a report would be submitted to this Committee in June 2017.

**BUDGET MONITORING - REPORT BY THE INTERNAL AUDITOR**

**10.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to the procedures in place to monitor the Council's budget.

Members raised questions in relation to those recommendations that were not agreed by the Service, wherein the Head of Finance advised that (1) some of the recommendations would form part of management discussions therefore had not been agreed; (2) the Chief Executive and Corporate Budgets were reported as a single line entry in the report to Finance, Policy and Performance Committee and that they were of a small percentage of the overall budget and did not pose a financial risk to the Council therefore separate reporting processes were not deemed to be necessary; and (3) management needs were being met effectively as budget holders were able to view data at any point and met regularly with Finance through budget holder meetings and Finance Partners attended management meetings on a regular basis.

In response to a question from Councillor Dickson relating to the virement limits before they need to be reported, to note that the Head of Finance advised that the Financial

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Regulations stated that different levels of virement required different approvals including being reported to Committee and that he would provide this information outwith the meeting.

The Convener stated that he was assured by the response from the Head of Finance that the adequate controls were in place in relation to budget monitoring.

**The Committee resolved:-**

- (i) to note that the Committee were reassured by the explanations given by the Head of Finance where the Service had not agreed the audit recommendations;
- (ii) in response to a question from Councillor Dickson relating to the limit of virement before it would be reported to Committee, to note that the Head of Finance would provide this information outwith the meeting;
- (iii) to note that the Head of Finance would develop financial reporting to include the Council's Balance Sheet in future reports to the Finance, Policy and Resources Committee; and
- (iv) to otherwise note the content of the report and endorse those recommendations for improvement that had been agreed by the Service.

**BANK RECONCILIATIONS - REPORT BY THE INTERNAL AUDITOR**

**11.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to bank reconciliations and considered whether all bank accounts were reconciled on a regular and timely basis and whether the methodology in place was robust.

**The Committee resolved:-**

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

**FOLLOWING THE PUBLIC POUND - REPORT BY THE INTERNAL AUDITOR**

**12.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Following the Public Pound which considered whether the arrangements in place to ensure public funds were awarded against set criteria and complied with the principles of following the public pound requirements. The report stated that the audit focused on grant funding arrangements as ALEO Governance arrangements had already been reviewed.

**The Committee resolved:-**

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

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**BUSINESS RATES - REPORT BY THE INTERNAL AUDITOR**

**13.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Business Rates which considered whether the billing and collection arrangements were robust and adequately applied and that the reliefs awarded were adequately supported.

**The Committee resolved:-**

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

**PURCHASING AND CREDITORS - SOCIAL WORK - REPORT BY THE INTERNAL AUDITOR**

**14.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Purchasing and Creditors for the Adult Social Work which considered whether robust documented procedures were in place and were satisfactorily complied with throughout the Service and also whether value for money was being achieved. The report stated that Commissioned Care had not been reviewed as part of this audit due to a separate audit report being undertaken previously.

**The Committee resolved:-**

- (i) in response to a question from Councillor Cameron relating to the audit comments in respect of services in excess of EU thresholds are tendered appropriately, to note that at the time the Integrated Joint Board was not fully established and it was not known at the time which Procurement system would be used, the Council's or NHS Grampian;
- (ii) in response to a question from Councillor Cameron relating to a breach in financial regulations, to note that the payment was made via internal transfer which was not a breach and to note that Internal Audit were satisfied with this response;
- (iii) to otherwise note the content of the report and endorse the recommendations for improvement that were agreed by the Service.

**DECLARATION OF INTEREST**

**The Vice Convener and Councillor Jean Morrison declared a personal interest in the following item of business due to family members being in receipt of the service and withdrew from the meeting during consideration of the item.**

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**SELF DIRECTED SUPPORT - REPORT BY THE INTERNAL AUDITOR**

15. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Self-Directed Support which considered where adequate control was exercised over self-directed support payments made in advance to service users.

**The Committee resolved:-**

- (i) in response to a question from Councillor Graham relating to section 2.1.2 and why there was not an update provided to Full Council in 2014, to note that the Chief Officer for Aberdeen City Health and Social Care Partnership would ascertain who was responsible at that time and provide a response to the Committee; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement.

**CAREFIRST - REPORT BY THE INTERNAL AUDITOR**

16. The Committee had before it a report by the Internal Auditor which presented an audit in relation to the CareFirst System and considered whether appropriate control was being exercised over the CareFirst System including contingency planning and disaster recovery and its data input. It also considered whether the interfaces to and from other systems were accurate and properly controlled.

**The Committee resolved:-**

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

**AUDIT RECOMMENDATIONS OUTSTANDING PRE 2015 (PWC) - REPORT BY THE INTERNAL AUDITOR**

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 the previous internal auditors, PWC.

**The Committee resolved:-**

to note the content of the report.

**INTERNAL AUDIT OUTSTANDING RECOMMENDATIONS AGAINST THE 2015/16 AUDIT PLAN - REPORT BY THE INTERNAL AUDITOR**

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.

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**The Committee resolved:-**

- (i) to note that the audit AC1606 – Creditors System was now complete;
- (ii) to note that recommendation 2.10.10(a) within audit AC1605 – Secondary Schools was now complete; and
- (iii) to otherwise note the content of the report.

**AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - REPORT BY THE CHIEF EXECUTIVE**

19. 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 to be taken by the Council in response to the reports published.

**The report recommended:**

That the Committee -

- (a) note the detail of the reports, Maintaining Scotland's Roads and Social Work In Scotland; and
- (b) consider officer comments provided.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**EXEMPT INFORMATION**

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

**UPDATE ON CURRENT GAS CENTRAL HEATING MAINTENANCE FRAMEWORK CONTRACT - REPORT BY THE DIRECTOR OF COMMUNITIES, HOUSING AND INFRASTRUCTURE**

20. The Committee had before it by way of referral, the minute extract from the Communities, Housing and Infrastructure Committee of 1 November 2016 which requested this Committee to examine the current contract and the report by the Director of Communities, Housing and Infrastructure which presented the current and forecast level of spend on the domestic gas central heating (annual servicing, maintenance and repairs) framework.

Members asked various questions in relation to (1) the contract value and the escalated costs each year following the awarding of the contract; (2) the budget implications for the

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Service; and (3) the background information leading to the awarding of the contract specifically which Committee received the information and made the decision.

**The Committee resolved:-**

- (i) in response to various concerns from members relating to the original contract value, the escalation of costs throughout the term of the contract and the decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat at the time of awarding the contract; and
- (ii) to otherwise note the content of the report.

- **COUNCILLOR**                      **STEPHEN**                      **FLYNN,**                      **Convener**

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## AUDIT, RISK and SCRUTINY COMMITTEE

### WORKPLAN

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>FEBRUARY 2017</b>				
<b>Performance and Improvement</b>				
1.	09/03/16 Article 9	Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.		Internal Audit Plan 2017/18		Internal Auditor
3.		External Audit Plan 2016/17		External Auditor
<b>Risk Management System</b>				
4.		Review of the Risk Management System		Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
5.	09/03/16 article 9	Council Owned Land and Property	Internal Audit Plan agreed	Internal Auditor
6.	09/03/16 article 9	Compliance with Procurement related Legislation and Financial Regulations	Internal Audit Plan agreed	Internal Auditor
7.	09/03/16 article 9	Timesheets/Allowances	Internal Audit Plan agreed	Internal Auditor
8.	09/03/16 article 9	Treasury Management	Internal Audit Plan agreed	Internal Auditor
9.	09/03/16 Article 9	Cash Receipting System	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Agency Staff	Internal Audit Plan agreed	Internal Auditor
11.	09/03/16	Primary School Visits	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			
<b>Control Environment and Assurance – External</b>				
12.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
13.	09/03/16 Article 9	Internal Audit Recommendations Outstanding Pre 15/16	Standing Item	Internal Auditor
14.	09/03/16 Article 9	Internal Audit Follow Up on Recommendations from 15/16	Standing Item	Internal Auditor
<b>Financial Reporting</b>				
15.		Annual Accounts 2016/17 – Action Plan and Key Dates		Head of Finance
<b>Value for Money</b>				
16.		Audit Scotland Value for Money National Reviews		Policy Performance & Parliamentary Liaison Manager
<b>Exempt Report</b>				
17.		Matters Under Investigation	Standing Item	
<b>JUNE 2017</b>				
<b>Performance and Improvement</b>				
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.		Government Improvement Plan		Programme Manager (Governance Review)
4.		ALEO Governance	Standing Item	Senior Democratic Services Manager
<b>Risk Management System</b>				
5.		System of Risk Management		Performance and Risk Manager

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
6.	28/04/16 Article 9	Corporate Investigation Team - Fraud Annual Report 2016/17 and Business Plan 2017/18		Counter Fraud Officer
<b>Control Environment and Assurance – Internal</b>				
7.	09/03/16 article 9	Benefits	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	Disclosure Checks	Internal Audit Plan agreed	Internal Auditor
10.	09/03/16 article 9	Commissioning of Children’s Social Work Services	Internal Audit Plan agreed - to be transferred into the 2018/19 Audit Plan	Internal Auditor
11.	09/03/16 article 9	Fostering and Adoption Allowances	Internal Audit Plan agreed – to be transferred into the 2018/19 Audit Plan	Internal Auditor
11.	09/03/16 article 9	Transportation - Tendering Procedures	Internal Audit Plan agreed – to be transferred into 2017/18 Audit Plan	Internal Auditor
12.	09/03/06 article 9	Vehicles and Driver Records	Internal Audit Plan agreed	Internal Auditor
13.	09/03/16 article 9	Integration of Health and Social Care	Internal Audit Plan agreed	Internal Auditor
14.	09/03/16 article 9	ALEO’s	Internal Audit Plan agreed	
<b>Control Environment and Assurance – External</b>				
15.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
16.	09/03/16 Article 9	Internal Audit Follow Up on Recommendations from 15/16	Standing Item	Internal Auditor
<b>Financial Reporting</b>				
17.		Unaudited Annual Accounts 2016/17		Head of Finance

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
<b>Value for Money</b>				
18.		Audit Scotland Value for Money National Reviews	Standing Item	Policy Performance & Parliamentary Liaison Manager
<b>Exempt Report</b>				
19.		Matters Under Investigation	Standing Item	
<b>PLEASE NOTE THAT THE WORKPLAN WILL BE FULLY POPULATED FOR SEPTEMBER ONWARDS FOLLOWING THE APPROVAL OF THE INTERNAL AUDIT PLAN FOR 2017/18</b>				
<b>26 SEPTEMBER 2017</b>				
<b>Performance and Improvement</b>				
1.		Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.		External Audit Progress and Performance	Standing Item	External Audit
3.		ALEO Governance	Standing Item	Senior Democratic Services Manager
4.		Information Governance Management	Annual Report	Information Manager
<b>Risk Management System</b>				
5.		System of Risk Management		Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
6.				
<b>Control Environment and Assurance – External</b>				
7.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
8.		Internal Audit Follow Up on Recommendations from 15/16	Standing Item	Internal Auditor
<b>Financial Reporting</b>				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
9.		Audited Annual Accounts 2016/17		Head of Finance
10.		Annual Report to Members and the Controller of Audit on the 2016/17 Audit		External Audit
<b>Value for Money</b>				
11.				
<b>Exempt Report</b>				
12.		Matters Under Investigation	Standing Item	
<b>23 NOVEMBER 2017</b>				
<b>Performance and Improvement</b>				
1.		Internal Audit Progress and Performance	Standing Item	Internal Auditor
2.		External Audit Progress and Performance	Standing Item	External Audit
3.		ALEO Governance	Standing Item	Senior Democratic Services Manager
<b>Risk Management System</b>				
4.		System of Risk Management		Performance and Risk Manager
<b>Control Environment and Assurance – Internal</b>				
5.				
<b>Control Environment and Assurance – External</b>				
6.				
<b>Control Environment and Assurance – Audit Follow Up</b>				
7.		Internal Audit Follow Up on Recommendations from 15/16	Standing Item	Internal Auditor
<b>Financial Reporting</b>				
8.				
<b>Value for Money</b>				

<u>No.</u>	<u>Minute Reference</u>	<u>Item</u>	<u>Committee decision/ Update</u>	<u>Lead Officer(s)</u>
9.		Audit Scotland Value for Money National Reviews	Standing Item	Policy Performance & Parliamentary Liaison Manager
<b>Exempt Report</b>				
10.		Matters Under Investigation	Standing Item	

**AUDIT, RISK and SCRUTINY**

**DECISION TRACKING SHEET**

**February 2017**

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

<b>No.</b>	<b>Minute Reference</b>	<b>Committee Decision</b>	<b>Lead Officer(s)</b>	<b>Responsible Service</b>	<b>Decision or Update</b>
1.	AR&S 27 Sept 16 Article 10	<b>Third Don Crossing</b> in response to various concerns raised by members relating to the contract and decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the 3 <sup>rd</sup> Don Crossing and whether the appropriate level of scrutiny and records were in place throughout the project.	D Hughes	Internal Audit	<b>A report is on the agenda</b>
2.	AR&S 27 Sept 16 Article 11	<b>Communities, Housing and Infrastructure Risk Register</b> to request that an update on the risk register be provided to this Committee within six months	M Hearn	Communities, Housing and Infrastructure	<b>Report due in June 2017 (no meeting in April)</b>
3.	AR&S 27 Sept 16 Article 22	<b>Managing Capital Projects:</b> (i) in relation to a question from the Convener relating to the appendix contained in the report which stated that the target date was pending the governance review and when the Committee would be provided with an update, to note that a report would be submitted to the Committee within six months as the work would be included in the 3 <sup>rd</sup> Don	R Ellis S Whyte	Corporate Governance	<b>A report is on the agenda</b>

<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>
		Crossing action plan.			
4.	E&CS 17 Nov 16 Article 6	<b>2016/17 General Fund Revenue and Capital Budget Monitoring</b> (iv) to refer the reported overspend position in relation to the Aberdeen Treasure Hub to the February 2017 meeting of the Audit, Risk and Scrutiny Committee;	E Couperwhite	Education and Children's Service	<b>Report due in February 2017</b>  <b>An Interim report is on the agenda</b>
5.	AR&S 24 Nov 16 Article 8	<b>Solar Photovoltaic Agreement</b> in response to various concerns raised by members relating to the contract and decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Solar Photovoltaic Agreement and whether there was the appropriate level of reporting the risks to members before and during the contract period.	D Hughes	Internal Audit	<b>A report is on the agenda</b>
6.	AR&S 24 Nov 16 Article 9	<b>Review of Risk Management Systems</b> in response to a question from Councillor Dunbar relating to when the Committee were to receive an update on the implementation of actions to address the recommendations arising from the review of the risk management system, to note that Appendix 2 to the report contained timeframes for the recommendations to be completed and that a report would be submitted to this Committee in June 2017.	N Buck	Corporate Governance	<b>An interim report is on the agenda</b>  <b>A report is expected in June 2017</b>



<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>
7.	AR&S 24 Nov 16 Article 15	<b>Self-Directed Support – Internal Audit Report</b> in response to a question from Councillor Graham relating to section 2.1.2 and why there was not an update provided to Full Council in 2014, to note that the Chief Officer for Aberdeen City Health and Social Care Partnership would ascertain who was responsible at that time and provide a response to the Committee.	J Proctor	Health and Social care Partnership	We have been unable to establish exactly why this report was not put on the agenda for Full Council in 2014. We would observe that a number of personnel changes have taken place since then and that work around transitioning toward the new arrangements for integration were taking place then.
8.	AR&S 24 Nov 16 Article 20	<b>Update on Current Gas Central Heating Maintenance Framework Contract</b> in response to various concerns from members relating to the original contract value, the escalation of costs throughout the term of the contract and the decision making process, to request the Internal Auditor to undertake an audit to ascertain where the responsibilities and accountability sat at the time of awarding the contract.	D Hughes	Internal Audit	<b>A report is on the agenda</b>
9.	Council 14 Dec 16 Article	<b>Bond Financing Strategy - Implications for the Council</b> (iv) to instruct the Head of Finance to review the Council's financial management systems, processes and routines taking into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds and to report back to the Finance, Policy and Resources Committee and	S Whyte	Head of Finance	

<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>
		Audit, Risk and Scrutiny Committee as required			

## DRAFT

### COMMUNITIES, HOUSING AND INFRASTRUCTURE COMMITTEE

24 January 2017

#### **PUBLIC MORTUARY – STATUS REPORT**

**35.** The Committee had before it a report by the Director of Communities, Housing and Infrastructure which advised on the legal framework surrounding public mortuaries, local arrangements, policies and procedures adopted to ensure effective service delivery and future proposals to provide a modern purpose build facility in compliance with best practice guidance. The report also provided a status report on the Aberdeen City Council mortuary in light of a proposed National review of mortuaries by Scottish Government.

#### **The report recommended:-**

That the Committee -

- (i) note the content of the report;
- (ii) request that once information is available, a further report be submitted on the scope of the national review of mortuaries and on completion of any subsequent audit of the city mortuary;
- (iii) request that on completion of discussions with partners, a further report be submitted with a business case for a new mortuary facility; and
- (iv) refer this report to the Audit, Risk and Scrutiny Committee for information.

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

to approve the recommendations.

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Communities, Housing and Infrastructure
DATE	24 January 2017
DIRECTOR	Pete Leonard
TITLE OF REPORT	Public Mortuary – Status Report
REPORT NUMBER	CHI/16/298
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to advise on the legal framework surrounding public mortuaries; local arrangements; policies and procedures adopted to ensure effective service delivery and future proposals to provide a modern purpose build facility in compliance with best practice guidance, and a status report on the Aberdeen City Council mortuary in the light of a proposed National review of mortuaries by Scottish Government.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) Notes the content of the report;
- b) Request that, once information is available, a further report be submitted on the scope of the national review of mortuaries and on completion of any subsequent audit of the city mortuary;
- c) Requests that on completion of discussions with partners, a further report be submitted with a business case for a new mortuary facility; and
- d) Refer this report to the Audit, Scrutiny and Risk Committee for information.

### 3. FINANCIAL IMPLICATIONS

The financial implications of the provision of a replacement mortuary facility are at this stage not known. It is likely that the most efficient method of provision will be as a partnership arrangement with other

public sector stakeholders. A business case will be submitted to this Committee.

#### 4. OTHER IMPLICATIONS

The Council has a statutory duty under the Public Health etc. (Scotland) Act 2008 to provide, or ensure the provision of, a mortuary and Post Mortem facility. Recent events reported in the media have indicated an interest in the quality of mortuary provision by both the general public and Scottish Government. In the interests of the public purse it is important that Mortuary facilities are delivered as efficiently as possible while having regard to relevant standards and legislation for dignity for the dead, requirements for public health, health and safety of mortuary staff, and the environment.

#### 5. BACKGROUND/MAIN ISSUES

##### **Background**

The Public Mortuary is situated below, and is structurally part of the Police Scotland offices on Queen Street. Aberdeen City Council's Public Mortuary ("the City Mortuary") provides a Grampian-wide service in a partnership arrangement with Aberdeenshire Council and The Moray Council, Shetland Islands Council, the Crown Office and Procurator Fiscal Service and Police Scotland. A Service Level Agreement prescribes the legal arrangements and cost allocations. Staff at NHS Grampian Aberdeen Royal Infirmary (ARI) mortuary provide assistance and support to Council employees on procedures and practices and on health and safety matters, while the ARI mortuary also provides storage accommodation when the City Mortuary is full. The City Mortuary is unusual in that it is one of only two local authority run mortuaries in Scotland. The majority of Scottish authorities have a joint arrangement with their local NHS board for body storage and post mortem examination.

The Public Mortuary has insufficient capacity for the service provided and at present there is an agreement with NHS Grampian to use the ARI mortuary to provide additional storage space. Both the Public Mortuary and ARI mortuary are old, many facilities outdated and neither have scope to expand or develop the existing premises. Furthermore, Police Scotland are reviewing their estate, including the use of the Queen Street premises. Due to these constraints, discussions commenced in 2015 regarding the potential provision of a joint NHS Grampian/Public Mortuary.

##### **Statutory duties and local arrangements**

The Public Health etc (Scotland) Act 2008 places a duty on local authorities to provide, or ensure the provision of, premises and facilities for the reception and temporary storage of the bodies of persons who die in the authority's area; and premises and facilities for the post-mortem examination of such bodies.

No professional qualification is required for staff working in a mortuary where they only manage and record the receipt and dispatch of the deceased from the premises. However, like many other public mortuaries, the City Mortuary provides facilities for post mortem examination. Post mortems are carried out by a pathologist contracted by the Crown Office and assisted by mortuary staff. The mortuary staff who assist in post mortems require to hold at least a Level 3 Diploma in Anatomical Pathology Technology. The more advanced Level 4 Diploma enables assistance in more complex post mortems and 'high risk' cases where there is greater risk of infection. Three members of staff are employed at the Aberdeen mortuary, a Senior Anatomical Pathology Technician (APT qualified to level 4), a Trainee APT (qualified to level 3 and training for the level 4 qualification) and a recently appointed Trainee APT who will commence the Level 3 course in February.

A thorough review of operational procedures and , risk assessments at the mortuary was carried out in 2015 with support from an external consultant. New processes were developed to ensure more effective management systems and improved practices to protect the health and safety of staff and visitors to the premises, including undertakers, police officers, Crown Office personnel and contractors. These procedures and risk assessments are regularly reviewed and updated in accordance with Council policies.

### **Assurance of the operation of the Mortuary**

NHS mortuary design is defined in Scottish Health Planning Note 20 "Facilities for Mortuary and Post-Mortem Room Services Design and briefing guidance".

Hospital mortuaries provide a wider range of services than public mortuaries and receive regular external inspections from the Human Health Authority and other agencies to ensure the facilities comply with national guidelines for NHS mortuaries.

There is no formal external overview of the public mortuary and, indeed, there are no equivalent operational standards for non-NHS mortuaries. However, the Forensic Pathologists and the APTs who work in the mortuary, plus the Environmental Health staff who manage the facility, all have professional qualifications and are aware of standards to be achieved in terms of protecting public health and health and safety issues. In addition, those who work with the deceased are

trained and aware of standards in terms of treating both the deceased and the bereaved with dignity and respect. 6 monthly health and safety inspections are undertaken internally by Protective Services staff, and the premises are periodically inspected by the Council's health and safety team. Staff working at the mortuary, including the Crown office contracted forensic pathologist, do flag up faults and any matters of concern with Protective Services managers as and when they arise.

The facilities at the Public Mortuary are currently adequate to deliver mortuary and post mortem services. Operational practices follow the guidance for NHS mortuaries, however the age, layout and size of the premises restricts our ability to fully comply with all of the physical requirements of this standard.

Limitations of the current premises are listed below:

- Insufficient deceased storage facilities (additional storage is provided, at a cost, by Grampian NHS);
- The design restricts the ability to operate a workflow that properly separates 'dirty' (i.e. post mortem functions) from 'clean' areas (ie. office, deceased reception area, toilets) and the installation of footbaths, requiring additional measures to be in place for staff moving from one area to another;
- Equipment and fittings are outdated, and so more labour intensive to clean than modern facilities, and cannot accommodate bariatric bodies;
- Equipment design requires significant manual handling of the deceased; (modern facilities incorporate mechanical systems and other measures to limit manual handling);
- While the viewing room is adequate for deceased identification, visitors are unable to access the room to touch the deceased as recommended in the NHS guidance. Identification of the deceased is from the Police Scotland side of the building where welfare facilities for visitors are limited;
- There is no observation room for visiting police officers, Crown Procurator Fiscal staff and pathology students to view post mortems – observation can only take place within the post mortem/examination areas providing a greater risk of contamination of outer clothing and 'clean' areas;
- Limited storage space for boots, protective clothing and cleaning materials;
- The quality of staff changing and welfare facilities is compromised by the size of the facility with a cramped changing area and no gender separation, and the office also serves as a rest room;
- No designated waiting area for visitors, including police officers, photographers, students and the Crown Procurator Fiscal; with the pathologist's office being used for this purpose.

## **Proposed National Review of Mortuary Facilities**



Following the recent parliamentary debate on arrangements for mortuary provisions in Scotland, Aileen Campbell, Minister for Public Health and Sport committed to a review and renewal of Scottish Government guidance for mortuary facilities in all NHS Boards, and to investigate mortuary facilities in their entirety across Scotland. Members will be informed of the format of any proposed review and new guidance and the implications for the Aberdeen Public Mortuary when information becomes available.

While the scope of the forthcoming national review is not known, recent events and the parliamentary discussion suggest that it is likely to cover:

(a) compliance with the standard for NHS mortuaries (the majority of LAs use the local NHS mortuary for storage of the dead) and possibly a review of the standard itself to check that it is adequate,

(b) public access to mortuaries and facilities for viewing the deceased, and treatment of the deceased and the bereaved by mortuary staff, pathologists and the police,

(c) a review and possible clarification of the roles and responsibilities of the various stakeholders,

It is possible that one outcome of the review could be an audit regime for mortuaries.

If the National mortuary review audits the city mortuary against the NHS mortuary standard the limitations listed above are likely to be highlighted as non-conformances. Due to the constraints of the size, layout and construction of the facility, it is not physically possible to upgrade it. There is no alternative facility in the area.

### **Proposal for a shared NHS Grampian/North-east public mortuary**

A draft Business Case outlining options for a new facility has been prepared and work is progressing with NHS Grampian and other partners. A workshop for NHS Grampian and Council managers took place on 11 January 2017 to discuss possible options and timescales and to explore the development of a work plan.

Benefits of a joint NHS/public mortuary could include:

- Purpose built, modern facility complying with the latest guidelines, designed and fitted with equipment to maximise control of safety risks and biological hazards and meet the expectations of the bereaved and the wider public.

- Capacity to meet the future demand of increased population, bariatric body storage and potential flexibility to accommodate a mass fatality incident.
- Eliminate the need to transfer bodies between the two existing mortuaries, reducing time and cost.
- Additional savings through shared management, staff, equipment, facilities and services.

### **Contingency Plans**

Local authorities must also consider arrangements and have contingency plans in place in the event of a mass fatality event. Co-ordination of Emergency Planning across the north-east councils is delivered by the Grampian Emergency Planning Unit (EPU), a joint team based in Aberdeen City Council. The EPU or Incident Control Team would determine any emergency mortuary requirements, including the type and location. Potential temporary deceased storage facilities have been identified in the Aberdeen area and are subject to regular review.

Ideally a new, shared public mortuary could incorporate flexible space that could be brought into use as an emergency mortuary facility.

## 6. IMPACT

### **Improving Customer Experience –**

This report highlights the limitations of the public mortuary in terms of access and facilities for the public and a future report will outline how these will be addressed through plans for future mortuary provision in the north east.

### **Improving Staff Experience –**

This report highlights the limitations of the public mortuary in terms of staff facilities and a future report will outline how these will be addressed through plans for future mortuary provision in the north east.

### **Improving our use of Resources –**

This report outlines the existing partnership approach to using public resources to provide public mortuary services in the north east. It is likely that partnerships will be relied upon for continued provision in the future.

### **Corporate -**

Local Outcome Improvement Plan: Investment in Infrastructure

Strategic Infrastructure Plan: A better image for the City

The development of a new facility would offer opportunities for joint working with partner organisations.

**Public –**

This report is likely to be of interest to the public in the light of recent publicity about mortuary facilities and Scottish Government's pronouncement about a review of mortuary services.

This report provides information about a council facility but, as yet, no changes to existing procedures and practices, and so does not require an Equality and Human Rights impact assessment or a privacy impact assessment at this time.

7. MANAGEMENT OF RISK

The forthcoming review of mortuary services by Scottish Government, uncertainty about the future of the building as part of the City Centre Master Plan, and the increasing demand for the service due to population growth present a medium risk to the Council, and partner local authorities, in terms of their ability to meet their statutory duty to provide storage and post mortem facilities for the dead. Discussions are already underway with partners and stakeholders with a view to providing a replacement facility in the coming years.

It is likely that, in the absence of any other standard, the existing facility will be audited against Scottish Government standards for NHS mortuaries. Due to the constraints of the existing building, there is little that can be done to improve the mortuary and so this will impact on the reputational risk of the council.

8. BACKGROUND PAPERS

Parliamentary debate 27 October 2016:

<http://www.parliament.scot/parliamentarybusiness/report.aspx?r=10582>

Scottish Health Planning Note 20 – facilities for Mortuary and Post-Mortem Room Services design and briefing guidance

9. REPORT AUTHOR DETAILS

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Progress
REPORT NUMBER	IA/17/001
CHECKLIST COMPLETED	Yes

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### **1. PURPOSE OF REPORT**

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2016/17 Internal Audit plan.

### **2. RECOMMENDATIONS**

- 2.1 The Committee is requested to approve the transfer of the Internal Transport Tendering Procedures audit to the 2017/18 Internal Audit plan, and the Commissioning of Children's Social Work Services and Fostering and Adoption Allowances audits to the 2018/19 Internal Audit plan, and
- 2.2 To otherwise review, discuss and comment on the issues raised within this report and the attached appendices.

### **3. FINANCIAL IMPLICATIONS**

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

### **4. INTERNAL AUDIT PROGRESS**

- 4.1 The Internal Audit plan for 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 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 10 February 2017 by Original Target Committee Date						%age
	Jun 16	Sep 16	Nov 16	Feb 17	Jun 17	Total	
Complete	5	5	4	4	0	18	69.2
Draft Report Issued	0	0	1	0	0	1	3.9
Work in Progress	0	0	0	2	1	3	11.5
Moved to 2017/18 or 2018/19	0	0	0	0	3	3	11.5
To Start	0	0	0	0	1	1	3.9
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>26</b>	<b>100.0</b>

4.2 In view of staffing issues in Public Infrastructure and Environment, it is proposed that the planned audit of Internal Transport Tendering Procedures is delayed until 2017/18. In view of this, the Committee is being requested to approve the transfer of this audit to the 2017/18 Internal Audit Plan.

4.3 Education and Children's Services has requested that the Commissioning of Children's Social Work Services and Fostering and Adoption Allowances audits in the current year's plan be deferred to 2018/19. The reasons for this are detailed in the attached appendix and the Committee is being requested to approve the transfer of these audits to the 2018/19 Internal Audit Plan.

