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ABERDEEN
CITY COUNCIL

<u>To</u>:   Councillor Flynn, <u>Convener</u>; Councillor Yuill, <u>Vice Convener</u>; and Councillors Allard, Bell, Cooke, Crockett, Donnelly, Jackie Dunbar, Duncan, Graham, Lumsden, Avril MacKenzie, McLellan, Reynolds, Samarai, Sellar and Townson.

Town House,
ABERDEEN 19 June 2017

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Council Chamber - Town House** on **<u>TUESDAY, 27 JUNE 2017 at 2.00 pm</u>**.

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

DETERMINATION OF URGENT BUSINESS

1.1   <u>There are no items of urgent business at this time.</u>

DETERMINATION OF EXEMPT BUSINESS

2.1   <u>Members are requested to determine that the exempt business be considered with the press and public excluded.</u>

DECLARATIONS OF INTEREST

3.1   <u>Members are requested to intimate any declarations of interest</u>

REQUESTS FOR DEPUTATION

4.1   <u>There are no requests for deputation at this time.</u>

COMMITTEE BUSINESS AND TRACKER

5.1   <u>Committee Business Statement</u> (Pages 5 - 6)

MINUTE OF PREVIOUS MEETING

NOTICES OF MOTION

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

FINANCE, PERFORMANCE RISK AND SERVICE WIDE ISSUES

Financial Reporting

Performance and Improvement

Risk Management System

Control Environment and Assurance - Internal

Control Environment and Assurance - External

Control Environment and Assurance - Audit Follow Up

GENERAL BUSINESS

EXEMPT BUSINESS

CONFIDENTIAL BUSINESS

Please note that the appendices under this item relate to item 9.2 on the agenda.

At the time of issuing the agenda advice was given that the actual unaudited accounts could not be released to the public due to the London Stock Exchange rules. They will be made available to the public in due course.

EHRIA's related to reports on this agenda can be viewed at
Equality and Human Rights Impact Assessments

To access the Service Updates for this Committee please use the following link:
https://committees.aberdeencity.gov.uk/ecCatDisplayClassic.aspx?sch=doc&cat=13450&path=0

Website Address: www.aberdeencity.gov.uk

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

AUDIT, RISK AND SCRUTINY

COMMITTEE BUSINESS
27 JUNE 2017

Please note that this statement contains a note of every report which has been instructed for submission to this Committee. All other actions which have been instructed by the Committee are not included, as they are deemed to be operational matters after the point of committee decision.

Reports which are overdue are shaded.

	Minute Reference	Committee Decision	Update	Lead Officer(s)	Report Due
1.	Audit, Risk and Scrutiny Cttee 27 Sept 16, Article 11	**Communities, Housing and Infrastructure Risk Register** to request that an update on the risk register be provided to this Committee within six months.	A report is on the agenda **Recommend for removal subject to Committee decision**	B Marjoram	22 June 17
2.	Audit, Risk and Scrutiny Cttee 24 Nov 16, Article 8	**Solar Photovoltaic Agreement** 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.	A report is on the agenda **Recommend for removal subject to Committee decision**	D Hughes	22 June 17

No.	Committee	Minute/Decision	Action	Officer	Date
3.	Audit, Risk and Scrutiny 24 Nov 16, Article 9	**Review of Risk Management Systems** 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.	A report is on the agenda **Recommend for removal subject to Committee decision**	F Bell	22 June 17
4.	Council 14 Dec 16, Article	**Bond Financing Strategy - Implications for the Council** (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 Audit, Risk and Scrutiny Committee as required.	**Recommend for removal as the information is contained within the report on the agenda Unaudited Annual Accounts**	S Whyte	
5.	Audit, Risk and Scrutiny 23 Feb 17, Article	**3rd Don Crossing – Internal Audit Report** (i)　in response to concerns raised from members over the management of the project and other projects across the city, to request the Internal Auditor to undertake an audit to ascertain if adequate controls were in place within the Programme Management Office;	**Recommendation contained with the Internal Audit Progress Report requesting this item be deferred.**	D Hughes	

CYCLE 2 - COMMITTEE STATISTICS **The Tracker Shows the Reports Which are Expected to be Submitted to Future Committee Meetings**				
Report Title	**Committee date**	**Report author**	**Head of Service**	**Purpose of Report**
Internal Audit Progress and Performance	22/06/2017	David Hughes		to provide an update on progress with the 2016/17 audit
Internal Audit Annual Report 16/17	22/06/2017	David Hughes		to present the internal audit annual report and financial statement
Internal Audit Charter	22/06/2017	David Hughes		to seek agreement to amend the internal audit charter
Audit, Risk and Scrutiny Cttee Annual Report	22/06/2017	Martin Murchie	Fraser Bell	Presents the performance report for the Cttee
Ombudsman recommendations	22/06/2017	Lucy McKenzie	Ewan Sutherland	To advise on any SPSO recommendations
CH&I Risk Register	22/06/2017	Mike Hearns	Director	to present the CHI Risk register update
Review of the System of Risk Management	22/06/2017	Neil Buck	Fraser Bell	update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project
ALEO Operating Model	22/06/2017	Iain Robertson	Fraser Bell	seek approval for the new ALEO operating model
Website Breach	22/06/2017	Jamie Kirkwood	Simon Haston	to provide an update to members on the actions taken following the website breach
Budget Setting Process	22/06/2017	Internal Auditor		Review procedures used in setting the Council's budget
Vehicles and Driver Records	22/06/2017	Internal Auditor		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.
Internal Audit Follow Up on Recommendation from April 15/16	22/06/2017	Internal Auditor		provide an update on where services were with implenting agreed recommendations
Unaudited Annual Accounts 2016/17	22/06/2017	Lesley Fullerton	Steven Whyte	overview of the Councils unaudited accounts
Interim Audit Report	22/06/2017	External Audit		Provide update on the Interim Audit
Review of capital programmes	22/06/2017	Bernadette Marjoram		update on the Capital Programme Review
Audit Scotland Value for Money National Reviews	22/06/2017	Martin Murchie	Ciaran Monaghan	summary of Audit Scotland's National Studies
LAN audit and Inspection Plan	22/06/2017	KPMG/A.Scott		to set out planned scrutiny for 2017/18
Appointment of Members to the Corporate Health and Safety Committee	22/06/2017	Karen Rennie	Fraser Bell	Appoint Members to the CHSC
Solar Photovoltaic Agreement	22/06/2017	Internal Auditor		to provide the otcome of work requested

Report Title	Committee date	Report author	Head of Service	Purpose of Report
Internal Audit Progress and Performance	26/09/2017	David Hughes		to provide an update on progress with the 2016/17 and 2017/18 audit
Information Governance Management Annual Report	26/09/2017	Caroline Anderson	Simon Haston	to present the annual report in relation to Information Governance
System of Risk Management	26/09/2017	Neil Buck	Fraser Bell	update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project
Attendance Management	26/09/2017	David Hughes		To test compliance with the attendance management policy and determine if it is having a positive effect on attendance
PECOS System	26/09/2017	David Hughes		Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled
Care of Children and Young People	26/09/2017	David Hughes		To obtain assurance that care needs are being identified, planned and recorded accurately and that costs charged are appropriate and adequately controlled
Building Maintenance	26/09/2017	David Hughes		Attend a selection of locations during 2016/17 year end stock taking and ensure accuracy of process. To include review of stock procedures
Corporate Landlord Responsibilities	26/09/2017	David Hughes		Ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its corporate landlord role
Vehicle Maintenance Workshops	26/09/2017	David Hughes		Ensure that adequate procedures are in place to control the function and obtain best value in maintaining vehicles
Internal Audit Follow Up on Recommendations since 15/16	26/09/2017	David Hughes		provide an update on where services were with implenting agreed recommendations
Audited Annual Accounts 2016/17	26/09/2017	Sandra Buthlay	Steven Whyte	to presesnt the audited annual accounts
Annual Report to Members and the Controller of Audit on the 2016/17 Audit	26/09/2017	External Auditor		to provide External Audit's annual report in relation to the audit of the annual accounts
Benefits	26/09/2017	Internal Auditor		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.
Disclosure Checks	26/09/2017	Internal Auditor		Consider whether arrangements in place to ensure that appropriate employees/volunteers have been checked are adequate.
Integration of Health and Social Care	26/09/2017	Internal Auditor		Post Integration review of Health and Social Care Intervention as required by Intergartion Resource Advisory Group Guidance
ALEO's	26/09/2017	Internal Auditor		Consider how Services manage their ALEO's including payments and performance
Business Continuity Planning	26/09/2017	Internal Auditor		Ensure that Business Continuity Plans are in place as required by the Business Continuity Policy and that arrangements adequately manage identified risks
Application of Health and Safety measures and practices in schools	26/09/2017	Internal Auditor		Consider whether arrangements in place adequately manage risk responsibility in relation to hazard infromation, handling and disposal of chemicals, safety in microbiology, material of living origin and routine fume cupboard testing.

Social Work Transport	26/09/2017	Internal Auditor		Consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way
Office of the Surveillance Commissioner Inspection	26/09/2017	Jessica Anderson	Fraser Bell	to present the findings from the OSC Inspection
Corporate Investigation Team - Fraud Annual Report 2016/17 and Business Plan 2017/18	26/09/2017	Brian Muldoon	Steven Whyte	to present the annual Fraud report

Report Title	Committee date	Report author	Head of Service	Purpose of Report
	CYCLE 4 - COMMITTEE STATISTICS The Tracker Shows the Reports Which are Expected to be Submitted to Future Committee Meetings			
	The Tracker shows the reports due to come to Committee			
Internal Audit Progress and Performance	23/11/2017	David Hughes		to provide an update on progress with the 2016/17 and 2017/18 audit
ALEO Governance	23/11/2017	Roddy MacBeath	Fraser Bell	to provide an upddate in relation to the ALEO Operating Model
System of Risk Management	23/11/2017	Neil Buck	Fraser Bell	update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project
Travel Costs	23/11/2017	David Hughes		Ensure that travel arrangements and claims are made in accordance with the Council's Travel Policy, Procedure and Guidance
Fixed Asset Register	23/11/2017	David Hughes		Consider whether procedures for ensuring timely recording of the acquistion/disposal of assets are adequate and that revaluations are undertaken in accordance with recognised best practice.
Placing Requests	23/11/2017	David Hughes		To review decision making processes and consider whether these are adhered to.
Vehicle Usage	23/11/2017	David Hughes		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.
Social Work Payroll	23/11/2017	David Hughes		Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval) are adequately controlled
Social Work Financial Assessments	23/11/2017	David Hughes		Consider whether adequate arrangements are in place across the Service to undertake finacial assessments in an accurate and efficient manner
Internal Audit Follow Up on Recommendations since April 15/16	23/11/2017	David Hughes		provide an update on where services were with implenting agreed recommendations
Audit Scotland Value for Money National Reviews	23/11/2017	Martin Murchie	Ciaran Monaghan	summary of Audit Scotland's National Studies

Report Title	Committee date	Report author	Head of Service	Purpose of Report
				CYCLE 5 - COMMITTEE STATISTICS **The Tracker Shows the Reports Which are Expected to be Submitted to Future Committee Meetings**
CH&I Risk Register		Mike Hearns	Director	Annual report
Internal Audit Progress and Performance		David Hughes		to provide an update on progress with the 2016/17 and 2017/18 audit
Bond Governance		David Hughes		Consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and safeguarding the Council's credit rating
Financial Ledger System		David Hughes		Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled
Your HR		David Hughes		Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled
Major IT Business Systems		David Hughes		Ensure that the risk of major IT Business Systems failure is adequately managed
Post Election Training for New Council		David Hughes		Ensure that appropriate arrangements were made for training Councillors following the May 2017 Local Government Elections and that training was delivered and was effective
Nursery Education - Pre-School Commissioned Places		David Hughes		Consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure.
Capital Contracts		David Hughes		Ensure appropriate arrangements are in place regarding the tendering for and monitoring of a asample of capital contracts and value for money is being obtained
Care Management		David Hughes		To obtain assurance that care needs are being identified, planned and recorded accurately and that costs charged are appropriate and adequately controlled

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 23 February 2017. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Allan (as substitute for Councillor Graham), Cooney, Copland (as substitute for Councillor Samarai), Corall (as substitute for Councillor Cameron), Crockett, Dickson, Donnelly, Jackie Dunbar, Greig, Lawrence, Malik, Jean Morrison MBE, Reynolds, Townson and Young (as substitute for Councillor Nathan Morrison).

AGENDA ORDER

1.   The Convener requested approval to amend the agenda order as follows:
to take items 1 to 3 as they were presented on the agenda, then items 5.1, 5.2, 5.3, 7.1, 7.3, 7.4, 8.3 and 9.1 and then continue with the remaining items of business to allow the Head of Finance to attend another appointment.

The Convener intimated that agenda item 11.2 from today's agenda had been withdrawn and would not be discussed at today's meeting.

The Committee resolved:-
to agree to the change of agenda order.

DETERMINATION OF EXEMPT BUSINESS

2.   The Convener proposed that item 11.1 of today's agenda (article 26 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 11.1 so as to avoid disclosure of exempt information of the class described in paragraph 8.

MINUTE OF PREVIOUS MEETING OF 24 NOVEMBER 2016

3.   The Committee had before it the minute of its previous meeting of 24 November 2016.

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

WORKPLAN

4.   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.

AUDIT, RISK AND SCRUTINY COMMITTEE
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DECISION TRACKING SHEET

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

The Committee resolved:-
(i)   subject to the decisions taken later on the agenda, to delete items 1 (Third Don Crossing – Internal Audit Report); 3 (Managing Capital Projects); 4 (2016/17 General Fund Revenue and Capital Budget Monitoring – Aberdeen Treasure Hub); 7 (Self Directed Support – Internal Audit Report); and 8 (Update on Current Gas Central Heating Maintenance Framework Contract); and
(ii)   to otherwise note the content of the decision tracking sheet.

INTERNAL AUDIT PROGRESS AND PERFORMANCE - IA/17/001

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

The report recommended:
That the Committee –
(a)   to approve the transfer of the Internal Transport Tendering Procedures audit to the 2017/18 Internal Audit Plan; and
(b)   to approve the transfer of the Commissioning of Children's Social Work Services and Fostering and Adoption Allowances audits into the 2018/19 Internal Audit Plan.