**5. REPORT AUTHOR DETAILS**

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## APPENDIX A

### PROGRESS WITH 2016/17 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 10 February 2017	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.	Draft report due to be issued	16.12.16	Green	
		Draft report issued	16.12.16		
		Management response due	16.01.17	Amber	
		Management response received	26.01.17		
		Final draft issued to Service	31.01.17	Green	
		Final draft agreed	02.02.17		
		Final report issued	03.02.17	Green	
		Original target Committee date	23.02.17	Green	
		Actual submission to Committee	23.02.17		
ALEOs	Consider how Services manage their ALEOs including payments and performance.	Draft report due to be issued	10.01.17	Red	Services have not provided information requested during the audit process. This is being followed up on a regular basis by the Auditor.
		Draft report issued			
		Original target Committee date	23.02.17	Red	
		Anticipated submission to Committee	22.06.17		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	Red Amber Green	Comment where applicable
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### CROSS SERVICE (continued)

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.	Draft report due to be issued	23.12.16	Green	Draft issued although responses were awaited from Services regarding sample tested.
		Draft report issued	16.12.16		
		Management response due	09.01.17	Amber	
		Management response received	01.02.17		
		Final draft issued to Service	07.02.17	Green	
Final draft agreed	14.02.17	Amber			
<i>Original target Committee date</i>	<i>27.09.16</i>	Green			
<i>Changed to</i>	<i>23.02.17</i>				
Actual submission to Committee	23.02.17				
<p><i>The 2015/16 review of this area was concluded in June 2016 so Internal Audit considered that it would be beneficial to delay this review, with reporting to Committee in February 2017.</i></p>					
Timesheets and Allowances	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	Draft report due to be issued	16.12.16	Green	
		Draft report issued	15.11.16		
		Management response due	14.12.16	Amber	
		Management response received	09.01.17		
Final report issued	10.01.17	Green			
Original target Committee date	23.02.17	Green			
Actual submission to Committee	23.02.17				



SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	Red Amber Green	Comment where applicable
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## CORPORATE GOVERNANCE

Budget Setting Process	Review procedures used in setting the Council's budget.	Draft report due to be issued	03.10.16	Green	<i>Delayed pending resolution of budget monitoring audit</i>
		Draft report issued	13.12.16		
		Management response due	13.01.17	Amber	
		Management response received	24.01.17		
		Final draft issued to Service	30.01.17	Green Amber	
Final draft agreed	N/A				
Final report issued	N/A				
		Original target Committee date	24.11.16	Red	
		Revised date	23.02.17		
Treasury Management	Consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.	Draft report due to be issued	20.12.16	Green	
		Draft report issued	20.12.16		
		Management response due	20.01.17	Amber	
		Management response received	24.01.17		
		Final draft issued to Service	31.01.17	Green	
Final draft agreed	02.02.17				
Final report issued	03.02.17	Green			
		Original target Committee date	23.02.17	Green	
		Actual submission to Committee	23.02.17		
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.	Draft report due to be issued	29.09.16	Green	
		Draft report issued	29.09.16		
		Management response due	21.10.16	Amber	
		Management response received	07.11.16		
Final report issued	21.11.16	Amber	Further discussion required between Finance and C&PS		
		Original target Committee date	24.11.16	Amber	
		Actual submission to Committee	23.02.17		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	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.	Draft report due to be issued	27.02.17	Green	
		Draft report issued	N/A		
		Original target Committee date	22.06.17	Green	
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.	<i>Draft report due to be issued</i>	23.09.16	Green	<i>Management requested further time to respond to the draft report to enable further consideration of the issues raised.</i>
		<i>Draft report issued</i>	23.09.16		
		<i>Management response due</i>	21.10.16	Green	
		<i>Management response received</i>	20.10.16		
		<i>Updated draft issued</i>	25.10.16	Green	
		Partial management response received	22.12.16	Amber	
		Updated draft issued	28.12.16	Green	
Management response received	30.01.17	Amber			
Final report issued	N/A	N/A			
Original target Committee date	24.11.16	Amber			
Anticipated submission to Committee	23.02.17				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	Red Amber Green	Comment where applicable
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## 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	Amber	See below
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The Service has requested that this audit be deferred for the following reason:

"Following her appointment, the Head of Service for Children's Social Work undertook an urgent review of commissioning and contracting and requested an Internal Audit. The service is working to a tightly managed project plan to meet the recommendations, but the programme will not be completed until December 2017. This includes recommissioning all services as part of a Public Services Partnership in four, tightly managed, phases. The work is on track and a more suitable time for a follow up audit would be 2018."

Primary School Visits	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Draft report due to be issued	09.01.16	Green	
		Draft report issued	22.12.16		
		Management response due	23.01.17	Amber	
		Management response received	03.02.17		
		Final draft issued to Service	03.02.17	Green	
		Final draft agreed	08.02.17		
		Final report issued	08.02.17	Green	
		Original target Committee date	23.02.17	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	Red Amber Green	Comment where applicable
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### EDUCATION AND CHILDREN'S SERVICES (continued)

Fostering and Adoption Allowances	Consider whether adequate procedures are in place to control calculation, award and payment of allowances, and that correct rates are applied and any overpayments are recovered timeously.	Original target Committee date	22.06.17	Amber	See below
<p>The Service has requested that this audit be deferred to 2018/19 for the following reason:</p> <p>“The Service is in the midst of making changes to financial processes for payment to all carers.”</p>					

### COMMUNITIES, HOUSING AND INFRASTRUCTURE

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.	Draft report due to be issued	17.02.17	Green	Delayed due to staffing issues in Public Infrastructure and Environment
		Draft report issued	N/A		
		Original target Committee date	23.02.17	Amber	
		Anticipated submission to Committee	22.06.17		
Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee Date	22.06.17	Amber	It is proposed that this audit be moved to the 2017/18 Internal Audit plan due to staffing issues in Public Infrastructure and Environment

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	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 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.		
Third Don Crossing	Review to ascertain where the responsibilities and accountability sat in relation to the Third Don Crossing and whether the appropriate level of scrutiny and records were in place throughout the project.	Draft Committee report issued to Service	16.12.16	Green
		Report agreed with Service	06.01.17	Green
		Anticipated submission to Committee Actual submission to Committee	23.02.17 23.02.17	Green
Photovoltaic Panels	Review of the contractual arrangements in relation to the photovoltaic panels' contract.	Draft Committee report issued to Service	10.01.17	Green
		Report agreed with Service	15.02.17	Amber
		Anticipated submission to Committee Actual submission to Committee	23.02.17 23.02.17	Green
Gas Servicing Contract	Review of the gas servicing contract.	Draft Committee report issued to Service	05.01.17	Green
		Report agreed with Service	31.01.17	Green
		Anticipated submission to Committee Actual submission to Committee	23.02.17 23.02.17	Green

SUBJECT / SCOPE	OBJECTIVE	Progress as at 10 February 2017	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.			
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

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2017/18
REPORT NUMBER	IA/17/002
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to seek approval of the attached Internal Audit plan for 2017/18.

### 2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Plan for 2017/18.

### 3. FINANCIAL IMPLICATIONS

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

### 4. BACKGROUND/MAIN ISSUES

- 4.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The plan for 2017/18 is attached as appendix B.
- 4.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit regarding the Council's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.
- 4.3 The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

- 4.4 When the shared Internal Audit Service was introduced between Aberdeenshire and Aberdeen City Councils it was planned to have rolling three year plans, with those of both Councils linked as far as possible to improve efficiency and help share best practice. This has not, at present, been possible to achieve.
- 4.5 During the planning process, Internal Audit reviewed each Service's approved Risk Register and consulted with Service Directors to ensure that areas which Services consider to be of risk to their business operations were considered for inclusion in the plan. Each of the planned audits has been allocated to a target Committee date. However, it should be noted that these dates may change following discussion with the External Auditor as they may wish to place reliance on certain reviews. This could result in the outputs from these reviews being later than anticipated due to the period that testing will be required to cover.
- 4.6 One audit planned to be completed in 2016/17 has been deferred to the 2017/18 plan and two further audits deferred to 2018/19. The reasons for this are detailed in the Internal Audit Progress report on today's agenda.
- 4.7 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit expects to be able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified.
- 4.8 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2016/17 was £582,000 and it is anticipated that the budget for 2017/18 will provide for a similar level of resource. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

## **5. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01224) 664184



## **Appendix A**

### **INTERNAL AUDIT PLAN 2017/18 STRATEGY AND RISK ASSESSMENT**

This document details the process adopted for developing the Internal Audit plan for 2017/18, which is the same as approved by the Audit, Risk and Scrutiny Committee previously when it considered plans for previous years.

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

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

In developing the plan, consideration was given to the Council's risk registers, the Council's Strategic Priorities, the Assurance and Improvement Plan 2014-17, and a listing of previous audits undertaken within both Aberdeenshire and Aberdeen City Councils, and the outcome of these. Service Directors were requested to provide input to the planning process through discussion with their management teams to help ensure that the right areas were targeted for review.

Prior to commencing each planned audit, Internal Audit will discuss the area with Service management to further develop the scope of the review. However, if areas are identified through testing that fall outwith that scope, which impact on governance, they will still be reported on.

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

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

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

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High	Low
Payroll	Failing to ensure that employees are paid correctly.	Medium	Medium
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High	Low
	Failing to identify and recover sundry debts due to the Council.	Medium	Medium
	Failing to control cash income received.	Medium	Medium
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium	Medium
Bond Governance	Failing to ensure that the Council has appropriate governance arrangements and practice to minimise the risk to the Council.	High	TBC
	Failing to ensure compliance with the London Stock Exchange requirements.	High	TBC
Cyber Security	Failing to have adequate arrangements in place to safeguard the Council's ongoing business arrangements.	High	TBC
Health and Safety	Failing to have adequate arrangements in place to safeguard the Council's workforce and clients.	High	TBC

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Business Operations	Failing to have appropriate measures in place to ensure that services are provided in accordance with regulatory requirements.	Medium	TBC

**NOTE** – Internal Audit's risk assessment based on evaluation of mitigating controls is based on Internal Audit work undertaken previously, and external audit work on Benefits and the associated annual subsidy return.

**Risk:**

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

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

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

## **Internal Audit Plan 2017/18**

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

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

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

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

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

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

## Appendix B

### INTERNAL AUDIT PLAN 2017/18

#### CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Attendance Management	Attendance Management	To test corporate compliance with the attendance management policy and determine if it is having a positive effect on attendance.	September 2017
Capital Plan	Capital Plan	Consider whether robust mechanisms are in place for setting, progressing and monitoring the capital plan. It is understood that Council officers are undertaking a review of this area and the outcome of this will help inform Internal Audit's opinion.	April 2018
Travel Costs	Travel Costs	Ensure that travel arrangements and claims are made in accordance with the Council's Travel Policy, Procedure and Guidance.	November 2017
Business Continuity Planning	Business Continuity Planning	Ensure that Business Continuity Plans are in place as required by the Business Continuity Policy and that arrangements adequately manage identified risks.	June 2017
Bond Governance	Bond Governance	Consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and safeguarding the Council's credit rating.	February 2018

#### CORPORATE GOVERNANCE

##### Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
PECOS System	PECOS System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	September 2017

## Finance

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Fixed Asset Register	Fixed Asset Register	Consider whether procedures for ensuring timely recording of the acquisition / disposal of assets are adequate and that revaluations are undertaken in accordance with recognised best practice. Ensure that a sample of recorded assets exist and those that should be recorded are.	November 2017
Financial Ledger System	Financial Ledger System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	February 2018

## Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Target Committee
YourHR	YourHR	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	February 2018

## IT and Transformation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Major IT Business Systems	Major IT Business Systems	Ensure that the risk of major IT Business Systems failure is adequately managed.	February 2018

## Legal and Democratic Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Training for Councillors	Post-Election Training for new Council	Ensure that appropriate arrangements were made for training Councillors following the May 2017 Local Government Elections, that training was delivered and was effective.	February 2018

## EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Out of Authority Placements	Out of Authority Placements	Review progress with implementing the Inclusion Review and consider whether system used to make and review on-going out of authority placements is robust and that alternatives are considered before decisions are made which commit expenditure.	April 2018
Nursery Education	Pre-School Commissioned Places	Consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure. To include consideration of plans in place to deliver the Scottish Government's expansion in early education and childcare which comes into force in August 2020.	February 2018
Placing requests	Placing requests	To review decision making processes and consider whether these are adhered to.	November 2017
Health and Safety - SSERC	Application of Health and Safety measures and practices in schools	Consider whether arrangements in place adequately manage risk responsibility in relation to: hazard information, handling and disposal of chemicals; safety in microbiology; material of living origin, and routine fume cupboard testing.	June 2017
Care of Children and Young People	Community Care	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	September 2017



## COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

### Housing

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Homeless Persons	Housing Support budget	Consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.	April 2018
Building Maintenance	Year-end stock take	Attend a selection of locations during 2016/17 year end stock taking and ensure accuracy of process. To include review of stock procedures.	September 2017

### Land and Property Assets

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Craft Workers Payroll	Craft Workers Payroll	Ensure that new Terms and Conditions have been implemented and are being complied with.	April 2018
Corporate Landlord Responsibilities	General Fund Property	Ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its corporate landlord role.	September 2017
Stores Purchasing	Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	April 2018
Capital Contracts	Capital Contracts	Ensure appropriate arrangements are in place regarding the tendering for and monitoring of a sample of capital contracts and value for money is being obtained.	February 2018

### Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Vehicle Maintenance	Vehicle Maintenance Workshops	Ensure that adequate procedures are in place to control the function and obtain best value in maintaining vehicles.	September 2017
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	April 2018
Vehicle Usage	Vehicle Usage	Ensure that adequate procedures are in place to ensure that vehicles are being used effectively for business purposes and any non-business use is appropriately reported.	November 2017

## ADULT SOCIAL CARE

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Social Work Payroll	Social Work Payroll	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled.	November 2017
Financial Assessments	Social Work Financial Assessments	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.	November 2017
Care Management	Care Management	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	February 2018
Social Work Transport	Social Work Transport	Consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way.	June 2017

## GENERAL

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

**FOR INFORMATION**

**Internal Audit work relating to the following areas will be approved by the Aberdeen City Council Pension Committee and the Aberdeen City Council Integration Joint Board Audit and Performance Systems Committee**

**North East Scotland Pension Fund**

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Pensions System	Pensions 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.	Pensions Committee

**Integration Joint Board**

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Integration and Change Funding	Integration and Change Funding	Ensure appropriate governance is in place to manage delivery of funded projects and use of the funds.	IJB

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# Aberdeen City Council

Audit strategy

Year ending 31 March 2017

13 February 2017

For audit, risk and scrutiny committee consideration on 23 February 2017

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## About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Aberdeen City Council and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

## Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to Aberdeen City Council, telephone 0131 527 6673 email: [andrew.shaw@kpmg.co.uk](mailto:andrew.shaw@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to [alex.sanderson@kpmg.co.uk](mailto:alex.sanderson@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4<sup>th</sup> Floor, 102 West Port, Edinburgh, EH3 9DN.

# Introduction

We are pleased to be appointed as the external auditor of Aberdeen City Council (“the Council”) for the period 2016-17 to 2020-21, inclusive. We look forward to working with officers and members over the course of our appointment. Our transition work commenced in November 2016, and we thank staff for the co-operation and welcome provided so far.

We set out below a short introduction to the KPMG team and the purpose of this report.

## Our team

The senior team involved in the external audit has significant experience in the audit of local authorities. Due to the Council’s status as an EU Public Interest Entity (“EU PIE”), we are also required to include an engagement quality control reviewer. The team is supported by specialists, all of whom work with a variety of local government and public sector bodies. All members of the team are part of our wider local government network, which is headed up by Joanna Killian. The diagram below sets out the senior members of the audit team. Contact details are provided on the back page of this report.

## Purpose of this report

This report sets out our audit strategy for 2016-17. It covers the following areas:

- Significant risks and other matters. Significant risks are those risks which the audit team has identified have the greatest possibility of leading to a material misstatement in the financial statements. Other matters are those areas the audit team does not consider to be significant risks, but consider them worthy of additional consideration in the audit.
- Wider scope. Audit Scotland’s Code of Audit Practice (‘the Code of Audit Practice’) sets out four audit dimensions which, alongside Best Value, set a common framework for all the audit work conducted for the Accounts Commission. These four dimensions are financial sustainability, financial management, governance and transparency and value for money. We consider these throughout our audit work
- Best Value. The Accounts Commission has developed a new approach to Best Value for 2016-17, with emphasis on the pace and depth of continuous improvement and providing a Best Value report for each Council at least once every five years.
- Logistics and fees. We set out required communications in the appendices to this report. This includes the audit timeline and fee arrangements.



## Financial statement audit



### Materiality

Materiality for planning purposes is based on last year's expenditure and set at £7.75 million for the Council's stand alone accounts, which equates to 1% of gross cost of services expenditure, adjusted for revaluation decreases recognised in cost of services expenditure. This materiality is lower than we normally apply for local authority audits, reflecting additional regulatory requirements that arise from the Council's listed debt and therefore classification as an EU PIE. We will review the level of materiality on receipt of draft accounts for 2016-17.

In line with the Code of Audit Practice, we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.25 million.

### Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls fraud risk (assumed risk per ISA 240);
- revenue recognition fraud risk;
- revaluation of property, heritage assets, plant and equipment; and
- accounting for the bond issuance;
- retirement benefits; and
- capital expenditure.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- presentation of the financial statements – 'telling the story';
- highways network assets readiness; and
- consolidation of the Integration Joint Board.

**See pages seven to 12 for more details.**

**DRAFT**

## Wider Scope and Best Value



A new Code of Audit Practice was published in May 2016 and is applicable to all audits from financial year 2016-17. This requires auditors to assess and provide conclusions in the annual audit report in respect of four wider scope dimensions:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

The Accounts Commission introduced a new framework for auditing Best Value ("BV") in 2016, integrated into the annual audit. Each year of the five year appointment we will perform audit activity over two of the seven BV areas. For 2016-17 the Accounts Commission has determined that Financial and Service Planning and Financial Governance and Resource Management will be covered.

**See pages 13 to 14 for more details.**

## Logistics



Our team is:

- Andy Shaw – Director
- Sarah Burden – Manager
- Rachel Slaski – Assistant manager
- Julie Robinson – Fieldwork lead

Our work will be completed in four phases from December to September and our key deliverables are this audit strategy, and interim report and an annual audit report as outlined on **page 21**.



# Scope of audit

**DRAFT**

## Scope definition

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Council (“the Council”) in accordance with the Local Government (Scotland) Act 1973. The period of appointment is 2016-17 to 2020-21, inclusive.

## Purpose

This document summarises our responsibilities as external auditor for the year ending 31 March 2017 and our intended approach to issues impacting the Council’s activities in the year.

### KPMG’s planned audit work in 2016-17 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
  - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom (“the 2016-17 Code”) of the state of the affairs of the group and of the Council as at 31 March 2017 and of the income and expenditure of the group and the Council for the year then ended; and
  - have been prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2016-17 Code, the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- participation in the shared risk assessment as part of the local area network;
- completion of returns to Audit Scotland and certification of grant claims;
- a review and assessment of the Council’s governance arrangements and review of the governance statement;
- a review of National Fraud Initiative arrangements;
- a review of arrangements for preparing and publishing statutory performance information; and
- developing a Best Value audit plan for the five-year period and perform risk assessed work in line with year one of this plan.

Auditors’ and audited bodies’ responsibilities are set out in the Code. The Code states the responsibilities in relation to:

- the financial statements and related reports;
- corporate governance;
- prevention and detection of fraud and irregularities;
- standards of conduct for prevention and detection of fraud and error;
- financial position; and
- Best Value.

These responsibilities are outlined in appendix seven.

### Financial statements audit

Our financial statements audit work follows a four stage audit process, which is identified below. Appendix one provides more detail on the activities this includes. This report focuses on the planning stage of the audit. Our control evaluation will include a review of internal audit in line with the requirements of the Code and we will assess if we can place reliance on its work to support controls testing.



### Best Value audit activity

BV audit activity follows a process which is identified below, page eight provides detail on the activities this includes. This report focuses on explaining the BV approach for the 2016-17 audit and our annual audit report will conclude on the year one areas.



# Financial statements audit planning



**DRAFT**

## Materiality

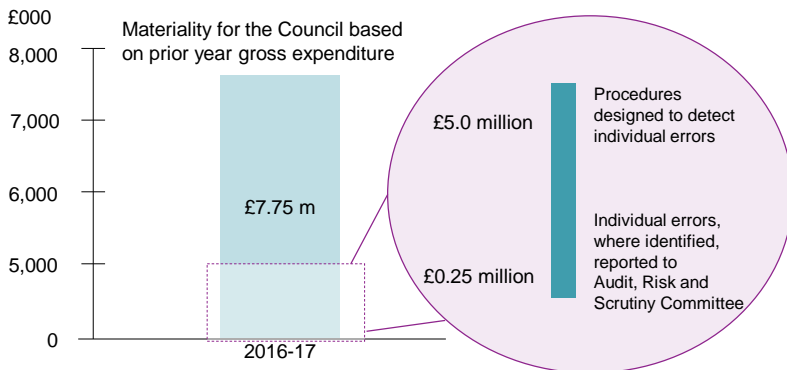
We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £7.75 million for the Council's standalone accounts, and at £7.85 million for the group accounts. In both cases this equates to 1% of cost of services expenditure, adjusted for revaluation decreases recognised in cost of services expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

## Reporting to the Audit, Risk and Scrutiny Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk and Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Under ISA 260 (UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An individual difference is considered to be clearly trivial if it is less than £0.25 million.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk and Scrutiny Committee to assist it in fulfilling its governance responsibilities.

## Group audit

In addition to the Council we deem the following subsidiaries and joint ventures to be significant in the context of the group audit:

- Aberdeen City Council Common Good Fund;
- Aberdeen City Health and Social Care Partnership;
- Bon Accord Care Limited; and
- Bon Accord Support Services Limited.

To support our audit work on the Council's group accounts, we seek to place reliance on the work of firms who are the auditors to these subsidiaries. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

The Council's group structure and scoping of subsidiaries, associates and joint ventures is provided at appendix six.

We will report the following matters in the annual audit report:

- Deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify.
- Limitations on the group audit, for example, where our access to information may have been restricted.
- Instances where our evaluation of the work of the subsidiary auditors gives rise to concern about the quality of that auditor's work.

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# Financial statements audit planning (continued)



**DRAFT**

**Risk assessment:** Our planning work takes place during December 2016 to February 2017. This involves: risk assessment; determining the materiality level; and issuing this audit plan to communicate our audit strategy. We use our knowledge of the Council, discussions with management and review of Council papers to identify areas of risk and audit focus categorised into financial risks and wider dimension risks as set out in the Code.

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Significant risk	Why	Audit approach
<b>Financial statement risks</b>		
<b>Fraud risk from management override of controls</b>	Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically 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.	<ul style="list-style-type: none"> <li>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council.</li> <li>Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</li> <li>In line with our methodology, we will carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the Council's normal course of business, or are otherwise unusual.</li> </ul>
<b>Fraud risk from income revenue recognition</b>	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.	<p>We have considered the fraud risk from revenue recognition for the Council for each of its significant revenue streams and summarise our view of revenue recognition risk for each below.</p> <ul style="list-style-type: none"> <li>Non-ringfenced government grants are agreed in advance of the year, with any changes requiring government approval. There is no estimation or judgement in recognising this stream of income and we not regard the risk of fraud to be significant.</li> <li>The other major sources of income are from annual local taxes and rental income (council tax, non-domestic rates and housing revenues). These revenues are prescribed by law and other specific regulations, which prescribe the period in which annual local taxes and rental income is recognised as revenue. This minimises the level of judgement required in revenue recognition by management and we do not regard the risk of fraud from this revenue recognition as significant.</li> <li>We consider the fraud risk from recognition of other income to be significant. Other income relates primarily to charges or service income from varying different streams and therefore we consider there to be judgement in recognising this income.</li> <li>The potential for other income to be incorrectly recognised will be addressed through controls testing and substantive procedures. We will consider each source of income and analyse results against budgets and forecasts, performing substantive analytical procedures and tests of details.</li> </ul>

# Financial statements audit planning (continued)



**DRAFT**

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Significant risk	Why	Audit approach
<p><b>Revaluation of property, heritage assets, plant and equipment</b></p>	<p>Under the 2016-17 Code and IFRS, property, heritage assets, plant and equipment ("PPE") is required to be held on the balance sheet at fair value. In order to comply with these accounting requirements, Council assets are subject to rolling valuations, with a tranche of other land and buildings being subject to valuation in 2016-17. The revaluation is expected to be significant.</p> <p>Furthermore, the Council holds £86 million of investment property, which must be revalued on an annual basis.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>■ review by KPMG of the in-house valuation team and of the use of any other experts; this will consider their objectivity, independence, experience and integrity;</li> <li>■ selecting a sample of assets to agree to supporting evidence and reperform the revaluation calculations;</li> <li>■ review of material manual journals posted to both the fixed asset and revaluation accounts; and</li> <li>■ review of impairment indicators for those items that have been revalued.</li> </ul>
<p><b>Accounting for the bond issuance</b></p>	<p>2016 saw the Council become the first Scottish local authority to issue a bond for capital financing. The £370 million bond attracted a premium of £41 million.</p> <p>The accounting for the bond issue is complex, involving the calculation of the effective interest rate, which is based on future cash flows and this is the first year the Council is preparing these accounting entries.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>■ considering the accounting treatment and disclosures against the requirements of IFRS 9 and IAS 39, including the accounting for the premium;</li> <li>■ review of the Council's credit rating and any impact on the bond repayment schedule;</li> <li>■ performing sensitivity analysis to assess what impact a change in the variable factors could have on the credit rating and bond value;</li> <li>■ selecting a sample of transactions and agreeing the cash received and documents issued; and</li> <li>■ selecting a sample of related issuance expenditure and agreeing to supporting documentation.</li> </ul>

# Financial statements audit planning (continued)



**DRAFT**

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Significant risk	Why	Audit approach
<p><b>Retirement benefits</b></p>	<p>The Council accounts for its participation in the North East Scotland pension fund and in accordance with IAS 19 <i>Retirement benefits</i>, using information obtained in a valuation report prepared by actuarial consultants.</p> <p>Actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases.</p> <p>IAS 19 requires the discount rate to be set by reference to yields on high quality (i.e. AA) corporate bonds of equivalent term to the liabilities. The calculation of the pension liability is inherently judgemental.</p>	<p>Our audit approach to IAS19 includes:</p> <ul style="list-style-type: none"> <li>■ review by KPMG specialists of the financial assumptions underlying actuarial calculations and comparison to our central benchmarks;</li> <li>■ testing of scheme rolled-forward liabilities;</li> <li>■ reviewing the valuation of scheme assets, including assessing the risk of error or bias in the valuations and re-performing asset valuations;</li> <li>■ testing of the level of contributions used by the actuary to those actually paid during the year;</li> <li>■ testing of membership data used by the actuary to data from the Council; and</li> <li>■ agreeing actuarial reports to financial statement disclosures.</li> </ul>

# Financial statements audit planning (continued)



**DRAFT**

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Significant risk	Why	Audit approach
<p><b>Capital expenditure</b></p>	<p>The Council has a £1 billion capital plan for the next five years, which is focused around the city centre masterplan.</p> <p>Furthermore, the Council is utilising some innovative methods of delivery of capital projects. This includes the use of a 'development strip lease' basis for Marischal Square and further PPP agreements for the Aberdeen Western Peripheral Route. These can lead to various accounting treatments in the financial statements.</p> <p>Due to the significance of this capital investment programme and inherent risk of delivering it in line with budget, we consider this to be a significant risk for our audit work to ensure the classification of costs between operating and capital expenditure is appropriate. We also consider that large capital projects inherently bring a fraud risk.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>■ reviewing the capital plan and discussing the monitoring of this by teams across the Council;</li> <li>■ understanding the process of any subcontracting of large capital projects and the related project approvals;</li> <li>■ understanding the processes to ensure the appropriate recording of capital and other expenditure in the financial records and that authorisation by appropriate individuals has occurred;</li> <li>■ selecting a sample of capital item additions to agree to invoice to verify appropriateness of classification of items between revenue expenditure and capital expenditure;</li> <li>■ selecting a sample of expenditure items to agree to invoice to verify appropriateness of items expense allocation and clarification;</li> <li>■ testing of reallocation of assets under the course of construction to fixed asset categories at the period end to confirm appropriate categorisation;</li> <li>■ reviewing material manual journals posted to both the fixed asset and expense accounts;</li> <li>■ reviewing the accounting treatment of the alternative methods of delivery being utilised to deliver certain capital projects.</li> </ul>

# Financial statements audit planning (continued)



**DRAFT**

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Other focus area	Why	Audit approach
<p><b>Presentation of the financial statements – ‘telling the story’</b></p>	<p>During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its ‘telling the whole story’ project. The key objective of this project was to make financial statements more understandable and transparent to the reader in terms of how Councils are funded and how they use the funding to serve the local population. The outcome of this project resulted in two main changes in respect of the Code as follows:</p> <ul style="list-style-type: none"> <li>■ Allowing Councils to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (“SeRCOP”) to be applied to the Comprehensive Income and Expenditure Statement (“CIES”).</li> <li>■ Introducing an Expenditure and Funding Analysis (“EFA”) which provides a direct reconciliation between the way Councils are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.</li> </ul> <p>As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MIRS is required from 1 April 2016 in the financial statements.</p> <p>New disclosure requirements and restatement requires compliance with relevant guidance and correct application of applicable Accounting Standards. Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year’s financial statements, worthy of audit understanding.</p>	<p>As part of our audit:</p> <ul style="list-style-type: none"> <li>■ We will assess how the Council has actioned the revised disclosure requirements for the CIES, MIRS and the new EFA statement as required by the Code.</li> <li>■ We will check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.</li> </ul>

# Financial statements audit planning (continued)



**DRAFT**

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Other focus area	Why	Audit approach
<p><b>Consolidation of the IJB</b></p>	<p>The IJB was established in 2015-16, and assumed full delegated functions from 1 April 2016. The consolidation of this entity will have a material impact on the 2016-17 financial statements. There will be a number of intra group transactions to be recognised.</p> <p>The Council will also have shared risk over the IJB with NHS Grampian, as well as obligations for delivery of services as directed by the IJB. Strong monitoring and reporting will be required within the Council to ensure all statutory requirements are met and risk is managed at an appropriate level.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>■ testing the high level consolidation controls;</li> <li>■ reviewing the group consolidation instructions;</li> <li>■ agreeing the intra group transactions and consolidated amounts to those of the IJB financial statements;</li> <li>■ discussing with management the overall reporting and monitoring arrangements within the Council to meet its obligations to the IJB; and</li> <li>■ confirming the accounting treatment is appropriate.</li> </ul>
<p><b>Highway Network Assets</b></p>	<p>The 2016-17 Code intended to introduce accounting for Highway Network Assets in accordance with the Code of Practice on Transport Infrastructure Assets (“the transport code”). These assets must be recognised and measured at depreciated replacement cost. This requirement has now been deferred, however it is expected the requirement will be included in the 2017-18 Code.</p> <p>Although there is no requirement to account for these assets in the 2016-17 financial statements, the Council should be preparing for the future impact.</p> <p>Given the scale of this exercise across all UK local authorities it presents a risk of material misstatement as it involves complex estimations and judgements.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>■ discussions with management to understand its processes and plans to prepare for the integration of the highway network asset balances;</li> <li>■ reviewing the Council’s planned approach to the revaluation of assets and its use of resources and external advice; and</li> <li>■ comparing against the requirements of the Transport Code and the Code to determine the Council’s readiness for implementation.</li> </ul>



# Wider scope and Best Value



**DRAFT**

We are required to assess and provide conclusions in the annual audit report in respect of four wider scope dimensions; financial sustainability, financial management, governance and transparency and value for money. We set out below an overview of some of the areas we will consider as part of the wider scope requirements of our annual audit. We will provide narrative on these areas in the annual audit report.

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Risk	Why	Audit approach
<b>Wider dimension risks</b>		
<b>Financial sustainability and financial management</b>	<p>Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p> <p>The Council is formulating a transformation plan, to consider efficient delivery of services against a backdrop of continuing austerity.</p>	<ul style="list-style-type: none"> <li>■ We will consider the Council's long term financial plans and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2017-18 budget and longer term financial plans from 2018-19 and beyond, including sensitivity analysis.</li> <li>■ We will consider how the Council's transformation plan is progressing and any potential impact on financial and service planning.</li> <li>■ Best Value work, as set out on page 14, will consider Financial and Service Planning and Financial Governance and Resource Management.</li> </ul>
<b>Governance and transparency</b>	<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p> <p>The Council is undertaking a wide ranging governance review which is expected to impact on many parts of the local authority.</p>	<ul style="list-style-type: none"> <li>■ We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information.</li> <li>■ We will consider the proposed changes to governance and set out our view on the appropriateness of the changes.</li> <li>■ We will consider the governance arrangements for Arms Length External Organisations ("ALEOs"), as part of our requirement to review the Council's arrangements to meet the principles of Following the Public Pound.</li> </ul>
<b>Value for money</b>	<p>Value for money is concerned with how effectively resources are used to provide services.</p>	<ul style="list-style-type: none"> <li>■ We will specifically consider statutory performance indicators, performance reporting and arrangements to provide for continuous improvement.</li> <li>■ In the context of the Council's £1 billion capital plan, we will consider the arrangements to provide for value for money.</li> </ul>

# Wider scope and Best Value (continued)



The Accounts Commission introduced a new framework for auditing BV in 2016, integrated through the annual audit approach.

## Shared risk assessment

Local area networks (“LANs”) are established for each local Council. These bring together local scrutiny representatives in a systematic way to agree a shared risk assessment. As the new external auditor for 2016-17, Andy Shaw is the LAN lead for the shared risk assessment process for the Council.

A national scrutiny plan sets out how Scotland’s scrutiny agencies coordinate their work and focus on the key issues at each council. This plan is underpinned by a local scrutiny plan for individual councils.

The process to begin the shared risk assessment for 2017-18 has begun, and a local scrutiny plan will be agreed with management by 31 March 2017, followed by publication in Spring 2017.

Those areas of risk identified in this process inform the Best Value risk assessment and feed into the prioritisation of reviews over the five year cycle. This will be reassessed on an annual basis.

## Best value and continuous improvement

Best Value audits have previously been carried out by central teams within Audit Scotland’s performance audit and best value (“PABV”) group in partnership with local auditors. The timing, nature and extent of these is determined as part of the shared risk assessment process.

The Accounts Commission has developed a new approach to Best Value for 2016-17, with emphasis on driving continuous improvement and providing a Best Value report for each Council at least once every five years. The new arrangements will develop a joint responsibility of best value between PABV and local auditors. Under the approach, our role will be expanded to include scoping, planning, gathering evidence and contributing to best value audit reports.

There are seven statutory BV audit areas to be covered over the five year BV cycle, as set out below. For 2016-17, the Accounts Commission has directed that Financial and Service Planning and Financial Governance and Resource Management will be audited. We will complete the Best Value audit programme for each area to inform our risk assessment. We will then focus in our on the areas of most significance to the Council, following discussion with management.

Our interim report, to be presented to the audit, risk and scrutiny committee in June 2017, will set out the five year Best Value audit plan, identifying the prioritisation of agreed risk areas.

### Seven statutory BV audit areas

Performance and outcomes	Improvement
Leadership, scrutiny and governance	Equal opportunities
Partnership working and empowering communities	Financial and service planning
Financial governance and resource management	



# Appendices

# Mandated communications with the Audit, Risk and Scrutiny Committee

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Matters to be communicated	Link to Audit, Risk and Scrutiny Committee papers
<ul style="list-style-type: none"> <li>Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code)</li> </ul>	<ul style="list-style-type: none"> <li>See next page</li> </ul>
<ul style="list-style-type: none"> <li>The general approach and overall scope of the audit, including levels of materiality, fraud risks, business risks and audit responses and engagement letter (ISA 260)</li> </ul>	<ul style="list-style-type: none"> <li>Main body of this paper</li> </ul>
<ul style="list-style-type: none"> <li>Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260)</li> </ul>	<ul style="list-style-type: none"> <li>In the event of such matters of significance we expect to communicate with the Audit, Risk and Scrutiny Committee throughout the year.</li> </ul>
<ul style="list-style-type: none"> <li>The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260)</li> </ul>	<ul style="list-style-type: none"> <li>Formal reporting will be included in our annual audit report for the September 2017 Audit, Risk and Scrutiny Committee meeting, which focuses on the financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260)</li> </ul>	
<ul style="list-style-type: none"> <li>The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260)</li> </ul>	
<ul style="list-style-type: none"> <li>The auditor's view on valuations and related disclosures (ISA 260)</li> </ul>	
<ul style="list-style-type: none"> <li>Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260)</li> </ul>	
<ul style="list-style-type: none"> <li>Expected modifications to the auditor's report (ISA 260)</li> </ul>	
<ul style="list-style-type: none"> <li>Other matters warranting attention by those charged with governance, such as effectiveness of internal controls relevant to financial reporting, material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240)</li> </ul>	

# Auditor independence

## Assessment of our objectivity and independence as auditor of Aberdeen City Council (“the Council”)

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

We will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Exiting of prohibited non-audit services*

Following the issuance of the bond on the London Stock Exchange in late 2016, and the Council’s consequent classification as an EU Public Interest Entity (“EU PIE”), we are carrying out a review of all services performed in respect of the Council in the last three years. We will report on the review’s conclusions in the annual audit report.

#### *Summary of fees*

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. We detail the fees charged by us to the Council and its related entities for significant professional services provided by us during the reporting period overleaf, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted.

The ratio of non-audit fees to audit fees for the year was 2.36 : 1. We have considered the ratio of audit to non-audit fees. Prior to the appointment as the Council’s external auditor we consulted with Audit Scotland and KPMG’s Risk team with regards the non-audit services. The principal threat which arises from fees from non-audit services which are large in absolute terms of relative to the audit fee is the perception of self-interest. In this regard, we do not consider that the above ratio creates such a self-interest threat since the absolute level of non-audit fees is not significant to our firm as a whole and neither the audit director nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to you. We believe that the question of perception is best addressed through appropriate disclosure as to use of the auditor for the provision of non-audit services in the Council’s financial statements.

## Auditor independence (continued)

Total fees charged by us for the period ending 31 March 2017 can be analysed as follows:		2016-17 (exc VAT) £
Audit of the Council's financial statements		194,431
Audit of subsidiaries (Aberdeen City Council Charitable Trusts)		8,500
<b>Total audit services</b>		<b>202,931</b>
<b>Other non-audit services</b>		
- Capital financing advice		363,920
- VAT claim advice		49,000
- Governance review – internal audit effectiveness and assurance mapping support		15,000
<b>Total non-audit services</b>		<b>477,920</b>
<b>Total</b>		<b>680,851</b>

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table:

Disclosure	Description of scope of services	Principal threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2017 £000	Value of services committed but not yet delivered £000
Capital financing advice	Advice in respect of commercial structuring and financial structuring for the capital financing. Support in respect of obtaining external credit rating.	Self-review, self-interest, advocacy	Self-review – engagement delivered by a team separate from the external audit team and did not involve actions which directly impact on the financial statements. KPMG did not assume a management role. Self-interest – engagement concluded prior to external audit commencing, fees paid prior to external audit commencing. Fees are not material to KPMG or the Council. Advocacy – KPMG did not engage with debt providers or promote a client position.	Fixed	363,920	

## Auditor Independence (continued)

Disclosure	Description of scope of services	Principal threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2017 £000	Value of services committed but not yet delivered £000
VAT claim advice	Support with two claims in respect of VAT. Originally agreed on a contingent fee basis in 2013. Amended to a fixed fee on appointment as external auditor in line with Ethical Standards.	Self-review	Self-review – engagement delivered by a team separate from the external audit team and does not involve actions which directly impact on the financial statements. KPMG did not assume a management role and the claims relate to the application of tax rules.	Fixed	49,000	-
Governance review support – internal audit effectiveness and assurance mapping	Review of internal audit effectiveness to support the overall governance review. Support with assurance mapping: provision of a template for assurance mapping and support with documenting the assurance for two selected risks from the risk register.	Self-review, management, advocacy	Scoping - engagements do not relate to the design of controls or processes. There is no assumption of a management role by KPMG. The management risk arises in the assurance mapping project but it is being led and delivered by the Council – KPMG's role is to guide the Council through how to form an assurance map for two risks on the risk register, for the Council to then plot the remaining risks and interpret the results. KPMG will not be acting on behalf of the Council or promoting a course of action.	Fixed	15,000	15,000

# Auditor Independence

## **Contingent fees**

Under the FRC's Revised Ethical Standard, no new tax contingent fees for listed entities can be entered into after 17 June 2016. We confirm that no new contingent fees for tax services have been entered into for the Council since that date.

## **Independence and objectivity considerations relating to other matters**

We set out below our consideration of other matters which, in our professional judgement, have a bearing on our independence and objectivity.

### **Business relationships – supply of services to KPMG**

We have, during the year, had the following business relationships with you:

- KPMG LLP occupies an office in the Aberdeen City Council boundary and is therefore liable for paying business rates to the Council. This is considered to be in the ordinary course of business. There are no threats which this relationship could pose and it is not considered necessary to put any safeguards in place.

### **Confirmation of audit independence**

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the engagement director and audit staff is not impaired.

This report is intended solely for the information of the Audit, Risk and Scrutiny Committee and should not be used for any other purposes.

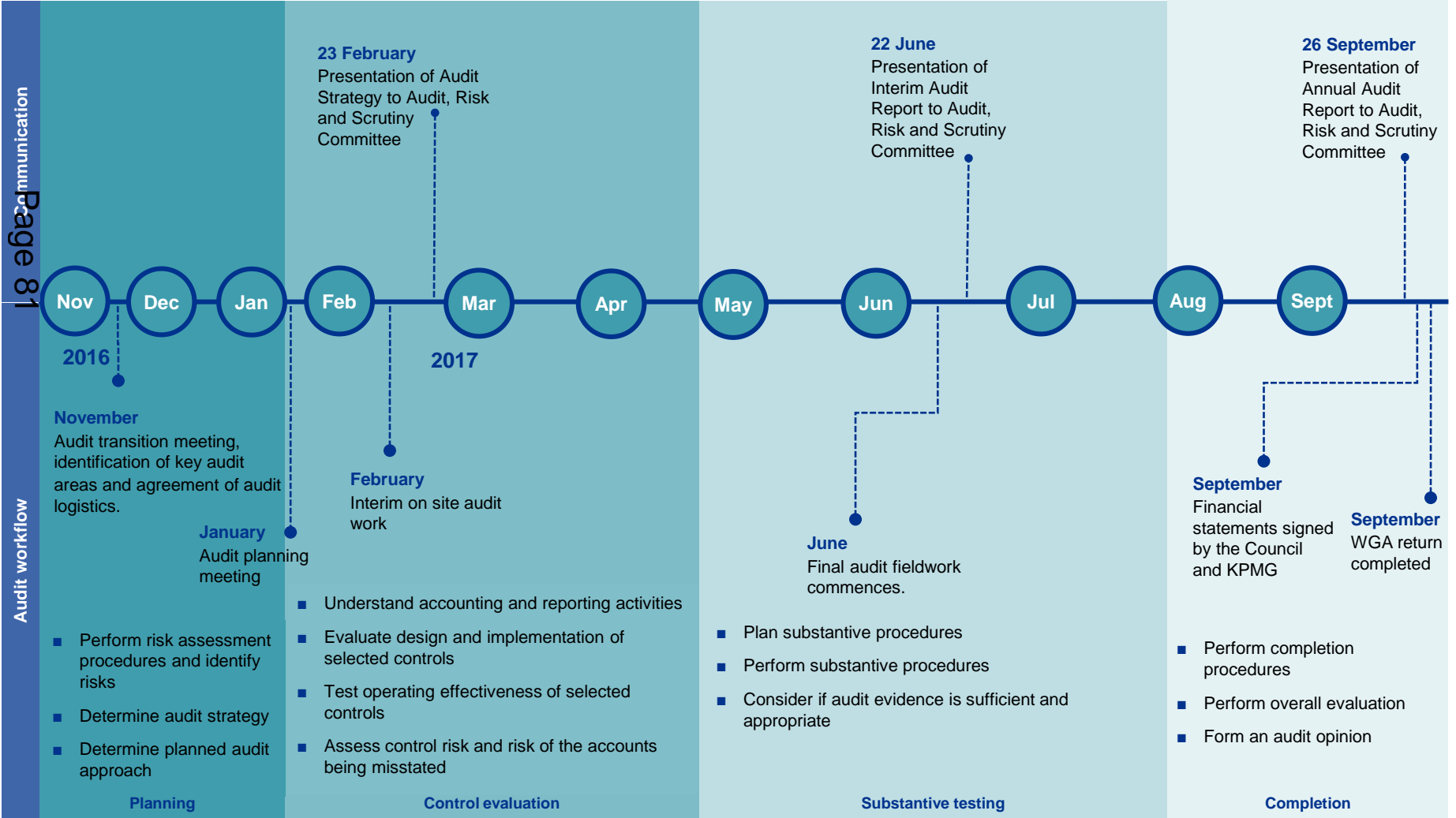
We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

*KPMG LLP*



# Timeline



## Audit outputs

Output	Description	Report date
<b>Audit strategy</b>	<ul style="list-style-type: none"> <li>Our strategy for the external audit of the Council and its Group, including significant risk and audit focus areas.</li> </ul>	<ul style="list-style-type: none"> <li>By 31 March 2017</li> </ul>
<b>Interim audit report</b>	<ul style="list-style-type: none"> <li>We summarise our findings from our interim audit work.</li> </ul>	<ul style="list-style-type: none"> <li>By 31 May 2017</li> </ul>
<b>Independent auditor's report</b>	<ul style="list-style-type: none"> <li>Our opinion on the Council's financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>By 30 September 2017</li> </ul>
<b>Annual audit report</b>	<ul style="list-style-type: none"> <li>We summarise our findings from our work during the year.</li> </ul>	<ul style="list-style-type: none"> <li>By 30 September 2017</li> </ul>
<b>NFI report</b>	<ul style="list-style-type: none"> <li>We report on the Council's actions to investigate and follow-up NFI matches.</li> </ul>	<ul style="list-style-type: none"> <li>By 30 June 2017</li> </ul>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>By 30 September 2017</li> </ul>
<b>Audit reports on other returns</b>	<ul style="list-style-type: none"> <li>We will report on the following returns: <ul style="list-style-type: none"> <li>Current issues return.</li> <li>Technical database.</li> <li>Fraud returns.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>To submit by: <ul style="list-style-type: none"> <li>February, April, August and November 2017</li> <li>7 July 2017</li> <li>26 May 2017</li> </ul> </li> </ul>
<b>Audit reports to support Audit Scotland's wider analysis</b>	<ul style="list-style-type: none"> <li>We will report on the following matters: <ul style="list-style-type: none"> <li>ALEOs.</li> <li>European funding risks.</li> <li>Health &amp; social care integration progress.</li> <li>Role of Boards and their contribution.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>To submit by: <ul style="list-style-type: none"> <li>Jan/Feb 2017</li> <li>Spring 2017</li> <li>Spring 2017</li> <li>30 June 2017</li> </ul> </li> </ul>
<b>Grant claim audits</b>	<ul style="list-style-type: none"> <li>We provide an opinion on: <ul style="list-style-type: none"> <li>Education maintenance allowance, Housing Benefit, Non domestic rates and Criminal Justice social work</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>To submit by: <ul style="list-style-type: none"> <li>July 2017, November 2017 and August 2017</li> </ul> </li> </ul>

## Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2016-17. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

- Auditor remuneration
- Pooled costs
- Contribution to Audit Scotland's Performance Audit and Best Value team
- Contribution to Audit Scotland costs

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

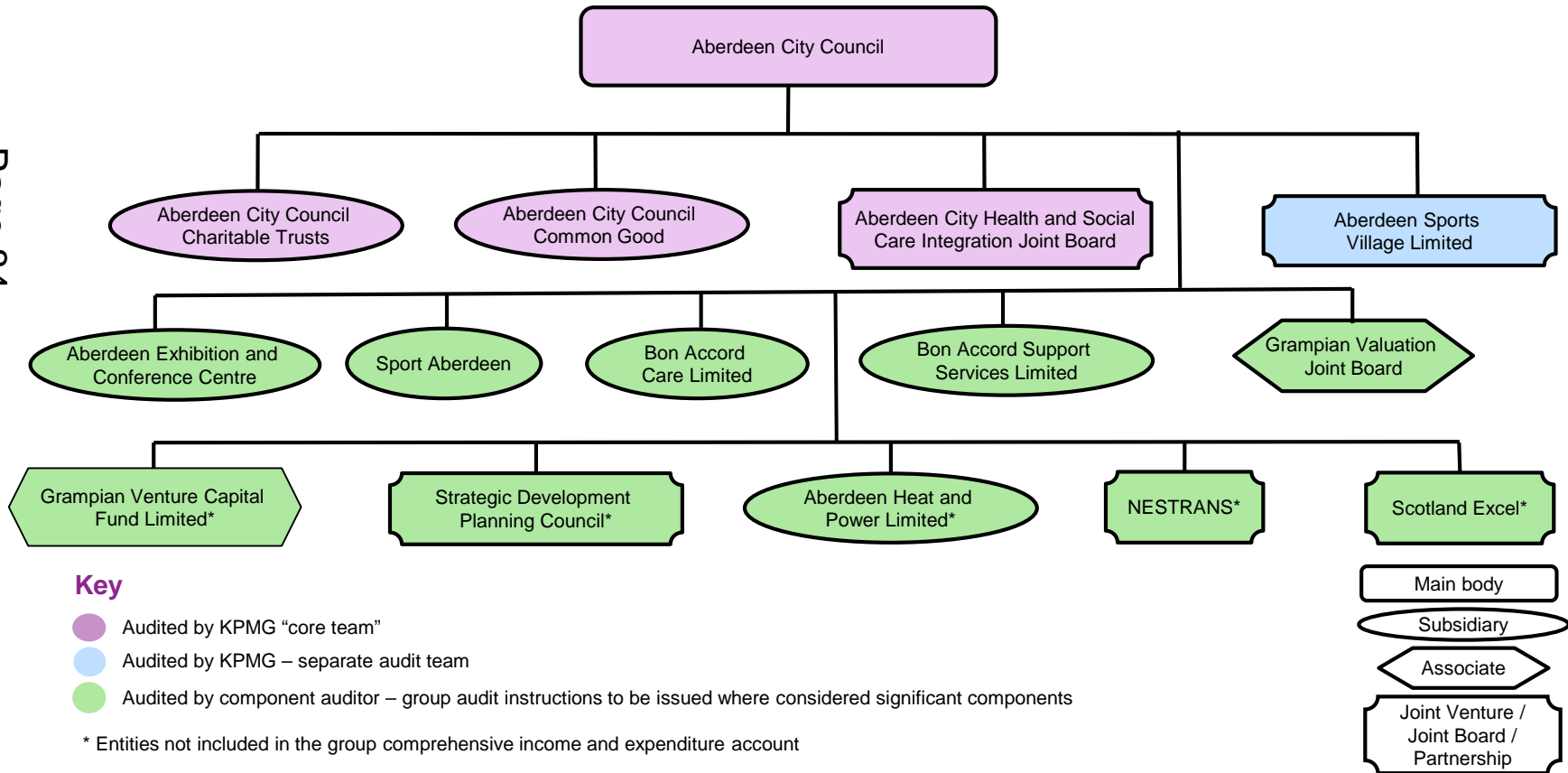
We are in discussions with management regarding the auditor remuneration for 2016-17. Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus or other matters arise, we will discuss with management the impact of this on our proposed fee.

	2016-17 £ (inc VAT)
Auditor remuneration	252,644
Pooled costs	18,750
Contribution to PABV	127,040
Contribution to Audit Scotland costs	12,860
<b>Total audit fee</b>	<b>411,294</b>

# Group financial statements

The below diagram sets out our scoping of group entities in relation to the group financial statements, and related group audit instructions.

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# Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<ul style="list-style-type: none"> <li>■ Adopt sound accounting policies.</li> <li>■ With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.</li> <li>■ Establish proper tone/culture/ethics.</li> <li>■ Require periodic confirmation by employees of their responsibilities.</li> <li>■ Take appropriate action in response to actual, suspected or alleged fraud.</li> <li>■ Disclose to Audit, Risk and Scrutiny Committee and auditors:                             <ul style="list-style-type: none"> <li>– any significant deficiencies in internal controls.</li> <li>– any fraud involving those with a significant role in internal controls.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Review of accounting policies.</li> <li>■ Results of analytical procedures.</li> <li>■ Procedures to identify fraud risk factors.</li> <li>■ Discussion amongst engagement personnel.</li> <li>■ Enquiries of management, Audit, Risk and Scrutiny Committee, and others.</li> <li>■ Evaluate broad programmes and controls that prevent, deter, and detect fraud.</li> </ul>	<ul style="list-style-type: none"> <li>■ Accounting policy assessment.</li> <li>■ Evaluate design of mitigating controls.</li> <li>■ Test effectiveness of controls.</li> <li>■ Address management override of controls.</li> <li>■ Perform substantive audit procedures.</li> <li>■ Evaluate all audit evidence.</li> <li>■ Communicate to Audit, Risk and Scrutiny Committee and management.</li> </ul>	<ul style="list-style-type: none"> <li>■ Whilst we consider the risk of fraud at the financial statement level to be low for the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly.                             <ul style="list-style-type: none"> <li>– Revenue recognition</li> <li>– Cash</li> <li>– Procurement</li> <li>– Capital expenditure</li> <li>– Management control override</li> <li>– Manipulation of results to achieve targets and expectations of stakeholders</li> <li>– Assessment of the impact of identified fraud.</li> </ul> </li> </ul>

# Audit Scotland code of audit practice – responsibility of auditors and management

## Responsibilities of management

### Financial statements

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate Council;
- maintaining proper accounting records; and
- preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

Further, it is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

### Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

# Audit Scotland code of audit practice – responsibility of auditors and management

## Responsibilities of management

### Corporate governance arrangements

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including Audit, Risk and Scrutiny Committees or equivalent) in monitoring these arrangements.

### Financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and their future use;
- how they plan to deal with uncertainty in the medium and longer term; and
- the impact of planned future policies and foreseeable developments on their financial position.

### Best Value, use of resources and performance

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

# Audit Scotland code of audit practice – responsibility of auditors and management

## Responsibilities of auditors

### Appointed auditor responsibilities

Auditor responsibilities are derived from statute, this Code, International Standards on Auditing (UK and Ireland), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns;
- notify the Auditor General when circumstances indicate that a statutory report may be required;
- participate in arrangements to cooperate and coordinate with other scrutiny bodies (local government sector only);
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
  - suitability and effectiveness of corporate governance arrangements; and
  - financial position and arrangements for securing financial sustainability.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements 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.



# Audit Scotland code of audit practice – responsibility of auditors and management

<b>Responsibilities of auditors</b>	
<b>General principles</b>	
	This Code is designed such that adherence to it will result in an audit that exhibits these principles.
<b>Independent</b>	
	When undertaking audit work all auditors should be, and should be seen to be, independent. This means auditors should be objective, impartial and comply fully with the Financial Reporting Council's (FRC) ethical standards and any relevant professional or statutory guidance. Auditors will report in public and make recommendations on what they find without being influenced by fear or favour.
<b>Proportionate and risk based</b>	
	Audit work should be proportionate and risk based. Auditors need to exercise professional scepticism and demonstrate that they understand the environment in which public policy and services operate. Work undertaken should be tailored to the circumstances of the audit and the audit risks identified. Audit findings and judgements made must be supported by appropriate levels of evidence and explanations. Auditors will draw on public bodies' self-assessment and self-evaluation evidence when assessing and identifying audit risk.
<b>Quality focused</b>	
	Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.

# Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors	
<b>Coordinated and integrated</b>	
	It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector. This would help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny activity for audited bodies.
<b>Public focused</b>	
	The work undertaken by external audit is carried out for the public, including their elected representatives, and in its interest. The use of public money means that public audit must be planned and undertaken from a wider perspective than in the private sector and include aspects of public stewardship and best value. It will also recognise that public bodies may operate and deliver services through partnerships, arm’s-length external organisations (ALEOs) or other forms of joint working with other public, private or third sector bodies.
<b>Transparent</b>	
	Auditors, when planning and reporting their work, should be clear about what, why and how they audit. To support transparency the main audit outputs should be of relevance to the public and focus on the significant issues arising from the audit.
<b>Adds value</b>	
	It is important that auditors recognise the implications of their audit work, including their wider scope responsibilities, and that they clearly demonstrate that they add value or have an impact in the work that they do. This means that public audit should provide clear judgements and conclusions on how well the audited body has discharged its responsibilities and how well they have demonstrated the effectiveness of their arrangements. Auditors should make appropriate and proportionate recommendations for improvement where significant risks are identified.

The contacts at KPMG in connection with this report are:



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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit & Risk Committee
DATE	23 February 2017
DIRECTOR	Richard Ellis, Interim Depute Chief Executive, Director of Corporate Governance
TITLE OF REPORT	Website Breach
REPORT NUMBER	CG/17/033
CHECKLIST COMPLETED	Yes/No

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### 1. PURPOSE OF REPORT

This report is to update Elected Members of the website homepage breach on 28<sup>th</sup> January 2017.

### 2. RECOMMENDATION(S)

It is recommended that Elected Members note the contents of the report and attached appendices.

### 3. FINANCIAL IMPLICATIONS

As part of the investigation a third party was engaged to perform a vulnerability assessment of the website and associated infrastructure at a cost of £5,550.

The total cost of staff time (170 hours) involved with incident response and investigation to date is £4,540.

### 4. OTHER IMPLICATIONS

All implications detailed within the main body of this report.

### 5. BACKGROUND/MAIN ISSUES

#### **The Incident**

On the evening of Saturday the 28<sup>th</sup> January, the homepage of the Council's website was replaced with an external image. This occurred at 19.12 hours and normal web services were resumed to the public by

22.00 hours. Communications were issued to the public at 22.20 hours. Only the homepage was defaced, all other information on the website was still available and unaffected.

## **The Response**

A full incident report is provided in Appendix A.

On Saturday 28<sup>th</sup> January 2017, an automatic alert was issued at 19.20 hours notifying IT of potential changes to the Council's website. At 20.20 hours the appropriate members of staff received notification. By 20.50 hours, an incident response team was established. At 21.11 hours the Head of IT & Transformation, the Interim Director of Corporate Governance and the Chief Executive were informed. The response team acted to restore the home page and prevent further intrusion. Messages were issued to the public via social media, the website and local media to reassure the public that no personal data was held on the site. There was no evidence that any data had been compromised or that the Council's main network had been breached.

There was significant press interest on the matter as the image displayed had connotations with ISIS. At this time there is no evidence to suggest whether this was the case. On Sunday 29<sup>th</sup> January the Head of IT & Transformation escalated the matter to the Chief Executive. The Chief Executive contacted Police and it was advised that this should constitute a formal investigation by Police Scotland. The incident team reconvened and a stay on external communications was initiated. A third party security firm was engaged to assist with vulnerability assessments.

On Monday the 30<sup>th</sup> January 2017 a formal investigation was launched by Police Scotland. It is anticipated that this investigation will take some time.

The incident response team continued to investigate the incident to identify the source of the hacking incident, to verify that no data had been breached and that any residual vulnerability had been identified. The incident team met daily with the Head of IT & Transformation, who in-turn reported updates to the Interim Director of Corporate Governance and the Chief Executive.

## **The Results**

After initial investigation it is believed that the incident occurred due to a vulnerability found on the file upload facility on the 'What's On' page of the externally hosted internet website. It was also discovered that the hacking group were actively searching for UK Government websites with upload facilities at that time. This upload function has now been disabled. There is no evidence that any data was breached or that the Council's main network was compromised.

## **Actions**

Actions arising are recorded within the Incident Report at Appendix 1.

## 6. **IMPACT**

### **Improving Customer Experience –**

During the incident our customers experienced degradation to the Council's website. Customers were also unaware if their information was safe and protected as a result of the breach.

### **Improving Staff Experience –**

Out of hours IT Support is currently on a voluntary standby rota through the RCC. There are no formal escalation processes for the on-call person for responding to major incidents. The nature of this incident highlighted that there is a requirement to review the call-out procedure and support for all staff across the council.

### **Improving our use of Resources –**

As part of the Council's Being Digital Strategy a new website platform has been procured to replace the existing one. This will be delivered by the end of June 2017.

The current incident process has also been updated to take account of potential cybercrimes and an escalation process to Police Scotland is now in place.

### **Corporate –**

The incident highlights the requirement for addressing all aspects of security when implementing digital solutions. Systems hosted within the Council's network are protected through our Firewalls, Intrusion Protection, Anti-virus solutions, access control measures, both physical and electronic and environmental measures such as power protection, temperature and moisture monitoring and alerts. When procuring cloud based services, which are hosted external to the Council's perimeter network, systems are security assessed as part of the procurement process, and penetration tested to assure ourselves of the integrity of the Council's data prior to going live. Security system risk assessments are re-assessed annually.

### **Public –**

Considering the social media activity around the website breach, this report is likely to be of interest to the public.

## 7. MANAGEMENT OF RISK

The main risks considered are reputation and trust in our core Council technology services, incorporating our protection of personal data.

Impact of a breach of the website is high as this forms part of the council's core critical business infrastructure. The likelihood of any of the council's public services, including the website, being attacked is a certainty. To mitigate this, various security measures are already in place with the aim to detect and block suspicious activity. Within our Being Digital strategy, the implementation of our replacement firewall solution is scheduled for March to June 2017. This firewall will enhance our network perimeter security to the latest technology. However, Cyber-criminals are continually devising new methods to avoid detection, and there is no guarantee that future breaches may not occur.

There is an added risk that many systems, which are not subject to the same vigorous security testing and change controls, have been procured and managed outside the central IT service. This is currently the subject of a review.

## 8. BACKGROUND PAPERS

None.

## 9. REPORT AUTHOR DETAILS

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Sandra Massey,	IT Technology	Services	Manager,
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## Incident Report

This incident report provides a high level summary of events and actions taken to mitigate the issue. An additional incident report will be produced that will detail all technical actions taken.

<b>Customer(s) affected:</b>	Citizens / users of Aberdeen City Council public website		
<b>Incident Start:</b>	28/01/2017 @ 19:12	<b>Service Now incident ref:</b>	INC0023751
<b>Incident Resolved:</b>	28/01/2017 @ 22:00	<b>Duration:</b>	2 hours 47 minutes
		<b>Priority:</b>	P1
<b>Affected Service(s) / Applications:</b>	Aberdeen City Council website	<b>Service / Application Owner:</b>	ACC IT & Transformation
<b>Summary of incident:</b>			
<p>On the evening of Saturday the 28<sup>th</sup> January, the Aberdeen City Council website (<a href="http://www.aberdeencity.gov.uk">www.aberdeencity.gov.uk</a>) was hacked by an organisation called Team System DZ. The hacking took the form of an image covering the home page of the website.</p>			
<b>Timeline of events:</b>			
<b>28 January 2017</b>			
19:12: Aberdeen City Council Web files updated.			
19:20: CERT UK monitoring alerted ACC ICT on call process.			
20:11: Technology Team forwards alert on to Web Team to be raised with ACC web hosting vendor.			
20:19: The hack is shared by citizens via the social media.			
20:56: IT Technology Services Manager received initial alerts via text message from a member of IT & Transformation.			
20:58: Incident escalated to Web Team by phone.			
20:58: Customer Services Manager alerted by text from a member of his team.			
21:00: IT Customer Services Manager notified by phone from a member of his team.			
21:06: Text from Customer Services Manager to Interim Director Corporate Governance & Deputy Chief Executive, Head of IT and Transformation/SIRO and Head of HR & Customer Services asking them if they were aware of the incident.			
21:10: IT Customer Services Manager notified Head of IT & transformation, Chief Executive and Interim Director Corporate Governance & Deputy Chief			
21:15: IT Technology Services Manager confirmed with Technology Team that appropriate technical actions are initiated.			
21:20: ACC Communications team notified.			
21:21: Text from Customer Services Manager to comms Out Of Hours mobile advising of issue.			
21:28: Customer Services Manager contacted RCC who had received no customer calls regarding the incident.			
21:30: Web Team notified ACC website hosting company advising of a security breach.			
21:40: Draft media response statement prepared.			
22:00: ACC website site home page is fully restored. Initial analysis found the What's On feature on the home page was the most likely point of breach.			
The approved statement was then issued on the Council's corporate social media accounts.			
22:20: Infrastructure Architect arranged conference call between key stakeholders: Interim			

Director Corporate Governance & Deputy Chief Executive Security Architect, IT Technology Services Manager, IT Customer Services Manager, Web Developer, Incident & Problem Co-ordinator, IT Support Co-ordinator, Communications Business Advisor, Customer Service Manager. Web developer provides update on analysis and findings so far, assured no personal data is held on the website.

22:30: Revised communication statement is approved and issued to the media, posted on social media platforms and on the front page of the website advising that no personal data is held on the website. 24 hour Regional Communication Centre staff advised to regularly monitor the website overnight.

## **29 January 2017**

00:40: Web team emails analysis results and findings from the initial investigation.

06:34: RCC confirmed no customer calls received overnight.

10:00 – 18:00: Media Team managed enquiries from local and national press including: The Press and Journal, The Evening Express, Daily Mail, BBC North-East, BBC Scotland and The Scottish Sun.

16:06: Head of IT and Transformation informs Chief Executive of the hacking group's links to ISIS. Incident escalated by Chief Executive to Police Scotland Counter Terrorism Unit. A stay on all communications was instructed while the Police Investigation continues.

16:30: On site review convened at Marischal College with available stakeholders.

18:00: Conference call was held to follow up with web hosting vendor, who suggested that the hackers were able to breach the security of the site due to a weakness in the website itself rather than through their managed servers.

19:30: Security partner engaged to conduct scan of the web server.

21:00: Initial scan started by Security Partner.

### **Key findings, root cause and actions taken:**

Initial analysis of the findings suggested that an exploit in the Aberdeen City Council website 'What's On/Events Online' feature allowed the hackers to upload a file via the image upload function. This allowed the hackers to move files to the root of the website, allowing the home page to be updated with the contents of the file. The 'What's On' component is used by members of the public to submit images associated with events. This feature of the website was subsequently disabled. Because the website is updated by ACC services using a devolved content management system, all content contributing was also disabled – this remains the case until the full investigation is concluded. At present the Aberdeen City Council website is therefore not being updated until the full conclusion of the investigation by both internal analysts and external security partners. Work is ongoing to establish a workaround for updating key content on the website.