Councillor Jackie Dunbar raised concerns that Services were not responding to requests for information from the Internal Auditor to enable the work on particular audits to be completed.

Councillor Young sought information on when services had been asked for the information as at certain times of the year they could be busy on other work streams, wherein the Internal Auditor advised that they were initially contacted in November with follow up phone calls and that when it was known of particular busy periods that Internal Audit would work round these.

The Committee resolved:-
(i)   to request the Chief Executive and the Interim Depute Chief Executive (Director of Corporate Governance) to discuss the importance of responding to the Internal Auditor with Senior Management to ensure information was presented in a timeous manner and to request that details of who was not responding be provided to the Committee; and
(ii)   to otherwise approve the recommendations contained in the report.

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INTERNAL AUDIT PLAN 2017/18 - IA/17/002

7.   The Committee had before it a report by the Internal Auditor which set out the Internal Audit Plan for 2017/18.

The report recommended:
that the Committee approve the Internal Audit Plan for 2017/18.

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

EXTERNAL AUDIT STRATEGY 2016/17

8.   The Committee had before it a report by the External Auditor which presented the External Audit Strategy for 2016/17.

The External Auditor highlighted the main objectives of their planned audit work with particular reference to the Financial Statement audit including the significant risks and the Best Value audit.

The Committee resolved:-
to approve the External Audit Strategy for 2016/17.

COUNCIL OWNED LAND AND PROPERTY - AC1714

9.   The Committee had before it a report by the Internal Auditor which presented an audit in relation to Council Owned Land and Property and considered whether adequate systems and processes were in place across the Council estate to ensure that the Council had surety over the Land and Buildings that it owns including title.

Councillor Jackie Dunbar sought clarification as to whether the Council had registers in place for the land owned and leased by the Council and for property which was held by the Council as part of the Common Good asset register. The Head of Land and Property Assets advised that the Council were working towards having those registers in place and that he would advise members when they had been completed.

The Committee resolved:-
(i)   in relation to a question from Councillor Jackie Dunbar, to note that the Head of Land and Property Assets would circulate details to the Committee of when the registers for Council owned or leased land and for property would be available for the public to inspect; and

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(ii)   to otherwise note the content of the report and endorse the recommendations for improvement that were agreed by the Service.

TREASURY MANAGEMENT - AC1715

10.   The Committee had before it a report by the Internal Auditor which presented an audit which considered whether the Council's Treasury Management Policy complied with the CIPFA Code of Practice and whether the Council Policy was being complied with.

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

CASH RECEIPTING SYSTEM - AC1711

11.   The Committee had before it a report by the Internal Auditor which presented an audit which considered whether appropriate control was being exercised over the cash receipting system including contingency planning and disaster recovery and whether the interfaces to and from other systems were accurate and proper controls were in place.

The Committee resolved:-
to note the content of the report and endorse the recommendation for improvement as agreed by the Service.

3RD DON CROSSING - IA/17/005

12.   With reference to article 10 of the minute of its meeting of 27 September 2016, the Committee had before it a report by the Internal Auditor which presented the outcome of the audit requested in relation to the Third Don Crossing.

The Internal Auditor was requested to 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.

Members raised concerns relating to the overall management of the project and the lack of documentation available.

The Interim Depute Chief Executive (Director of Corporate Governance) advised that the item later on the agenda (article 19 refers) contained an action plan which identified areas for improvement.

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The Convener sought agreement for the Internal Auditor to undertake an audit to ascertain if adequate controls were in place within the Programme Management Office.

The Committee resolved:-
(i)   in response to concerns raised from members over the management of the project and other projects across the city, to request the Internal Auditor to undertake an audit to ascertain if adequate controls were in place within the Programme Management Office; and
(ii)   to otherwise note the content of the report.

ANNUAL ACCOUNTS 2016/17 - ACTION PLAN - CG/17/008

13.   The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided members with high level information and key dates in relation to the 2016/17 Annual Accounts including linkages to the Council's External Auditor timescales.

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

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

PUBLIC MORTUARY STATUS REPORT - CHI/16/298

14.   With reference to article 35 of the minute of meeting of the Communities, Housing and Infrastructure Committee of 24 January 2017, the Committee had before it the minute extract and the report by the Director of Communities, Housing and Infrastructure relating to the Public Mortuary which requested that the report be submitted to this Committee for information.

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

WEBSITE BREACH - CG/17/033

15.   The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided information relating to the website homepage breach on 28 January 2017.

The report recommended:
that the Committee note the contents of the report and attached appendices.

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Members asked various questions in relation to the breach and whether it was known that there was vulnerability with the system. The IT Manager advised that penetration tests were undertaken on a regular basis and that nothing had been detected during those tests. She further advised that the file type which had been uploaded had now been blocked and additional tests had been carried out to ensure the system was secure.

The Committee resolved:-
(i)   to note the responses provided in relation to previous testing of the website infrastructure relating to potential vulnerability; and
(ii)   to otherwise approve the recommendation contained in the report.

REVIEW OF THE RISK MANAGEMENT SYSTEM - CG/17/005

16.   The Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided an update on progress with implementing the System of Risk Management project plan.

The report recommended:-
that the Committee note the updates against the project plan and agree to receive further updates as the project continued.

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

TIMESHEETS/ALLOWANCES - AC1716

17.   The Committee had before it a report by the Internal Auditor which presented an audit in relation to Timesheets and Allowances which reviewed a sample of timesheets to ensure that they had been completed, authorised and paid correctly.

Councillor Jackie Dunbar sought clarification as to why information had not been passed to Internal Audit as requested. The Convener stated that it was important that if Internal Audit requested information from services that they complied.

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

AGENCY STAFF - AC1712

18.   The Committee had before it a report by the Internal Auditor which presented an audit in relation to Agency Staff which considered whether agency staff were being

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appointed through the appropriate channels and that arrangements for their induction were robust.

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

PRIMARY SCHOOL VISITS - AC1718

19.   The Committee had before it a report by the Internal Auditor which presented an audit in relation to Primary School Visits which considered whether income and expenditure, payroll records, inventories and computer security were adequately controlled and completed.

The Convener sought information relating to why the Council had not claimed reimbursement for the cost of providing milk to nurseries. The Head of Policy, Performance and Resources advised that contact had been made with the unit and that claims would be submitted on an annual basis and that discussions were ongoing as to how many years could be claimed back.

The Committee resolved:-
(i)   in relation to the Council not submitting claims for reimbursement for the cost of providing nursery milk from the Nursery Milk Reimbursement Unit, to note that contact had been made with the unit and that actions were being taken to ensure all monies in the future were claimed; and
(ii)   to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Service.

MATTER OF URGENCY

The Convener intimated that he had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency to enable members to consider the updates in relation to the Third Don Crossing and the action plan at the earliest opportunity and not delaying until the June meeting of the Committee.

3RD DON CROSSING ACTION PLAN - CG/17/006

20.   With reference to article 10 of the minute of its meeting of 26 September 2016, the Committee had before it a report by the Interim Depute Chief Executive (Director of Corporate Governance) which provided an update on the action plan developed by

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Officers following the previous report on the contractual arrangements that were in place to construct the Third Don Crossing, known as the Diamond Bridge.

The report recommended:
That the Committee note the updates provided in the appendix to the report.

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

ABERDEEN TREASURE HUB - ECS/17/020

21. With reference to article 6 of the minute of meeting of the Education and Children's Services Committee of 17 November 2016, the Committee had before it a report by the Director of Education and Children's Services which provided the results of the officer review into the scoping, design and construction of the Aberdeen Treasure Hub.

The report recommended:
That the Committee –
(a) note the findings of the review into the scoping, design and construction of the Aberdeen Treasure Hub which were set out in section 5 in the report;
(b) agree that all Heads of Service ensure that officers conducting a Project Management role had undertaken the appropriate training to enable them to discharge the function;
(c) agree the lessons learnt from the Aberdeen Treasure Hub are incorporated into all future capital planning and management; and
(d) otherwise note the content of the report.

Members raised concerns relating to the increase in the costs for the project and the delays for completing the construction of the building. Members were advised that the scope for the project was changed which led to the increase of the costs of the project.

The Committee resolved:-
(i) to note the concerns raised from members relating to the management of the project and that this would be included in the Internal Audit report as set out at item 8.3;
(ii) to note that the building is of a higher specification that originally planned which contributed to the higher costs;
(iii) in response to a question from Councillor Copland relating to the ongoing running costs of the building, to note that the Head of Policy, Performance and Resources would provide members with the information following discussions with colleagues; and
(iv) to otherwise approve the recommendations contained in the report.

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COMPLIANCE WITH PROCUREMENT RELATED LEGISLATION - AC1717

22.   The Committee had before it a report by the Internal Auditor which presented an audit in relation to Compliance with Procurement Related Legislation which involved a high level review of the Council's spend with a sample of suppliers to obtain assurance that the Council were complying with Legislation and the Council's internal rules and could demonstrate Value for Money had been achieved.

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

INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING PRE 15/16 - IA/17/004

23.   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 FOLLOW UP ON RECOMMENDATIONS FROM 15/16 - IA/17/003

24.   The Committee had before it a report by the internal Auditor which provided an update on progress made by Services with implementing recommendations that were agreed in internal audit reports issued since April 2015.

Councillor Jackie Dunbar raised concerns on the increasing number of recommendations that had not been completed within the original timescales, wherein the Interim Depute Chief Executive (Director of Corporate Governance) advised that he would discuss internal audit recommendations target dates with Senior Management to ensure that dates provided were achievable.

The Committee resolved:-
(i)   in relation to the high number of recommendations not being completed within the original date, to note that the Interim Depute Chief Executive (Director of Corporate Governance) would discuss this with Senior Management to ensure that the target dates expected were realistic for the services and that they were completed on time; and
(ii)   to otherwise note the content of the report and the updates provided.

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AUDIT SCOTLAND VALUE FOR MONEY NATIONAL REVIEWS - OCE/17/001

25.   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 studies.

The report recommended:
That the Committee -
(a)   note the detail of the reports, Local Government in Scotland: Financial overview 2015/16 and How Councils Work, Roles and Working Relationships in Councils: are you still getting it right; and
(b)   consider officer comments

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

       EXEMPT INFORMATION

       In accordance with the decision taken at article1 of this minute, the following item of business was considered with the press and public excluded.

GAS CENTRAL HEATING MAINTENANCE FRAMEWORK CONTRACT - IA/17/006

26.   With reference to article 20 of the minute of its meeting of 24 November 2016, the Committee had before it a report by the Internal Auditor which presented the outcome from the work undertaken in relation to the Gas Central Heating Maintenance Framework Contract.

Members asked why the issues identified had not been reported to a Committee for them to make decisions in relation to the contract, wherein the Head of Land and Property Assets advised that the would determine if there was a committee decision requesting that all issues be reported back and advise members accordingly.

The Committee resolved:-
(i)   in relation to questions from members as to why the issue was not reported to Committee, to note that the Head of Land and Property Assets would determine if there was a Committee decision stating that further reports would be submitted and advise members accordingly;
(ii)   to otherwise note the content of the report.

-   **COUNCILLOR STEPHEN FLYNN, Convener**

AUDIT, RISK AND SCRUTINY COMMITTEE
23 February 2017

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KPMG

Aberdeen City Council

Interim management report and audit status summary

For the year ended 31 March 2017

For audit, risk and scrutiny committee consideration on 22 June 2017

5 June 2017

Contents

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 ("the 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 introduction and responsibilities 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 the Council, telephone 0131 527 6673 email: 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. 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, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Introduction

Purpose of document

In line with our audit strategy we have completed an interim audit. Key activities performed were the testing of a selection of system controls and holding discussions with management to update our understanding and our assessment of the key risks and audit focus areas.

This report provides the Audit, Risk and Scrutiny Committee with an update on:

1) Significant risks and other focus areas (pages four and five);

2) The results of the control testing, encompassing overarching governance and systems controls (pages six to nine).

3) Best Value approach for years one and two (page 10).

Significant risks and other focus areas in relation to the audit of the financial statements as identified in our audit strategy document dated 13 February 2017:

The significant risks identified were:

— fraud risk from management override of controls;

— revenue recognition fraud risk;

— revaluation of property, heritage assets, plant and equipment;

— accounting for the bond issuance;

— retirement benefits; and

— capital expenditure;

The other focus areas identified were:

— presentation of financial statements 'telling the story;

— highway network assets readiness; and

— consolidation of integration Joint Board.

Due to a change in requirements, the highway networking assets readiness focus area is no longer relevant.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout the audit work.

Significant risks and other focus areas
Update: significant risks

We outline below the significant risks and other focus areas included within the audit strategy document, together with an update following the interim audit. We will conclude on these areas in the annual audit report.

Significant risk	Update from strategy
Fraud risk from management override of controls This is an assumed risk from ISA 240 'the auditor's responsibilities relating to fraud in an audit of financial statements' on which we are required to report.	We performed controls testing over expenditure, bank reconciliations, budget monitoring and journals. The results of the testing are set out on pages seven and eight. We did not identify instances where management override of control had occurred. Substantive procedures will be performed during the year end audit, including testing journal entries throughout the year, assessing accounting estimates and significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
Fraud risk from income recognition This is an assumed risk from ISA 240. We consider the fraud risk from other income such as charges or service income to be significant. We rebutted the assumed fraud risk in respect of government grants, local taxes and regulated rental income.	Testing over controls are set out on page eight, with no exceptions identified. We discussed sources of other income with officers across different services to develop our understanding of the service income which is received. Substantive procedures will be performed during the year end audit. We will consider each source of income and analyse results against budgets and forecasts, performing substantive analytical procedures and tests of details.
Revaluation of property, plant and equipment In order to comply with the 2016-17 Code and IFRS 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 Council holds £86 million of investment property, which must be revalued on an annual basis.	We met with the valuations team and discussed the areas being revalued in 2016-17 as well as reviewing the five year rolling programme. As part of our year end audit KPMG's in-house valuer will review the assumptions and valuation methodology used to confirm they are reasonable and in line with Code of Practice on Local Authority Accounting ('the Code'). A sample of revaluations will then be considered in more detail, including the roll forward to 31 March 2017, where all assets need to be held in line with the Code valuation requirement. We will also consider the 31 March 2016 carrying values, as required for our audit of opening balances. We will verify that the revaluation has been correctly disclosed in the accounts and that the accounting entries are correct.
Accounting for the bond issuance 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.	We reviewed bond documentation to obtain evidence for the details used in the bond calculations. We will assess the accounting treatment proposed by the finance team during the final audit. We will consider the approach used against accounting standards based on the assumptions presented and provide challenge where appropriate. The disclosure requirements will also be reviewed against the listing rules regulations and guidance.

Significant risks and other focus areas (continued)
Update: significant risks (continued)

Significant risk	Update from strategy
Retirement benefits The Council is a member of the North East Scotland Pension Fund and recognises a defined benefit liability on its balance sheet being £251million as at 31 March 2016. The determination of the net deficit is inherently judgemental given assumptions are used to derive the value.	For our assessment of opening balances, we performed a review of the 2015-16 assumptions provided within the actuaries' report. These are in line with the KPMG acceptable range of assumptions for 2015-16. Our controls testing over the transfer of pension data to the pension administrators is set out on page eight, with no exceptions noted. The remaining procedures will be performed during the year end audit. Prior to the field work beginning in June, we will request the agreed assumptions for 2016-17 from management to facilitate consideration and benchmarking by our internal actuary.
Capital expenditure Due to the significance of the £1billion capital investment programme and inherent risk of delivering it in line with budget, we consider this to be a significant risk to the classification of costs between operating and capital expenditure. We also consider that large capital projects inherently bring a fraud risk.	We tested controls over capital monitoring and procurement of capital projects. The results are set out on page seven, with no exceptions noted. We have reviewed the capital budget and plan for both 2016-17 and future years and we will perform substantive procedures over capital spend at the final audit. This will include assessing the Public Finance Investment Model used and confirming assets under construction balances have been correctly accounted for.

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Significant risks and other focus areas (continued)
Update: other focus areas

Focus area	Update from strategy
Presentation of the financial statements – 'telling the story' CIPFA issued changes to the Code intended to make the financial statements more understandable and transparent to the reader.	We have started discussions with the finance team on the subject, and the Council provided us with its proposed pro forma Comprehensive Income and Expenditure Statement ("CIES"). We reviewed this for compliance with disclosure and restatement requirements of the Code, with no exceptions. We will review the presentational changes to confirm they reflect the objectives of the 'telling the story' project. We will review the Expenditure and Funding Analysis ("EFA") and Movement in Reserves Statement (MIRS) for compliance with the Code and relevant accounting standards.
Highways network assets CIPFA planned to introduce a requirement in the Code to recognise all highway network assets owned by the Council on the balance sheet at depreciated replacement cost. This would result in a material increase in assets.	An announcement was made at the meeting at the 8 March CIPFA/LASAAC Code Board that the introduction of the Highway Network Asset Code into the financial reporting requirements for local authorities would no longer occur. We therefore no longer consider highways network assets to be an area of audit focus.
Consolidation of the Integration Joint Board ('IJB') The IJB took on full delegated functions from 1 April 2016. The consolidation of the new entity will have a material impact on the 2016-17 financial statements.	The Council's share of the IJB's results and balances will be included in the Council's consolidated accounts. As this is the first year, we have held discussions with officers at any early stage about how the consolidation adjustments will be made and how the results will be treated in the Council's financial statements We presented our audit strategy document to the IJB Audit Committee and have commenced planning work for the IJB audit. We will confirm the accounting treatment and disclosures in the unaudited financial statements are in line with guidance.

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Control framework
System controls

In accordance with ISA 330; "the auditor's response to assessed risks", we have designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls over the main financial systems. Interim audit testing took place during February and March 2017. Overall we concluded that the control environment is effective.

Test	Description	Results
Bank reconciliations	Bank reconciliations are prepared weekly or monthly by the income team and reviewed by a more senior officer. We tested a sample of 38 bank reconciliations across all bank accounts to verify they had been authorised and completed on a timely basis.	All reconciliations were completed and authorised as expected. We noted that evidence of the review of bank reconciliations was not always recorded. We have reported this back to management, however do not consider it impacts the overall operating effectiveness of the control and therefore do not raise a recommendation. We will review all year end bank reconciliations and confirm that the review has been appropriately documented. *Satisfactory*
Budget monitoring	The Council has a robust budget setting process, with involvement of key members of staff. Performance against budget is monitored on a regular basis and formally reported to the Finance, Policy and Resources Committee via the budget monitoring reports. Two months' reports were considered to confirm a sufficient level of detail was presented to and considered by the Finance, Policy and Resources Committee.	Testing confirmed that budget monitoring arrangements are designed, implemented and operating effectively. *Satisfactory*
Procurement testing	The Council has well defined processes for the awarding of contracts, with written procedures to be followed for each contract type and value. Procurement testing covered a sample of 48 contracts awarded in the year, split evenly between those which had gone through the quotation process and those which went to tender. These were checked to verify they had followed the correct procurement route based on value. The tender evaluation was also considered.	Testing is ongoing with various teams across the Council. We will conclude during our final audit. *Conclusion to be reported in the annual audit report.*
Journals authorisation	A sample of 40 journals were selected and checks carried out to confirm segregation of duties exist between who raises and who authorises journal entries. We also considered the back up available for each journal to verify the authoriser could carry out an appropriate review and conclude the journal is correct.	All journals selected were raised and approved by a different officer, as appropriate. Each journal was supported with appropriate back up. *Satisfactory*

Control framework (continued)
System controls (continued)

Test	Description	Results
Payroll	In order to obtain comfort over payroll processes, we tested controls related to employee standing data, when joining, leaving and making changes. This included testing 11 starters, eight leavers and 21 amendments to employee standing data for appropriate authorisation and evidence of segregation of duties.	All changes to the payroll system followed the established process, with appropriate authorisation and segregation of duties. *Satisfactory*
Cost of services (non-payroll expenditure)	A sample of 40 purchase orders were tested by agreeing to invoice and goods received note, to verify appropriate authorisation.	All purchase orders could be matched through the purchase cycle, with appropriate authorisation. *Satisfactory*
Capital expenditure review	Capital expenditure is subject to monthly and quarterly review to ensure that the split between revenue and capital expenditure is correct and appropriate. We tested two monthly reviews of capital expenditure to verify that only items above the threshold of £6,000 were capitalised and see evidence of review. We also tested two quarterly reviews to confirm they had taken place and appropriate cross-referencing to the fixed asset register had taken place.	Review of revenue and capital expenditure is operating effectively. *Satisfactory*
Polices and procedures	Staff have access to a number of polices and procedures through the Council's intranet system, the Zone. This includes HR policies, whistleblowing and general procedural documents. We carried out a review of the key documents to ensure they covered all expected information and were updated within the prescribed timeframe.	All expected polices and procedures were available to staff via the Zone. A number of key documents are under review via the ongoing governance project. We will continue to monitor this progress throughout the audit. *Satisfactory*

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Control framework
System controls (continued)

Test	Description	Results
General ledger	In order to obtain comfort over the completeness and accuracy of the information contained in the general ledger and the financial statements, we reconciled trial balances from the opening and closing periods using the transactions posted in the year.	The Council has a unique approach to completing the financial statements from the general ledger. Several adjustments are made out with the general ledger through manual spreadsheets. In our experience with other local authorities, this is a less efficient way to manage the general ledger and the creation of financial statements. We note the Council is changing the approach for 2017-18 to reduce the manual input and to make the process more efficient. ***Satisfactory***

Wider Scope and Best Value

The Code of Audit Practice sets out four audit dimensions which, alongside best value, set a common framework for all audit work conducted for the Accounts Commission. These areas are; governance and transparency, financial management, financial sustainability and value for money. During our interim audit we commenced our consideration these areas and will conclude our assessment in our Annual Audit Report. We provide an update below of work carried out so far on Best Value.

Area	Audit update
Best Value	We held planning discussions with officers to obtain an understanding of the Council's approach to Best Value and how this is embedded within the Council's culture.
	In year one (2016-17), in line with guidance from the Accounts Commission, we will report on the areas of Financial Governance and Resource Management and Financial Planning. This will be included within the Annual Audit Report. We have reviewed publically available evidence across the two Best Value areas and discussed with management, requesting further support or explanation for us perform the review of Best Value. We will continue to gather information and meet with officers to build our knowledge of Best Value in order to conclude on the two year one areas in our annual audit report.
	In year two (2017-18) we will consider the Best Value areas or Leadership, Scrutiny and Governance and Improvement.
	The approach to Best Value is a maturing area and we are discussing and debating future year Best Value plans and approach with Audit Scotland.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	27 June 2017
REPORT TITLE	Unaudited Annual Accounts 2016/17
REPORT NUMBER	CG/17/066
LEAD OFFICER	Steven Whyte, Head of Finance
REPORT AUTHOR	Lesley Fullerton

1.   PURPOSE OF REPORT:-

1.1   The purpose of this report is to provide Elected Members with an overview of the Council's 2016/17 unaudited Annual Accounts.

1.2   To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2016/17 unaudited Annual Accounts subject to this approval.

1.3   The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2.   RECOMMENDATION(S)

It is recommended that the Committee:

a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2016/17;

b) consider the Council's unaudited Annual Accounts 2016/17;

c) consider the unaudited Annual Accounts 2016/17 of the Council's registered charities;

d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to Audit Scotland by 30 June 2017;

e) note that as now required by statute, the Audit, Risk & Scrutiny Committee on 26 September 2017 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance, Chief Executive and Council Leader;

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f) note that the Audit, Risk & Scrutiny Committee of 26 September 2017 will also receive the external auditor's "Annual Report Members and the Controller of Audit" for debate and consideration and that this report will set out the auditor's finding and conclusions from all audit activity undertaken during the year, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and

g) note that the Audit, Risk & Scrutiny Committee on 26 September 2017 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

3.   BACKGROUND/MAIN ISSUES

Annual Governance Statement

3.1   The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).

3.2   The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

3.3   The Council has developed its approach to the annual governance review process and in 2016/17 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.

3.4   There are different layers of assurance that have been considered and used in determining the content of the AGS.   These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.

3.5   Management assurance includes the certification of internal controls and assurance by all Heads of Service, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.

3.6   Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.

3.7   The Standing Orders, Terms of Reference and Scheme of Delegation define the roles and responsibilities for officers and Elected Members.

3.8   The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.

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3.9   Given the specialist nature of risk management and its importance to a strong governance framework, the Good Governance Institute (GGI) was approached to evaluate the Council's system of risk management in August 2016 and reported with an assurance development programme in September 2016. This recommended a series of governance and risk improvements which are in the process of being implemented through the Performance, Risk and Improvement Board within the Change Delivery Portfolio.

3.10   The Council also invited CIPFA to undertake an interim independent assessment of its governance arrangements, prior to a full assessment against the Mark of Excellence. The results of the interim assessment are included in Table A of the AGS, and demonstrate that the Council is "substantially achieving" CIPFA's standard of good governance. In March 2017, CMT reviewed an action plan to address the areas where improvements are required.

3.11   Management Assurance has also been used in considering the progress that has been made around the six significant issues identified in last year's statement. During 2016/17 sufficient progress had been made in addressing four of the issues such that they have now been removed from the list of significant items. For the remaining two items, whilst positive progress has been made, management recognise that there is further work to be undertaken and consider that they should remain on the AGS for 2016/17. Ten new items have been added to the list of significant issues and actions to address these are outlined in section 4 of the AGS.

3.12   In undertaking a self-evaluation of the Council's effectiveness of its governance framework a number of officers have reviewed the Local Code using the CIPFA/SOLACE checklists and drawn judgements on the extent to which the Council is effectively complying with the code.

3.13   The results of this exercise are set out in Table A of the AGS, where it can be seen that officers consider that we are fully compliant with 53 of the local code requirements (exceeding the requirements in 1 area), but are only partially compliant in 45 areas. Actions to make further improvements to achieve full compliance across all areas of the local code requirements are set out in Table B in section 3 of the AGS.

3.14   Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have consistently provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.

3.15   The annual report from the Head of Internal Audit on the work that they've carried out in 2016/17 is also being considered by this Committee. The content of this has supported the preparation of the AGS.

3.16   The report highlights that 26 audits were carried out during the year, providing 340 recommendations that were accepted by management and once implemented will improve the Council's internal control environment. The report also highlighted that some limitations to the scope of the audits had

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been experienced. Management considered this to be a significant governance issue and is accordingly included in the list of significant issues outlined in section 4 of the AGS. The report concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the internal control systems.

3.17 Of the recommendations made 5 were classed as major at corporate level and 9 major at a service level/within the audited area. Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to this Committee. These 14 recommendations resulted from 6 separate audits. Whilst all 6 were considered for inclusion in the AGS, management considered that implementation of the recommendations relating to 4 of these audits had progressed sufficiently such that they did not need to be included in the AGS.

3.18 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council's external auditor, Audit Scotland, reported on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2016/17. Nine such reports were presented to Committee during the year. Management considered that the recommendations from 8 of these reports were either of low risk to the Council or had progressed sufficiently such that they did not need to be included in the AGS.

3.19 The preparation of the AGS also featured a review of other external scrutiny. Two reports from the care inspectorate were considered in preparing the AGS for 2016/17. In relation to both these reports management considered that implementation of the recommendations had progressed sufficiently such that they did not need to be included in the AGS.

3.20 Self-evaluation identified a further 17 areas to be considered, of which management considered that there were no governance issues in relation to 9 and with sufficient progress made in 2 others such that they did not need to be included in the AGS.

3.21 In conclusion and in examining the evidence, the 2016/17 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.

3.22 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and Leader of the Council. It is recommended for approval prior to being signed off.

Unaudited Annual Accounts

3.23 On 23 February 2017 this committee received and noted the contents of a report, "Annual Accounts 2016/17 – Action Plan" which provided high level information and key dates in relation to the production of the 2016/17 Annual Accounts.