IT & Transformation Technology Team conducted secure network perimeter checks in order to provide assurances to the business that no breaches had occurred within the core ACC network. This involved firewall, intrusion protection system checks, in depth scans of web servers and engagement with web hosting vendor to share server/traffic logs. Comprehensive anti-virus scans and monitoring has also implemented on any affected servers and databases.

IT & Transformation's security partner was initially engaged to conduct comprehensive cybersecurity testing for risks and vulnerabilities on the website and components of the internal infrastructure. An investigation as to the exact cause of the breach was conducted by the web team and all files and logs passed to our security partner for analysis. While root cause has been established, further security testing is ongoing. The resulting reports will be fully analysed with recommended actions

arising from the report.

The suppliers of the content management system (application used to update content on the website) were engaged who checked the code within the application for any possible vulnerability. All checking was concluded successfully.

Details of the hack and the files in question were passed via secure USB drive to the Counter Terrorism Unit. The Local Authority Security Group and anti-virus providers were also advised of the incident.

No customer data is held within the Aberdeen City Council website infrastructure – any customer data is held within secure internal and third party systems. Therefore there is no evidence to suggest that the hackers managed to gain access to any component or database within the internal Aberdeen City Council network, or that any customer data was compromised.

Out of hours IT Support is currently on a voluntary standby rota through the RCC. There are no formal escalation processes for the on-call person for responding to major incidents. The nature of this incident highlighted that there is a requirement to review the call-out procedure and support for all staff across the council.

Caused by					
Application	Software	Hardware	Network	Environmental	Other
					Cybersecurity breach
<b>Workaround:</b>	N/A				
Contributory Causes					
<b>Change / Service Request Related:</b>	N/A		N/A		N/A
High Level Actions					
Action	By (person/organisation)		Date	Status	
Security partners conducting further in depth analysis and granular penetration testing with a view to providing further risks and recommendations	Technology Team		03/02/2017	Closed	
Continue in depth analysis of server / database files and logs	Web Team		03/02/2017	Closed and files sent to Police Investigation.	
Establish workaround for content to be updated on the website	Web Team		03/02/2017	Closed – Web updated limited members of Web Team.	
Review Out of Hours ICT call system	IT Team Leaders		10/02/2017	In progress – meeting arranged for week commencing 13 <sup>th</sup> February	
Change all server Administration passwords	Web Team		10/02/2017	Open	

Provide information for security risk register	IT Technology Services Manager	10/02/2017	Closed
Upgrade and replace current content management system	PPR & Digital Engagement Manager	30/06/2017	In progress: New system has been procured as part of the Being Digital Strategy

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	23 February 2017
DIRECTOR	Richard Ellis
TITLE OF REPORT	Review of the System of Risk Management
REPORT NUMBER	CG/17/005
CHECKLIST COMPLETED	Yes

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### **1. PURPOSE OF REPORT**

To update the Committee with progress in implementing the System of Risk Management project plan which was before the Committee at the November meeting.

### **2. RECOMMENDATION**

It is recommended that the Committee note the updates against the project plan and agree to receive further updates as the project proceeds.

### **3. FINANCIAL IMPLICATIONS**

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

### **4. OTHER IMPLICATIONS**

There are implications associated with the Council's approach to risk management in light of the changing economic and socio-demographic profile of Aberdeen. This impacts on our continuing delivery of effective essential services, good governance and the management of our core functions within the framework of the Aberdeen – the Smarter City priorities.

### **5. BACKGROUND / MAIN ISSUES**

- I. The Committee received a report at its last meeting, detailing the output of the review of the Council's system of risk management. Appended to the report was an action plan to manage the delivery of the actions required to meet the agreed recommendations arising from the review.
- II. A project sponsor and project manager are now in place and the project plan has now been developed to include key officers tasked to

implement the actions against agreed timescales. In addition, we participated in the annual CIPFA Risk Management Benchmarking Club in 2016 and the output of that exercise has been received. Aberdeen benchmarked its risk management activity with 29 other organisations across the UK and some key areas for improvement were identified. These are being aligned with the project plan so that when benchmarking is undertaken in 2017, that improvement can be clearly evidenced.

- III. The risk management review project now forms a part of the Performance and Improvement programme of work which reports into the Transformation Delivery Board, chaired by the Depute Chief Executive / Interim Director of Corporate Governance.
- IV. The Transformation Delivery Board is responsible for the delivery and stewardship of the portfolio of work that will change and improve the way in which we deliver services. Being part of this programme reflects the clear linkages between good risk management and the development of innovative and transformational service delivery models.
- V. A key action in the project plan is the development of an assurance framework. This involves 'mapping' assurance to the Council's strategic risks which is a key component of our governance framework. Assurance mapping is a technique which identifies internal and external sources of assurance that the effectiveness of our risk controls is robust. These assurances must be relevant, timely and offer an indication of their respective strengths. Assurance mapping allows us to identify gaps in assurance and through clear linkages with the internal audit function, provides for an enhanced risk-based audit planning process.
- VI. KPMG have been engaged to undertake the development of the assurance framework and this will be reported into the project plan. Interviews are being conducted with key officials and elected members as part of this process. At the same time, a review is under way of our internal audit function and requirements. This is also being conducted by KPMG and given the alignment between internal audit and risk and assurance, the Committee can receive updates on progress with both at its next meeting.
- VII. A second major area for improvement, also identified by the review and the benchmarking exercise, is the development of a risk appetite for the Council. This will include defined levels of tolerance of risk and the levels of risk the Council prepared to actively embrace in pursuit of the achievement of our strategic objectives. The work to develop the statement will be undertaken in early summer.
- VIII. The project dashboard is appended to the report.

## 6. IMPACT

### **Improving Customer Experience –**

We aim to deliver services which better meet customer expectations and this requires an innovative approach to service design and delivery. Innovation comes with risk. A clearly defined set of risk tolerances within an established risk appetite, will permit a better informed approach to that process.

### **Improving Staff Experience –**

The redefined system of risk management will clearly establish delegated authority around risk tolerances. This will allow managers to take informed decisions which take account of the management of risk and present service committees with properly evaluated recommendations.

### **Improving our use of Resources –**

Our resources will continue to be stretched over the next few years, whilst demands are forecast to continue to increase. Coupled with this, increasing policy changes and requirements imposed by Government and its agencies, mean that a consistent approach to resource management that takes account of the management of risk, will be required.

**Corporate** – The actions taken in response to the review of the risk system are clearly corporately supportive of Aberdeen – the Smarter City vision, as well as our directorate and service planning processes.

**Public** – This report provides members with an opportunity to apply scrutiny to the development and improvement of our risk management arrangements. No EHRIA or PIA are therefore required.

## 7. MANAGEMENT OF RISK

The report details ongoing improvements to the risk management system.

## 8. BACKGROUND PAPERS

None

## 9. REPORT AUTHOR DETAILS

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Appendix 1 RISK ASSURANCE REVIEW - DASHBOARD						
Ref	Workstream	Lead Officer	Due Date	Status	Latest Update	Benchmarking improvement action
10	<b>Risk Management System-Action Plan (arising from GGI recs and approved by AR&amp;S Cttee)</b>	Neil Buck				
	<b>Clearly align our strategic objectives with risk management and risk reporting systems</b>	Neil Buck				
	1 Align corporate risks with Smarter Aberdeen priorities	Neil Buck	31/12/2016		The risks in the SRR and Corporate RR have been aligned with the 'Aberdeen the Smarter City' Priorities.	
1	2 Align directorate risks with Smarter Aberdeen priorities.	Business Managers	28/02/2017		Neil liaising with directorates to ensure all directorate risks aligned with council policy statement.	
2	<b>Ensure that the revised risk management strategy incorporates risk management objectives</b>	Neil Buck	28/02/2017			
3	<b>Streamline risk reporting:escalation using risk scores.</b> Explanatory note:Risks should be re-assessed quarterly or as necessary when matters dictate. Where a risk becomes red and the service is no longer best placed to manage the risk or to implement controls which will serve to bring the risk to a tolerable level, the risk must be escalated. This should be completed by discussion with the Business Manager. This will involve either escalating a risk from the service level to the directorate level, or from the directorate level to the corporate level. Where a risk is to be escalated to the corporate level, this will be done in discussion with the Performance and Risk Manager.	Business Managers	28/02/2017			
	<b>Streamline risk reporting:service and directorate committees include review of their risk registers</b> Explanatory note: Directorate risk registers should be reported at least quarterly to SMT / DLT meetings. Risk registers should be aligned with service planning so that the output of PESTLE and SWOT analyses and risks to the achievement of priorities, are reflected.	Business Managers	28/02/2017			
	1 Ensure directorate risk registers are up to date and included in director / chief executive 1-2-1 packs	Business Managers	31/03/2017			
	2 Align risk reporting with performance reporting to provide SMTs / DLTs with risk registers along with performance scorecards quarterly.	Business Managers	31/03/2017			
4	3 Report directorate risk registers to service committees twice yearly.	Business Managers	31/03/2017			
	<b>Compile an assurance framework which describes components of assurance system for compliance and for transformation. Ensure risks are identified, evaluated, controlled and have appropriate assurance mapped out in order to inform internal audit planning. (KPMG).</b>	Neil Buck	31/03/2017		KPMG engaged to carry out this piece of work with interviews with key stakeholders under way	
	1 Amend the risk register formats to include assurances on the strategic risk register	Neil Buck	31/03/2017			
	2 Reinforce the assurance mapping task by building review of assurances into Council Business cycle.		30/06/2017			
5	3 Define and communicate the distinction between controls and assurances	Neil Buck	30/04/2017			
	<b>Standardise risk register and recording system and terminology as far as possible, to validate the use of risk scores for escalation, metrics for success of mitigating actions and to incorporate different dimensions of impact.</b>	Neil Buck	31/03/2017			
	1 Produce new risk register format for corporate and directorate level risks which categorises impacts as people, financial, property, reputation.	Executive Assistants	31/03/2017		Neil to design new format and EAs to liaise with service management teams on implementation	
6	2 Establish key risk indicators which evidence that mitigation is successful.					
	<b>Develop an action tracker to assist the CMT in closure of actions</b>	Executive Assistants	31/03/2017			
	1 Action tracker for CMT: should include all collated mitigating actions from strategic and corporate operational risk registers with timeline for completion and progress / evidence.	Executive Assistants	30/04/2017		EAs have begun work on developing the action trackers	
7	2 Action tracker for SMTs / DLTs to include all collated mitigating actions from directorate risks with timeline for completion and progress / evidence.	Executive Assistants	30/04/2017			
8	<b>Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business</b>	Martin Murchie	31/03/2017			
9	<b>[a]Business analysis input on risk management information needs in relation to software and [b]Evaluate the covalent system - both should be included in the Information Communications Technology (ICT) strategy and plans [factoring in risk registers]</b>	Anne Griffiths[point of contact]	30/04/2017			
10	<b>Develop training and development programmes tailored to stakeholder groups with summaries to be incorporated into induction packs.</b>	Senior Democratic Services Officer	30/04/2017			
	<b>Support identification and discussion of risk by:</b>					
	1 Promotion of a range of risk identification methods	Neil Buck	ongoing			
	2 Formal training and induction	Neil Buck	ongoing			
11	3 Prepare and distribute training guidance notes on use of the Covalent system risk module.	Neil Buck / Beth Smith	30/04/2017			
	<b>Hold workshops with Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making.</b>	Neil Buck/Business Managers/Executive Assistants	30/06/2017			
	1 Support identification and discussion of risk by:Use of risk appetite within risk system	Neil Buck				
12	2 Streamline risk reporting:clarity of delegation using risk tolerance levels	Business Managers	30/06/2017			



13	Ensure there is supporting guidance or worked scenarios and advice on induction for elected members on procedures concerning conflict of interest and liability.	Senior Democratic Services Officer	10/05/2017		
14	<p><b>Establish a risk identification and moderation role for the ECMT which encompasses:</b></p> <ul style="list-style-type: none"> <li>• Horizon-scanning, discussion and identification of new risks.</li> <li>• Compilation and refresh of corporate operational risk register.</li> <li>• Review of high level risks from directorate risk registers.</li> <li>• Submission of issues for escalation to the CMT for strategic risk register.</li> <li>• Moderation of risk scores in the corporate operational risk register.</li> <li>• Engage heads of services in the recognition and analysis of good risk management</li> </ul>	Martin Murchie	30/06/2017		
15	Evaluate the system for acceptability and consistency after year one of operation		31/10/2017		
	Agree delegated tolerances and triggers for escalation with all ALEOs within agreed risk appetite and tolerance	Senior Democratic Services Officer		As part of the Governance Review, the recommendations of the reports by both the GGI and CIPFA will be assimilated so that appropriate amendments to the ALEO governance process can be made which will ensure that the support of ALEOs is retained as we move forward	
	Differentiate the scrutiny and assurance role of Governance Hub from the strategic and horizon scanning role of the ALEO board	Iain Robertson	as above		
	Agree objectives for each ALEO in line with the Council's vision and priorities, facilitating:	Iain Robertson	as above		
	• revised KPIs		as above		
	• streamlined reporting dataset templates		as above		
	Locate accountability for ALEO performance with the CGD, informed by Subject Matter Experts from the relevant service directorate	Iain Robertson	as above		
	Review opportunities to standardise or share risk management approaches	Iain Robertson	as above		
	Clarify acceptable ALEO assurances to include quality audits and external accreditation schemes	Iain Robertson	as above		
	Consider a range of initiatives to improve informal relationships between ALEOs and Council members and officers	Iain Robertson	as above		
16	Support identification and discussion of risk by: standardising committee agendas	Iain Robertson	as part of the Governance Review		

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**ABERDEEN**  
**CITY COUNCIL**

**Internal Audit Report**  
**Communities, Housing and Infrastructure**  
**Council Owned Land and Property**

**Issued to:**

Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure  
Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)  
John Quinn, Head of Land and Property Assets  
Fraser Bell, Head of Legal and Democratic Services  
Steven Whyte, Head of Finance  
External Audit

## **EXECUTIVE SUMMARY**

The Council holds a wide portfolio of Land and Property that supports a range of services. Amongst other functions, the Land and Property Assets Service is responsible for the valuation, acquisition and disposal of the Council's Land and Property.

As at 31 March 2016, Operational Land and Buildings including Council Dwellings had a net book value of £1.838 billion. The Council also held £85.9 million of Investment Properties, £4.0 million of Assets Held for Sale, and £22.2 million of Surplus Assets.

The objective of this audit was to review systems and procedures in place across the whole Council estate for ensuring that the Council has surety over the Land and Buildings it owns, including title. In general, this was found to be the case. Areas identified for improvement included reconciliation of systems used to record land and buildings and access to title deeds.

## **1. INTRODUCTION**

- 1.1 The Council holds a wide portfolio of Land and Property that supports a range of services. Amongst other functions, the Land and Property Assets Service are responsible for the valuation, acquisition and disposal of the Council's Land and Property.
- 1.2 As at 31 March 2016, Operational Land and Buildings including Council Dwellings had a net book value of £1.838 billion. The Council also held £85.9 million of Investment Properties, £4.0 million of Assets Held for Sale, and £22.2 million of Surplus Assets.
- 1.3 The objective of this audit was to review systems and procedures in place across the whole Council estate for ensuring that the Council has surety over the Land and Buildings it owns, including title.
- 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 and Property Assets, Fraser Bell, Head of Legal and Democratic Services and Sandra Buthlay, Senior Accountant.

## **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.
- 2.1.2 There are written procedures in place covering the management of land and buildings. These include procedures covering Surplus Property; Property Disposal; Property Acquisition; and Condition Surveys. Procedures were reviewed and found to be comprehensive and up to date.

### **2.2 Property Budgets**

- 2.2.1 The Non-Housing Capital Programme for 2016/17 of £159.2 million was approved by Council on 25 February 2016. The CH&I Rolling Programmes budget of £22.1 million was included as part of this budget, with £9.186 million specifically allocated to improving the condition and suitability of non-housing operational buildings.
- 2.2.2 The Asset Team has responsibility for maintaining the condition of the Council's operational buildings. Condition surveys are carried out on a 5-year rolling programme, with suitability surveys being carried out on a 3-year rolling programme. These surveys feed into the Conditional and Suitability Capital Works Programme.
- 2.2.3 As at 1 December 2016, the rolling programmes were forecast to marginally exceed the revised budget of £22.4 million by £61,000. Reasons were provided to Committee for variances.
- 2.2.4 A non-Housing revenue budget for 2016/17 of £4.183 million was also approved by Council on 25 February 2016. This covers planned maintenance (£720,000), cyclical maintenance (£850,000), school security works (£280,000) and unplanned maintenance (£2,333,000).
- 2.2.5 The Housing Capital Programme of £43.5 million was approved by Council on 16 December 2015 for 2016/17. This Programme is planned to ensure that the Council's housing stock of 22,145 properties meets health and safety regulations, as well as the Scottish Housing Quality and Energy Efficiency for Social Housing Standards. The budget is subject to monitoring by the Communities, Housing and Infrastructure (CH&I) Committee. At CH&I Committee on 1 November 2016, the forecast outturn for the Housing Capital Programme was equal to budget
- 2.2.6 The Housing Revenue Account (HRA) Repairs and Maintenance budget of £24.7 million for 2016/17 was also approved by Council on 16 December 2015. This is used for Planned and Cyclical Maintenance such as scheduled boiler maintenance, asbestos removal and legionella testing, and Day to Day Response Maintenance including replacing broken glazing and fire damage repairs. The HRA Repairs and Maintenance budget was reported to be within budget by £713,000 for 2016/17 to Communities, Housing and Infrastructure Committee on 1 November 2016. The reasons were provided to Committee.

### **2.3 Acquisitions**

- 2.3.1 The Estates Team within the Land and Property Assets Service, manage acquisitions. The acquisition process is governed by the Estates Manual, which details each step in the

process, and the responsible officer concerned, including confirmation of funding with the acquiring Service, negotiation with the vendor, approval to acquire, and conclusion of the bargain. Legal & Democratic Services provide legal support for concluding any bargain and complete missives. Finance will be advised of the conclusion of a purchase for treasury management purposes and to ensure the Fixed Asset Register is updated.

2.3.2 Acquisitions up to the value of £250,000 can be approved by the Head of Land & Property Assets. Any acquisition exceeding £250,000 must be approved by Finance, Policy & Resources Committee. Following acquisition of an asset, it is the responsibility of the title holder to register that title with the Registers of Scotland. It is important that title is correct, and any plans delineate the boundaries of the asset, to avoid the Registers of Scotland rejecting the application for registration.

2.3.3 A sample of 4 acquisitions was reviewed to ensure that the CH&I Asset Register (Uniform System) had been updated, and that title deeds were on file. A Uniform system report of all assets currently held was provided by the Service confirming all acquisitions selected are present in the system. Finance were advised of the acquisitions by the Estates Team in order to update the Fixed Asset Register (Logotech). Asset transactions are updated in Logotech at the financial year end, therefore 2016/17 transactions are absent from the system, although all 2015/16 transactions reviewed have been updated. The title deeds were located for the acquisitions in the deed store.

## **2.4 Leased Assets**

2.4.1 International Accounting Standard (IAS) 17 prescribes the accounting policies and disclosures applicable to leases. Under IAS 17 leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee), or operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). As a consequence, where the risks and rewards of ownership are deemed to lie with the Council, leased assets will be recognised in the Council's Fixed Asset Register and balance sheet.

2.4.2 IAS 17 will be superseded by International Financial Reporting Standard (IFRS) 16 from 1 January 2019. IFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is less than 12 months or of low value, in which case the lease charge can be recognised as an expense. This will mean a large number of former operating leases under IAS 17 will have to be accounted for as finance leases under IFRS 16. Finance review the classification of leases annually and has confirmed they plan to review operating leases as part of the Annual Accounts work for 2016/17 in preparation for IFRS 16 being implemented.

## **2.5 Disposals**

2.5.1 Disposal of land and building assets is managed by Estates, and involves consultation with all Council Services and, where appropriate, the Council's Public Sector Partners, such as NHS Grampian and Police Scotland. When a building becomes surplus to the requirements of a Service, the property should be declared surplus. Estates will assume responsibility for the building when it has been vacated by the holding Service, and establish if it is appropriate to maintain supplies of power and water to the building. Property details will be circulated to all Council Services to ascertain if there is any interest in the property. Any such interest must be supported by a project proposal from a Head of Service. Should no interest be indicated, details of the property will be circulated to the Council's Public Sector Partners. In the event of no interest at this stage, Estates will instruct Legal & Democratic Services to carry out checks on the title, after which the property will be marketed for sale.

- 2.5.2 Officers have delegated authority to accept offers up to £250,000 above which Committee approval is required. Following conclusion of the bargain, all relevant parties within the Council will be advised to ensure asset records are updated, title is transferred to the purchaser and for treasury management purposes.
- 2.5.3 Four disposals of property in 2015/16 and 2 disposals in 2016/17 were reviewed to ensure that the Uniform CH&I Asset Register had been updated. A Uniform system report of all assets held currently was provided by the Service confirming the system has been updated for disposals recorded in the financial ledger. The 2015/16 disposals were updated in the Logotech Fixed Asset Register.
- 2.5.4 In the event of a disposal, Legal & Democratic Services will post the physical title deeds to the purchaser, or their representative, retaining a record of the title disposition. The summary title records held by the Council had been amended to account for the transfer of title for the above disposals.

**2.6 Public Private Partnership (PPP)**

- 2.6.1 The 3Rs Schools Project (Reorganise, Renovate, Rebuild) is a Public Private Partnership (PPP) that resulted in 2 new secondary schools, 7 new primary schools, 1 refurbished primary school and the inclusion of 2 special schools within the new developments.
- 2.6.2 Facilities Management (FM) of the schools is undertaken by external contractors, who are responsible for the maintenance of the buildings. The FM Contractors undertake annual surveys on the buildings as part of the contract and address condition issues through a programme of lifecycle maintenance works. The surveys are designed to be a non-invasive visual review, highlighting any condition defects, and include a detailed analysis of the lifecycle maintenance work scheduled for the current financial year by month and by year for the next 4 years. All of the 3R schools were surveyed in March 2016. The FM Contractor does not notify the Asset Management Service when lifecycle maintenance works highlighted in the annual surveys are completed. However, inspections are carried out by the Asset Management Service to ensure this is the case.
- 2.6.3 The FM Contractor and their delivery partner meet with the Asset Management Service on a monthly basis. Meetings cover lifecycle maintenance work; contract variations; invoicing issues and user issues. The minutes examined confirmed that meetings were well attended, covered standing items and had been signed as accurate by the FM Contracts Manager to confirm accuracy. To facilitate monitoring of lifecycle maintenance works, it would be useful for the FM Contractor to supply an updated lifecycle maintenance analysis based on the annual surveys, indicating what work has been completed and what work is outstanding.

**Recommendation**

Consideration should be given to requesting a monthly report of lifecycle maintenance progress from the FM Contractor, based on the annual survey.

**Service Response / Action**

Agreed. This is something the FM contractors will be asked to develop with the Asset Management team.

**Implementation Date**

September 2017

**Responsible Officer**

FM Contracts Manager

**Grading**

Important within audited area

- 2.6.4 Following the collapse of a wall at a PPP school in Edinburgh, the Director of Education and Children's Services instructed the FM contractor to provide assurance that the 3Rs



school buildings were structurally sound, and that they were not constructed in the way which led to the issues in Edinburgh. The contractor provided visual survey inspection reports that confirmed that the buildings did not evidence any visible structural defects.

## 2.7 Asset Registers

- 2.7.1 It is a requirement of section 94 and section 102 of the Community Empowerment (Scotland) Act 2015 that all local authorities establish and maintain a register of land owned or leased by the Council and a register of property which is held by the Council as part of the Common Good 'Common Good asset register'. The Council must make arrangements to enable members of the public to inspect these asset registers free of charge and on a website or by other electronic means.
- 2.7.2 Creation of a Common Good asset register will result in significant resourcing implications and impact for both Land and Property Assets and Legal Services. This Part of the Act is not yet in force. The Scottish Government plans to consult with local authorities and community bodies for a 12 week period following conclusion of the 2017 Local Government Elections.
- 2.7.3 The Land and Property Asset Service maintains the Uniform Asset Management System, which contains a record of all land and buildings, excluding housing stock, but including Common Good assets. The System is used to manage these assets including condition surveys, valuations, and commercial property leases.
- 2.7.4 The Housing Capital Programme is driven by data relating to the condition of the Council's housing stock, including the lifespan of fittings, held in the Codeman database. The database indicates 8,538 properties are scheduled to have capital works carried out in 2016/17.
- 2.7.5 The Council's land and buildings are valued every 5 years on a rolling basis. Prior to revaluing the particular asset category an extract of the assets concerned is obtained from the above systems and provided to the Estates Surveyors. Following completion of this exercise, valuations are communicated to Finance.
- 2.7.6 The Asset Management Service has advised that it is intended to reconcile addresses on Codeman, the Northgate housing rent system, which holds information of properties let to tenants, and the repairs system Total on an annual basis. At present, the systems are reconciled every two to three years. A recommendation is included for tracking purposes.

### **Recommendation**

Housing stock numbers held in the above systems should be reconciled prior to providing Estates with a record of properties to be revalued.

### **Service Response / Action**

Agreed. Work is currently underway in the Service to reconcile the systems.

### **Implementation Date**

May 2018

### **Responsible Officer**

Senior Service Manager –  
Asset Management

### **Grading**

Significant within audited  
area

- 2.7.7 Finance use the Logotech Asset Register for the preparation of the Property, Plant and Equipment (PPE) note to the Annual Accounts, which includes Council owned land and buildings. A report from the system showing the net book value for all PPE, was reviewed and agreed to the Annual Accounts as at 31 March 2016.

- 2.7.8 The status of operational assets held on the Uniform system is communicated to Finance when there is an acquisition or disposal, and when assets are subject to a valuation. However, the CH&I and Finance asset registers are not routinely reconciled. Following discussions with CH&I and Finance, it is intended that the two systems be reconciled to ensure the asset values carried in the balance sheet are accurate. A recommendation is included for tracking purposes.

<b><u>Recommendation</u></b>		
The Uniform and Logotech asset register asset categories should be reconciled in line with the 5 year cycle for revaluations.		
<b><u>Service Response / Action</u></b>		
Agreed. This can be added to the reconciliation work already underway.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
May 2018	Senior Service Manager – Asset Management	Significant within audited area.
	Accounting Manager	

- 2.7.9 To ensure that appropriate insurance cover is provided, it is important that Insurance Officers are advised of any changes to the Council estate, including to the condition of buildings, timeously. Services submit an annual return to the Senior Insurance Officer (SIO) of properties to be covered under the Council's insurance, which was on file. Written procedures require that the SIO is informed of any acquisitions or disposals.

- 2.7.10 To ensure an accurate record of the Council's land and property estate is held, it is important that those records are clear, concise and provide data that can be traced from one record to another. There are three asset registers (CH&I Uniform Asset Register for managing the Council's non-HRA assets, Codeman Housing Asset Register for maintaining the Council's HRA assets, and Logotech Finance Asset Register for providing accounting information on all assets), two operational systems (Northgate for managing the HRA, Total for asset repairs), and an insurance cover record. Each record is stand alone, and the systems do not interface with each other. In addition, the property details recorded (i.e. property name and address) are not consistent from record to record, making tracing a property between systems difficult in some instances. The lack of common asset reference details in the Council's systems increases the risk of misstatement when: preparing the Annual Accounts, arranging insurance cover, and scheduling repairs.

<b><u>Recommendation</u></b>		
Consideration should be given to allocating assets unique references, which are used in all Council systems recording land and buildings, for reconciliation purposes.		
<b><u>Service Response / Action</u></b>		
Agreed. This will be added to the scope of work already commissioned.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
May 2018	Senior Service Manager – Asset Management	Significant within audited area.

## 2.8 Procurement

- 2.8.1 The licences and support for all 3 systems has been refreshed annually without requesting further quotations, with the annual cost of each being under £10,000. As per Procurement Guidance Note 4a 'due to the small value attached to these contracts and the considerable

time and effort involved in obtaining quotations, it may be sufficient under certain circumstances, to place such orders with one particular supplier without recourse to competition as long as the Delegated Procurer is satisfied that the prices received from that supplier are fair and reasonable.’ However, Procurement Guidance Note 4a requires the justification for not seeking alternative quotations to be forwarded to C&PS using a C&PS quotation form and this has not been done for the above systems.

<b><u>Recommendation</u></b>		
Services should comply with Procurement Guidance Note 4a where applicable.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
August 2017	Accounting Manager	Important within audited area.
	Team Leader IT Asset Management	
	Asset Management Team Leader	

**2.9 Asset Title**

- 2.9.1 The Land Registration (Scotland) Act 1979 provided for the establishment of the Land Register under the management and control of the Keeper of the Registers of Scotland (the Keeper). This is a transparent, plans-based, public register of rights of land introduced to replace the recording of deeds in the General Register of Sasines (Sasines Register). The Sasines Register has limitations as it is not map based like the Land Register, requires professional interpretation and offers no guarantee of title. The Land Registration etc (Scotland) Act 2012 was brought into effect in December 2014, amending the 1979 Act, to provide a statutory framework to facilitate completion of the Land Register.
- 2.9.2 Land Registration involves the creation or transfer of a title sheet for the land concerned. To confirm that an asset, and the land upon which it is situated, is owned by the Council, each asset should be supported by a title deed granted to the Council, which should clearly delineate the boundaries of the asset, and record any conditions affecting the property. It is important that title be accurate in terms of boundaries, and that the terms of the title are understood, to facilitate reporting requirements and ensure any proposed disposal can be concluded.
- 2.9.3 Where an asset is being disposed of, or let to a third party, asset title is confirmed with Legal & Democratic Services who keep the title deeds. Assets which were held by the former Aberdeen District Council prior to the 1996 Local Government re-organisation can be located using a filing system based on a street map index, Ordnance Survey maps and summary property title registers is in place to help officers locate title. To locate title, locations are indexed and refer to a grid reference on the street map which carries a reference number to a detailed Ordnance Survey map. Assets are delineated on the Ordnance Survey map along with the reference number of the summary title record. The title deed box in which physical title is stored is recorded on the summary title record sheet. Assets which were held by the former Grampian Regional Council prior to the 1996 Local Government re-organisation are located by means of a card index system which provides a reference to the title deed box location.
- 2.9.4 It was noted that the Ordnance Survey maps used to locate title are in excess of 40 years old, and therefore do not detail new commercial or residential developments nor any new

road re-alignments or transport infrastructure. This makes locating assets and title deeds acquired after the dates of these maps difficult and time consuming.

2.9.5 Thirty operational assets, and 20 Common Good assets, were selected from the CH&I asset register to ensure the title deeds were held by Legal & Democratic Services.

2.9.6 Title to 9 of the sampled properties on the asset register could not be traced to the physical deed, or to a summary of the deed. In addition, title could not be located for 3 of the sampled Common Good assets. The title deeds for three properties could not be found because the title box reference was not recorded on the summary title (2 properties) or the title box could not be found. Where it cannot be confirmed if the Council has title to its assets, this risks reporting misstatements, future property sales failing, as well as disputes with third parties over the use of land where title is not clear.

**Recommendation**

Filing documentation should be updated to ensure there is a full audit trail for all title held.

**Service Response / Action**

Agreed. The Service has been exploring the viability, including resource implications, of updating the current Ordnance Survey Maps, and creating a digital mapping system to facilitate a more streamlined and efficient method of identifying property owned by the Council. The Service intends to complete this viability exercise by 31 December 2017.

In the short-term, private searchers can be instructed to ascertain ownership over properties/titles that we have been unable to locate. However, engaging private searchers are both costly and time consuming.

**Implementation Date**

December 2017

**Responsible Officer**

Legal Services Manager

**Grading**

Significant within audited area.

2.9.7 Although there is a filing system in place for title documents, there is no link to the Asset Register maintained by CH&I. To locate title documents, it is dependent on the description and/or address of the asset to be sufficiently detailed to allow for two records to be matched. The lack of any linkage makes it difficult to trace title back to the asset register. Where the audit trail of assets and title is incomplete, title may be difficult to locate.

**Recommendation**

The Asset Register and title documents should be cross referred using the Asset Register reference number.