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3.24 The key dates contained within the above report were:-

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

3.25 There is a statutory requirement under the Local Authority Accounts (Scotland) Regulations 2014 that Annual Accounts for each financial year be submitted for audit to the external auditor no later than 30 June in the next financial year.

3.26 This means that the unaudited Annual Accounts for 2016/17, prepared in accordance with the relevant Accounting Codes of Practice, require to be submitted by 30 June 2017 to Audit Scotland.

3.26 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance. In recent years this committee has received the accounts prior to submission to the auditor and this is seen as good practice. As the body charged with governance it allows the committee the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness before they are submitted for audit.

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Inspection and Audit of the Accounts

3.27   The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2017 and therefore the latest date for issuing this public notice is 16 June 2017. The inspection must last 15 working days and will therefore end on 21 July 2017.

3.28   The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.

3.29   On completion of the audit process, the external auditor's will present their report "Annual Report to Members and the Controller of Audit" to the meeting of this committee on 26 September 2017. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.

3.30   The audited Annual Accounts will also be presented to this meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Head of Finance, Chief Executive and Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2017.

Financial Performance and Review of the Accounts

3.31   It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.

3.32   A report covering the detailed financial position of the Council will be considered by the Finance, Policy and Resources committee on 29 June 2017. This report covers the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2017.

3.33   Against total funding from Council Tax, Non Domestic Rates and Revenue Support Grant of £435.2m, the four core services incurred net spend of £426.3m whilst the net spend on the corporate budgets, including capital financing costs and surpluses from trading operations, was £6.3m.

3.34   During 2016/17 the Council obtained a credit rating (Aa2) from Moody's Investors Service, highlighting the Council's financial strength and stewardship, a strong local economy and institutional framework as key to this rating. Thereafter, following its listing on the London Stock Exchange (LSE), in

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November 2016 the Council issued bonds of £370 million, thus raising finance to fund the Council's capital investment programme.

3.35 The credit rating and LSE listing has brought a number of reporting and governance requirements, including the need to consider our financial management systems, processes and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.

3.36 A project is underway which will see the Council's financial reporting move from monthly to quarterly and to bring about the faster closedown and production of the annual accounts. This project has a number of implications and these will be reported to the Finance, Policy and Resources committee on 29 June 2017. The main impact on this committee will be in relation to when the committee will receive the unaudited and audited annual accounts.

3.37 The following paragraphs highlight a number of the key sections of the Annual Accounts.

3.35 <u>Management Commentary</u> – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.

3.36 <u>Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis</u> - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.

3.37 <u>Balance Sheet</u> – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e. assets less liabilities) have decreased by £22.8 million, from March 2016 to a total of £1.5billion at March 2017. The corresponding decrease in reserves reflects a £8.6 million and £14.1 million drop in usable reserves and unusable reserves respectively.

3.38 <u>Common Good and Trusts</u> – the Common Good CIES and Balance Sheet reflect a decrease in the value of its net assets which has resulted in its value decreasing by £1.3million to £111.1million at March 2017. The financial statements of the Trusts now clearly reflect the split between charitable and non charitable trusts. This will aid the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.

3.39 <u>Group Accounts</u> – these include the Council, its subsidiaries, associate, and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.6 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

Registered Charities

3.40 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are nine separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.1 million, after the elimination of intra trust balances i.e. the investment in the Lands of Skene by the Guildry and Bridge of Don trusts.

3.41 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report being reported back to this committee on 26 September 2017 for approval prior to signature by the relevant officers and the Council Leader.

3.42 Thereafter, they will be submitted to OSCR, no later than 15 December 2017.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

5.1 The preparation of the Annual Governance Statement is a part of the Council's compliance with the CIPFA/SOLACE guidance on 'Delivering Good Governance in Local Government'.

5.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with The Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally accepted accounting practices. 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.

6. MANAGEMENT OF RISK

Financial

6.1 The robust process of closing the accounts at the financial year-end means that all reasonable steps have been taken to ensure that they are reflective of the financial circumstances of the Council during 2016/17 and as at 31 March 2017. A risk remains that the external audit process reveals potential errors or adjustments and these will be discussed by officers and the external auditor throughout the process, before the audited Annual Accounts and the auditor's report and opinion is presented to the Audit, Risk & Scrutiny Committee in September 2017. The risk is low.

Employee

6.2 A detailed year end timetable has been drawn up to ensure all employees are aware of their involvement in the year end process and the information they

must provide for the Annual Accounts. A risk remains that the external audit process reveals potential errors and adjustments and these will be scrutinised by officers and the external auditor throughout the process, before the audited Annual Accounts and the auditor's report and opinion is presented to the Audit, Risk & Scrutiny Committee in September 2017. The risk is low.

Customer

6.3   KPMG are the Council's external auditors, a highly reputable firm who will examine and analyse the Annual Accounts and report their findings in the Annual Audit Report. This will minimise any risk to users of the Annual Accounts. The risk is low.

Environmental

6.4   This report has no environmental risks.

Technological

6.5   The production of the Annual Accounts relies on the finance systems of the Council. There is a risk that these systems could be disrupted. To mitigate these risks the Council has a digital strategy that includes undertaking regular and rigorous checks, taking action as appropriate to protect the integrity of all systems. The risk is low.

Legal

6.6   The annual external audit scrutiny provides assurance that the legislation referred to in paragraph 5.2 has been followed. The risk of the Annual Accounts not complying with this legislation is low.

Reputational

6.7   There is a risk that the information contained in the Annual Accounts document may cause damage to the Council's reputation. This risk is mitigated by independent examination of this information by senior staff members and the external auditors. The risk is therefore low.

7.   IMPACT SECTION

Economy

7.1   The accounts for 2016/17 have recognised the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council's corporate role in delivering wider 'business facing' activity in supporting the competitiveness of the business environment.

7.2   The economy is exposed to external issues such as Brexit, globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.

People

7.3   The Accounts for 2016/17 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.

Place

7.4   The Annual Accounts report provides financial information to the people of Aberdeen regarding the services in their area. The narrative report contained within explains the governance of the Council, and projects that ACC has undertaken over the past year, along with future plans for Aberdeen City.

Technology

7.5   The aim of the Council's digital strategy is to make it easier for employees to do their jobs, give customers better choice in how they get information and use services, ensure that information is shared and to use data to make better decisions.

8.   BACKGROUND PAPERS

'Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;
Unaudited Annual Accounts 2016/17

9.   APPENDICES

Appendix A - Unaudited Annual Accounts 2016/17

10.   REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 June 2017
TITLE OF REPORT	Internal Audit Progress
REPORT NUMBER	IA/17/010
DIRECTOR	N/A
AUTHOR	David Hughes

1.   PURPOSE OF REPORT

1.1   This report advises the Committee of Internal Audit's progress against the approved 2016/17 and 2017/18 Internal Audit plans.

2.   RECOMMENDATIONS

2.1   The Committee is requested to:

2.1.1   Approve a delay in the audit it requested, relating to whether there are adequate controls in the Programme Management Office, to quarter four of 2017/18, and

2.1.2   To otherwise review, discuss and comment on the issues raised within this report and the attached appendices.

3.   BACKGROUND / MAIN ISSUES

3.1   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 9 June 2017 by Original Target Committee Date						%age
	Jun 16	Sep 16	Nov 16	Feb 17	Jun 17	Total	
Complete	5	5	5	5	0	20	77.0
Draft Report	0	0	0	1	2	3	11.5

Issued							
Work in Progress	0	0	0	0	0	0	0.0
Moved to 2017/18 or 2018/19 (*)	0	0	0	0	3	3	11.5
To Start	0	0	0	0	0	0	0.0
Total	5	5	5	6	5	26	100.0

(*) As agreed by the Audit, Risk and Scrutiny Committee on 23 February 2017.

3.2 The Internal Audit plan for 2017/18 was approved by this Committee on 23 February 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, although the Committee was advised that some of these may change in order to ensure that External Audit could place reliance on specific work. These changes have yet to be confirmed. Appendix B to this report shows progress with the audits contained in the plan and a summary is shown in the following table.

Planned Audit Status	As at 9 June 2017 by Original Target Committee Date						%age
	Jun 17	Sep 17	Nov 17	Feb 18	Jun 18	Total	
Complete	0	0	0	0	0	0	0
Draft Report Issued	1	1	0	0	0	2	6.9
Work in Progress	2	2	0	0	0	4	13.8
To Start	0	3	6	8	6	23	79.3
Total	3	6	6	8	6	29	100.0

3.3   Progress has been slower than anticipated and the reasons are detailed in Appendix B

3.4   At its meeting on 23 February 2017, the Audit, Risk and Scrutiny Committee requested that Internal Audit undertake an audit to ascertain if adequate controls were in place within the Project Management Office. When work commenced on this review, Internal Audit was advised that a consultant had been engaged to undertake a review of the Capital Programme and the issue of project management was being covered in that review. As the resultant report is due to be presented to the Audit, Risk and Scrutiny Committee at today's meeting, it was considered that to undertake a similar review might not add value at this time. The report identifies a number of areas for improvement and recommends that Internal Audit undertake an audit in quarter four of 2017/18 to give assurance that the report's recommendations have been implemented. The Committee's support for this is being sought.

4.   FINANCIAL IMPLICATIONS

4.1   There are no direct financial implications arising from the recommendations of this report.

5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report.

6.   MANAGEMENT OF RISK

6.1   The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Where planned progress is not maintained, there is a risk that sufficient work will not have been completed by the end of the financial year for Internal Audit to complete its annual opinion on the Council's control environment.

7.   IMPACT SECTION

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to note Internal Audit's progress against the Internal Audit plan. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8. APPENDICES

8.1 Appendix A – Progress with 2016/17 Internal Audit Plan.

8.2 Appendix B – Progress with 2017/18 Internal Audit Plan.

9. 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 9 June 2017		Red Amber Green	Comment where applicable

CROSS SERVICE

ALEOs	Consider how Services manage their ALEOs including payments and performance.	Draft report due to be issued Draft report issued	10.01.17 12.04.17	Red	*Services have not provided information requested during the audit process. This is being followed up on a regular basis by the Auditor.*
		Management response due Management responses received: - Education & Children's Services (complete) - Economic Development (feels no response necessary on AECC as wound up) - Finance (partial response) - Health & Social Care Partnership (complete) - Land and Property Assets (complete)	04.05.17 05.05.17 & 17.05.17 17.04.17 & 17.05.17 17.05.17 23.05.17 18.05.17		
		Final draft issued to Service Final draft agreed			
		Final report issued			
		Original target Committee date Anticipated submission to Committee Amended submission to Committee	23.02.17 22.06.17 26.09.17	Red	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE

Budget Setting Process	Review procedures used in setting the Council's budget.	Draft report due to be issued Draft report issued	03.10.16 13.12.16	Green	*Delayed pending resolution of budget monitoring audit*
		Management response due Management response received	13.01.17 24.01.17	Amber	
		Final draft issued to Service Management response received	30.01.17 15.02.17	Green Amber	Further changes requested by Head of Finance
		Updated draft issued to Service Reminders sent to Service Final draft agreed	24.02.17 16.03.17 10.04.17 27.04.17 03.05.17	Green Amber Red	
		Final report issued	04.05.17	Green	
		Original target Committee date Revised date Actual submission to Committee	24.11.16 23.02.17 22.06.17	Red	

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SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
Benefits	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Draft report due to be issued Draft report issued	28.04.17 28.04.17	Green	
		Management response due Management response received	26.05.17 30.05.17	Green	Meeting held on 06.06.17 to discuss further
		Final draft issued to Service Final draft agreed	N/A		
		Final report issued	N/A		
		Original target Committee date Amended submission to Committee	22.06.17 26.09.17	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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 Changed to Draft report issued	27.02.17 28.04.17 28.04.17	Green	Change requested by Service as they were dealing with a review by Disclosure Scotland
		Management response due Management response received: - HR (partial response) - C&PS	26.05.17 10.05.17 17.05.17	Green	Responses resulted in further queries from Internal Audit that need to be addressed before the report is progressed.
		Final draft issued to Service Final draft agreed	06.06.17 N/A	Green	
		Final report issued			
		Original target Committee date Amended submission to Committee	22.06.17 26.09.17	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE

SUBJECT / SCOPE	OBJECTIVE	Progress		RAG	Comment
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 Draft report issued	17.02.17 17.02.17	Green	*Delayed due to staffing issues in Public Infrastructure and Environment*
		Management response due Management response received	10.03.17 10.03.17	Green	
		Final draft issued to Service Final draft agreed	13.03.17 13.03.17	Green	
		Final report issued	13.03.17	Green	
		Original target Committee date Anticipated submission to Committee Actual submission to Committee	23.02.17 22.06.17 22.06.17	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

GENERAL

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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.			

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
Photovoltaic Panels	Review of the contractual arrangements in relation to the photovoltaic panels' contract.	Draft Committee report issued to Service	10.01.17	Green	This report was included on the Committee's agenda on 23 February 2017 but was withdrawn prior to the start of the meeting at the request of the Head of Finance and agreed by the Convener.
		Report agreed with Service	15.02.17	Amber	
		Anticipated submission to Committee Actual submission to Committee Deferred until	23.02.17 23.02.17 22.06.17	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
Controls in Programme Management Office	Review controls within the Project Management Office to manage projects.	It has been recommended in this Committee report that this review is delayed until quarter four of 201718.			

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017	Red Amber Green	Comment where applicable

INTEGRATION JOINT BOARD

The following audit is 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.

SUBJECT / SCOPE	OBJECTIVE			
Health and Social Care Partnership	Post Integration review of Health and Social Care Intervention as required by Integration Resource Advisory Group (IRAG) Guidance.			