**Service Response / Action**

Agreed. Legal Services agree in principle with the above recommendation and that a system should be put in place to link CH&I Asset Register numbers and title deeds. Legal Services will carry out an appraisal by 1 August 2017 to explore the viability for such cross-referencing to be carried out electronically.

**Implementation Date**

August 2017

**Responsible Officer**

Legal Services Manager

**Grading**

Significant within audited area.

2.9.8 Title documents are principally held in a locked strongroom, within a locked room to which Legal Services hold a key. However, a significant number of title deed boxes are held in an unlocked room and are accessible to all staff with access to the Town House. Should

title be lost, the Council will suffer a financial cost to obtain copy title and future sales could potentially be delayed.

**Recommendation**

All title documents should be held securely.

**Service Response / Action**

Agreed. Originally all title deeds were held in the fire proof locked strong room in the Town House. Due to flooding in 2015 the vast majority of title deeds had to be decanted into nearby rooms which are not secure. The fire proof strong room is currently being put into a fit state, including reorganisation of the method of storage to comply with health and safety requirements. Thereafter, this room along with the lockable room opposite it will provide sufficient and appropriate storage for all the title deeds.

The ideal solution would be for all deeds to be stored in a fire proof safe in Marischal College, thus being easily accessible for all legal officers. This option is being discussed with the Facilities Management service.

**Implementation Date**

December 2017

**Responsible Officer**

Legal Services Manager

**Grading**

Significant within audited area.

- 2.9.9 The current filing system for title documents is a manual record, and is more likely to be subject to breaks in the audit trail than a digitised system. Locating title documents can be a time consuming and laborious process, requiring more than one person where it would be unsafe for a lone worker to locate title held on a high shelf, for example. By digitising the title documents, it would remove any requirement to physically recover title in the event of query, and could link to asset register documents.
- 2.9.10 In view of the fact that the sample tested identified gaps in title deeds and the Council's records are currently manually based, it is difficult to clearly identify all title held.

**Recommendation**

Consideration should be given to digitising the Council's title deeds and linking these to the Council's asset register system.

**Service Response / Action**

Agreed. The Service agrees in principle with this recommendation and is currently exploring the viability and options available in the market relating to deed digitisation and updating the Ordnance Survey maps (see paragraph 2.9.6 above).

**Implementation Date**

December 2017

**Responsible Officer**

Legal Services Manager

**Grading**

Significant within audited area.

- 2.9.11 The Scottish Government has expressed an intention for all land in Scotland to be registered with the Registers of Scotland by 2024, with public land being registered by 2019. In a consultation exercise carried out by the Registers of Scotland in 2015, there were 187,699 map addresses in the Aberdeen Registration County of which 118,542 had title on the land register, leaving 69,157 to be registered, although this does not distinguish between private and public land.
- 2.9.12 Although The Land Registration etc (Scotland) Act 2012 does not specify any penalties, it facilitates registration of land through the closure of the Sasines Register for all new transfer deeds; the closure of the Sasine Register to standard securities meaning voluntary registration will be required in the Land Register before a lender is able to

register the standard security; by ending the Keeper's discretion to refuse a voluntary land registration application; and by giving the Keeper the power to undertake 'Keeper-induced registration' enabling the Keeper to register land in the absence of an application.

## **2.10 Common Good Assets**

- 2.10.1 The Council holds a Common Good fund valued at approximately £96 million, generating an annual income of £2.9 million. Although the Common Good is not defined in statute, it is understood that it is any land granted (such as the 1319 Royal Charter) to the City, land classified as Common Good through a decision made by Council or its predecessors, or any land "used and enjoyed by the public since time immemorial.". Common Good assets are held by the Council, and are intended to benefit all citizens within Aberdeen City. In terms of section 75 of the Local Government (Scotland) Act 1973 and subsequent case law / authorities, it has been established that where the land satisfies the tests above and is for all intents and purposes 'common good land' then in order for the Council to alienate / sell such land, the authority of the Court of Session, or a sheriff, as appropriate is required.
- 2.10.2 A review of title relating to 20 Common Good assets was undertaken. For the assets where title was located, it was evident that the classification of the assets is correct.

**AUDITORS:** D Hughes  
A Johnston  
N Ritchie

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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**ABERDEEN**  
**CITY COUNCIL**

**Internal Audit Report**  
**Timesheets and Allowances**

**Issued to:**

Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)  
Ewan Sutherland, Head of HR and Customer Service  
Steven Whyte, Head of Finance  
Keith Tennant, HR Team Leader  
David Cheyne, Payroll Manager  
KPMG LLP

## **EXECUTIVE SUMMARY**

During the course of this audit, a sample of timesheets relating to 300 employees was examined to ensure compliance with the Council's terms and conditions and Financial Regulations.

A majority of timesheets were found to be completed appropriately and processed accurately. However, areas were identified for improvement including payments of Non-Standard Working Week Allowances, Working Time compliance, and the classification of additional hours / overtime worked which may be eligible for additional holiday pay.

Each of these is discussed in more detail in the main part of the report along with the recommendations made and the Services' responses to these.

# 1. INTRODUCTION

- 1.1 Council employees under Equal Pay & Modernisation 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.
- 1.2 Work in excess of an employee's contracted 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. However, for employees paid above Grade 12, overtime payments are restricted to the flat rate equivalent of the top point of Grade 13.
- 1.3 Where additional hours / overtime is considered to be "regular" (see paragraph 2.4.2, below) the payment made attracts an additional holiday entitlement of 8.3%.
- 1.4 Certain hours that are not paid at the overtime rate attract a non-standard working week enhancement:
- Hours worked between 2000 and 0700, Monday to Friday attract an enhancement of one third.
  - Hours worked on a Saturday and Sunday attract an enhancement of 40%.
- 1.5 Employees providing the Out of Hours Service in Social Work do not claim the enhancements for unsocial hours. They are, instead, paid a composite rate of 25% on all hours worked in lieu of the non-standard working time allowances. This was approved by the Corporate Policy and Performance Committee in December 2011.
- 1.6 Casual Workers are paid all of their hours at the basic hourly rate for the job undertaken. An additional 12.07% of the hourly rate for each hour worked up to 37 hours per week is paid in respect of the workers entitlement to annual leave. These workers are not employees of the Council and there is no 'mutuality of obligation' to offer or accept work.
- 1.7 The objective of this audit was to review of a sample of timesheets to ensure that they had been completed, authorised and paid correctly. This was undertaken in the form of a "desk top" exercise, reviewing a sample of timesheets that had been paid in August 2016 for reasonableness (without initial reference to supporting documentation held by Services) and, where appropriate, seeking further information from Services to support and justify the hours being claimed.
- 1.8 The factual accuracy of this report and action to be taken with the recommendations made have been agreed with Ewan Sutherland, Head of HR and Customer Service, Keith Tennant, HR Team Leader, and David Cheyne, Payroll Manager.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Review of Timesheets**

2.1.1 In order to establish compliance with the Council's terms and conditions, timesheets relating to payments made to 300 employees in August 2016, were examined. Whilst a majority of timesheets appeared to be completed appropriately some were queried with authorising officers and / or HR / Payroll for a number of reasons and the outcomes are detailed below.

### **2.2 Non-Standard Working Week Allowance**

2.2.1 Where staff work Non-Standard Working Week (NSWW) hours, ie between 2000 and 0700 on a weekday, or any hours at a weekend, they are entitled to payment of an enhanced rate. The additional payment made is 33% for the weekday hours and 40% for weekend hours. Where staff work such hours as part of a rota, they can be paid the additional allowances as a fixed element of pay so that they don't have to claim the enhancements on a timesheet. Whilst this is efficient in terms of processing, it does rely on HR and Payroll being advised of any changes to rotas so that adjustments can be made to fixed pay. In April 2016, payments totalling £88,500 were made in respect of fixed NSWW Allowances (equating to approx. £1.062 million per annum, plus employers on-costs). 604 employees currently receive a fixed NSWW Allowance each month.

2.2.2 In order to test the accuracy of fixed payments, a sample of 24 work locations, where 194 employees were receiving the allowance, was selected and their line managers were requested to provide the rotas that were being worked. This identified the following:

- 63 employees were being paid correctly.
- 73 employees were being paid incorrectly as a result of: rotas changing and managers not advising HR / Payroll; the allowance having been calculated incorrectly when set-up; the allowance not being terminated when employees changed job; an employee being set up by Payroll to receive the allowance in error; employees being paid the allowance when not rota'd to work any unsocial hours; and employees not always working the rota for which the allowance is being paid. This has resulted in over and under payments of both contractual hours and NSWW Allowance, some of which were compensatory whilst others were significant.
- 6 rotas covering 58 staff were not provided as requested so no assurance can be provided regarding these.
- 4 employees were identified on rotas who were entitled to the allowance but were not receiving it (and were not claiming on timesheets).

2.2.3 Based on the above findings, the payment of the NSWW Allowance as a fixed element is not working as anticipated. Whilst administration has been reduced, the level of errors in payment is concerning. There are a number of potential solutions ranging from reviewing all rotas in existence and correcting the allowances being paid where found to be inaccurate, to stopping the payment of all fixed allowances with staff being required to claim the allowance by timesheet. This could increase the number of timesheets being processed each month by around 600.

2.2.4 Whilst reviewing the sample of paid timesheets, claims for NSWW Allowance on timesheets which exceeded the daily period for which the allowance is eligible were

identified. This was discussed with the Service involved and the matter has been addressed.

2.2.5 Most rotas result in staff working varying numbers of hours each week, although the hours worked, in most cases, equal the contractual hours over the period of the rota. However, when staff leave the Council, no adjustment is made to ensure that staff have been paid for the hours worked, resulting in the possibility that staff will be either under or over paid.

2.2.6 The Council's Financial Regulations require that the Head of HR take all reasonable steps to recover any identified overpayments. In view of this, steps need to be taken to stop the incorrect payments arising and to recover any amounts that have been overpaid.

**Recommendations**

1. HR should determine the most appropriate way of resolving the issue of incorrect payments being made via the Non-Standard Working Week Allowance.
2. Incorrect payments should be resolved, complying with Financial Regulations in respect of identified overpayments.
3. Consideration should be given to implementing a system whereby adjustments are made to the final salary of staff who work on a rota when they leave the Council.

**Service Response / Action**

1. The HR Service has put in place a requirement for all Managers/Supervisors of employees who have NSWWA as a permanent value set up in the payroll to enter the shift/rota/working pattern into the YourHR system. This will capture the data and allow regular (quarterly) verification of the working arrangements by Managers/Supervisors. There will also be a briefing of all Managers/Supervisors with responsibility for staff who are paid NSWWA of the necessity to alter the details in YourHR if there is any change in Rota/Shift/Working Pattern/Hours /Times of Work. The use of YourHR will also take account of calculation errors as the system will carry these out, this minimises any human error in calculation.
2. Further checking has been undertaken by the HR Service with Services to check there are no other instances outwith the Audit sample that have resulted in significant overpayments. Any other issue that is found will be dealt with consistently in accordance with the manner other issues are being taken forward as detailed in this report.
3. The issue flagged up of making adjustments to the final salary of staff working a rota will be looked into in detail and where feasible a solution developed. However, it should be noted initial thinking suggests a solution for those working over a short rota period (i.e. upto 4 weeks) may be possible but this will be more problematic for those working rota patterns over a longer period due to complexity of calculations.

**Implementation Date**

**Responsible Officer**

**Grading**

1. March 2017.	1. HR Manager	Significant within audited area.
2. March 2017	2. Payroll Manager / HR Team Leader	
3. April 2017	3. Payroll Manager / HR Team Leader	

## 2.3 Working Time

- 2.3.1 The European Working Time Directive requires that employees receive certain rest breaks in and between their working hours. In general, although there are exceptions, if an employee works for continuous periods in excess of six hours they should take a break of at least 20 minutes. Guidance relating to the Council's Working Time Policy states that a 30 minute break should be taken after 6 hours of work. The guidance goes on to state that whether such breaks are paid will depend on the terms of the employment contract. The timesheets for Casual Staff state that the minimum unpaid break if working more than six hours is 20 minutes.
- 2.3.2 During this audit, a significant number of timesheets were identified which clearly demonstrated when breaks were being taken during individual shifts. However, timesheets relating to 21 employees (out the 300 sampled) were identified where continuous periods in excess of six hours had been recorded with no unpaid in-work rest break having been evidenced between the starting and finishing times recorded. This compares with 37 out of 200 timesheets in the previous audit of Timesheets and Allowances, representing an apparent improvement in compliance. In each case, the authorising officer was challenged regarding the length of continuous periods of work shown on the timesheets.
- 2.3.3 The following responses were received:
- 9 employees related to one establishment and it has been confirmed that a break would have been taken and the employees have, therefore, been overpaid. During the audit, all staff at the establishment were reminded of the requirements.
  - 2 staff were working in an area where there was a new supervisor who has stated that he was not made aware of the requirements. This has now been addressed.
  - 1 member of staff did take a break and has been overpaid. The Service Manager has issued an instruction for the time overpaid to be recovered.
  - 8 Support Workers were working up to 13.5 hours without taking an unpaid in-work rest break as they provide 1:1 support and are unable to leave clients alone.
  - 1 could not be followed up as the authorising officer was not clear from the signature on the timesheet.
- 2.3.4 Potential issues regarding unpaid in-work rest breaks were also identified as part of testing relating to Non-Standard Working Week Allowances (where the allowance was being paid for all hours between start and finish times). The above testing also identified one employee regularly working in excess of 48 hours per week where a request had not been submitted, approved or passed to the Head of HR as required by the Council's Working Time Policy. HR is working with the Service to address this issue.
- 2.3.5 Internal Audit is aware that HR is working with Services to try and address issues regarding Working Time Directive compliance and ensuring that the Council complies with the law in this respect. In order to track progress, a recommendation is made here.

**Recommendations**

1. HR should continue to work with Services to resolve working practice issues and ensure that the Council is operating within the law regarding Working Time compliance.
2. Where it is agreed that breaks will be paid, a register should be maintained of agreements providing details of the staff groups affected.

**Service Response / Action**

1. HR will continue to work with Services to resolve any issues and have also recently issued corporate guidance on the application of the Working Time Regulations and the Working Time Policy.
2. A register is to be compiled of agreements by HR in conjunction with the appropriate Services where it has been identified that breaks will be paid.

**Implementation Date**

1. Ongoing
2. July 2017

**Responsible Officer**

1. HR Business Partners
2. HR Business Partner in conjunction with appropriate Service Managers

**Grading**

Significant within audited area.

**2.4 Additional Holiday Pay on Additional Hours / Overtime**

2.4.1 Where employees work regular additional hours / overtime, they are entitled to claim additional holiday pay at a rate of 8.3%. Where additional hours / overtime are not regular, additional holiday pay is not claimable.

2.4.2 In this respect, HR has issued the following additional holiday pay guidance to Services:

*“The decision on whether the earnings form part of normal pay will be made by the managers concerned based on their knowledge and experience of the work. If the employee could reasonably expect those earnings on a regular or recurring basis then that would form part of normal pay. If they could have expected to earn that money had they been at work rather than on holiday then the hours are normal. Ad-hoc or one off occurrences would not be considered to be normal.”*

2.4.3 Testing undertaken in a previous audit on Timesheets and Allowances identified that, whilst the majority of claims were being made correctly, there were occasions when staff were incorrectly claiming infrequent additional hours / overtime as Regular Hours and being paid Additional Holiday Pay whilst also enhancing their pension at additional cost to the Council. Conversely, some staff were failing to claim their additional hours / overtime against Regular Hours and were not being paid Additional Holiday Pay (and pension increases) which they were entitled to. HR discussed this issue with Directorate Business Managers and re-issued guidance in order to make improvements with compliance.

2.4.4 The results of this audit are similar to those detailed above and the consequence of this is that some staff are being overpaid and some are being underpaid.

2.4.5 The Council’s Financial Regulations require that the Head of HR take all reasonable steps to recover any identified overpayments. It was agreed in the previous audit that Directorates would analyse the findings from that audit report and notify HR / Payroll of any overpayments to be recovered or underpayments due to be paid. HR is leading on an analysis of the benefits or otherwise of the exercise in view of the volume of work and

this is being discussed with the Heads of HR and Finance with the potential for drawing a clear line under previous errors alongside work to eliminate similar errors going forward. This should be complete by the beginning of February 2017.

- 2.4.6 Based on the results of testing, further action is necessary to ensure that payments are being correctly categorised to ensure that the correct additional holiday payments are claimed, authorised and paid

<b><u>Recommendations</u></b>		
HR should determine the best approach to ensuring that additional holiday pay is only claimed when eligible hours have been worked.		
<b><u>Service Response / Action</u></b>		
1. Within YourHR a button has been set up with definition of regular, this has to be chosen for the additional holiday payment to be made. This will be in place when the first group of staff are introduced to electronic timesheets.		
2. HR will reissue the guidance on additional holiday pay to Directorates and reiterate that this requires to be followed. Before issue, the guidance will be appropriately updated to reflect certain changes due to the introduction of the electronic timesheet on YourHR.		
The responsibility for applying the guidance rests with the Directorates/Services (rather than HR).		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
1. February 2017	1. Digital HR Project Manager	Significant within audited area.
2. February 2017	2. HR Team Leader	

**2.5 Overtime**

2.5.1 The Council's Local Terms and Conditions for Local Government Employees state that work in excess of normal contracted hours should be discouraged. In view of this, Internal Audit looked for regular patterns of overtime within the sampled timesheets and, where identified, sought explanations from the authorising officers.

2.5.2 Responses received provided appropriate justification for the hours worked based on operational requirements pertaining at the time, for example specific project requirements that were time critical and had to be completed in additional hours.

**2.6 Overtime Relating to Staff Paid Above Pay Scale 12**

2.6.1 Staff who are paid above pay grade 12 have their overtime payments restricted to a flat rate equivalent of the top point of grade 13 for the actual hours worked. Hours should be recorded as overtime on the timesheet and the payroll system automatically restricts the payment in accordance with the Terms and Conditions.

2.6.2 Testing undertaken in a previous audit on Timesheets and Allowances identified that some staff whose substantive rate of pay was above the top point of grade 13 were recording overtime hours as additional hours and, as a result, were being paid at their substantive rate of pay. Testing in this audit confirmed that such time is now being claimed as overtime and the correct rate of pay is being paid.



## 2.7 Previous Year Overtime / Additional Hours

- 2.7.1 During another specific payroll audit it was identified that additional / overtime hours and some allowances were being paid in April 2016 for work done in previous months, at the April 2016 rate of pay (ie after pay awards had been applied). Payroll has confirmed that this issue only applied to those staff who had claimed their hours as Regular Hours which attracted the additional holiday pay entitlement. This has been referred to the system supplier so that a fix can be applied for the future and the Head of Finance agreed to write-off the overpayments identified in the April 2016 payroll as detailed in reports produced by Payroll.
- 2.7.2 A similar issue was identified during this audit with payments being made at the current rate of pay to two employees in July 2016 for work undertaken in the previous financial year. This arose following submission of late timesheets and it would be difficult to determine the extent of such overpayments. However, those identified should be recovered.

### **Recommendations**

1. Arrangements should be made to recover overpayments made in months subsequent to April 2016 that related to pre-April work.
2. Services should be reminded to ensure that timesheets are submitted timeously and, where this is not the case, Payroll should ensure that the correct rate of pay is applied.

### **Service Response / Action**

1. Payroll will recover the overpayments.
2. This is an issue for the Services (rather than HR) to ensure that timesheets are put in on time. Also the YourHR timesheet module will help ensure that payments are made at the correct rate. The system will only accept timesheets for the last three months.

### **Implementation Date**

1. December 2016

### **Responsible Officer**

Senior Payroll Officer

### **Grading**

Important within audited area.

## 2.8 Part Year Employees

- 2.8.1 Employees who work for part of the year (eg term time only) are paid for the number of weeks that they work plus annual leave entitlement which is allocated based on the number of weeks worked and length of service. Should the employee work additional hours in weeks when they are not scheduled to work, it is unclear whether the hours fall within a holiday period or a non-contracted period and should be classed as additional hours (paid at plain time) or potentially overtime (paid at time and a half).
- 2.8.2 The Council's guidance on annual leave for part year employees states that five days are allocated in the Easter break, 5 days during the October break and the remaining days during the Summer break. Greater clarity would be gained if the actual weeks were to be designated, eg the second week of the Easter break, the first week of the October break, and specified weeks in the Summer break.

**Recommendations**

HR should consider designating specific periods as annual leave in order to provide greater clarity.

**Service Response / Action**

The above recommendation could potentially be difficult to implement. In the past the designating of particular weeks of the Easter/Summer/October break as annual leave has been discussed and it was identified that allocating weeks could create operational difficulties, in that there could be implications not only for rates of pay for those who do additional work in the school holidays, but also for accrual of annual leave during long term sickness absence, accrual of annual leave during maternity leave and part year new start and leavers calculations etc. The Service is, however, prepared to have a further look into this matter with the Services to determine its feasibility.

**Implementation Date**

April 2017

**Responsible Officer**

HR Advisor

**Grading**

Important within audited area.

**2.9 General**

2.9.1 During the review of the sampled timesheets the following issues were identified:

- Good practice in the completion of some overtime claims where the detail of what was done in the hours worked was recorded on the timesheet providing clarity of purpose.
- One instance where the input of additional time to the payroll system was not supported by a timesheet resulting in a small overpayment;
- Hours on one timesheet had been marked as input to the payroll system that had not been input resulting in an underpayment equivalent to 19 hours at plain time;
- An input error where the time recorded on a timesheet had been misread resulting in a small overpayment;
- A timesheet that had been incorrectly summed resulting in a small overpayment;
- Hours being transposed on a timesheet resulting in a small underpayment;
- The incorrect claiming of hours in excess of the standard 37 hours per week as both additional hours and overtime hours resulting in a small overpayment.
- The claiming of public holiday double time by a member of staff who receives a 25% allowance on all pay in lieu of claiming the Non-Standard Working Week Allowance, resulting in payment of two allowances on the same hours – overpaid as should only receive one (the highest) allowance.

2.9.2 Each of the above issues was addressed as appropriate during the course of the audit. The Council plans to introduce electronic timesheets which will help resolve any underlying issues.

**AUDITOR:** D Hughes

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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**ABERDEEN**  
**CITY COUNCIL**

**Internal Audit Report**  
**Treasury Management**

**Issued to:**

Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)  
Steven Whyte, Head of Finance  
Sandra Buthlay, Senior Accountant  
External Audit

## **EXECUTIVE SUMMARY**

Treasury management is described by the Chartered Institute of Public Finance and Accountancy (CIPFA) as the management of an organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

As at 13 December 2016, the Council's total external debt including overdraft was £923.1 million at an average interest rate of 2.61% with temporary investments of £401.4 million at an average interest rate of 0.35%.

In October 2016, the Council was assigned a credit rating, and subsequently completed a £370 million bond issue on the London Stock Exchange in November 2016.

The objective of this audit was to consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.

In general, the Treasury Management controls were found to be robust, well managed and adhered to. Areas identified for improvement included treasury management performance reporting and operational procedures.

# 1. INTRODUCTION

- 1.1 Treasury management is described by the Chartered Institute of Public Finance and Accountancy (CIPFA) as the management of an organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
- 1.2 In practice, this means actively monitoring and managing banking transactions to ensure that cash is available to pay for debts as they fall due, while minimising borrowing costs as a result of debt and ensuring an acceptable balance is struck between security, liquidity and return, for any investments held.
- 1.3 The Finance Treasury Management team, consists of a Treasury Officer and Senior Finance Officer. Decisions made by the team are informed by advice and information provided by Capita Assets Services, the Council's treasury management advisors.
- 1.4 As at 13 December 2016, the Council's total external debt including overdraft was £923.1 million at an average interest rate of 2.61% (£561.4 million at 4.23% as at 1 April 2016), with temporary investments of £401.4 million at an average interest rate of 0.35% (£41.4 million at 0.65% as at 1 April 2016).
- 1.5 In October 2016, the Council was assigned a credit rating, and subsequently completed a £370 million bond issue on the London Stock Exchange in November 2016. This increased the level of debt and investments held by the Council, explaining the movement since the start of the financial year shown in paragraph 1.4, above.
- 1.6 The Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services, which provides a basis to create clear treasury management objectives and to structure sound treasury management policies and practices.
- 1.7 The objective of this audit was to consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.
- 1.8 The factual accuracy of this report and action to be taken with regard to recommendations made has been agreed with Steven Whyte, Head of Finance and Sandra Buthlay, Senior Accountant.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Treasury Management Policy and Strategy

- 2.1.1 CIPFA's Code of Practice for Treasury Management in the Public Services (the TM Code) derives its legal status from the Local Government in Scotland Act 2003. The TM Code recommends that all public service organisations create and maintain, a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities. A recommended policy statement is included within the TM Code, which also states that the policy statement should include the organisation's high level policies for borrowing and investments.
- 2.1.2 The Council's Treasury Management Policy and Strategy for 2016/17 to 2018/19 was approved by the Finance, Policy and Resources Committee in February 2016, and Full Council in March 2016. This report included a number of key documents as required by the TM Code. The Treasury Management Policy Statement defines the policies and objectives of the Council's treasury management activities, following the form of words recommended by CIPFA. The Borrowing Strategy sets out the prioritised borrowing methods the Council could use, as well as setting limits on certain types of borrowing and the debt maturity structure. The Investment Strategy notes the Council's investment priorities as the security of capital and liquidity of its investments, and sets a limit on longer-term, fixed rate investments. The Counterparty List details the approved banks and other financial institutions with which the Council can undertake short-term investments. Proposed Prudential Indicators, as recommended in CIPFA's Prudential Code, were provided with this report and later approved at the Council's budget meeting in February 2016. Revisions to the Investment Strategy, Counterparty List, and Prudential Indicators were subsequently approved in August 2016 in advance of the Bond Issue.
- 2.1.3 The TM Code recommends that Full Council receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. These reports are presented to the Finance, Policy and Resources Committee, who then recommend Full Council approve, or note, the report. The reporting undertaken for 2015/16 and 2016/17 Treasury Management activities was reviewed.
- 2.1.4 The 2015/16 strategy was approved by the Finance, Policy and Resources Committee in February 2015, but this did not go to Full Council. The Finance, Policy and Resources Committee and Full Council received a mid-year review and a year-end update in December 2015 and June 2016, as required. Changes to the Counterparty List were also approved by the Finance, Policy and Resources Committee in September 2015, and Full Council in October 2015.
- 2.1.5 As highlighted above, the 2016/17 strategy was approved by the Finance, Policy and Resources Committee in February 2016, and Full Council in March 2016. Due to the bond issue, the mid-year review was not reported in December 2016 and has been delayed until March 2017 when it will be reported to both the Finance, Policy and Resources Committee, and Full Council, along with the 2017/18 strategy.
- 2.1.6 Audit Scotland, on behalf of the Accounts Commission, undertook an audit on "*Borrowing and Treasury Management in Councils*" which was published in March 2015. In order to assess how Scottish councils show best value in borrowing and treasury management decisions, Audit Scotland reviewed the strategies of twelve councils and undertook detailed fieldwork at six of these. The Council was not one of the councils reviewed or visited. The report made seven recommendations for action by council officers and councillors involved in treasury management.



- 2.1.7 In December 2015, a report was presented to the Finance, Policy and Resources Committee comprising an overview of the Audit Scotland report as well as comments and actions from the Council's perspective. An update on progress made against these actions was reported to Finance, Policy and Resources Committee in February 2016, and Full Council in March 2016.
- 2.1.8 One of the recommendations of the Audit Scotland report relates to more detailed and longer-term borrowing and treasury management analysis as informed by the Council's financial strategy. The Council has increased the reporting of prudential indicators from 3 years to 5 years, in order to support this longer-term view.
- 2.1.9 The Audit Scotland report also recommends that the content of the year-end report should be reviewed to ensure it provides an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include indicators, comparative figures, and appropriate explanations. The last year-end report reported to the Finance, Policy and Resources Committee provided an assessment of the treasury management activities and performance but did not include the actual outturn of prudential indicators as compared to the budget indicators approved by Council. This would be useful additional information for assessing the performance of the treasury function.

**Recommendation**

Consideration should be given to including prudential indicator budget and actual figures in the year-end report to Committee on treasury management activities.

**Service Response / Action**

Agreed. A review of what and how the prudential indicators are reported will be undertaken.

**Implementation Date**

June 2017

**Responsible Officer**

Treasury Officer

**Grading**

Important within audited area

**2.2 Written Procedures**

- 2.2.1 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.
- 2.2.2 The Council's Treasury Management Manual includes extracts from the TM Code and the Prudential Code for Capital Finance in Local Authorities, and details the responsibilities of those within the Treasury Management function. The manual was last updated in November 2016, to include the revised Counterparty List.
- 2.2.3 Within the TM Code, CIPFA recommends that Councils create and maintain Treasury Management Practices (TMPs) which set out the manner in which the Council will seek to achieve their treasury management policies and objectives, and how it will manage and control its treasury management activities. The TM Code includes twelve TMPs and recommends Councils include those that are relevant to its treasury management powers and the scope of its treasury management activities. CIPFA expects that the form of words given within the TM Code will be suitably amended to reflect each organisation's particular circumstances. The twelve TMPs are:
- TMP1 Risk Management
  - TMP2 Performance Measurement

- TMP3 Decision-making and analysis
- TMP4 Approved instruments, methods and analysis
- TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6 Reporting requirements and management information arrangements
- TMP7 Budgeting, accounting and audit arrangements
- TMP8 Cash and cash flow management
- TMP9 Money laundering
- TMP10 Training and qualifications
- TMP11 Use of external service providers
- TMP12 Corporate Governance

2.2.4 The Council have included all twelve TMPs at the start of their Treasury Management Manual, exactly as written within the TM Code, with no Council-specific amendments. The manual also includes CIPFA's recommended Treasury Management Policy Statement, as opposed to the Council's approved Treasury Management Policy Statement, which includes a further paragraph explaining the services undertaken by Capita Asset Services, the Council's appointed Treasury Advisors. By including the Council specific Policy Statement and TMPs, this ensures the reader is clear on how the TM Code impacts the Council, and what is expected.

2.2.5 Whilst the manual has been updated on a regular basis to reflect changes to the Counterparty List, other sections of the manual have not been updated in some time, with procedural changes not reflected. Identified discrepancies include:

- The Authorised Signatories List within the Manual was last updated in February 2014, and features an employee who has since left the Council.
- The Council's bank account overdraft limit is quoted as £5 million, however this has since been reduced to £1.5 million.
- The City Chamberlain is referred to throughout the manual despite the post title now being Head of Finance.
- The Resources Management Committee, which was decommissioned in June 2009 and replaced by the Finance, Policy and Resources, is referred to.
- The manual is a large document with a number of sections, including a section on negotiable bonds "for historical purposes only" which may make it difficult for new employees to identify the key procedures. This information could be saved elsewhere in case it could be used as guide required in future.

2.2.6 The Service advised that the Treasury Management Manual is not regularly referred to, either by those carrying out daily Treasury Management responsibilities, or for training new employees. The Treasury Officer holds a separate procedural document which more accurately reflects current practice, as well as holding an updated Authorised Signatory List which was last updated in June 2016. It is noted that the staff within the Treasury Management section have a wealth of experience that enables them to undertake the required activities, however, including the most up-to-date information within one set of procedures will ensure business as usual in the event of staff absence or leaving.

**Recommendation**

The Service should regularly review and update the Treasury Management Manual.

**Service Response / Action**

Agreed. A formal review and update will be undertaken annually. Any changes required between formal updates will be recorded at the front of the manual to ensure current practice is highlighted.