APPENDIX B

PROGRESS WITH 2017/18 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

CROSS SERVICE

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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.	Draft report due to be issued	16.06.17	Green	There were delays in the provision of data requested from Emergency Planning relating to specific BCPs. This has now all been received.
		Original target Committee date Anticipated submission to Committee	22.06.17 26.09.17	Amber	
Attendance Management	To test corporate compliance with the attendance management policy and determine if it is having a positive effect on attendance.	Draft report due to be issued	28.06.17	Green	
		Original target Committee date	26.09.17		
Travel Costs	Ensure that travel arrangements and claims are made in accordance with the Council's Travel Policy, Procedure and Guidance.	Original target Committee date	23.11.17	Green	Not yet commenced
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.	Original target Committee date	Feb 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

CROSS SERVICE (continued)

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.	Original target Committee date	Apr 18	Green	Not yet commenced

CORPORATE GOVERNANCE

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.	Original target Committee date	26.09.17	Green	Not yet commenced

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.	Original target Committee date	23.11.17	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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.	Original target Committee date	Feb 18	Green	Not yet commenced
YourHR	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	Original target Committee date	Feb 18	Green	Not yet commenced
Major IT Business Systems	Ensure that the risk of major IT Business Systems failure is adequately managed.	Original target Committee date	Feb 18	Green	Not yet commenced
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.	Original target Committee date	Feb 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

EDUCATION AND CHILDREN'S SERVICES

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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.	Draft report due to be issued Changed to Draft report issued	28.04.17 02.06.17 02.06.17	Amber Green	Discussions with Health, Safety and Wellbeing Team delayed due to annual leave in that Team.
		Management response due Management response received	30.06.17 N/A		
		Original target Committee date Anticipated submission to Committee	22.06.17 26.09.17		
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.	Original target Committee date	22.09.17	Green	Not yet commenced
Placing requests	To review decision making processes and consider whether these are adhered to.	Original target Committee date	23.11.17	Green	Not yet commenced
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.	Original target Committee date	Feb 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

EDUCATION AND CHILDREN'S SERVICES

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.	Original target Committee date	Apr 18	Green	Not yet commenced

COMMUNITIES, HOUSING AND INFRASTRUCTURE

Vehicle Maintenance Workshops	Ensure that adequate procedures are in place to control the function and obtain best value in maintaining vehicles.	Original target Committee date	26.09.17	Green	Not yet commenced

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.	Draft report due to be issued Draft report issued	02.06.17 02.06.17	Green	
		Management response due Management response received	30.06.17 N/A		
		Original target Committee date	26.09.17		

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.	Draft report due to be issued Draft report issued	21.08.17	Green	
		Original target Committee date	26.09.17		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
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.	Original target Committee date	23.11.17	Green	Not yet commenced
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.	Original target Committee date	Feb 18	Green	Not yet commenced
Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	Original target Committee date	Apr 18	Green	Not yet commenced
Craft Workers Payroll	Ensure that new Terms and Conditions have been implemented and are being complied with.	Original target Committee date	Apr 18	Green	Not yet commenced
Homeless Persons – Housing Support budget	Consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.	Original target Committee date	Apr 18	Green	Not yet commenced
Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	Apr 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable

ADULT SOCIAL CARE

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017		Red Amber Green	Comment where applicable
Social Work Transport	Consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way.	Draft report due to be issued Changed to Draft report issued	27.04.17 16.06.17	Amber	The Public Transport Unit was unable to meet with Internal Audit until 10 May 2017, delaying commencement of audit as planned.
		Original target Committee date Anticipated submission to Committee	22.06.17 26.09.17		
Social Work Payroll	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled.	Original target Committee date	23.11.17	Green	Not yet commenced
Social Work Financial Assessments	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.	Original target Committee date	23.11.17	Green	Not yet commenced
Care Management	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	Original target Committee date	Feb 18	Green	Not yet commenced

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SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 June 2017	Red Amber Green	Comment where applicable

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.		

First Level Control work in relation to Interreg Projects	Certify six-monthly grant claims made in relation to HyTrEc2, ACE Retrofitting, and Heat Net projects and required by Interreg Programme Secretariat.	Work in progress on an on-going and as required basis.		

INTEGRATION JOINT BOARD

The following audit is 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.

Integration and Change Funding	Ensure appropriate governance is in place to manage delivery of funded projects and use of the funds.			Not yet commenced

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 June 2017
TITLE OF REPORT	Internal Audit Annual Report and Internal Financial Control Statement 2016/17
REPORT NUMBER	IA/17/008
DIRECTOR	N/A
AUTHOR	David Hughes

1.   PURPOSE OF REPORT

1.1   The purpose of this report is to provide the Committee with Internal Audit's Annual Report and Internal Financial Control Statement for 2016/17.

2.   RECOMMENDATIONS

It is recommended that the Committee:

2.1   Note the Internal Financial Control Statement for 2016/17;

2.2   Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;

2.3   Note that there has been limitation to the scope of Internal Audit work during 2016/17; and

2.4   Note that no self-assessment has been undertaken as required by the Public Sector Internal Audit Standards as an external assessment is being completed by KPMG.

3.   BACKGROUND / MAIN ISSUES

3.1   It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including its annual work programme. Internal Audit reports interim progress at each meeting of the Committee.

3.2   The Internal Audit plan for 2016/17 was agreed by the Audit, Risk and Scrutiny Committee on 9 March 2016. Each of the audits contained in the plan was allocated a certain number of days

determined by the perceived complexity of the work, level of testing envisaged and expected outcome of the audit. The plan also included an allocation of time for dealing with additional work requests, providing advice to Services, and for investigations into suspected financial irregularities.

3.3   Appendices A and B to this report detail the position with those audits carried forward from 2015/16, along with details relating to audits contained in the original 2016/17 plan. Some 2016/17 audits have been deferred as agreed by the Audit, Risk and Scrutiny Committee previously.

3.4   The 2016/17 Internal Audit plan was based on the Internal Audit Section being fully staffed during the year. However, the Section was operating at less than full establishment during the year due to: higher than usual sickness absence; a member of staff being called-up by the armed forces for a year from November 2015 and the replacement leaving the Section before the substantive employee returned to duty; and the resignation and new appointment of one of the two Senior Auditors. However, the Section ended the year at full establishment. It is estimated that around 10% of the Section's capacity during the year was lost for these staffing reasons.

3.5   During 2016/17, a majority of recommendations made by Internal Audit were accepted which, if taken to full implementation, will improve the Council's internal control environment and, in some cases, result in more efficient and effective processes, and financial savings for the Council. Any failure to implement the more significant recommendations can have an impact on the overall Internal Audit opinion expressed in the annual Internal Financial Control Statement and the level of assurance that can be provided to those charged with governance. Internal Audit monitor the implementation of agreed recommendations on a regular basis with the results reported to each meeting of the Audit, Risk and Scrutiny Committee.

3.6   Despite the issues raised above, it is considered that sufficient work was completed during the year, or was sufficiently advanced by the year-end, on which to base the conclusion drawn in the annual Internal Financial Control Statement. This is attached as Appendix C, and, despite some areas of concern having been raised during the year as detailed in the appendix, concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2017.

3.7   The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor report to Senior Management and the Board (the Scrutiny and Audit Committee) on the outcome of Internal Audit's Quality Assurance and Improvement Plan (QAIP).

3.8   For 2015/16, a checklist developed by the Scottish Local Authorities

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Chief Internal Auditors Group for undertaking external peer reviews was used to undertake the required self-assessment in assessing conformance with the PSIAS and the associated Local Government Application Note. The checklist is a lengthy document, comprising a range of detailed questions, which leads to an assessment of 13 key areas of the PSIAS. Following completion of the self-assessment, the outcome, for 2015/16, was that Internal Audit either Fully or Generally Complied with all areas examined. Where General Compliance was recorded, actions were determined with the intention of moving these areas to Fully Complies.

3.9 No internal self-assessment has been completed for 2016/17 as an external review is in the process of being completed by KPMG. The outcome of this review is scheduled to be reported to the Audit, Risk and Scrutiny Committee as a separate item in September 2017.

3.10 As part of reporting on the QAIP, there is a requirement to provide the Board with performance data. As has been reported previously, this has been a matter of debate amongst practitioners in Scotland with little consensus reached on what should be measured. However, Internal Audit's performance data, as it stands, is attached as Appendix D for discussion.

3.11 The Standards also require that Internal Audit confirms to the Board, at least annually, that it is organisationally independent. The organisational independence of Internal Audit is established through Financial Regulations (approved by the Finance, Policy and Resources Committee) and the Internal Audit Charter (approved by the Audit, Risk and Scrutiny Committee). Other factors which help ensure Internal Audit's independence are that: the Internal Audit plan is approved by the Audit, Risk and Scrutiny Committee; and, Internal Audit reports its outputs to Committee in the name of the Chief Internal Auditor.

3.12 There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2016/17, there have been a number of areas where Internal Audit's work has been limited:

- Internal Audit report AC1617 – Self-Directed Support:

  "Although the Service has provided summary and detailed information and explanations on request, the scope of the audit has been restricted to a degree as the auditor was not granted access to CareFirst or the full detail of Support Plans and other records, due to concerns within the Service over compliance with data protection legislation. Whilst partial assurance has been obtained from the data and redacted documentation provided, there is a risk that omitted or redacted records could have contained information to confirm, add, or contradict

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findings raised within this report. The Service has stated that information redacted was third party and personal information relating to service users families only, however Internal Audit cannot verify this without access to the original documentation."

Note- The level of access that Internal Audit will have to the Care First System has now been agreed and is being arranged.

- Internal Audit report AC1709 – CareFirst System:

"As reported in previous Internal Audit reports the Service has not granted direct access to the live CareFirst system due to concerns over compliance with data protection legislation. Internal Audit has instead obtained assurance through examination of the processes and systems in place, discussion with key officers, redacted records provided by the CareFirst Team, and viewing data from the anonymised Test version of the system. Although the Service has stated that the Test and Live systems are directly comparable, restrictions on access to live data could have had an effect on the findings and the level of assurance obtained through the audit process."

Note- The level of access that Internal Audit will have to the Care First System has now been agreed and is being arranged.

- Internal Audit report AC1716 – Timesheets and Allowances:

"6 rotas covering 58 staff were not provided as requested so no assurance can be provided regarding these."

- Internal Audit report AC1717 – Compliance with Procurement Related Legislation and Internal Regulations:

"No response has been received from officers contacted relating to 13 of the sampled suppliers. Therefore, no assurance can be provided regarding the level of spend with each of these."

- In addition to the above, Internal Audit's regular progress reports have highlighted areas where progress has been delayed due to requested data or responses to draft reports not being provided and additional requests having to be made to secure the requested information.

3.13 Such instances impact on Internal Audit's ability to progress planned work efficiently and within budget, and to provide those charged with governance the level of assurance required. At its meeting in February 2017, the Audit, Risk and Scrutiny Committee requested that the Chief Executive and Depute Chief Executive (Director of Corporate Governance) discuss the importance of responding to the

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Internal Auditor with Senior Management to ensure information was presented in a timeous manner.

4.   FINANCIAL IMPLICATIONS

4.1   There are no direct financial implications arising from the recommendations of this report.

5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report.

6.   MANAGEMENT OF RISK

6.1   The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and any that are considered to be "Major" are referred to in Internal Audit's Statement on the Internal Control System (Appendix C).

7.   IMPACT SECTION

7.1   **Economy** – The proposals in this report have no direct impact on the local economy.

7.2   **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on Internal Audit's annual report, performance measures and Internal Financial Control Statement. The proposals in this report will have no impact on improving the staff experience.

7.3   **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4   **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8.   BACKGROUND PAPERS

8.1   All Internal Audit reports as detailed in Appendices A and B.

9.   APPENDICES

9.1   Appendix A – 2015/16 Audit Work carried forward into 2016/17.

9.2   Appendix B – 2016/17 Audit Work.

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9.3   Appendix C – Internal Audit Statement relating to Aberdeen City
         Council's Internal Control System for the year ended 31 March 2017

9.4   Appendix D – Internal Audit Performance Measures.

10.   REPORT AUTHOR DETAILS

         David Hughes, Chief Internal Auditor
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         (01224) 664184

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APPENDIX A

2015/16 Audit Work carried forward into 2016/17:

Service	Audit Topic	Position
Cross Service	Compliance with Procurement related Legislation	Complete June 2016
Corporate Governance	Bank Reconciliations	Complete November 2016
	Benefits – Council Tax Reduction	Complete April 2016
	Budget Monitoring	Complete November 2016
Education and Children's Services	Family Centres	Complete July 2016
	Secondary Schools	Complete April 2016
	Teachers Payroll	Complete April 2016
Communities, Housing and Infrastructure	Housing Rent Collection	Complete April 2016
	Vehicle and Driver Records	Complete April 2016
Adult Social Work / IJB	Self-Directed Support	Complete October 2016
	Social Work Tendering Procedures	Complete April 2016

APPENDIX B

2016/17 Audit Work:

Service	Audit Topic	Position
Cross Service	Council Owned Land and Property	Complete February 2017
	ALEOs	Draft report issued April 2017
	Compliance with Procurement related Legislation	Complete February 2017
	Timesheets / Allowances	Complete January 2017
	Following the Public Pound	Complete November 2016
	Data Protection	Complete September 2016
Corporate Governance	Infosmart System	Complete August 2016
	Budget Setting Process	Complete May 2017
	Treasury Management	Complete February 2017
	Business Rates	Complete October 2016
	Cash Receipting System	Complete November 2016
	Scottish Welfare Fund	Complete August 2016
	Benefits	Draft report issued April 2017
	Disclosure Checks	Draft report issued April 2017
	Agency Staff	Complete February 2017
	Public Records (Scotland) Act	Complete August 2016
Education and Children's Services	Commissioning of Children's Social Work Services	Moved to 2018/19 (*)
	Primary Schools	Complete February 2017
	Fostering and Adoption Allowances	Moved to 2018/19 (*)

Service	Audit Topic	Position
Communities, Housing and Infrastructure	Building Maintenance Procurement	Complete August 2016
	Cleaning Payroll	Complete June 2016
	Vehicle and Driver Records	Complete March 2017
	Internal Transport Tendering Procedures	Moved to 2017/18 (*)
	Roads Payroll	Complete August 2017
Adult Social Work / IJB	Purchasing and Creditors Procedures	Complete November 2016
	CareFirst System	Complete November 2016

(*) = As requested by Services and agreed at the Audit, Risk and Scrutiny Committee on 23 February 2017

Appendix C

Internal Audit Statement relating to Aberdeen City Council's Internal Control System for the year ended 31 March 2017

As Chief Internal Auditor of Aberdeen City Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2017. The purpose of this statement is to assist the Head of Finance in forming his opinion in relation to the annual Governance Statement to be included in the Annual Accounts.

Opinion

It is my opinion, based on the following, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2017.

However, as with the year to 31 March 2016, some significant concerns have been identified throughout the year. Recommendations graded as "major" have been made in 5 reports in 2016/17: Budget Monitoring, Compliance with Procurement Related Legislation (2015/16 and 2016/17 audits), Adult Social Work Purchasing and Creditors Procedures, and Agency Staff. Recommendations made regarding the issues identified were either agreed by management or the Audit, Risk and Scrutiny Committee sought, and were satisfied with, management assurances.

In addition, there were limitations to the scope of planned Internal Audit work. These limitations relate to not being permitted access to records held within the Care First system (with data being provided to Internal Audit by officers), and requested information not being provided during audits, thereby limiting the level of assurance that could be provided. These issues impacted on audits of Self-Directed Support, the Care First System, Timesheets and Allowances, and Compliance with Procurement Related Legislation (2016/17 audit).

Whilst the above issues occurred, areas of good practice, improvement, and procedural compliance were also identified and these have been detailed in individual assignment reports.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work completed by Internal Audit during the year to 31 March 2017;
- Progress made by Services with implementing agreed Internal Audit recommendations;
- The assessment of risk completed during the updating of the audit plan;
- Reports issued by the Council's external auditors; and
- Internal Audit's knowledge of the Council's governance, risk management and performance monitoring arrangements.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal control system.

Sound internal controls

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

The Work of Internal Audit

Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The section undertakes an annual programme of work agreed with Service Directors and the Audit, Risk and Scrutiny Committee. The audit plan is based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All Internal Audit reports identifying system weaknesses, non-compliance with expected controls, and / or assurance of satisfactory operation are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The Internal Auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action.

David Hughes, Chief Internal Auditor, Aberdeen City Council
21 April 2017

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Appendix D

INTERNAL AUDIT PERFORMANCE MEASURES

PI	Description	Target	Actual 2016/17	Actual 2015/16
1	Percentage of planned audits commenced where the Service was given advance notice of commencement of field work.	100%	100.00%	100.00%
2	Percentage of current year audits (as adjusted through consideration of subsequent year's plan, see Note (1)) where draft report issued by deadline.	90%	72.73%	29.17%
3	Percentage of current year audits (as adjusted) completed by end of current year.	65%	73.08%	50.00%
4	Percentage of previous year audits (as adjusted) completed by end of current year.	100%	100.00%	N/A
5	Percentage of current year audits (as adjusted) that were completed in the year within 110% of planned time allocated.	90%	73.68%	53.85%
6	Percentage of previous year audits (as adjusted) that were completed within 110% of planned time allocated.	90%	51.24%	N/A
7	Percentage of planned time taken for current year audits that were completed in the year.	90 - 110%	106.34%	102.43%
8	Percentage of planned time taken for all previous year audits completed by end of current year.	90 - 110%	113.37%	N/A

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PI	Description	Target	Actual 2016/17	Actual 2015/16
9	Percentage of recommendations accepted by management (See Note (2)).	95%	97.06%	98.21%
10	Where management has not agreed recommendation, percentage who accept risk.	100%	100.00%	100.00%

Notes:

(1)   The adjusted number of audits in the plan for 2015/16 was 26, and for 2016/17 was 26.

(2)   The number of recommendations made by Internal Audit in 2015/16 was 168, and for 2016/17 was 340.

Commentary

Improvements have been made in most areas when comparing 2016/17 performance against that of 2015/16 and efforts are being made within Internal Audit to improve performance against these measures further.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 June 2017
TITLE OF REPORT	Internal Audit Charter
REPORT NUMBER	IA/17/009
DIRECTOR	N/A
AUTHOR	David Hughes

1. **PURPOSE OF REPORT**

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

2. **RECOMMENDATION**

2.1 It is recommended that the Committee approve the attached Internal Audit Charter for implementation from 23 June 2017.

3. **BACKGROUND / MAIN ISSUES**

3.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit sections have an Internal Audit Charter which includes specific requirements contained within the Standards. The Standards require that the organisation's Board (for the Council, the Audit, Risk and Scrutiny Committee) approves the Internal Audit Charter.

3.2 The Standards define the Charter as follows:

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

3.3 In relation to the public sector, it must:

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

3.4   There is a requirement that the Internal Audit Charter be reviewed annually. The current Internal Audit Charter was approved by the Audit, Risk and Scrutiny Committee on 28 April 2016. The Charter was reviewed by the Chief Internal Auditor and considered to still be appropriate, the only significant changes required relating to the reporting of Internal Audit outputs which relate to Adult Social Care where the report will also be presented to the Aberdeen City Integration Joint Board Audit and Performance Systems Committee, and Internal Audit's reporting line within the Council. In view of the Local Government elections in May 2017, it is appropriate that the new Audit, Risk and Scrutiny Committee approve the Charter for continued use.

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

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

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

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

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

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

4.   FINANCIAL IMPLICATIONS

4.1   There are no direct financial implications arising from the recommendations of this report.

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5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report.

6.   IMPACT SECTION

6.1   **Economy** – The proposals in this report have no direct impact on the local economy.

6.2   **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to approve an Internal Audit Charter. The proposals in this report will have no impact on improving the staff experience.

6.3   **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

6.4   **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

7.   APPENDICES

7.1   Appendix A – Aberdeen City Council Internal Audit Charter.

8.   REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL
INTERNAL AUDIT CHARTER

INTRODUCTION

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

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

ROLE

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

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

PROFESSIONALISM

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

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AUTHORITY

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

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

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

ORGANISATION

The Chief Internal Auditor will report functionally to the Audit, Risk and Scrutiny Committee and administratively (i.e. day to day operations) to the Head of Legal and Democratic Services.

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

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

The Chief Internal Auditor's annual review will be undertaken by the Director of Business Services in Aberdeenshire Council.

INDEPENDENCE AND OBJECTIVITY

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

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

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

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

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

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

RESPONSIBILITY

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

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

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

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

    (a) ensure an effective internal audit function is resourced and maintained

    (b) ensure that the authority has put in place effective arrangements for internal audit of the control environment

    (c) support the authority's internal audit arrangements, and

    (d) ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

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

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

INTERNAL AUDIT PLAN

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

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

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each audit and this shall be distributed as appropriate. Internal Audit results will be reported to the Audit, Risk and Scrutiny Committee and, where they relate to Health and Social Care Integration (Adult Social Care), the Aberdeen City Integration Joint Board Audit and Performance Systems Committee. Reports relating to the Pension Fund will be reported to the Pensions Committee. Where reports relate to

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consultancy requested by management for operational purposes, the results will be reported to the Audit, Risk and Scrutiny Committee where they relate to governance or control issues.

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

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

PERIODIC ASSESSMENT

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

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

Approved by the Audit, Risk and Scrutiny Committee on …

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	27th June 2017
REPORT TITLE	Audit, Risk & Scrutiny Committee – Annual Report
REPORT NUMBER	OCE/17/007
DIRECTOR	Angela Scott
REPORT AUTHOR	Martin Murchie

## 1.	PURPOSE OF REPORT:-

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

## 2.	RECOMMENDATION(S)

2.1	that the Committee:–

(a)	Approve the annual report; and

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

## 3.	BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

3.1	Members have previously agreed that the Committee prepare an annual report of its activities and that this be referred to Council. Annual reports were published in 2015 and 2016. This report attaches a draft of the annual report for 2016/17.

## 4.	FINANCIAL IMPLICATIONS

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

## 5.	LEGAL IMPLICATIONS

5.1	There are no direct legal implications arising from the recommendations of this report.

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6. MANAGEMENT OF RISK

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

7. IMPACT SECTION

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

Economy - No direct impact.

People - No direct impact.

Place - No direct impact.

Technology - No direct impact.

8. BACKGROUND PAPERS

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

All Audit, Risk and Scrutiny Committee papers for 2016/17 are available on the Council's website.

9. APPENDICES (if applicable)

9.1 Appendix A - List of all Reports considered by the Committee in 2016/17.

10. REPORT AUTHOR DETAILS

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HEAD OF SERVICE DETAILS

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Audit, Risk and Scrutiny Committee

Annual Report 2016/17

Introduction

I am pleased to present this year's Annual Report of the Audit, Risk & Scrutiny Committee. An annual report to Council is a useful way to develop understanding of the Committee's role and functions. The Committee is accountable to Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority. This report covers the work of the Audit, Risk & Scrutiny Committee during the period April 2016 – March 2017. In addition, to a summary of work undertaken, the report includes details of the Committee's membership and officer support to the Committee. The report ends with a look forward to 2017/18 and the Committee would welcome any feedback from Members of the Council on the themes identified.

Stephen Flynn
Convener
Audit, Risk & Scrutiny Committee

The role of the Audit, Risk & Scrutiny Committee

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

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

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

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

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

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1.   Risk Management

The Committee will:-

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

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

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

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

Summary of Activity

- Considered a review conducted by "The Good Governance Institute" which provided an external evaluation of the Council's system of risk management. Agreed an action plan to further strengthen risk management arrangements.

- Reviewed Service Risk Register for each of the Council's Directorates.

- Considered a number of reports on incidents as well as emerging risks. Reviewing effectiveness of controls and actions to mitigate future risks.

Outcomes

- The major review of the system of risk management, conducted by "The Good Governance Institute" gave the Committee assurance of the strengths of existing arrangements as well as a clear understanding of where further improvements are required. A number of significant improvement actions have been begun in 2016/17 including:-

  - mapping the sources of assurance for the controls of the Council's corporate risks;

  - supporting the transformation programmes with risk assessment structures to ensure a consistent and cross-cutting dynamic to delivery;

  - the co-ordination of a corporate "Issues Log" to identify and assess external risks as they emerge.

- The practice of reporting post-incident reviews to the Committee is a significant step in increasing the understanding of weaknesses in risk management and controls and has provided greater assurance around future controls.

2.   Internal Audit

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

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

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

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

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

Summary of Activity

- Approved a risk based Audit Plan 2016/17 and Internal Audit Charter;

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

- Considered 30 internal audit reports and management responses;

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

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

Outcomes

- Whilst a small number of planned reviews have been carried forward to 2017/18 this has not impacted on the internal auditors ability to produce an overall opinion on the adequacy of the Council's control environment for 2016/17;

- Where appropriate, recommendations for improvement in the control environment have been made by Internal Audit and these have been supported by the Committee.

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3.   External Audit

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

Summary of Activity

- Considered the external auditor's independent report on the financial statements; and annual report to members and the Controller of Audit.

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

- Considered specific reports from the external auditor relating to Major Capital Projects;

- Considered the local implications and responses to nine national reports from Audit Scotland;

- Considered reporting of progress against External Audit recommendations and received status reports at each Committee meeting;

- Approved an External Audit Strategy, prepared by KPMG, for 2016/17.

* It is noted that Aberdeen City Council's Local Scrutiny Plan for 2017/18, which is prepared by the "Local Area Network" of inspection agencies and regulators, was not presented to the Committee during 2016/17, but will be submitted to the June 2017 meeting.

Outcomes

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

- Oversaw the transition to a new External Auditor with KPMG taking over from Audit Scotland;

- Reviewed progress of external audit activity, including implementation of recommendations, throughout the year;

- The external auditor's annual report to members was concluded and was considered by the committee alongside the audited financial statements.

4.   Accounts

To consider and approve the Council's, and its Registered Charities, Annual Accounts.

Summary of Activity

- Approved an action plan and key dates for the preparation and audit of the Annual Accounts;

- Considered and approved the Annual Accounts for the Council and its Registered Charities; and

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

Outcomes

- The audited 2015/16 accounts were prepared and certified in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

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5.   Whistleblowing and Other Investigations

Summary of Activity

- Considered and reviewed the activity and business plan of the Corporate Investigations Team

- Heard oral reports on a small number of investigations during 2016/17;

- Considered a "Whistleblowing Policy Annual Report" which gave details of "whistleblowing activity" during 2015/16;

- No whistleblowing reports were received or considered by the Committee in 2016/17.

6.   Anti-Fraud

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

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

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

Summary of Activity

- The first Fraud Annual Report was considered by the Committee for the year 2015/16;

- Considered updates from the Corporate Investigation Team on the National Fraud Initiative;

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

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7.   Legal Compliance

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

Summary of Activity
• Reports to the Audit, Risk and Scrutiny Committee can cover matters relating to services across the Council. This provides the Committee with an opportunity to ensure that services are being delivered in accordance with the law, Council procedures and best practice; and • The Audit, Risk and Scrutiny Committee receives information on a regular basis in respect of the Council's compliance with the Data Protection Act 1998.   This allows members to scrutinise performance in this area.   The General Data Protection Regulation (GDPR) will replace the Data Protection Act 1998 from 25 May 2018.

8.   Health and Safety

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

Summary of Activity
• The Audit, Risk & Scrutiny Committee received the minutes of each meeting of the Central Health and Safety Committee during 2016/17.

9. Arm's Length External Organisations (ALEOs)

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

Summary of Activity

- The Committee received and considered minutes of the meetings of the ALEO Governance Hub and a report of significant issues for May and August 2016;

Outcomes
- The Committee's scrutiny of the work of the ALEO Governance Hub provides additional assurance that risks are controlled and this will continue in 2016/17.

10. Additional Reports

The Committee commissioned and received additional reports covering a number of areas, including:-

- Regular reports identifying any upheld complaints which had been considered by the Scottish Public Services Ombudsman;

- Inspector of Crematoria Complaint Decisions Crematoria Investigation

- Due Diligence Process for the Establishment of the Aberdeen City Health & Social Care Partnership

- Regular reports on compliance with FOI and Data Protection legislation, including breaches;

- Third Don Crossing;

- Solar Photovoltaic Agreement;

- Update on Gas Central Heating Maintenance Framework Contract;

- Aberdeen Treasure Hub.

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Membership of the Committee

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

During 2016/17 training was delivered to all new members of the committee giving an overview of the role of the Committee and the member's role in this. Additional training packages were delivered to members:-

- The annual accounts process;
- Internal Audit;
- Risk Management.