<b><u>Implementation Date</u></b> September 2017	<b><u>Responsible Officer</u></b> Treasury Officer	<b><u>Grading</u></b> Important within audited area
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## 2.3 Cash Flow Management

- 2.3.1 The Logotech Public Sector Treasury Management system is used to administer and manage the Council's external debt on a daily basis. Non-debt transactions are also entered into the system as they are known or on an estimated basis until the actual is known. This information will provide a guide to the Council's cash flow position and can be used at any time to forecast the cash requirements.
- 2.3.2 Each morning, the Treasury Officer checks the Council's bank account balances online and ensures there are no material differences to that on Logotech. Known receipts and payments are added to and deducted from the group cleared balance in order to determine the daily borrowing requirement. The Treasury Officer will then borrow or invest money to achieve a closing balance as close to zero as possible.
- 2.3.3 There are no specific guidelines regarding acceptable upper and lower limits for the closing bank balance each day, however credit balances expose the Council to the opportunity cost of having funds in a bank account which attracts no interest, and overdrawn balances expose the Council to unnecessary overdraft interest. The Treasury Management Manual states that a debit balance of between £100,000 and £200,000 is the target to leave on the bank overdraft to cover cash bankings being made that day which have not yet been notified to the Treasury Section.
- 2.3.4 A "Daily Interest Rates and Bank Balances Sheet" is used for recording bank account balances (forecast and cleared), and calculating the daily borrowing requirement for each day. Internal Audit reviewed daily sheets for thirty days between December 2015 and November 2016, checked the anticipated cleared balance to the actual cleared bank balances. After each days' treasury management activities, anticipated bank balances were between £104,000 in debit and £207,000 in debit, and the cleared closing balances were all in credit, between £26,000 and £796,000. Five were over £500,000 in credit.
- 2.3.5 Overdraft interest is currently charged at 1.25%. This varies at 1% above the Council banker's base rate, currently set at 0.25%. The Service advised that the Council was only charged £11 in overdraft charges for 2015/16, reflecting the Treasury Management team's success in maintaining a credit balance within the bank account. The difficulty in achieving a closing balance close to zero is acknowledged, especially given the developments in faster payments and online banking, however consideration should be given to the agreed anticipated balance target, to minimise the opportunity cost of a higher than expected credit balance in a non-interest-bearing account.

### **Recommendation**

The Service should consider amending their target anticipated cleared balance.

### **Service Response / Action**

Agreed. Having considered this, a small increase to the target debit balance range, to £150,000 to £250,000 has been implemented in practice and will be incorporated into the manual as per 2.2.6. In the context that overdraft interest is charged at five times the rate at which interest is earned it is logical to mitigate against overdraft interest charges rather than chase minimal interest returns.

**Implementation Date**  
September 2017

**Responsible Officer**  
Treasury Officer

**Grading**  
Important within audited area

2.3.6 The Daily Interest Rates and Bank Balances Sheet, External Temporary Loans detail, and External Temporary Investments list are printed from a master Excel spreadsheet and updated in manuscript throughout the day by the Treasury Officer. The loans and investment balances and rates are updated within the spreadsheet, ready for printing for the following day. Manual calculation is therefore required when updating each days' Daily Interest Rates and Bank Balances spreadsheet in order to calculate the daily borrowing requirement and anticipated cleared balance. By updating the Daily Interest Rate and Bank Balances spreadsheet electronically using Excel, entries can be more clearly identified and formulae can be used to facilitate calculation. However, no arithmetic errors were identified in the 30 daily sheets selected, indicating the current method is fit for purpose.

2.3.7 For each of the days reviewed, the Daily Interest Rates and Bank Balances Sheets had been signed by three employees: "prepared by" the Treasury Officer, who conducted the treasury management activities for the day; "checked by" the Senior Finance Officer, who checked the arithmetic and the decisions made; and "reviewed by" the Head of Finance, or the Accounting Manager (Corporate and Development). During busy periods leading up to the Bond Issue, the Senior Finance Officer undertook the main treasury management activities, and the Treasury Officer checked them.

## **2.4 Borrowing**

2.4.1 There are a number of borrowing options available to local authorities including temporary borrowing, less than one year, and longer term, up to 50 years. The Council's Borrowing Strategy for 2016/17 to 2018/19 states the Council's intentions to limit its fixed and variable interest rate exposures to 100% and 30% of its net outstanding principal sums respectively, while also setting upper and lower limits for the maturity structure of borrowing.

2.4.2 The Public Works Loan Board (PWLB) is a statutory body operating within the UK Debt Management Office (DMO), an Executive Agency of HM Treasury. Local authorities are able to borrow from the PWLB, for periods up to 50 years, at lower rates than from commercial banks. Capita Asset Services, the Council's treasury advisors, monitor PWLB rates on behalf of the Council, and provide advice on when to take out longer term PWLB loans. As at 13 December 2016, the Council had £402.8 million principal outstanding at an average rate of 4.79%.

2.4.3 Each financial year, local authorities' PWLB borrowing is published on the DMO website. As at 31 March 2016, the Council had 46 PWLB loans totalling £393.6 million. This figure corresponds with the total PWLB borrowing held in the Council's Logotech system.

2.4.4 Longer-term LOBO (Lender's Option, Borrower's Option) loans are another form of long-term borrowing which councils can utilise. This type of borrowing includes two linked options; the lender's option to request a change in interest rate, and the borrower's option to either accept the revised rate, or repay the loan in full. These types of loans are often favoured at times when the PWLB rates are higher, with banks offering competitive interest rates for initial periods, with stepped increases in the rate over time.

2.4.5 As at 13 December 2016, the Council had £93.9 million in LOBOs, with an average rate of 4.59%. This represents nine separate LOBOs from £3 million to £15 million, with the most recent being entered into in January 2008. These were taken out at a time when market conditions were favourable, resulting in LOBOs being offered at lower rates than the PWLB were offering. The interest rate has increased from the initial rate for each of the Council's remaining LOBOs.

- 2.4.6 The Council's recent bond issue of £370 million is another form of long-term borrowing, to be repaid in 35 years. The bond is discussed in more detail in the final section of this report.
- 2.4.7 Local authorities are also able to take out temporary loans from other UK authorities for periods of less than a year. Brokers contact the Council each morning to ascertain its short-term borrowing needs and to quote the rates they're able to offer. The Treasury Officer prepares a deal ticket detailing the counterparty, principal borrowed, interest rate and duration. This is then authorised by an authorised signatory.
- 2.4.8 As at 13 December 2016, the Council had £8 million in temporary loans from two UK local authorities. Both temporary loans had been authorised by the Head of Finance, and the rates were confirmed to the Brokers' confirmations.
- 2.4.9 The Loans Fund is used by various Trusts as a means of investing their excess funds. A "call" temporary loan is opened for each of the Trusts and the sum is taken into the Loans Fund. This provides the trusts with a higher rate of interest than they could expect in the market for such amounts, whilst still offering them "instant access" to the funds. These funds are classed as Temporary Loans for the Council. As at 13 December 2016, the Council held £48.3 million in the Loans Fund for fifteen Trusts, currently paying a rate of 0.25%, as per the Bank of England base rate.

## **2.5 Investment**

- 2.5.1 The Council's Investment Strategy for 2016/17 to 2018/19 notes that the Council's investment priorities are the security of capital and the liquidity of its investments. It states that to ensure good availability of liquidity for cash flow purposes, no more than 50% of available investments should be placed in longer-term, fixed rate investments. The remainder will be kept in highly liquid investments and invested on a short-term basis, using either Bank deposits or highly rated Money Market Funds. To assist in keeping within these limits, the Temporary Investments sheet has been updated to calculate the liquidity percentage of investments on a daily basis. As at 13 December 2016, the Council's temporary investments totalled £401.4 million, 71.8% of which were held in liquid deposits.
- 2.5.2 Reflecting the low risk appetite of the Council, the Counterparty list is compiled using credit rating information supplied by the major credit rating agencies to Capita Asset Services, the Council's appointed Treasury Management advisors. Last updated in August 2016 in preparation for the bond proceeds, the Counterparty List is made up of both UK and international banks, Money Market Funds, and other UK local authorities, including police authorities. The number of Counterparties and the Counterparty investment limits increased in August 2016 when compared to those approved by Council in February 2016 to accommodate the additional funds held following the issue of the bond.
- 2.5.3 The Temporary Investments sheets were reviewed for five days since April 2016 and it was confirmed that temporary investments were only held with institutions listed on the Counterparty List, and balances did not exceed any of the limits.
- 2.5.4 Investments under £10 million are transferred via Faster Payment using the Council's online banking account, where one member of staff inputs the payment, and another authorises it. The bank account details are stored within the online banking system for payments made regularly. For investments of £10 million and above, a CHAPs request form, signed by an authorised signatory, must be sent to the bank to complete the transfer on the Council's behalf.

- 2.5.5 As a result of the bond issue, £378 million was transferred into temporary investments on 8 November 2016. This was made up of seven £50 million deposits to Money Market Funds (MMFs) and one £20 million deposit to a fixed rate account, all paid via CHAPs, and an £8 million deposit to a fixed rate account transferred via Faster Payment. Each of the CHAPs request forms had been signed by the Head of Finance. The recipient's bank account details were verified for each of the payments, to the MMF Investor Pack, or Broker confirmation.
- 2.5.6 While an Investment Strategy including counterparty list was approved by Council in March 2016, and subsequently revised and approved in August 2016, it was noted that procedures lack guidance on the order in which to invest funds with counterparties, to ensure funds remain secure and liquid as required by the Investment Strategy. The Service has agreed to include guidance on the factors to consider when deciding on appropriate investments when reviewing the Treasury Management Manual, as recommended in paragraph 2.2.6.

## 2.6 Prudential Indicators

- 2.6.1 Scottish local authorities are required to have regard to CIPFA's Prudential Code under Part 7 of the Local Government in Scotland Act 2003. The key objectives of the Prudential Code are to ensure that the Council's capital programmes are affordable, prudent, and sustainable; and that treasury management decisions are taken in accordance with good professional practice. Local authorities are required to set prudential indicators, having regard to:
- service objectives, eg. strategic planning for the authority;
  - stewardship of assets, eg. asset management planning;
  - value for money, eg. option appraisal;
  - prudence and sustainability, eg. implications of external debt and whole life costing;
  - affordability, eg. implications for council tax; and
  - practicality, eg. achievability of the forward plan.
- 2.6.2 The Prudential Code states that the prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. In response to recommendations made by Audit Scotland in their "*Borrowing and Treasury Management in Councils*" report, the Council now include their prudential indicators in the annual Treasury Management Policy and Strategy report, as well as in the budget setting report that is presented to Full Council.
- 2.6.3 Prudential Indicators are reported showing the prior year actual results, as well as estimated figures for the next five years. This supports the longer-term view that the Council is taking.
- 2.6.4 The Council has set indicators indicating: the affordability of the authority's capital plans; showing external debt is kept within sustainable prudent limits; as well as indicators detailing planned capital expenditure, and limits for external debt.
- 2.6.5 Within the Council's daily treasury management sheets, each of the prudential indicators are calculated to ensure the limits are not breached throughout the year. This is recognised as good practice.
- 2.6.6 The Prudential Code states that, in order to ensure that over the medium term net debt will only be for a capital purpose, the authority should ensure that net debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next

two financial years. A statement from the Head of Finance was included to confirm this was the case. While the actual capital financing requirement was provided for the two preceding financial years, and the following 5 financial years, net borrowing was not included as a comparative figure. This would be useful to confirm that net borrowing does not exceed the capital financing requirement in any given year, thereby demonstrating that external debt is kept within sustainable prudent limits.

**Recommendation**

Consideration should be given to including a prudential indicator for net borrowing for all years the capital financing requirement is reported.

**Service Response / Action**

Agreed. A review of what and how the prudential indicators are reported will be undertaken.

**Implementation Date**

June 2017

**Responsible Officer**

Treasury Officer

**Grading**

Important within audited area

**2.7 Capita Asset Services**

2.7.1 Within Treasury Management Practice 11: Use of External Service Providers, CIPFA recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources, but the responsibility for treasury management decisions remains with the Council.

2.7.2 An invitation to quote was issued by the Council in March 2016 using the Public Contracts Scotland Quick Quotes service and Capita Asset Services was selected to continue as the Council's treasury advisors after a successful quotation. The value of the contract was accepted as £50,100 over the next three years.

2.7.3 In accordance with Standing Order 6 Relating to Contracts and Procurement, which was in place at the time the quotes were obtained, prior written approval is required from the Head of Legal and Democratic Services if the contract duration exceeds 1 year. Whilst e-mail correspondence from C&PS held by the Treasury Officer indicated Legal Services had provided approval, written approval from the Head of Legal and Democratic Services was unavailable. However, the current Procurement Regulations no longer require approval from the Head of Legal and Democratic Services in these circumstances since authority to incur expenditure is based on contract value rather than contract duration.

**2.8 Credit Rating and Bond Issue**

2.8.1 The Council had a requirement to raise £573 million of finance to support its Capital Programmes, including the construction of a new Aberdeen Exhibition and Conference Centre (AECC). Upon receiving the recommended financing package suggested by the AECC developer, the Council requested KPMG, their investment advisors, undertake a financing options analysis. KPMG identified alternative financing options and presented an index-linked bond as a suitable option. Bonds are a type of debt security that can be traded in the capital markets. The issuer (ie. the Council) borrows money by selling bonds to bondholders; the issuer receives the money and the bondholder receives a promise from the issuer to repay the debt at a later date, usually with interest.

2.8.2 In August 2016, Full Council received a detailed report on financing options and agreed that officers should progress with obtaining a credit rating as a first step towards securing funding towards the Capital Programme by issuing bonds of up to £350 million. This report was deemed confidential in light of the London Stock Exchange regulations.

- 2.8.3 In October 2016, the Council were assigned a credit rating when Moody's Investors Service confirmed an Aa2 rating, just one level below that of the UK's sovereign rating.
- 2.8.4 On 1 November 2016, the Council's bond issue was launched on the London Stock Exchange. When it became apparent that the offers received would exceed the approved limit of £350 million, the Head of Finance attended an Urgent Business Committee and sought approval for a higher level of authorisation. The Committee resolved to approve the Head of Finance to issue up to £400 million in nominal value of bonds. Subsequently, the Council issued a total of £370 million of index-linked bonds. Bond proceeds of £415 million were received as bonds were issued 'above-par' meaning they were sold at a premium.
- 2.8.5 As a result of the bond issue, the Council is now required to comply with a number of regulations which were reported to Full Council in December 2016. This report included an appendix provided by the Council's legal advisors, Brodies LLP, who had been involved throughout the process, which detailed the Council's continuing obligations following the bond issue. These include compliance with the Market Abuse Regulation, the Disclosure and Transparency Rules, the Listing Rules and London Stock Exchange Admission and Disclosure Standards.
- 2.8.6 A review of governance arrangements to ensure compliance with the above has been instigated and will form part of the Council's wider Governance Review programme. This will include training of officers and elected members, reviewing governance documents that are affected by the bond issue and drawing up a list of all persons who have access to inside information (an "insider list") as required under Market Abuse Regulations.
- 2.8.7 The bond Heads of Terms details a list of triggers for optional early repayment for bondholders. These include a 'Change of Status' resulting in the Council no longer being able to levy or receive council tax and non-domestic rates; the ability to receive Scottish Government grant funding and the ability to raise funding from the Public Works Loan Board. In addition, a Rating Downgrade will also result in optional early repayment for Bondholders.
- 2.8.8 The report to Council in August 2016 prior to the issue of the Bond highlighted the importance of maintaining a suitable credit rating and the need for the appointed credit rating agency to conduct reviews at least once every twelve months to revise the credit rating.

**AUDITORS:** D Hughes  
A Johnston  
C Pirie



**Appendix 1 – Grading of Recommendations**

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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**ABERDEEN**  
**CITY COUNCIL**

**Internal Audit Report**

**Finance**

**Cash Receipting System**

**Issued to:**

Richard Ellis, Interim Director of Corporate Governance  
Steven Whyte, Head of Finance  
Simon Haston, Head of IT and Transformation  
Carol Smith, Accounting Manager  
KPMG LLP

## **EXECUTIVE SUMMARY**

The Cash Receipting System is the main means by which income is controlled and processed for all activities of the Council, including the major revenues systems such as Council Tax, Business Rates, Housing Rents, and Debtors Invoices. During 2015/16, net income of £675.8 million was processed through the system relating to some 960,000 transactions.

The objective of this audit was to 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.

In general, the Cash Receipting System controls were found to be robust, well managed and adhered to. Areas identified for improvement included system procurement, system access, and information security and data protection training.

# **1. INTRODUCTION**

- 1.1 The Cash Receipting System is the main means by which income is controlled and processed for all activities of the Council, including the major revenues systems such as Council Tax, Business Rates, Housing Rents, and Debtors Invoices.
- 1.2 During 2015/16, net income of £675.8 million was processed through the system relating to some 960,000 transactions. For the current year to 31 August, £295.8 million was processed relating to approximately 415,000 transactions.
- 1.3 The objective of this audit was to 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. This involved interviewing staff in the Service and in ICT, and testing system access and security, system operation and maintenance, interfaces, regulatory compliance, business continuity and disaster recovery.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Carol Smith, Accounting Manager, Sandra Massey, IT Manager, and Simon Haston, Head of IT and Transformation.

## 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.
- 2.1.2 There are written procedures in place covering user set-up and administration; system input by cashiers; and the reconciliation processes. Procedures were reviewed and found to be comprehensive and up to date.

### 2.2 System Procurement and Upgrades

- 2.2.1 The system in use is the Icon Cash Receipting system provided by Civica; this has been the case since 2009, when it was procured through a Framework Agreement after approval from the Resources Management Committee. The system is partially hosted by the provider which means that it is supported and maintained by provider rather than the Council and the risk of holding confidential data is, for the most part, outsourced to the provider.
- 2.2.2 Under the terms of the contract system support currently costs the Council approximately £102,000 annually. The contract was renewed in 2015 to run for 7 years, at an additional one-off cost of £267,005 for the licence and consultancy, after exemption was granted by the Chief Executive, Head of Finance, Head of Commercial and Procurement Services, and Head of Legal and Democratic Services from Standing Orders, and this was reported to the Finance Policy & Resources Committee, ensuring that Standing Orders on Procurement were complied with.
- 2.2.3 The Civica Icon Cash Receipting system was procured using the Crown Commercial Service (CCS) Framework Agreement (Local Authority Applications RM1059 – Lot 2 Payment Processing and Cash Receipting Systems). Under the CCS Framework Agreement a Council may call-off a contract by direct award or further competition. A decision was made to make a direct award to Civica UK Ltd. Where a decision is made to award a call-off via direct award, the Council should have an audit trail of the methodology used in determining the most economically advantageous supplier under the Framework. Whilst legal advice included in the report to the Finance, Policy and Resources committee on 23 April 2015 indicated that it was not clear that this existed, information provided during the course of this audit has clarified the process followed in order to mitigate against the risk of breaching legal obligations and the EU Treaty Principles of fairness, openness and non-discrimination.

#### **Recommendation**

Consideration should be given to plan future tenders in line with EU procurement laws to allow time to change suppliers if required in the interest of competition.

#### **Service Response / Action**

Agreed. Future procurements will be planned earlier in line with the contract register.

#### **Implementation Date**

In line with contract register

#### **Responsible Officer**

Procurement and Service teams

#### **Grading**

Significant within audited area

2.2.4 Upgrades are installed by Civica and tested by Council ICT staff for stability. The system administrator within the Finance team carries out transaction testing and notifies Civica of system issues; a log is maintained of these issues and their resolution. System issues and downtime are notified to users through an email distribution list by the system administrator.

### 2.3 System Access & Security

2.3.1 In order to be granted access to the cash receipting system an email naming the employee and specifying the access required must be sent by a line manager to the Finance Systems Support team. Levels of access are available depending on role, ranging from view-only to system administrator. Once the user has been set up, the system administrator contacts ICT to request that user access to the system be permitted through their virtual desktop (VDE).

2.3.2 A sample of 15 active users was selected to confirm the authorisation process. Requests for 5 were not available. In 2 cases this was because the applications had been made before the current system administrator took on this responsibility and they had not been kept. In 3 cases this was because the users had been granted “Card Not Present – Supervisor” access only in order to check and report on online payments made to their Services, which does not permit payments to be taken by the user. Since the access was limited, the system administrator granted it without requiring authorisation.

2.3.3 Of the remaining 10, all were supported by emails from appropriate line managers. However, the information submitted in the emails was inconsistent. In 3 cases no information was provided on the new user’s role in order to allow the appropriate level of access to be set. In another case, the email request implied that the user would only require access for two weeks in July 2016. However the access was still live at the time of testing in September 2016.

2.3.4 If access is granted inconsistently, or without proper authorisation, it is possible that incorrect levels of access could be granted. Failing to provide sufficient information in the initial request requires the system administrator to make follow up enquiries, which is an inefficient use of Council time and resources.

**Recommendation**

The Service should consider introducing a system access request form or template email in order to ensure all relevant information is provided to system administrators when creating user accounts.

**Service Response / Action**

Agreed.

**Implementation Date**

February 2017

**Responsible Officer**

Finance Controls  
Manager

**Grading**

Important within audited  
area

2.3.5 All users have unique IDs and their passwords comply with ICT guidance on security. An account will be locked if 3 incorrect password attempts are made, and can only be unlocked by the system administrator. If, when logged on to the system, a user is inactive for over 20 minutes, they will be logged off automatically.

2.3.6 Line managers are required to inform the Systems Support team when a staff member with Icon access leaves their position so that their access can be quickly disabled. Access is automatically disabled if the user does not log in for 90 days and can only be restored

on application to the Systems Support team. At present user audits are not carried out to confirm only active users in appropriate roles have access.

2.3.7 The accounts of 15 members of staff with access to the system who had left the Council were reviewed. 11 had been disabled automatically by the system after 90 days of inactivity while 4 were still active. The Service was notified and took action to inactivate these accounts.

2.3.8 If user accounts are not terminated promptly there is a risk that the system may be accessed inappropriately. While staff who have left the Council should no longer have access to the VDE, preventing access, staff moving to another role may retain their log-in. The Service advised that it was common not to receive leaver information from other Services but that a reminder would be sent to team leaders to ensure that this is corrected in future.

## **2.4 PCI DSS Compliance**

2.4.1 PCI DSS (Payment Card Industry Data Security Standards) is a worldwide standard that was set up by the payment card industry to agree on minimum levels of security when processing and holding cardholder data. Compliance with the twelve PCI DSS requirements reduces the risk of fraudulent transactions and helps to shift liability for fraud from the merchant to the card issuer. The requirements cover all aspects of card payment transactions including software applications, telephony and communications networks, data storage and business processes.

2.4.2 As a 'merchant' processing transactions, Aberdeen City Council requires a 'payment services provider' (Civica) to capture payment card details and an 'acquirer' (WorldPay Streamline) to securely authenticate transactions and process payments to the Council's bank account. Acquirers may be fined by card issuing schemes such as Visa and MasterCard if their merchant customers are not compliant with PCI DSS requirements and there is a data breach or evidence of fraud. Acquirers will therefore refuse service to merchants who do not show evidence of compliance. This loss of service would mean that the Council would no longer be able to take payments by card. The Council may also be liable to a fine from the Information Commissioners Office in the event of a loss of personal information, and would risk reputational damage.

2.4.3 The acquirer, being liable for financial losses in cases of non-compliance, requires their customers to regularly complete a Compliance Self Assessment Questionnaire (SAQ). In addition, merchant compliance with PCI DSS requires that third party providers must also demonstrate compliance. Civica Icon has Level 1 PCI DSS accreditation and has provided a PCI DSS Compliance Statement to the Service.

2.4.4 Of the twelve PCI DSS Requirements, eight relate to network and computer system security and monitoring. The Service works with ICT and Civica to ensure that these requirements are met. A further three require that strong access control measures be in place, with access to systems which process cardholder data restricted to users with a business need for access. These users must be authenticated and identifiable and physical access to cardholder data should be restricted.

2.4.5 The twelfth requirement is the maintenance of an information security policy. The Council has an Information Security Policy and a Data Protection Policy, and requires all employees who use computers to complete Data Protection Essentials and Information Security Training. Of the 5 members of the Income Support team, 1 had not completed either course at the time of audit, while a further 2 had not completed Data Protection training. The risks of failing to fully train staff in information security are outlined in 2.4.2



above. The Service advised that the team manager was in the process of ensuring that all staff had completed the training; a recommendation is included to track progress.

<b><u>Recommendation</u></b>		
The Service should ensure that all appropriate staff complete For Your Eyes Only and Data Protection Essentials training.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2017	Finance Controls Manager	Significant within audited area

## 2.5 Interfaces

- 2.5.1 The cash receipting system interfaces with eFinancials (debtors system); iWorld (Housing); Academy (Council Tax); Northgate (Business Rates); Accord Card (school meals and other general payments); the parking payments system; the planning system; and ELMS Portal (licensing system).
- 2.5.2 Interface files run overnight, following a schedule, and are monitored by Systems Analysts in ICT. The system has a number of automated checks which identify failures and send emails confirming success or notifying failure to the Systems Analysts, who take appropriate action.
- 2.5.3 Copies of the emails retained by the Systems Analysts were obtained and reviewed. There have been two instances in the current financial year where part of the interface failed. In both instances the cause of the failure was identified within a day and a fix was applied.

## 2.6 Reporting & Reconciliations

- 2.6.1 The Income Support Officer runs a daily search through the financial data systems specialist Transaction Network Services International (TNS) portal to identify failed card payment transactions and those which were successful but were not transferred to the Icon system. The results are input to a card income reconciliation spreadsheet and matched against Icon figures. Any variances are investigated and corrected by the Income Support team where possible. On occasion technical issues mean successful payments are not automatically recorded in Icon and need to be transferred manually by Civica. The card income reconciliation spreadsheet was reviewed and found to be operating effectively.
- 2.6.2 The Income Support Officer is responsible for reconciling the cash receipting system to other feeder systems and the ledger. These reconciliations are carried out daily as part of the Bank Reconciliation procedures, which were reviewed in audit report AC1616.
- 2.6.3 The cash receipting system is reconciled to the Ledger. Fund analysis reports are run and these are compared to postings in the Ledger. All variances are investigated and resolved.
- 2.6.4 The reports were re-run by Internal Audit for each day of the week of 4 - 8 July and they included all relevant accounts and Funds. The values were matched to the reconciliation spreadsheet and the calculations were confirmed correct. On one day (5 July) the original totals did not match as the Ledger was £147 short; this payment was tracked down by the

Income Support team as a transaction credited on 5 July in Icon but not in the ledger until 6 July. This was included in the spreadsheet as a correction and the totals then reconciled.

2.6.5 System reconciliations are also carried out by the Income Support Officer between the cash receipting system, the ledger, and figures from system reports for Housing Benefit overpayments and Council Tax (Academy), Housing Rents (iWorld), Business Rates and Business Improvement District (BID) transactions. A three way match is required, with the exception of Rents, which are not currently compared to the ledger (considered in audit AC1607 Rent Collection (2.2.4)). The results of these reconciliations are reported to the relevant Service Accountants.

2.6.6 All system reconciliation spreadsheets were observed to contain daily entries, all of which had been input timeously and investigated where necessary. All spreadsheets were observed to be operating effectively, with one exception. In the Council Tax reconciliation sheet, in two cases the totals from the system report did not match those entered into the Daily Balance sheet, as Universal Credit debits had not been included in the calculation. This was because the relevant column in the Daily Balance sheet had been linked incorrectly and was picking up data from the Suspense Account column in the System sheet, rather than from the 'U/C' column as required. The Service advised that the reconciliation spreadsheet has now been amended and the sheets are now linked correctly.

## **2.7 Business Continuity & Disaster Recovery**

2.7.1 An "Incident response plan" is required under PCI DSS 12.10. The Icon system is included in the most recent version of the Finance Service Business Continuity Plan which was updated in August 2015. Data is backed up on a nightly basis by Council database administrators. Data restoration is tested twice a year.

2.7.2 Disaster Recovery (DR) within the Council is the shared responsibility of the Emergency Planning team and the Data Centre service provider. After transfer to a new Data Centre provider (Brightsolid) in the first half of 2016 temporary measures are in place until DR exercises can be carried out. The ICON system is considered critical and is included in DR planning.

**AUDITORS:** D Hughes  
A Johnston  
L Jarvis

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	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**  
**Agency Staff**

**Issued to:**

Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)  
Ewan Sutherland, Head of HR  
Craig Innes, Head of Commercial & Procurement Services  
Steven Whyte, Head of Finance  
Martin Allan, Business Manager, Corporate Governance  
External Audit

## **EXECUTIVE SUMMARY**

In 2015/16, the Council recorded expenditure of approximately £7.9 million on agency staff. The objective of this review was to ensure that that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust.

Testing identified significant levels of off contract spend, resulting in a failure to comply with EU Procurement Regulations, and issues with regard to the recording of induction checks and compliance with European Working Time Directive requirements.

# 1. INTRODUCTION

- 1.1 Agency Staff are procured by Council Services through Framework Agreements arranged by Scottish Procurement, Scotland Excel and in collaboration with other local authorities. The Frameworks comprise selected supplier(s) for a range of work specialisms. Agency staff may be required to provide temporary or interim support to Services where a fixed term or permanent recruitment is not suitable.
- 1.2 In 2015/16, approximately £7.9 million was processed through agency staff codes. This compares to £6.6 million in 2014/15 and £7.3 million in 2013/14. Current year spend to 30 September 2016 was £4.2 million.
- 1.3 The objective of this audit was to ensure that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. This involved reviewing written procedures; authorisation of agency staff requests; procurement processes and agency staff induction.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance), Craig Innes, Head of Commercial and Procurement Services, and Ewan Sutherland, Head of HR.

## 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. Procedures regarding the use of agency workers are available on the Council's intranet. These cover when an agency supplier can be used, the Service requisitioner to contact prior to engaging an agency worker, the framework agreement suppliers to contact by work specialism, guidance on how to complete the agency staff authorisation form, an induction checklist and a list of frequently asked questions on the UK legislation Agency Worker Regulations 2010.
- 2.1.2 The 'Authorisation for use of Agency Workers' form is well laid out and includes hiring Service details; post to be covered; expected duration of cover; expected cost of cover; reason for cover; authorisation and whether it is an extension of cover. The form also includes guidance for completing the form. The 'reason for cover' section provides a variety of options including short term cover for sickness; short term cover for annual leave and options should the corporate recruitment process be deemed unsuitable. These include failure to fill the post by the usual means; the need for specialist assistance as well as critical and unexpected demand. While the guidance for annual leave cover is clear and restricted to cover of front line services, the guidance for when it is acceptable to use agency staff in other circumstances is open to interpretation. This includes a lack of indication of how long sickness must continue; how many attempts have to be made through the normal corporate recruitment process; and, what constitutes a seasonal peak in critical business requirements, before agency staff are used.

#### **Recommendation**

Completion guidance for the 'Authorisation for Use of Agency Worker' form should be updated in order to formalise the arrangements for engaging agency workers as an alternative to recruiting through the corporate recruitment process.

#### **Service Response / Action**

Agreed. Current guidance will be reviewed and updated where appropriate.

#### **Implementation Date**

February 2017

#### **Responsible Officer**

Team Leader  
(Resourcing)

#### **Grading**

Important within audited  
area

- 2.1.3 Written procedures lack detailed instruction on the processing and retention of agency worker timesheets and completion of induction checklists. This increases the risk that agency worker supplier invoices are paid in the absence of supporting timesheets. The absence of induction checklist guidance increases the risk of agency staff not being properly inducted and thereafter breaching Council policy and procedures as a result.

#### **Recommendation**

Written procedures should be expanded to include standardised procedures for the processing of timesheets and the induction process.

#### **Service Response / Action**

Agreed.



<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2017	Team Leader (Resourcing)	Important within audited area

- 2.1.4 Procedures require that, for the admin/clerical Framework Agreement, suppliers be approached in ranked order. Where a supplier chosen in ranked order can provide an agency worker that matches the requirement of the Service, the Service is obliged to engage that worker. However, Services have advised that all suppliers will be given the opportunity to submit CVs from agency workers, with the hiring manager(s) selecting the best CV, irrespective of which supplier is providing the worker. In some instances the Service will go to the lowest ranked supplier as a matter of course. This is in contravention of established procedures, leaves the Council open to challenge from framework suppliers should an agency worker be chosen out of ranked order and increases the likelihood best value will not be achieved.

<b><u>Recommendation</u></b> Services should select agency workers in accordance with the ranking recorded in established procedures.		
<b><u>Service Response / Action</u></b> Agreed. Services should select agency workers in accordance with the ranking recorded where possible. However, it is recognised that demands vary from Service to Service and it is not appropriate for one approach to encompass every possible scenario. This approach will allow flexibility for Services to ensure that Service delivery continues.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2017	Team Leader (Resourcing)	Significant within audited area

## 2.2 Use of Suppliers

- 2.2.1 Standing Orders Relating to Contracts and Procurement, approved by Council in 2010, superseded by Procurement Regulations in 2016, give clear guidance on the procurement process to be applied, and the relevant contract values. Services should use contracted suppliers where suppliers exist in order to obtain best value for the Council. A review of supplier use from 1 April 2016 to 9 August 2016 evidences that of a total spend of £2.7m, £1.1m (41%) was placed with suppliers not on the procurement framework for agency workers.