Attendance:

Member	Total Expected Attendances	Total Attendances	Nominated Substitute Attended
Cllr Flynn Convener from 27 June 16	5	1 as member 4	
Cllr Yuill Vice Convener	5	5	
Cllr Cameron	5	4	Cllr Corall 23 Feb 17
Cllr Cooney	5	4	Cllr Young 27 Sept 16
Cllr Crockett	5	4	Cllr Ironside 27 June 16 Cllr Grant 24 Nov part
Cllr Dickson	5	5	
Cllr Donnelly	5	5	
Cllr Jackie Dunbar Convener for 28 April 16	5	1 as convener 4	
Cllr Graham	5	4	Cllr Allan 23 Feb 17
Cllr Greig	5	5	
Cllr Lawrence	5	5	
Cllr Malik	5	5	
Cllr Jean Morrison	5	5	
Cllr Nathan Morrison	5	0	Cllr Young 27 June 16 Cllr Carle 27 Sept 16 Cllr Young 24 Nov 16 Cllr Young 23 Feb 17
Cllr Reynolds	5	2	Cllr Taylor 27 Sept 16 Cllr Taylor 24 Nov 16
Cllr Samarai	5	3	Cllr Nicoll 24 Nov 16 Cllr Copland 23 Feb 17
Cllr Townson	5	5	

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Officer support to the Committee

The Chief Executive

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

The Section 95 Officer

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

Chief Internal Auditor

David Hughes, who manages a joint service with Aberdeenshire Council, is the Chief Internal Auditor. David and his colleagues have attended each meeting of the Committee to present their reviews, answer members' questions and provide advice in relation to scrutiny and the regulatory framework. In addition, the Committee and the Council Corporate Management Team have commissioned additional investigations from David's team.

Lead Executive Support

The lead executive support role for the Committee was performed by Richard Ellis the then Interim Director of Corporate Governance. He was supported in this role by Martin Murchie, Office of Chief Executive.

External Audit

During 2016/17 Audit Scotland were the Council's appointed external auditors. The appointed auditor for the Council was Stephen Boyle and the local contact responsible for day to day management of the audit was Anne MacDonald. External Auditors' primary responsibility is to give their opinion on whether the Council's accounts give a true and fair view of the Council's financial transactions. Audit Scotland also deliver a targeted programme of risk based reviews and, as the Council's External Auditor, took the lead role in the Local Area Network, which determines the level and nature of external scrutiny which will be applied to the Council's services. On 1st April 2017 KPMG took over from Audit Scotland as the Council's External Auditor.

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Attendance:

Officer	Total Expected Attendances	Total Attendances	Nominated Substitute Attended
Chief Executive	5	5	N/A
Steve Whyte	5	5	N/A
David Hughes	5	5	N/A
Anne Macdonald	5	5	N/A
Richard Ellis	5	5	N/A
Martin Murchie	5	5	N/A

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Next year's focus

The Audit, Risk & Scrutiny Committee will continue to review and challenge the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management throughout 2017/18.

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

- Oversight of the appropriate outputs from the Council's Governance Review. This will include a revised model for obtaining assurance from the Council's ALEOs;
- The new approach to Best Value developed by the Accounts Commission, which includes an annual focus on specific aspects of Best Value;
- Implications of the BOND and the rules of the London Stock Exchange;
- Preparation for the commencement of The General Data Protection Regulation;
- Overseeing the ambition to accelerate the preparation of annual accounts;
- Continuing development of the governance arrangements for the Council's Arm's Length External Organisations;
- Implementation of the System of Risk Management Action Plan previously agreed by the Committee;
- Continuing development of scrutiny arrangements with respect to integrated health and social care;
- Assessment and development of the internal audit function;
- The exercise of the Committee's responsibilities for Health and Safety;
- Follow up on the first Fraud Annual Report;
- The transition to a new External Auditor;
- The development of arrangements for the Local Area Network.

Title of Report	Lead Officer	28/04/16	27/06/16	27/09/16	24/11/16	23/02/17
Risk Management						
Risk Register – Corporate Governance	N Buck	✓				
Risk Register – Communities, Housing & Infrastructure	Director of CHI			✓		
Risk Register – Education and Children's Services	Director of CHI			✓		
Review of Risk Management System	Interim Director of CG				✓	✓
Public Mortuary Status Report	Director of CHI					✓
Website Breach	Interim Director of CG					✓
Internal Audit						
Internal Audit Progress Report & Performance	D Hughes	✓	✓	✓	✓	✓
Revised Internal Audit Charter	D Hughes	✓				
Internal Audit – Outstanding Recommendations	D Hughes	✓	✓	✓	✓	✓
Internal Audit Annual Report and Internal Financial Control Statement	D Hughes	✓				
Internal Audit Plan 2016/17	D Hughes					✓
Cross Service Corporate Policies and Procedures	D Hughes	✓				
Education Secondary Schools	D Hughes	✓				
Education Teachers' Payroll	D Hughes	✓				
Rent Collection and Arrears Management	D Hughes	✓				
Communities, Housing and Infrastructure - Vehicles	D Hughes	✓				
Social Work Tendering	D Hughes	✓				
Compliance with Procurement Related Legislation and Financial Regulations	D Hughes		✓			
Infosmart System	D Hughes			✓		
Scottish Welfare Fund	D Hughes			✓		
Building Services Re-charges	D Hughes			✓		
Building Services Procurement	D Hughes			✓		
Cleaning Payroll	D Hughes			✓		
Roads Payroll	D Hughes			✓		
Family and Community Support – Family Centres	D Hughes			✓		
Public Records (Scotland) Act	D Hughes			✓		
Budget Monitoring	D Hughes				✓	
Following the Public Pound	D Hughes				✓	

Purchasing and Creditors System	D Hughes				✓	
Business Rates	D Hughes				✓	
Self-Directed Support	D Hughes				✓	
Council Tax Reduction	D Hughes		✓			
Care First	D Hughes				✓	
Council Owned Land and Property	D Hughes					✓
Treasury Management	D Hughes					✓
Cash Receipting System	D Hughes					✓
3rd Don Crossing	D Hughes					✓
Timesheets	D Hughes					✓
Agency Staff	D Hughes					✓
Primary School Visits	D Hughes					✓
Compliance with Procurement Related Legislation	D Hughes					✓
External Audit (Non-Accounts)						
External Audit – Outstanding Recommendations	A MacDonald	✓	✓	✓	✓	✓
External Audit Progress & Performance	A MacDonald	✓	✓	✓		
External Audit Strategy 2016/17	KPMG					✓
Borrowing and Treasury Management in Councils	Interim Director of CG	✓				
Managing Capital Projects	A MacDonald			✓		
External Inspection & Regulation						
Best Value Audit	M Murchie	✓				
Annual Accounts						
Interim Report on the 2015/16 Audit	A MacDonald		✓			
Annual Report to Members and the Controller of Audit on the 2015/16 Audit	A MacDonald			✓		
Unaudited Accounts & Annual Governance Statement	S Whyte		✓			
Audited Annual Accounts 2015/16	S Whyte			✓		
Annual Accounts 2016/17 – Action Plan and Key Dates	S Whyte					✓
ALEO Governance						
Aleo Governance Hub – Minutes and Significant Issues • AECC • Bon Accord care • Sport Aberdeen City Council • Aberdeen Sports Village	R MacBeath		✓	✓*		
Audit Scotland – National Reports						
Procurement in Councils	M Murchie		✓			
Major Capital Investment in Councils - Follow Up	M Murchie		✓			

Report	Lead						
Community Planning – An Update	M Murchie		✓				
Overview of Local Government in Scotland and	M Murchie		✓				
Changing Models of Health and Social Care	M Murchie		✓				
Maintaining Scotland's Roads	M Murchie				✓		
Social Work in Scotland	M Murchie				✓		
Financial Overview 2015/16	M Murchie						✓
How Councils Work, Roles and Working Relationships in Councils	M Murchie						✓
Health & Safety							
Minute of Meeting of the Corporate Health & Safety Committee of:- - 19th February 2016 - 20th May 2016 - 26th August 2016	K Rennie		✓		✓	✓	
Fraud, Corruption, Bribery and Whistleblowing							
Fraud Annual Report	B Muldoon	✓					
Matters Under Investigation	S Whyte / M Murchie						
Whistleblowing Policy Annual Report	Interim Director of CG		✓				
Corporate Investigation Team Business Plan	B Muldoon		✓				
Corporate Investigation Team Update	B Muldoon			✓			
Committee Development							
Committee Annual Report	M Murchie		✓				
Information Governance							
Data Protection Monitoring	Interim Director of CG	✓	✓	✓			
Data Protection Annual Report	Interim Director of CG		✓				
Information Governance Management and Reporting Arrangements	Interim Director of CG			✓			
Complaints Management							
Scottish Public Services Ombudsman (SPSO) Complaint Decisions	L McKenzie	✓				✓	
Other Reports							
Due Diligence Process for the Establishment of the Aberdeen City Health & Social Care Partnership	Interim Director of CG	✓					
Public Performance Reporting	Interim Director	✓					

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	of CG						
Crematoria Investigation	Chief Executive		✓				
Inspector of Crematoria Complaint Decisions	Interim Director of CG					✓	
Third Don Crossing*	Interim Director of CG			✓			✓
Solar Photovoltaic Agreement	Director of CH&I					✓	
Update on Gas Central Heating Maintenance Framework Contract	Director of CH&I					✓	✓
Aberdeen Treasure Hub	Director of E&CS						✓

Late paper.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 June 2017
REPORT TITLE	Review of the Capital Programme Governance
REPORT NUMBER	CHI/17/153
DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Bernadette Marjoram
CHECKLIST COMPLETED	Yes/No

1. PURPOSE OF REPORT:-

1.1 The purpose of this report is to update elected Members on the progress of the Capital Programme Governance Review and the draft revised proposed governance arrangements.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

a) Note the revised terms of reference for the Strategic Asset and Capital Board, attached at Appendix 1;

b) Note the amended governance arrangements for Strategic Infrastructure Plan and Capital Plan delivery as outlined in this report and attached at Appendix 2, incorporating the delivery of City Centre Masterplan projects within these governance arrangements;

c) Note that the Director of Communities, Housing and Infrastructure (Interim) be responsible for the Capital Programme until the restructure is undertaken;

d) Note the Capital Governance Review Action Plan which is attached at Appendix 3;

e) Approve that a monthly Members Reference Group, for the Capital Programme, be established with a membership of 5 Councillors, 3 nominated from the Administration and 2 nominated from the Opposition; and

f) Note an Internal Audit in Quarter 4 has been scheduled to review the arrangements and their operation.

3. BACKGROUND

3.1 The paper has been developed due to a number of factors:

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3.2   Audit recommendations, both internal and external, have outlined the need for greater project management governance and principles to be applied to capital plan projects. Primarily this was to ensure the appropriate documentation and controls were in place. The key audit recommendations that the report addresses are:

   a) The Council should also continue to develop, support and promote the Programme Management Office (PMO) approach that has been implemented to ensure that projects are developed in a consistent, robust and well documented manner. The allocation of clear roles and responsibilities is a key requirement in delivering successful contracts;
   b) Consideration should be given to monitoring and reporting progress against business case aims and targets;
   c) Progress reporting for capital projects should be reviewed to ensure that sufficient information is provided e.g. about costs compared to budget, key decisions, slippage etc.; and audit trails are complete to assist more effective scrutiny. It is also important that key messages are adequately signposted; and
   d) Lessons learnt should be collated and reported to management and elected members. As a minimum this should be done as part of the post completion evaluation.

3.3   An internal project health check, undertaken in 2016, highlighted a number of capital projects that did not have adequate documentation or governance in place, which is being addressed.

3.4   Discussions have taken place with the City Centre Masterplan (CCMP) Director, Director for Communities, Housing and Infrastructure (Interim) and the Service Manager (PMO), to bring the delivery of CCMP projects into "business as usual" and refocus the CCMP Board as an outward looking board focussing on partnership and relationship management and reputational management.

3.5   Following the Council's issue of Bonds on the London Stock Exchange, there is an increased requirement to have a robust governance structure in place around the delivery of the Capital Programme, to provide the necessary assurances to the Council's investors and credit rating agency.

3.6   Following the internal project health check carried out by the PMO, in 2016, the need for a further "deep dive" into the Capital Programme was identified as a large proportion of the projects do not have the necessary documentation or governance in place.

4.   **FINDINGS**

4.1   To facilitate the "deep dive" into the Capital Programme a series of "Star Chamber" sessions were undertaken in April 2017. The purpose of these sessions was to establish how the projects within the Capital Programme were being managed, what issues the projects had as well as any best practice that could be shared. They consisted of a panel comprising the Director of Communities, Housing &

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Infrastructure (Interim), who chaired the sessions, PMO, Capital Programme Review Advisor and internal corporate colleagues e.g. finance, procurement. Each Project Manager was asked a series of questions that had been prepared by the PMO and Capital Programme Review Advisor, in consultation with the Strategic Asset and Capital Board.

4.2 The outcome from the Health Reviews, the "Star Chamber" sessions and discussions with the PMO and Corporate colleagues engaged with the Capital Programme identified a number of recurring themes. These fell into three key themes, listed below:

4.3 **Strategic:**
- Strategies/plans
- Assets
- Benefits
- Monitoring & reporting
- Development of projects
- Leadership
- Fleet
- Education
- Arms Length External Organisations (ALEOs)
- Energy Projects

Finance:
- Financial Reporting
- Cost Estimates
- Whole-life costing
- Contingency
- Unfunded projects
- External funding

Governance:
- Members
- Project management skills and knowledge
- Project management capacity
- Roles and responsibilities
- Approvals
- Change Control
- Risk Register
- Project Issues
- Lessons Learned
- Interdependencies
- Contracting
- Communications strategy
- Utilities
- Revenue Projects
- Project Closure

4.4 Following the review findings, it is appropriate that the governance arrangements for the Capital Programme which includes the Strategic Infrastructure Plan, Capital Plan and City Centre Masterplan, etc are reviewed and strengthened . The changes are outlined below:

Programme Structure

- All SIP and capital plan projects will be grouped together into programmes of work;
- Each programme will be governed by a programme board, have a Programme Sponsor and a Programme Manager;
- These programmes of work will also include the CCMP projects, meaning the accountability for decision making and approvals rest with the programme sponsor, programme boards and ultimately the Strategic Asset and Capital Board;
- Attached at Appendix 2 is the programme structure and governance, including proposed programme sponsors, programme managers and outlining current project managers.