<b><u>Recommendation</u></b> All Services should procure agency workers from contracted suppliers.  If this is not possible advice should be sought from Commercial and Procurement Services before an order is placed with a non-framework supplier.		
<b><u>Service Response / Action</u></b> Agreed. Services should seek further advice from Commercial and Procurement Services where the suppliers cannot meet their requirements, however, alternative options for engagement, e.g. fixed term employment should always be explored with HR prior to engaging agency. CMT is monitoring agency spend as are individual services which will help reduce the amount of agency staff being procured.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2017	Team Leader (Resourcing)	Significant within audited area

- 2.2.2 One order issued by Communities, Housing & Infrastructure (CH&I) to an off-contract supplier was identified in the course of audit testing totalling £644,767 to date, covering the period 30 March 2015 to a proposed end date of 19 June 2016, with a spend to date of £417,714. The Service advised that this arrangement was agreed with C&PS since specialist agency staff were required at short notice which the Council's framework suppliers were unable to provide. This was due to special circumstances to ensure the road-worthiness of fleet vehicles to meet the requirements of the councils "Operators Licence". It was essential that action was taken immediately as failure to show the Traffic Commissioner that the Council was taking her concerns seriously could have resulted in the loss of the Council's "Operators Licence" and the cessation of Roads and Waste Services.
- 2.2.3 Whilst this mitigated immediate risks, the above arrangements covered a period of almost 15 months. Standing Orders relating to Contracts and Procurement and EU Procurement Directives require that before a contract of this value is agreed, it should be subject to competitive tender and publication in the Official Journal of the EU (OJEU). No evidence that the appropriate procurement process was applied could be found. Failing to follow established procurement procedures increases the risk of EU tendering legislation not being complied with, and the Council not obtaining best value for procured services.
- 2.2.4 Three agency appointments for Corporate Governance were reviewed where it is apparent that the relevant Standing Orders, Financial Regulations and EU tendering legislation has not been complied with. Orders totalling £280,689 were placed with an off-contract supplier for two workers for the period November 2015 to March 2017 although there is no evidence that it was subject to a formal procurement process. The amount paid against that order to the end of 2016 is £147,655 as one of the workers left and was not replaced. Another order was placed with an off-contract supplier to provide temporary cover. No formal procurement was undertaken, and the cost to the Council was £114,114 compared to gross salary costs for the post of £73,818. One order was placed with a supplier to assist in the procurement of a consultant. Although the costs involved in the exercise were reported to Members, C&PS has advised that a contract is not in place with the agency worker supplier used.

**Recommendation**

Services should ensure Standing Orders, Financial Regulations and EU Tendering legislation are complied with.

**Service Response / Action**

The responsibility of adhering to Standing Orders and Procurement Regulations is for the hiring manager responsible for the budget. The Corporate Procurement Steering Group, with involvement from each Directorate is working to establish a 'gatekeeper' role for the commission of agency staff going forward.

**Implementation Date**

June 2017

**Responsible Officer**

Head of Commercial & Procurement Services

**Grading**

Major at a Service Level.

**2.3 Procurement of Agency Workers**

- 2.3.1 To procure an agency worker, the hiring manager should complete an Authorisation for Use of Agency Worker form, which should be approved by a Head of Service or Service Manager. The form should be submitted to the Service agency requisitioner, who will raise an order on the PECOS purchasing system. The order will be routed to a relevant authorised signatory for approval prior to being issued to the supplier. The supplier will submit invoices for payment following receipt of an authorised timesheet from the agency

worker. The invoice and timesheet should be scanned into the InfoSmart Document Management system for payment and storage.

2.3.2 Agency workers should be engaged for a period not exceeding 12 weeks, at which point Agency Worker Regulations 2010 (AWR) require that agency workers are entitled to the same basic employment conditions, including contractual pay, as if they had been recruited directly to the organisation. It is the responsibility of the supplier to ensure that the correct rates of pay are applied.

2.3.3 A random sample of 15 authorisation forms were selected to see if they were approved appropriately. Ten out of fifteen agency workers were engaged prior to an authorisation form having been approved. Delays in approving the use of an agency worker ranged from the day the engagement started, to over 2 months after the start of engagement, including one case where it had been authorised six weeks after the engagement was originally due to end. A similar finding was noted in a previous Internal Audit report prepared by PWC in June 2014 (Sourcing and Management of Agency Staff) where it had been found that 48% of the agency workers had been engaged prior to approval having been sought. Where approval is not sought this increases the likelihood that agency staff will be engaged without adequate consideration of alternative Service delivery methods.

**Recommendation**

Approval for the use of agency workers should be sought prior to a worker being engaged.

**Service Response / Action**

Agreed. All Services will be reminded of their obligations to follow this process when seeking to get approval for an agency worker.

**Implementation Date**

February 2017

**Responsible Officer**

Team Leader  
(Resourcing)

**Grading**

Significant within audited area.

2.3.4 Financial Regulation 18.2.4 requires that an order must be issued for all work, goods or services. A review of all invoices posted to the agency worker ledger code (1,787 invoices), found 322 that had no evidence of being supported by a purchase order created on PECOS, including 44 invoices from agency worker framework suppliers, breaching Financial Regulations. The Internal Audit report on Agency Workers issued in 2014 recommended that Hiring Managers be reminded to only source staff through the proper channels. It is apparent that this recommendation is not being complied with.

**Recommendation**

All agency worker procurement should be processed through PECOS by Service contacts designated in established procedures.

**Service Response / Action**

The responsibility of adhering to Standing Orders and Procurement Regulations is for the hiring manager responsible for the budget. The Corporate Procurement Steering Group, with involvement from each Directorate is working to establish a 'gatekeeper' role for the commission of agency staff going forward.

**Implementation Date**

June 2017

**Responsible Officer**

Head of Commercial &  
Procurement Services

**Grading**

Significant within audited area.

- 2.3.5 Agency worker authorisation documentation notes that an engagement should be for a maximum of 12 weeks, a view supported by HR, and should be extended only in *exceptional circumstances*. A review of agency worker engagements for CH&I evidenced that for 58 current engagements, 44 exceeded the 12 week limit. The average period covered by the 44 engagements was 69.3 weeks, with engagements ranging from 23.6 weeks to 198.6 weeks, indicating that agency workers are routinely used to provide cover for substantive vacancies.

**Recommendation**

The Council should review ways in which services are delivered to assess if alternative methods of delivery can minimise the need to engage agency workers for a prolonged period.

**Service Response / Action**

Agreed. The Corporate Procurement Steering Group is looking at options to reduce agency and consultancy spend across the Council. Business Managers will arrange communication on this in liaison with the Steering Group.

**Implementation Date**

February 2017

**Responsible Officer**

Business Support  
Managers / Steering  
Group

**Grading**

Significant within audited  
area.

- 2.3.6 Financial Regulation 19.1.3 indicates that the appointments of all employees are to be made in accordance with the regulations of the Council. Therefore where a permanent vacancy exists, it should be filled by applying the corporate Recruitment and Selection procedures. A review of agency worker supplier usage highlighted two instances of Services seeking to use Agencies to source permanent staff, therefore circumventing corporate recruitment procedures. In one of these instances, the Service has been quoted £3,875 by an agency worker supplier to source a permanent member of staff. By recruiting permanent staff in this manner, Services may be in breach of Financial Regulations, and will not obtain best value for the recruitment of permanent staff. Orders have not been placed in either of the above instances.

**Recommendation**

Agencies should not be used to source permanent staff.

**Service Response / Action**

Agreed. Where conventional recruitment methods have failed then other strategies (including agency) need to be explored and the Council requires this degree of flexibility. The Council has used a recruitment partner for certain chief officer appointments who head-hunt to supplement our conventional process. This approach has been approved by the relevant Committee of the Council.

Commercial and Procurement Services will raise such instances to the relevant HR Business Partner to raise with the Service involved.

**Implementation Date**

February 2017

**Responsible Officer**

Team Leader  
(Resourcing)

**Grading**

Significant within audited  
area.

- 2.3.7 A review of timesheets submitted with invoices from agencies evidenced a lack of compliance with the EU Working Time Directive concerning unpaid breaks. Where an employee works in excess of six hours, a 30 minute unpaid break must be taken. Four timesheets did not evidence a break being taken, and one timesheet evidenced a break of less than 30 minutes, with the balance being paid at the contract rate. As a result, the

Council is breaching the Working Time Directive, and paying for hours that should be classified as unpaid breaks. All timesheets referred to had been authorised for payment.

<b><u>Recommendation</u></b>		
The EU Working Time Directive should be applied. Any timesheet claiming unpaid break time as hours worked should be returned to the agency worker for correction prior to authorisation and submission.		
<b><u>Service Response / Action</u></b>		
Agreed. Specific evidence where the Directive has not been applied has been shared with the relevant Service. Business Managers will contact all Managers reminding them of the Directive and that it applies to agency workers.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
February 2017	Business Support Managers	Significant within audited area.

## 2.4 Induction of Agency Workers

- 2.4.1 Agency Worker procedures on The Zone refer hiring managers to an Induction Checklist, which is designed to ensure all agency workers have received any relevant pre-employment screening; are given a tour of the work area; are provided with suitable equipment and materials; have read and understood the Anti-bribery policy and ICT Acceptable Use Policy; are aware of Data Protection and Freedom of Information requirements; have been instructed on the use of in-house systems; have been issued with an ID badge; have been briefed on health and safety matters and have had an explanation of the expectations of their duties and performance. The document should be completed by the hiring manager, and signed by the agency worker at the end of their induction. Completed forms should be held by the hiring manager.
- 2.4.2 Twelve agency worker engagements were selected from the sample of fifteen above to ensure that an Induction Checklist had been completed and signed for each worker. The Agency workers' line managers were contacted, and only three could provide a copy of the completed and signed Induction Form. Where the induction process is not carried out, there is an increased risk to Council security and agency worker health and safety.

<b><u>Recommendation</u></b>		
Services should ensure the induction of agency workers is carried out, and is evidenced.		
<b><u>Service Response / Action</u></b>		
Agreed. It is proposed that the Business Managers in Services liaise with the HR Business Partners to revise induction checklists for agency workers to make them fit for purpose and to ensure that there are mechanisms in place to record and monitor the checklists. The recruiting managers would then record and monitor the lists.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
February 2017	Recruiting Manager / Business Managers / HR Business Partners	Significant within audited area.

- 2.4.3 The induction process is an important one, for the reasons described above. However, there is currently no monitoring to ensure agency worker induction has taken place.

**Recommendation**

Completion of agency worker induction checklists should be recorded and monitored centrally within Services.

**Service Response / Action**

Agreed. See above.

**Implementation Date**

February 2017

**Responsible Officer**

Recruiting Manager /  
Business Managers / HR  
Business Partners

**Grading**

Significant within audited  
area.

**2.5 Contracts and Contractor Performance**

2.5.1 Human Resources currently have no involvement in the agency worker procurement process, other than to provide advice as and when required. Despite the procurement process involving technical HR issues, the final decision will be the responsibility of the Service and CPS. Procedures do not contain any HR advice other than guidance on the Agency Worker Regulations.

2.5.2 One order for the provision of an agency worker was noted where a contracted supplier was used, but the correct contract rate was not applied. In the process of negotiating for the provision of an agency worker, the supplier advised the hiring Service that a charge would be applied for "Supplier's Contribution per hour", which included National Insurance contributions and a charge relating to the Working Time Directive. The applicable rate for the post being covered is £24.30, including the supplier's fee. However, the rate applied to the above order was £30.23. The current order for additional supply is awaiting approval, however the Service has made payment at the incorrect rate on three invoices to date at a cost of £889 over and above the agreed contracted rates.

**Recommendation**

Services should ensure only agreed contract rates are applied to the procurement of agency workers.

**Service Response / Action**

Agreed.

**Implementation Date**

February 2017

**Responsible Officer**

Team Leader  
(Resourcing)

**Grading**

Significant within audited  
area.

2.5.3 Two queries brought to the attention of CPS by Agency Worker suppliers were discussed where agency workers had queried the non-payment of increments payable to permanent employees of the Council following a performance review. The agency concerned argued that the workers were entitled to an increment, although the terms of the agency supplier framework provide for only two rates per post (as opposed to 3 rates per salary grading for permanent employees). Although HR were contacted for advice, a definitive steer was not provided to CPS or the Service. It was concluded to not pay increments to the agency workers concerned. Without official HR involvement in the procurement process, there is a risk that incorrect terms and conditions could be applied to agency workers.

**Recommendation**

Human Resources should be formally involved in the agency worker process in an advisory capacity to Commercial and Procurement Services, on issues relating to rates of pay and terms and conditions.

**Service Response / Action**

Agreed. The Corporate Procurement Steering Group is looking at options to reduce agency and consultancy spend across the Council and will look at this point.

**Implementation Date**

February 2017

**Responsible Officer**

Head of HR

**Grading**

Significant within audited area.

**AUDITORS:** D Hughes  
A Johnston  
N Ritchie

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.





**ABERDEEN**  
**CITY COUNCIL**

**Internal Audit Report**  
**Education and Children's Services**  
**Primary Schools**

**Issued to:**

Gayle Gorman, Director of Education and Children's Services  
Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)  
Euan Couperwhite, Head of Policy, Performance and Resources  
Steven Whyte, Head of Finance  
External Audit

## **EXECUTIVE SUMMARY**

The Council has 47 primary schools, 42 of which have early years provision. An audit of four primary schools was undertaken.

The objective of the audit was to consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.

There were areas of non-compliance and poor administrative practices identified at each of the schools visited and these are detailed in the report. Areas identified for improvement included cash collection, cash security, procurement practices, use of school funds, nursery milk grant claims, and banking of Council income.

# 1. INTRODUCTION

- 1.1 The Council has 47 primary schools, 42 of which have early years provision.
- 1.2 Accountancy staff within the Finance Service undertake regular school visits to provide support with devolved budget monitoring, including staffing, petty cash and purchase card expenditure. Internal Audit has placed reliance on this ongoing review process and therefore the focus of this audit review has been on areas out with the Accountancy remit.
- 1.3 The objective of the audit was to consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.
- 1.4 An audit of four primary schools was undertaken.
- 1.5 At the end of each visit, a meeting was held with the Head Teacher to discuss the findings for the individual school, along with any recommendations for improvement. These meetings were then followed up with memos detailing the recommendations and requesting details of planned actions and implementation dates where appropriate.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made has been agreed with Euan Couperwhite, Head of Policy, Performance and Resources.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Financial Procedures / Training**

2.1.1 As a result of recommendations made in Internal Audit report AC1605 Secondary Schools, the Service scheduled a series of training events covering financial and procurement policies and procedures. Finance and Procurement officers delivered this training to all Head Teachers and senior administrative staff from each secondary and primary school.

2.1.2 To address the majority of other recommendations within the same audit, the Service has issued a number of circulars to all Education establishments. One recommendation affecting primary schools, relating to the preparation of a detailed finance/administrative procedures manual is due for completion in January 2017. Administrative staff at the schools visited indicated that this would provide a consistent standardised approach for all schools and provide useful training material for new staff.

### **2.2 Compliance**

2.2.1 During the audit visits to the sample schools, transactions within the financial year 2016-17 were reviewed. Where circulars have been issued to cover areas for improvement, this audit report has not duplicated any recommendations made, but work was done to confirm that the schools have now implemented those improvements.

2.2.2 The following areas covered in Internal Audit report AC1605 Secondary Schools were identified during the course of this audit as having not been fully addressed:

- Issuing of receipts for monies received on behalf of the Council (subject to a de minimus of £5).
- Receipting of income passed between staff.
- Two responsible adults counting monies where there is no supporting documentation on receipt e.g. charity collections.
- Income returns being submitted with money passed to the school office to be banked.
- Retaining income overnight in the school safe rather than class rooms.
- Purchase orders not being raised as required.
- Following Procurement guidance note 4A where non-contract spend is incurred.
- Completion of a full and current inventory.
- Each school having a school fund constitution.
- Avoiding overpayment of VAT by processing invoices through the Per-Capita budget where required rather than the school fund.
- Maintaining a complete and up to date school fund cash book.
- Avoiding staff social funds being managed through the school fund.
- Depositing Council income e.g. nursery snack, direct to the Council's bank account, rather than via the school fund.

2.2.3 Whilst it is acknowledged that the circulars and financial training have only been completed recently, confirmation that the actions required have been implemented is not received from schools. Therefore, there is no assurance that recommendations for improvement have been considered and implemented. To provide this assurance and allow schools to provide feedback regarding their ability to comply in specific areas, the Service should consider the use of an annual assurance / compliance check list.

**Recommendation**

The Service should consider introducing an annual checklist for issue to, and completion by, all Education establishments covering finance / administration requirements.

**Service Response / Action**

Agreed. An annual checklist will be issued to all schools for completion and return for analysis by appropriate staff.

**Implementation Date**

August 2017

**Responsible Officer**

Co-ordinator: Devolved  
School Management

**Grading**

Significant within audited  
area

**2.3 Nursery Milk**

- 2.3.1 All nurseries provide free milk to pupils attending. In the financial year 2015/16 this cost the Council approximately £71,000. The Department of Health, through the Nursery Milk Reimbursement Unit (NMRU) reimburse registered childcare providers for the cost of providing this milk. Claims are made through a web based online claim form monthly. However, the Council has not made any claim since 2007.

**Recommendation**

The Service should reregister with the NMRU and claim grant monies available.

**Service Response / Action**

Agreed. Education and Children's Services will liaise with colleagues from the Catering Service of Facilities Management to ensure that the Council is re-registered with NMRU and appropriate claims for re-imburement are made.

**Implementation Date**

March 2017

**Responsible Officer**

Head of Policy,  
Performance & Resources

**Grading**

Significant within audited  
area

**2.4 Nursery Snack Income**

- 2.4.1 Financial Regulation 5.20 requires that "Money due to the Council shall not be paid into any voluntary fund, either permanently or temporarily." This includes funds paid into the school fund which are due to the Council.
- 2.4.2 For the financial year 2015/16, 7 Nurseries within Primary Schools showed a deficit on snack transactions where snack income was initially transferred to the school fund and expenditure was incurred in the Council's Per Capita budget. Of these, 5 would have lost part of their carry forward balance totalling approximately £8,400, if the income had been paid into the Per Capita budget, as they would have exceeded their allowed carry forward balance.
- 2.4.3 Two of the nurseries had exceeded their devolved budget for the financial year and this was written off by the Head of Service. This write off would have been reduced by £1,721 if the snack money had been paid into the Per Capita budget.

**Recommendation**

Schools should be reminded of Financial Regulations relating to banking of Council income.

**Service Response / Action**

Agreed. The Service will issue a Circular to all schools which reminds them of the need to comply with all elements of the Financial Regulations, including the banking of Council income.

**Implementation Date**

March 2017

**Responsible Officer**

Co-ordinator: Devolved  
School Management

**Grading**

Significant within audited  
area

**AUDITORS:** D Hughes  
A Johnston  
G Flood

**Appendix 1 – Grading of Recommendations**

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<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>
<b>Significant within audited area</b>	<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>
<b>Important within audited area</b>	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

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COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Outstanding Internal Audit Recommendations Pre 2015/16
REPORT NUMBER	IA/17/004
CHECKLIST COMPLETED	Yes

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### **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 review, discuss and comment on the issues raised within this report and the attached appendix.

### **3. FINANCIAL IMPLICATIONS**

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

### **4. FOLLOW UP OF RECOMMENDATIONS**

- 4.1 On 24 November 2016, the Committee was advised that there were 8 recommendations, made previously by PWC, which had not been implemented by their due date of before the end of September 2016.
- 4.2 There are currently 2 agreed Internal Audit recommendations, which were due to be implemented by the end of December 2016, that have not yet been implemented. The detail relating to these is shown in the attached appendix, and is the same as reported to Committee in September and November 2016.

### **5. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto: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>
Corporate Landlord Responsibilities	Apr-15	<u>Risk Rating – High</u> (3) For each property type, standard indicators of utilisation should be agreed to allow for benchmarking and evaluation of value for money.	(3) This work is still in progress. A Property Strategy has been drafted which incorporates an Action Plan 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.	Director of Communities, Housing and Infrastructure	31-May-16	31-Mar-17  As reported to Committee in September and November 2016
		(4) Schedules of reporting on the agreed asset utilisation information should be arranged with the different service areas.	(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.		31-May-16	31-Mar-17  As reported to Committee in September and November 2016

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/17/003
CHECKLIST COMPLETED	Yes

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### **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 individual reports issued before 1 April 2016 have been completed, these are no longer shown in the appendices.
- 4.2 Where recommendations 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  
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(01224) 664184

## APPENDIX A

### POSITION WITH AGREED RECOMMENDATIONS AS AT 10 FEBRUARY 2017

#### SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 24 November 2016, the Committee was advised that, as at 11 November 2016, there were 50 recommendations which were due to have been completed by 30 September 2016 which were not fully complete. This has reduced to 36. The total not fully complete, which had an original due date of before 30 September 2016, is 51. 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 30.09.16	Confirmed complete by Service	New in October to December 2016	Confirmed complete by Service	Not fully complete by original due date of 31.12.16	Major	Significant	Important
<b>Cross Service</b>	100	90	78	0	0	12	0	7	5
<b>Communities, Housing and Infrastructure</b>	109	73	61	25	15	22	2	12	8
<b>Corporate Governance</b>	59	26	19	8	6	9	2	4	3
<b>Education and Children's Services</b>	51	46	41	0	0	5	0	4	1
<b>Health and Social Care Partnership</b>	67	4	4	37	34	3	0	2	1
<b>Total</b>	386	239	203	70	545	51	4	29	18

## APPENDIX B

### POSITION WITH AGREED RECOMMENDATIONS AS AT 10 FEBRUARY 2017

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

#### CROSS SERVICE

AC1601	Recruitment Procedures	February 2016	35	35	30	<b>5</b>	5 Important
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The overdue recommendations were due to be implemented by the end of March 2016. The position with these is as follows:

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 ( <b>graded “important within audited area”</b> ).	As 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 and then by the end of November 2016.  The latest update from the Service is that this will be complete by June 2017 as there are competing issues that have had to be prioritised.
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 ( <b>graded “important within audited area”</b> ).	As 2.1.3, above.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CROSS SERVICE (continued)**

Recommendation	Position
<i>(AC1601 – Recruitment Procedures – Continued)</i>	
2.3.12 – HR should provide guidance on completion of candidate assessment forms ( <b>graded “important within audited area”</b> ).	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.

AC1604	Corporate Policies and Procedures	March 2016	2	0	0	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CROSS SERVICE (continued)**

AC1615	Timesheets	January 2016	25	25	22	3	3 Significant
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The position with the overdue recommendations is as follows:

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 ( <b>graded “significant within audited area”</b> ).	As reported previously, this has been delayed due to competing priorities and because testing identified issues with the formulas. It was anticipated that a pilot would begin in October 2016 with full implementation in January or February 2017.  The latest update from the Service is that this was launched in Customer Services in February 2017. It is planned to roll this out across other services once the pilot feedback is fully assessed.
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 ( <b>graded “significant within audited area”</b> ).	As reported previously, 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
2.4.6 (3) was due to be implemented in August 2016 – Steps should be taken to recover overpayments / pay underpayments made to staff in relation to overtime paid at the wrong rate of pay (2.4) and in relation to additional holiday pay (2.2) ( <b>graded “significant within audited area”</b> ).	In view of the fact that Financial Regulations require the Head of HR to take all reasonable steps to recover any identified overpayments, it was agreed that Directorates would analyse the findings from the Internal Audit report, relating to specific pay elements, and notify HR / Payroll of any overpayments to be recovered or underpayments due to be paid. HR has been leading on an analysis of the benefits or otherwise of the exercise in view of the volume of work and it has been agreed by the Heads of HR and Finance that, as action has been taken to mitigate against future recurrences of the overpayments, no action will be taken to recover any overpayments or make payment where underpayments have occurred.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CROSS SERVICE (continued)**

AC1621	ALEOs	February 2016	10	4	4	0	0
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AC1623	Compliance with Procurement Legislation	June 2016	28	27	23	4	4 Significant
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The position with the overdue recommendations is as follows:

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 ( <b>graded “significant within audited area”</b> ).	As reported previously, Commercial and Procurement Services has advised that a draft list of exceptions has been prepared and requires to be finalised with Finance colleagues. Reference to the list of exceptions will be included in the next update to the Financial Regulations which is currently being prepared. A revised completion date of 31 March 2017 would fit with this review.
2.4.7 was due to be implemented in September 2016 – The Service should ensure that spend on supplies which are likely to be used by more than one school is forecast so that appropriate Committee approval and tendering can be completed for aggregate spend (graded “significant within audited area”).	As reported previously, the Service is in the process of identifying expenditure across the schools. It is anticipated that this will be completed by March 2017 and that expenditure across other Directorates will have to be considered.
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 (graded “significant within audited area”).	As 2.1.12 above.



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

### CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1623 – Compliance with Procurement Legislation – Continued)</i>	
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 ( <b>graded “significant within audited area”</b> ).	As 2.1.12 above.

### COMMUNITIES, HOUSING AND INFRASTRUCTURE

AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	9	1	8	2 Major 6 Significant
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All of the recommendations in this report were due to be implemented by the end of June 2016. The position with the overdue recommendations is as follows:

Recommendation	Position
2.2.6 – The Service should renegotiate the Agreement based on current working practice ( <b>graded “major at a service level”</b> ).	<p>As reported previously, the Service advised that all recommendations are being progressed through discussion and negotiation, and that it was anticipated they will all be resolved by December 2016.</p> <p>The latest update is that the Service is currently discussing a renewed craft agreement with trade workers and unions. Meetings have taken place and others are due in January leading into February. The Service is hopeful that an agreement can be signed as soon as possible in 2017.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

Recommendation	Position
<i>(AC1602AW – Craft Workers Terms and Conditions – Continued)</i>	
2.3.1 – The Service should provide written guidance on the completion of documentation required as part of the pay process ( <b>graded “significant within audited area”</b> ).	This will form part of the new craft agreement, as per 2.2.6 above.
2.3.13 – The Service should complete the roll out of the hand held system to ensure that periods of stand-by are covered ( <b>graded “significant within audited area”</b> ).	This has been partially implemented and piloted and will be fully implemented with the new craft agreement.
2.3.14 – The Service should consider whether such payments remain appropriate (graded “significant within audited area”).	This is being reviewed as part of the new craft agreement, as per 2.2.6 above.
2.3.15 – The Service should recharge the cost of such call-outs to the tenant (graded “significant within audited area”).	This is being reviewed as part of the new craft agreement, as per 2.2.6, above, and discussions will take place with housing management.
2.3.16 – The Service should review procedures in place regarding the payment of flexibility allowances, overtime and standby to ensure that staff entitled to the payments are receiving them and, if not entitled, they are stopped and, if appropriate, recovered (graded “significant within audited area”).	This is being reviewed as part of the new craft agreement, as per 2.2.6, above, and discussions will take place with housing management.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

Recommendation	Position
<i>(AC1602AW – Craft Workers Terms and Conditions – Continued)</i>	
2.4.5 – The Service should review procedures in place regarding the payment of flexibility allowances, overtime and standby to ensure that staff entitled to the payments are receiving them and, if not entitled, they are stopped and, if appropriate, recovered.	This is being reviewed as part of the new craft agreement, as per 2.2.6 above.
2.5.6 – The Service should review procedures in place to ensure compliance with Working Time Regulations <b>(graded “major at a corporate level”)</b> .	This will be confirmed robustly in the new craft agreement, as per 2.2.6 above.

AC1605 AW	Building Services Recharges	July 2016	11	11	7	4	4 Important
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The position with the overdue recommendations is as follows:

Recommendation	Position
2.3.9 was due to be implemented in December 2016 – The Service should ensure that non stock items are adequately recorded <b>(graded “important within audited area”)</b> .	The Service has advised Internal Audit that they are trialling a new process to manage this issue and will advise Internal Audit of the outcome.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

<i>(AC1605AW – Building Services Recharges – Continued)</i>	
Recommendation	Position
2.3.9 was due to be implemented in December 2016 – The Service should ensure that non stock items are adequately recorded ( <b>graded “important within audited area”</b> ).	The Service has advised Internal Audit that they are trialling a new process to manage this issue and will advise Internal Audit of the outcome.
2.4.4 was due to be implemented in December 2016 – The Service should ensure that a formal procedure is developed, to provide guidance to staff dealing with enquiries relating to invoices issued ( <b>graded “important within audited area”</b> ).	The Service has advised that they do not have staffing to implement this at present. Additional staffing resource has been requested and, if approved, will be in place by August 2017.
2.4.6 (i) was due to be implemented in December 2016 – 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 ( <b>graded “important within audited area”</b> ).	As per 2.4.4, above.
2.4.6 (ii) was due to be implemented in December 2016 – 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 ( <b>graded “important within audited area”</b> ).	As per 2.4.4, above.

AC1607	Rent Collection and Arrears Management	April 2016	8	8	8	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

AC1608	Trade Waste	January 2016	14	14	10	4	2 Significant 2 Important
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The position with the overdue recommendations is as follows:

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 ( <b>graded “important within audited area”</b> ).	As reported previously, the Service has advised that it has developed a revised timetable for delivery of this element to dovetail with the introduction of the Council-wide Digital Platform. To proceed with work on the existing system that would quickly be redundant is not considered a good use of resources. The Waste and Recycling Service is one of the first areas for integration with the Digital Platform and it is anticipated that this action will be complete by June 2017.
2.1.10 was due to be implemented in September 2016 – The Service should implement reconciliations between records of work completed, work invoiced, and income received, to ensure that income has been received for the provision of all goods and services (graded “significant within audited area”).	The Service has advised that the Bartec system is being introduced which is designed to resolve the issues. For similar reasons to 2.1.9, this action will now be completed by April 2017.
2.1.12 was due to be implemented in September 2016 – The Service should introduce checks to ensure the accuracy and completeness of all invoices raised (graded “significant within audited area”).	As 2.1.10, above
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”).	As reported previously, 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				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

AC1618	Vehicle and Driver Records	April 2016	22	22	19	<b>3</b>	2 Significant 1 Important
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The position with the overdue recommendations is as follows:

Recommendation	Position
2.5.7 was due to be implemented in August 2016 – Fleet in conjunction with HR and User Services should maintain a list of Posts with driving duties, and the relevant licence categories required ( <b>graded “important within audited area”</b> ).	As reported previously, HR advised that the list was almost complete and an action plan detailing driving checks was due to be complete by the end of November 2016. The Service has advised that this will now be complete by the end of March 2017 to allow time for a database to be set up and tested.
2.1.2ii was due to be implemented in November 2016 - Fleet should work with Services to determine their ongoing fleet requirements, in line with these principles, in advance of any further significant procurement exercises (graded “significant within audited area”).	The Service has advised that surveys were sent out to all Services in late 2016 requesting information on vehicle and plant usage. The returns indicated that all Services required their vehicles for the maximum time with no spare capacity. The results of the telematics trial detailed below will help inform decision with initial results anticipated by September 2017.
2.1.2iii was due to be implemented in November 2016 - Fleet should seek to identify ‘excess’ vehicles promptly in order to maximise resale value where vehicles are not required (graded “significant within audited area”).	In January 2017, the Communities, Housing and Infrastructure Committee approved a telematics trail that will take place on 10 vehicles over a 3-6 month period. Should this trial prove successful, Fleet will present the results and seek further approval to implement a telematics system for all fleet vehicles and plant. The results of the trial will demonstrate vehicle performance, driver behaviour and utilisation; the benefits will include increased utilisation and potential fleet reduction saving cost pressures on maintenance, fuel and department budgets. Initial results are anticipated by September 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

**COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)**

AC1702	Building Services Procurement	June 2016	9	9	7	2	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Recommendation	Position
2.3.1 was due to be implemented in December 2016 – An exercise should be undertaken to improve supplier data and restrict ordering to framework or contract suppliers ( <b>graded “important within audited area”</b> ).	The Service has advised that work is on-going with this and that some IT changes are necessary along with consultation with other users of the system. This will now be complete by October 2017.
2.3.4 was due to be implemented in December 2016 – The Service should ensure that systems are updated as soon as possible after framework agreements are renewed so that only current framework and contract suppliers are shown ( <b>graded “significant within audited area”</b> ).	The Service has advised that a strategy has been agreed, but an instance of this transition period (which is unavoidable when new framework agreements are adopted) has not yet come up, in order to test the new process. It has been agreed with Commercial and Procurement Services to use the transition period with the new domestic gas servicing contract in October 2017, so the Service will be able to monitor progress then.

AC1703	Cleaning Payroll	June 2016	14	9	9	0	0
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AC1705	Roads Payroll	August 2016	22	16	15	1	1 Significant
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The overdue recommendation (**graded “significant within audited area”**) was due to be implemented by the end of November 2016 and relates to Payroll ensuring all payments, including those made in arrears, are at the rate applicable on the date the work was carried out. The system provider has implemented a part fix for this and is working on a full resolution which should be complete by the end of February 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

### CORPORATE GOVERNANCE

AC1602	Payroll System	October 2015	3	2	2	0	0
AC1610	Budget Monitoring	November 2016	9	0	0	0	0

AC1614	Risk Management	November 2015	10	10	5	5	3 Significant 2 Important
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The position with the overdue recommendations is as follows:

Recommendation	Position
2.1.5 was due to be implemented in October 2016 – In order to meet its intention to monitor progress with the completion of training modules the Council should put arrangements in place to capture and report data as stated ( <b>graded “significant within audited area”</b> ).	The Service has advised that data on numbers of people completing the risk management training course is available but have yet to be reported. Other training is in progress including the role of the officer in a political environment and third tier manager training on risk and assurance.
2.1.6 was due to be implemented by the end of March 2016 – The Strategic Risk Register should be updated, approved and reported to the Audit, Risk and Scrutiny Committee ( <b>graded “significant within audited area”</b> ).	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 SRR is reported to CMT regularly. CMT have yet to make a decision on reporting to the Audit, Risk and Scrutiny Committee.



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

**CORPORATE GOVERNANCE (continued)**

Recommendation	Position
<i>(AC1614 – Risk Management – Continued)</i>	
2.1.7 was due to be implemented by the end of March 2016 – Performance Dashboards held on The Zone should be populated with the required data ( <b>graded “important within audited area”</b> ).	As reported previously, all risk registers will be uploaded to the relevant dashboards once agreed. The latest update from the Services is that performance dashboards are being reviewed as part of the Performance Management Framework Review.
2.1.13 was due to be implemented by the end of March 2016 – The Risk Management Manual should be reviewed and updated where appropriate (graded “important within audited area”).	<p>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 was to be reported to Committee in November with the manual being revised in 2017.</p> <p>The latest update from the Service, as reported in November 2016, is that the risk system review has concluded and the associated implementation plan is being reported to the Audit, Risk and Scrutiny Committee in November 2016. Work on the revised strategy and manual are about to start and it is expected that the strategy will be reported in the first half of 2017.</p>
2.1.19 was due to be implemented by the end of April 2016 – A Risk Management annual report should be prepared and presented to the Audit, Risk and Scrutiny Committee.	<p>As reported previously, this had been delayed to the September 2016 meeting of the Committee to allow for inclusion of a benchmarking exercise. At that time, the benchmarking exercise had not commenced and it was intended to report to the November 2016 meeting of the Audit, Risk and Scrutiny Committee.</p> <p>The latest update from the Service, as reported in November 2016, is that the benchmarking data has been received in draft form only and, as a result of having not received final data, the exercise has been delayed further.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CORPORATE GOVERNANCE (continued)**

AC1616	Bank Reconciliations	November 2016	3	0	0	0	0
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AC1619	Social Work Tendering	April 2016	14	11	8	3	2 Major 1 Significant
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Progress with the overdue recommendations is as follows:

Recommendation	Position
2.3.6 (i) was due to be implemented in September 2016 – Social Care and Children’s Social Work should ensure that there is an adequate audit trail between the values of contracts in the contracts register and the budget from which they come (graded “significant within audited area”).	As reported previously, the Service has advised arrangements for the future have been established, however, it will take until the end of December 2016 to address current contracts.  The Service has advised that this will now be complete by the end of March 2017.
2.5.4 (i) was due to be implemented in June 2016 – 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”).	As reported previously, the Service has advised that 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.  The Service has advised that this will now be complete by the end of March 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CORPORATE GOVERNANCE (continued)**

Recommendation	Position
<i>(AC1619 – Social Work Tendering – Continued)</i>	
2.5.4 (iii) was due to be implemented in June 2016 – 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 <b>(graded “major at a service level”)</b>	As 2.5.4 (i), above.

AC1626	Council Tax Reduction	April 2016	1	1	1	0	0
AC1704	Following the Public Pound	November 2016	7	0	0	0	0
AC1706	Scottish Welfare Fund	August 2016	3	3	3	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**CORPORATE GOVERNANCE (continued)**

AC1708	InfoSmart System	August 2016	7	7	6	1	1 Important
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The position with the overdue recommendation is as follows:

Recommendation	Position
2.2.3 (b) was due to be implemented in December 2016 – CPS 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 ( <b>graded “important within audited area”</b> ).	An individual has been identified to act as system owner and performance reporting is included in the current contract review and will be aligned to C&PS requirements (co-user Planning no longer utilising the system). The review will be complete by the end March 2017

AC1710	Public Records (Scotland) Act	August 2017	2	0	0	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

### EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	14	10	4	3 Significant 1 Important
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Progress with the overdue recommendations is as follows:

Recommendation	Position
2.2.14 (i) was due to be implemented in September 2016 – The Service, in conjunction with Finance, should review the interface from CareFirst to ensure full invoice numbers are transferred to the financial system ( <b>graded "significant within audited area"</b> ).	The Carefirst system supplier has confirmed that they will be increasing the field length for invoice numbers in the first quarter of 2017 as part of the release of the next version of the system. This will, therefore, be implemented by June 2017.
2.2.15 was due to be implemented in June 2016 – relates to Financial Services reviewing and rationalising supplier numbers to ensure that there are no duplicates ( <b>graded "important within audited area"</b> ).	As reported previously, 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. The Service has now advised that this should be complete by the end of February 2017.
2.2.27 (i) was due to be implemented in August 2016 – The Service should review whether block-funded arrangements are necessary and appropriate. Where there are alternative spot purchase arrangements, these should be explored ( <b>graded "significant within audited area"</b> ).	As reported previously, the Service is in the process of reviewing arrangements and this will be complete by April 2017.
2.2.27 (ii) was due to be implemented in August 2016 – The Service should review controls over payments for block-funded care ( <b>graded "significant within audited area"</b> ).	As 2.2.27 (i), above.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**EDUCATION AND CHILDREN'S SERVICES (continued)**

AC1605	Secondary Schools	April 2016	17	17	16	1	1 Significant
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Progress with the overdue recommendation is as follows:

Recommendation	Position
2.6.7 was due to be implemented in August 2016 – The service should ensure class contributions, and waived charges are consistent across all schools, that calculations supporting the values are retained, and all monies collected are receipted and paid directly into the council bank account timeously ( <b>graded "significant within audited area"</b> ).	The Service is currently investigating practice in schools and returns received to date suggest that there is diversity in practice. It may require a working group to determine a common approach and this will be resolved by March 2017.

AC1624	Family Centres	July 2016	6	6	6	0	0
AC1625	Teachers Payroll	April 2016	9	9	9	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

### HEALTH AND SOCIAL CARE PARTNERSHIP

AC1609	Pre-Integration Financial Assurance	January 2016	5	4	4	<b>0</b>	0
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AC1617	Self Directed Support	October 2016	35	29	27	<b>2</b>	1 Significant 1 Important
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Progress with the overdue recommendations is detailed below:

Recommendation	Position
2.1.2 was due to be implemented in October 2016 – The Service should ensure the appropriate Committees are provided with updates on progress with implementing the timetable for Self Directed Support ( <b>graded “significant within audited area”</b> ).	The Service has advised that this will be completed in January 2017.
2.5.11 was due to be implemented in November 2016 – The Service should consider whether a further layer of approval is necessary for unusual or high value cases ( <b>graded “important within audited area”</b> ).	The Service has advised that this will be completed in January 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.16	Confirmed Implemented by Service	Not implemented by original due date	

**HEALTH AND SOCIAL CARE PARTNERSHIP (continued)**

AC1701	Purchasing and Creditors	November 2016	14	2	2	0	0
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AC1709	Care First System	November 2016	13	6	5	1	1 Significant
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Progress with the overdue recommendation is detailed below:

Recommendation	Position
2.5.9 was due to be implemented in December 2016 – IT should ensure that disaster recovery is tested with the new supplier ( <b>graded “significant within audited area”</b> ).	Internal Audit is awaiting a response from the Service.



## APPENDIX C

### Grading of Recommendations

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level / within audited area</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.  Financial Regulations have been consistently breached.
<b>Significant within audited area</b>	Addressing this issue will enhance internal controls.  An element of control is missing or only partial in nature.  The existence of the weakness identified has an impact on a system's adequacy and effectiveness.  Financial Regulations have been breached.
<b>Important within audited area</b>	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

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Third Don Crossing
REPORT NUMBER	IA/17/005
CHECKLIST COMPLETED	Yes

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### **1. PURPOSE OF REPORT**

- 1.1 This report advises the Committee of the outcome from work that the Committee requested Internal Audit undertake following consideration of a report relating to the 3rd Don Crossing from the Interim Chief Executive (Director of Corporate Governance) on 27 September 2016.

### **2. RECOMMENDATION**

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

### **3. FINANCIAL IMPLICATIONS**

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

### **4. Third Don Crossing**

- 4.1 At its meeting on 27 September 2016, the Audit, Risk and Scrutiny Committee considered a report from the Interim Depute Chief Executive (Director of Corporate Governance) regarding the output from an independent external review of the contractual arrangements that were in place to construct the Third Don Crossing.
- 4.2 The Committee resolved, in response to various concerns raised by members relating to the contract and decision making process, to request that Internal Audit undertake an audit to ascertain where the responsibilities and accountability sat in relation to the Third Don Crossing and whether the appropriate level of scrutiny and records were in place throughout the project. The results of the requested audit are detailed below.
- 4.3 On 6 March 2013, Council agreed to progress construction of the crossing on a “works only” basis against an option of a “design and build” contract as part of the wider AWPR arrangements. The independent consultant’s report states that it was not clear if other alternatives had been considered and that there was limited / no direct involvement from the Council’s

Commercial and Procurement Services Team (C&PS) in developing alternative approaches to the type of contract. The consultant goes on to consider that the specialist knowledge that C&PS has, combined with strong networks that they have established, would have been helpful in the development of options. However, the C&PS team has evolved over the last four years and it would be difficult to confirm that the current level of expertise existed within the Team in 2013.

- 4.4 Recommendations that C&PS be more involved in projects of this nature in the future, however, do have considerable merit.
- 4.5 The procurement process was, as stated in the independent consultant's report, Service led, with some involvement from legal staff. This was the norm at that time and could be considered to have been constrained by the fact that few large scale infrastructure projects were dealt with by the Roads Design Team. Involvement in the same process on a regular basis helps build knowledge and expertise, both of which the Council should now have in place with a more established Commercial and Procurement Service.
- 4.6 At that time, the Roads Design Team had a core staffing level of 4 to 5 members of staff. The organisational structure around the Team was:
- Director of Environment and Infrastructure then the Director of Enterprise, Planning & Infrastructure
  - Head of Planning and Sustainable Development
  - Transportation Manager (vacant)
  - Team Leader Roads Design – now vacant – “Project Manager”
  - Senior Engineer – “Project Leader”
- 4.7 During this review, Service staff advised that prior to re-organisations over recent years, a major civil engineering project like this would have been directly lead / managed by a Director of Roads. The re-organisations, whereby the number of Directorates has reduced, resulted in the lead officer for this project being fourth tier, albeit one of the most senior roads engineers in the Council.
- 4.8 There is little documentation detailing the decision making process regarding the tendering processes or timescales for the Project. However, the report submitted to Council in March 2013, considered the main options that would be typical for a roads construction contract: either “works only” or “design and build”. The report also considered whether it was desirable to add the Third Don Crossing to the AWPR (Balmedie to Tippetty) contract. The merits and risks of each approach were discussed and it was concluded that the best option for the Council was a works only contract. The Council approved the recommendations in the report.
- 4.9 There are copy letters dated 1 May 2014 on file showing that five contractors were invited to submit a tender, having expressed an earlier interest. These state that there was to be a pre-tender site meeting on 22 May 2014 and that completed bids had to be submitted by 13 June 2014, allowing 44 days to do so. The Public Contracts (Scotland) Regulations 2012, which were in force at the time, provided for a minimum time limit for submission of tenders of 40 calendar days.

- 4.10 Further Tender Bulletins, providing details of changes / clarifications, were issued on 29 May, 30 May, 2 June and 6 June 2014.
- 4.11 Minutes of the site meeting held on 22 May 2014, which was attended by representatives of four of the invited tenderers (amongst others), were circulated to contractors on 11 June 2014, just three days before tenders had to be received by the Council.
- 4.12 The Audit, Risk and Scrutiny Committee raised a specific concern regarding the time in which contractors had to submit tenders. There is reference to this matter in the minutes of the site meeting as follows:
- “Tenderer Query – At least two requests for extension of time have been received, but this has so far been declined. There are limited number of bridge fabricators and they are indicating that they will struggle to return quotes within the time available for the tender. Are you able to reconsider extending the tender return deadline? ... response – There will need to be strong evidence shown that it is not possible to return the tender within the given time. Without this evidence this shall not be considered. The deadline is set according to Council Committee dates and the summer recess will be encountered if the tender return date is extended. This would mean a delay to the start of the works. If more tenderers come forward to request such an extension we would consider it further. Tenderers invited to approach us and make their thoughts on this known.”*
- 4.13 The four tenderers who attended the site meeting submitted tenders and the Finance, Policy and Resources Committee agreed the contract award on 19 June 2014.
- 4.14 The independent consultant’s report highlights the risks of having what was considered to be a quick turnaround of tender documents issued, tenders received, and evaluation carried out. However, the report does go on to state that the category management model that has been implemented across the Council and the role of Commercial and Procurement Services in supporting Services has been clarified which will address many of the issues identified during the procurement strategy for such works in future.
- 4.15 In conclusion, the report by the independent consultant provides a factual summary of events that took place and commentary on what would improve the processes that were in place at the time of commissioning this contract. Recommendations have been made and these are being considered by management, with a report due to be presented to the Audit, Risk and Scrutiny Committee in February 2017. Along with changes that have already been made over the intervening three year period, if the recommendations are accepted and implemented this will further mitigate against the risks identified.
- 4.16 There appears to have been an appropriate level of scrutiny, applied by Council and Committees. However, the level of documentation available to support decisions made during the project is considered to be inadequate. In future, Services will be working in collaboration with Commercial and Procurement Services on such contracts and the Head of Commercial and Procurement Services has confirmed to Internal Audit that documenting the

decision making process will be an important element of the process.

- 4.17 At its meeting on 27 September 2016, the Audit, Risk and Scrutiny Committee also expressed some concern that the independent consultants report had stated that recommendations made by Internal Audit in April 2015 relating to procurement in construction had not been implemented. This was followed by a recommendation that officers ensure that all the recommendations have been fully implemented.
- 4.18 The recommendation in question was that an action plan be developed that sets out the timescales and proposed actions for implementation of the eight outstanding recommendations that had been made by the Scottish Government in their “Scottish Public Sector Procurement in Scotland” review in October 2013. The Internal Audit report in which the recommendation was made confirmed that the recommendation had been implemented.
- 4.19 However, it is unclear whether the plan itself has been monitored to ensure implementation of the recommendations. The plan has been requested from Commercial and Procurement Services but has not yet been provided.

## **5. REPORT AUTHOR DETAILS**

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	23 February 2017
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	Annual Accounts 2016/17 – Action Plan and Key Dates
REPORT NUMBER	CG/17/008
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2016/17 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.

### 2. RECOMMENDATION(S)

It is recommended that the Committee note the contents of this report.

### 3. FINANCIAL IMPLICATIONS

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

### 4. OTHER IMPLICATIONS

There is a statutory requirement for the Council to produce both draft and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

## 5. BACKGROUND/MAIN ISSUES

5.1 The Annual Accounts 2016/17 will summarise the Council's transactions for the period 1 April 2016 to 31 March 2017 and its financial position at the year end 31 March 2017. They will be prepared in accordance with the International Financial Reporting (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and in accordance with The Local Authority Accounts (Scotland) Regulations 2014. There are no changes to either of the aforementioned Codes in 2016/17 which will have any significant impact on the Annual Accounts.

5.2 There are a number of key dates and these are summarised as follows:-

31 March 2017	End of the financial year 2016/17
March – Sept 2017	Information from Group Entities (including ALEO's)
14 June 2017	Public Notice for the Public Inspection Period to be issued
22 June 2017	Audit, Risk and Scrutiny Committee to consider the draft Annual Accounts
29 June 2017	Statutory deadline for the Proper Officer to sign the draft Annual Accounts, submit to the Auditor and publish on the website
30 June – 20 July 2017	Public Inspection Period for the draft Annual Accounts
28 July 2017	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
26 September 2017	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
26/27 Sept 2017	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
29 September 2017	Deadline for submission of the signed audited Annual Accounts to the Auditor
Early October 2017	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2017	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
15 December 2017	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

### 5.2.1 31 March 2017

Transactions relating to goods and services received or provided by the Council by 31 March 2017 should be recorded in the 2016/17 financial year.

To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, and meetings between accounting staff and budget holders.



#### 5.2.2 March – September 2017

The Council is required to consider its interests in all types of entity and prepare Group Accounts which incorporate the material transactions and balances of those entities identified as subsidiaries, associates and joint ventures. A number of the entities included are also referred to as ALEO's (Arm's Length External Organisations). Throughout this period there are a number of deadlines for these entities to provide management accounts, draft financial statements with detailed working papers as necessary and audited Annual Accounts.

#### 5.2.3 14 June 2017 and 30 June - 20 July 2017

The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. The latest date by which the public inspection can start is 1 July and a public notice must be issued by 17 June, giving at least 14 days' notice before the start of the inspection period.

#### 5.2.4 22 June 2017

The Audit, Risk and Scrutiny Committee will receive the draft Annual Accounts 2016/17, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. As the body charged with governance it allows you the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

#### 5.2.5 29 June 2017

The Local Authority Accounts (Scotland) Regulations 2014 only requires the draft Annual Accounts to be signed by the Proper Officer (Head of Finance) prior to submission to the Auditor. The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them.

#### 5.2.6 26 September 2017

The Audit, Risk and Scrutiny Committee will receive the audited Annual Accounts for consideration. The Local Authority Accounts (Scotland) Regulations 2014 require that the committee aim to approve these accounts prior to their signature by the Proper Officer, Chief Executive and Council Leader having regard to any report made on the accounts and any advice given by the Proper Officer or the Auditor. The committee will also receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2016/17 audit" for debate and consideration. This report sets out the auditor's finding and conclusions from all audit activity undertaken during the year, highlights the significant issues arising from the audit of the financial statements

and informs Elected Members of the proposed audit opinion in advance of the accounts being certified.

#### 5.2.7 31 October 2017

The Local Authority Accounts (Scotland) Regulations 2014 set out the requirements for publication of the audited Annual Accounts by 31 October, including the signed accounts and audit certificate and all auditor reports relating to those signed accounts. In addition, the Council must publish the accounts of its subsidiaries either on its website or through a link to the relevant page on the company's website. All published documents have to be available for at least five years.

- 5.3 KPMG's "Annual Audit Plan 2017/18" is also presented to this meeting and Elected Members should note that Accounting staff have already engaged with the external audit team as part of planning for the production of the accounts and the audit thereof. This engagement will continue throughout the accounts and audit processes. This will ensure that any issues arising with the accounts are highlighted and dealt with promptly and that information provided to the auditors is relevant, timely and of a suitable standard to enable them to carry out their work efficiently and effectively.

#### 5.4 Local Authority Charities

- 5.4.1 There is a requirement for full compliance with the Charities Accounts (Scotland) Regulations 2006 which means that a full audit is required for all registered charities where the Council is the sole trustee irrespective of the size of the charity. The Accounts Commission has appointed the current auditor of the Council as the auditor of its relevant charities.

There are a number of statutory provisions in relation to record keeping and preparation of accounts for such charities as well as the duties of charity trustees in relation to accounting records. The Local Authority Accounts (Scotland) Regulations 2014 also make provision for such bodies in a number of areas.

Taken together this effectively means that separate accounts and audit opinions are required for charities and this is subject to the same requirements and timetable as detailed above for the Council's accounts.

#### 5.5 Future Developments

- 5.5.1 At its meeting on 24<sup>th</sup> November 2016, this committee noted that the Head of Finance would develop financial reporting to include the Council's Balance Sheet in future reporting to the Finance, Policy and Resources Committee.

- 5.5.2 In the context of the Council now being listed on the London Stock Exchange (LSE), there is a need to develop and put appropriate

governance arrangements in place to ensure compliance with a wide range of LSE requirements including accounting and reporting.

- 5.5.3 This will require significant transformation in the way the Council monitors and reports against budget, both internally and externally, during the year as well as how it produces its annual accounts. Work is underway to progress and introduce these changes for 2017/18.

6. IMPACT

**Improving Customer Experience –**

No direct impact arising from this report.

**Improving Staff Experience –**

No direct impact arising from this report.

**Improving our use of Resources –**

No direct impact arising from this report.

**Corporate –**

There is a statutory requirement to produce both draft and audited Annual Accounts. The publication of these demonstrates the Council's proper stewardship of and accountability for the public funds with which it is entrusted.

**Public –**

This report may be of interest to the public as it provides information on preparation and publication of the Annual Accounts and related public inspection dates.

7. MANAGEMENT OF RISK

There are no direct risks arising from this report.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	23 <sup>rd</sup> February 2017
DIRECTOR	Angela Scott
TITLE OF REPORT	Audit Scotland National Reports
REPORT NUMBER:	OCE/17/001
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to present a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed to be taken by the Council in response to these.

### 2. RECOMMENDATION(S)

that the Committee:-

(a) note the detail of the reports:-

- “Local government in Scotland: Financial overview 2015/16”
- “How councils work - Roles and working relationships in councils: are you still getting it right?”

(b) consider officers’ comments.

### 3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

### 4. OTHER IMPLICATIONS

Every national Audit Scotland review is likely to have implications for this Council. The nature of the implications will vary depending on the subject matter. Officers are required to assess these and report to committees.

## 5. BACKGROUND/MAIN ISSUES

Audit Scotland has an annual programme of national reviews it undertakes. Some of these are specific to individual councils and Community Planning Partnerships, others are intended for local government and other public sector bodies more broadly.

Since the last time this was reported to Committee there have been 2 reports with direct significance for Aberdeen City Council.

- “Local government in Scotland: Financial overview 2015/16”
- “How councils work - Roles and working relationships in councils: are you still getting it right?”

A summary of each report is set out below.

## **A. Local government in Scotland: Financial overview 2015/16**

This audit provides a high-level view of Scottish councils' financial performance and position in 2015/16. It is aimed primarily at councillors and senior council officers. It is in two parts:

- Part 1 focuses on the councils' income and expenditure in 2015/16 and trends over time.
- Part 2 comments on the financial outlook of councils at the end of 2015/16 and outlines important factors to be considered in assessing future spending plans.

### Key messages

1. The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.
2. Significant challenges for local government finance lie ahead. Councils' budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position.
3. Councils need to change the way they work to deal with the financial challenges they face. All councils face future funding gaps that require further savings or a greater use of their reserves. There is variation in how well placed councils are to address these gaps.
4. Long-term financial strategies must be in place to ensure council spending is aligned with priorities, and supported by medium term financial plans and budget forecasts. Even where the Scottish Government only provides councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow councillors and officers to assess and scrutinise the impact of approved spending on future budgets and the sustainability of their council's financial position.

There are no specific recommendations within the report, however, a number of questions are posed throughout which are then summarised within an Appendix as a “Self-Assessment Toolkit for Councillors”<sup>1</sup>.

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<sup>1</sup> [http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr\\_161129\\_local\\_government\\_finance\\_supp1.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr_161129_local_government_finance_supp1.pdf)



**B. How councils work - Roles and working relationships in councils: are you still getting it right?**

This report revisits the themes of Audit Scotland's 2010 "How Councils Work" report on roles and working relationships. It aims to help councils to consider their current governance arrangements and make any necessary changes, including their preparations for the new intake of councillors following the May 2017 local government elections.

The messages highlighted in this report centre on the main themes of the original "How Councils Work" report:-

- clear roles and responsibilities and arrangements for governance that are up to date;
- effective working relationships, with councillors and officers demonstrating appropriate behaviours;
- councillors having the skills and tools to carry out their complex and evolving role.

There are no specific recommendations within the report, however, a number of questions are posed throughout, in the form of "Checklist" questions, both for elected members and for officers. The checklist is attached as an Appendix to this report and cover the following areas:-

- Keeping governance up to date
- Clear roles and expectations
- Effective scrutiny
- Partnerships and arm's-length bodies
- The role of statutory officers
- Conduct and working relationships
- Councillors skills

CIPFA's good governance principles set the context for the report, and the checklists are designed to help councils assess their governance arrangements taking these principles into account. The questions and issues raised in the report will be responded to by Aberdeen City Council through the Governance Improvement Plan which is being developed following the pre-accreditation assessment recently carried out by CIPFA as part of the Governance Review. In this way, there is consistency in our approach, as the Improvement Plan will respond to the approach recommended by both Audit Scotland and CIPFA.

## 6. IMPACT

### **Improving Customer Experience –**

The actions which flow from national reports will have varying impact on customers. From an internal customer perspective, these reports allow the members of the Audit, Risk and Scrutiny Committee to undertake their role on behalf of the Council.

### **Improving Staff Experience –**

The impact of governance in local authorities is a key determinant of its effectiveness. The regular and consistent reporting of national level reports with implications for Aberdeen City Council strengthen governance. Depending on the subject matter of national reports the potential impact can be relevant for staff, customers and use of resources.

### **Improving our use of Resources –**

The actions which flow from national reports will have varying impact on resources. These will be stated depending on the subject matter.

### **Corporate -**

With regards to the national report referred to in this report, workforce planning is an integral part of corporate and service planning, underpinning the Council's to deliver quality services.

### **Public –**

Whilst no direct implications arise from this “scrutiny” report, the Council's workforce planning arrangements must take account of the equality duty.

## 7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report. The actions and recommendations contained in the report are a response to identified risks and are designed to mitigate these.

## 8. BACKGROUND PAPERS

Audit Scotland reports

- “Local government in Scotland: Financial overview 2015/16”
- “How councils work - Roles and working relationships in councils: are you still getting it right?”

## 9. REPORT AUTHOR DETAILS

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## Summary Checklist Questions for councillors and officers to consider



### Keeping governance up to date

#### As a councillor:

- How effective is governance in your council?
- Have your views been sought over the effectiveness decision-making and scrutiny, coalition working arrangements, or multi-member ward working for example?
- Do you think councillors provide strong and effective leadership?
- Do you feel that the council's senior management team has the capacity and capability to deliver the council's priorities?

#### As a chief officer:

- Have you consulted with councillors over the effectiveness of the council's governance arrangements?
- Do you regularly review governance eg schemes of delegation, standing orders and working protocols?
- How well has the council adapted its governance to take into account significant changes such as health IJBs and its use of arm's-length companies?
- Does your annual governance statement address significant issues and identify areas for improvement?

### Clear roles and expectations

#### As a councillor:

- How well do you understand and observe the roles expected of you?
- Do you need further guidance on how to fulfil your role, for example protocols for member-officer working?
- Do you actively contribute to effective governance in the council, as well as fulfilling your representative role as councillor?
- Are officers accessible - and to what extent do they provide the right balance between supporting the administration and supporting the council as a whole?
- Where your council is led by a coalition, are the working arrangements clear?
- Where your council uses the executive or cabinet system, are the roles of the executive and nonexecutive groups clear?

#### As a chief officer:

- Do you feel you provide the right balance between supporting the administration and supporting the council as a whole?
- Have you reviewed the council's governance documents including schemes of delegation, guidelines and protocols to ensure they are clear and easily understood?
- Do you think all councillors are clear on their roles and have the necessary skills, and have you taken steps to support them?

### Effective Scrutiny

#### As a councillor:

- How open is your council to scrutiny – is scrutiny encouraged as a means to improve services and make better decisions?
- Have you received training and support in your scrutiny role?
- Do you actively engage in scrutiny and ask constructive and challenging questions?
- Do you feel able to ask candid questions, for example about risks?
- To what extent does scrutiny take into account service user and community views?
- Are the chairs of the audit and scrutiny committees sufficiently independent?
- Do you get sufficient information to make balanced decisions, for example on the best options for delivering services?
- Does your council's scheme of special responsibility allowances reflect the importance of the scrutiny and audit functions?

#### As a chief officer:

- Do you periodically review the effectiveness of scrutiny - including its impact on decision-making?
- Are effective scrutiny and audit arrangements in place for services delivered through local partnerships or arm's-length bodies?
- Do you provide councillors with comprehensive information on services, costs and risks?
- Have you taken measures to engage service users and communities in scrutiny?

### **Partnership and arm's-length bodies**

#### As a councillor:

- Do you think the governance arrangements for local partnerships, the health IJB, and the council's arms-length bodies are clear and fit for purpose?
- Do you have the necessary skills and abilities to undertake your role?
- Do you receive support and training on your roles and responsibilities in relation to any partnership or arms-length body that you sit on?
- Does your training specifically cover your legal responsibilities as a member or trustee in relation to the company or charitable trust that you are a member of?
- Do you make a strong contribution through your attendance and engagement at board meetings?
- Are the different aspects of the role clear eg providing strategic direction, scrutiny, audit, and representing the council or community?
- Is the performance of the local body or partnership sufficiently monitored and reported to council?
- Does the IJB have a common culture and purpose – is there a clear vision for improving care?

#### As a chief officer:

- Does your council provide sufficient training and support to councillors in their roles on local partnerships and boards?
- Does the council understand and observe the Following the Public Pound guidance? (eg setting clear criteria for funding, audit access, and monitoring)
- Does the council have a clear rationale for council representatives having a role on outside bodies and partnerships?
- Are you satisfied with the governance of the IJB including how its decisions are reported to the council?

## The role of statutory officers

### As a councillor:

- Do you understand the roles of statutory officers, and do you have confidence in their abilities and contribution? (eg monitoring officer, chief social work officer, chief finance officer)
- Have you received sufficient training on the roles and responsibilities of statutory officers?
- Do you/your committee understand how and when to consult with statutory officers?

### As a statutory officer:

- Do you have sufficient influence to ensure the council operates effectively?
- Are you seen to be accessible in the support that you provide throughout the council?
- Do you have a constructive relationship with the senior management team?
- Are your views sought, and do you provide advice and direction to councillors and senior officials?
- Are the responsibilities of the statutory officer roles adequately set out in the council's governance documents?

## Conduct and working relationships

### As a councillor:

- To what extent do you think councillors work constructively together and show mutual trust and respect?
- Is there a culture of trust and openness between councillors and chief officers?
- Are you made aware of the behaviours and conduct expected of you?
- Are cross party or group meetings and member-to-officer working groups used and do they work well?

### As a chief officer:

- Is sufficient guidance on roles and expected conduct available to both councillors and officers/employees?
- Do you have positive and constructive working relationships with officers?
- Are sufficient opportunities in place for cross party / group meetings, and for members to work with officers?
- Are such meetings constructive, and do they respect the principle for public debate and decision-making?
- Does the council undertake exit interviews for councillors and learn from them?

## Councillor skills

### As a councillor:

- How well do you understand your role in relation to the council, local community, and on partnerships and outside bodies?
- Is training and development sufficient for you to do your job?
- Are you able to make an effective contribution to scrutiny, audit, and financial aspects of council business?
- Do you take up training opportunities and make the most of advice and support from officers?

### As a chief officer:


- Do you ensure that training and development opportunities are available to councillors?

- Does training include essential skills in areas such as scrutiny, audit and financial decision-making?
- Do you give sufficient support, information and guidance to councillors across their diverse roles, including partnerships and arm's-length companies?
- Do you tailor training to the individual needs of councillors make it available on an on-going basis?
- Do you seek feedback on the effectiveness of training and act on this?
- Has the council reviewed the facilities and support provided to councillors to help them make the best use of their time and skills?



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