3

<u>Stage Gate Reviews</u>

- The Council has four standard review points (gates)**:** Proposal; Business Case; Close; and Benefits Review;
- To ensure robust project development there will be additional stage gate reviews that the Strategic Asset and Capital Board has the option to add depending on the complexity and size of project, for example: Project Planning; Invitation to Tender (Project Brief); Detailed Design; and Appointment of Contractor. Decisions at each key stage will be aligned with delegated authority to the appropriate level of decision making (including Committee decisions). This approach will enable schemes to be reviewed at key points in development to ensure strategic fit, value for money, commercial viability and deliverability. At each gateway stage the board would decide the next gateway review;
- A proportionate approach will be adopted dependent upon the scale and complexity of projects to ensure a streamlined approach and avoid unnecessary bureaucracy;
- As per current governance arrangements, within the implement stage, every project is subject to the standard monthly reviews;
- See attached at Appendix 4 the stage gateway review process.

<u>Strategic Asset and Capital Board</u>

- Project scrutiny and challenge will now take place at the programme boards, enabling the Strategic Asset and Capital Board to focus on its strategic role;
- The Board will receive highlight exception reports from each programme board, rather than the full dashboard giving an update on every project (if the Board wish to dive deeper into a project then this information will be available as necessary);
- All decisions required of the Board will be outlined in the highlight/exception report;
- The Board will act as the gateway approval for all capital projects and will consider and approve each of the stage gate reviews;
- The Board will consider programme interdependencies at portfolio level;
- Attached at Appendix 1 are the revised Board terms of reference.

<u>Programme Boards</u>

- Each programme board will be chaired by the relevant programme sponsor and will be managed by a programme manager;
- The Board will provide direction to the projects and provide appropriate scrutiny and challenge;
- The Board will consider interdependencies across the programmes and projects within their remit;
- Each programme will have an overarching programme plan (including project milestones, resource requirements and interdependencies) as well as a risk register, communications plan and benefits realisation plan;
- The Programme Manager will be responsible for the programme plan;
- Project Status Reports (PSR's) will continue to be submitted for each project and the programme dashboard created;

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- The programme boards will finalise and agree the highlight reports that will be submitted to the Strategic Asset and Capital Board;
- The programme manager will draft, finalise and submit the highlight report.
- Programme managers will be responsible for ensuring that actions coming out of either the Strategic Asset and Capital Board or Programme Board are cascaded to project managers.

Programme Management Office (PMO)

- To be proactive and independent;
- Provide assurance to Strategic Asset and Capital Board that the Programme is on-track and being managed effectively;
- Supports programme and project managers e.g. advice on governance route, risks, change control process, business cases;
- Deliver a secretariat service to the Strategic Asset and Capital Board and Programme Boards i.e. agendas, meeting papers, minutes, updates programme register;
- Deliver training sessions on project management and governance procedures;
- Prepare dashboards for Programme Boards and the Strategic Asset and Capital Board, Admin Leaders/CMT, Finance, Policy and Resources Committee, and any other agreed governance forum;
- Scrutinise and challenge project highlight reports as necessary.

4.5 To ensure that governance designed to be more effective in terms of programme and project management is fully implemented an Action Plan, attached at Appendix 3, has been produced that addresses the issues identified within the themes set out in paragraph 4.3.

4.6 To ensure that Members have the appropriate oversight and the opportunity to scrutinise the entire Capital Programme, going forward, it is proposed a monthly Members Reference Group should be established. This will not be a decision making meeting and will comprise 5 Members, 3 nominated from the Administration and 2 nominated from the Opposition, as part of the wider agreed governance.

4.7 A follow-up internal audit has been scheduled to take place in quarter 4 to ensure that the identified actions have been implemented and that the revised governance arrangements are embedded throughout the Council.

5. FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications arising from the recommendations of this report. However, a separate review is being undertaken that is reviewing the resource requirements needed to manage the Capital Programme to ensure it is resourced to be pro-active and independent in providing assurance.

5.2 Delivering the action plan at Appendix 3 as part of the Capital Programme Review, ensures that there will be more robust programme and project management in place, therefore providing greater assurance to Members that capital projects will be managed and delivered on time and on budget.

6. LEGAL IMPLICATIONS

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6.1   There are no direct legal implications arising from the recommendations of this report.

7.   MANAGEMENT OF RISK

7.1   Recommendations within the report and the subsequent action plan have been developed to reduce the risk of the delivery of the Capital Programme. The risk identified is the capacity of the Council to implement the new governance structure, this is being mitigated by carrying out a resource assessment.

8.   IMPACT SECTION

8.1   The report itself has no direct impact; however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme.

8.2   Economy
The Council aims to support improvement in the local economy to ensure a high quality of life for all people in Aberdeen. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact on the local economy.

8.3   People
The Council is committed to improving the key life outcomes of all people in Aberdeen and so has agreed a set of Equality Outcomes (2017-21) http://www.aberdeencity.gov.uk/council_government/equality_and_diversity/eqd_report_2017_21.asp. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact on the people of Aberdeen.

8.4   Place
The Council is committed to ensuring that Aberdeen is a welcoming place to invest, live and visit and operating to the highest environmental standards. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact for Aberdeen and its infrastructure.

8.5   Technology
The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact for enabling technology.

9.   BACKGROUND PAPERS

None

10.   APPENDICES (if applicable)

Appendix 1 – Terms of Reference – Strategic Asset and Capital Board
Appendix 2 – Strategic Asset and Capital Governance
Appendix 3 – Action Plan
Appendix 4 – Revised Stage Gate Process

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11. REPORT AUTHOR DETAILS

Bernadette Marjoram
Director of CH&I (Interim)
bmarjoram@aberdeencity.gov.uk

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	Corporate Project Management Toolkit	Governance Arrangements
	TERMS OF REFERENCE	

Title	Strategic Asset and Capital Plan Board		
Lead	Bernadette Marjoram		
Date	20 March 2017	**Version**	V0.5

Purpose

The Strategic Asset and Capital Board will lead on the development and maintenance of the Capital Strategy that is consistent with Council priorities.

The Board will have an oversight and stewardship role for the delivery of the Councils Capital expenditure including, the Strategic Infrastructure Plan (SIP), the Council Non Housing Capital Plan (NHCP) and the Council's Housing Capital Plan (HRA), external capital funding, etc.

It will provide strategic direction and make decisions, where appropriate, on Council assets and strategic infrastructure proposals, and provide stewardship to the delivery of the Council's Corporate Asset Management Plan (CAMP) and associated Asset Management Plans.

Meeting Frequency	**Quorum**
Monthly	Chair (or nominated other) and 5 others

Remit and Responsibilities

- Establish and embed a robust and effective governance framework through which all Council capital projects will be evaluated and prioritised for development and delivery, subject to Member approval;

- Identify and monitor resources available to fund the Capital Programme;

- Manage the overall Capital Programme budgets;

- Oversight and stewardship of the CAMP;

- Provide strategic direction to the programmes and projects where necessary;

- Scrutinise and challenge programmes and project progress;

- Give direction and make key decisions on emerging issues and risks, that cannot be resolved at programme or project level;

- Ensure appropriate capacity and capability is in place to deliver, and where necessary, commit resources as required;

- Manage the stage gate process by assessing and approving all project documentation at each stage;

- Assess and make decision on all change control requests;

- Engage with key stakeholders and manage their influence and expectations;

- Support the programme sponsors as appropriate and

- Support the Asset Management Service in relation to delivery of the CAMP.

Membership

- Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure (SRO and Chair)
- John Quinn, Head of Land and Property Assets
- Richard Sweetnam, Head of Economic Development
- Eric Owens, Interim Head of Planning and Sustainable Development
- Mark Reilly, Head of Public Infrastructure and Environment
- Derek McGowan, Head of Communities and Housing
- Euan Couperwhite, Head of EC&S Policy, Performance and Resources
- Steve Whyte, Head of Finance
- Fraser Bell, Head of Legal and Democratic Services
- Craig Innes, Head of Commercial and Procurement
- Marc Cole, City Centre Director
- David Leslie, Service Manager PMO (Portfolio Manager)
- Other officers will be invited, as required i.e. Stephen Booth, Senior Service Manager – Asset Management.

Support Arrangements

The Strategic Asset and Capital Board will be supported by the Corporate Programme Management Office (PMO). The PMO will manage the meeting arrangements (schedule meetings, prepare and submit agenda and arrange minute taker) and will develop, collate and submit reports to the Board as part of the agenda.

The Board will receive the agenda 3 working days prior to the Board meeting.

Support in relation to Land and Property discussions, the Corporate Asset Management Plan and Housing Capital Plan will be provided by the Senior Service Manager – Asset Management. The Service Manager – Asset Management will attend board meetings, as necessary, to provide technical support and knowledge.

Additional support or papers from other services or partners will be provided as and when required and will be co-ordinated by the PMO.

Governance and Reporting Arrangements

- The Interim Director of Communities, Housing and Infrastructure will chair the Board;

- The Board will be accountable to the Corporate Management Team (CMT);

  Reporting to the Board

- Progress against each programme will be provided to the Board via a Highlight Report, outlining key issues

and risks, as well as decisions required from the Board;

- The Programme Sponsors are accountable for and will speak to the relevant programme highlight report;

- The Programme Managers will produce and submit the Highlight Reports;

- The Board will also receive for consideration and approval reports in relation to the stage gate review process;

- The Programme Managers will submit all reports in relation to the stage gate review process;

- The relevant Programme Sponsor will present the report, accompanied by the Programme or Project Manager as necessary;

- The Service Manager – Asset Management will develop, collate and submit reports to the Board, via the PMO, in relation to the CAMP.

Reporting from the Board

- The Board, via the Chairperson, will provide a monthly Highlight Report to the CMT;

- The Highlight Report will be prepared and submitted by the Portfolio Manager, after approval from the Chairperson;

- The Board, via the Chairperson, will provide a Highlight Report/Dashboard to the Administration Leaders, at their monthly CMT/Admin Leaders meeting;

- The Highlight report will be prepared and submitted by the Portfolio Manager, after approval from the Chair;

- The Board, via the Chair, will provide the Finance, Policy and Resources Committee with progress on the Capital Programme (and any other Member forum as directed);

- The report will be prepared by the Portfolio Manager and Senior Finance Officer, and submitted after approval from the SRO and appropriate Council consultation procedures

Governance and Reporting Arrangements

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            ┌─────────────────────────────────┐
            │  Finance, Policy and Resources  │
            │          Committee              │
            └─────────────────────────────────┘
                            │
        ┌──────────┐        │        ┌──────────────┐
        │   CMT    │        │        │ Admin Leaders│
        └──────────┘        │        └──────────────┘
              │             │              │
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            │ Strategic Asset and Capital Board│
            └─────────────────────────────────┘
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Housing and Communities Programme Board	Transport Programme Board	City Centre Programme Board	AECC Programme Board	Energy Programme Board	Asset Management Programme Board

N.B.: Any other Member Forum will be included in these Governance arrangements as and when agreed by Members.

Strategic Asset and Capital Board (Portfolio)
SRO: Bernadette Marjoram

Members: Steve Whyte, Craig Innes, Fraser Bell, John Quinn, Eric Owens, Richard Sweetnam, Euan Couperwhite, Mark Reilly, Derek McGowan, Marc Cole

Portfolio Manager: David Leslie

Housing and Communities Programme Board
Members (proposed)
Derek McGowan (Chair)
John Quinn
Stephen Booth
Paul Genoe
Graeme Stuart
Ian Perry
Neil Carnegie
Steven Shaw
Finance Rep
Legal Rep
C&PS Rep

Programme Manager
Roddy MacTaggart(PMO)

Transportation Programme Board
Members (proposed)
Eric Owens (Chair)
Mark Reilly
Mike Cheyne
Joanna Murray
Alan McKay
Neil Strachan
Finance rep
Legal rep
C&PS rep

Programme Manager
Roddy MacTaggart(PMO)

City Centre Programme Board
Members (proposed)
Marc Cole (Chair)
Richard Sweetnam
Eric Owens
Euan Couperwhite
Stephen Booth
Andrew Win
Jackie Buchanan
Finance rep
C&PS rep

Programme Manager
Scott Davidson(Service)

AECC Programme Board
Members
Richard Sweetnam(Chair)
Steve Whyte
Craig Innes
John Quinn
Jackie Buchanan
Andrew Win
Craig Miller (Scottish Enterprise)
David Leslie

Programme Manager
Scott Ramsay(Service)

Asset Management Programme Board
Members
John Quinn (Chair)
Euan Couperwhite
Mark Reilly
Stephen Booth
Willie Whyte
Mike Cheyne
Andrew Jones
Scott Patterson
Craig Veitch

Programme Manager
Vacant Position (PMO)

Energy Board
Members
Eric Owens (Chair)
Richard Sweetnam
Mark Reilly
Pete Lawrence
Terri Vogt
Mel Muhammond
Andrew Win
Finance rep
Legal rep
C&PS rep

Programme Manager
Helen Miele (PMO)

Programme
Affordable Housing
Programme Sponsor
John Quinn
Projects and Project Managers

Business Plan	Paul Genoe
Bucksburn Farm	Paul Genoe
Craighill School	Paul Genoe
St Machar Primary	Paul Genoe
Aberdon Care Home	Paul Genoe
Tillydrone School	Paul Genoe
East Woodcroft	Paul Genoe
Summerhill	Paul Genoe
Kincorth Academy	Paul Genoe

Programme
Regeneration and Communities
Programme Sponsor
Derek McGowan
Projects and Project Managers

Locality Plans	Neil Carnegie
Henry Rae Centre	Kay Diack
Tillydrone Hub	Paul Tytler
Hazelgeate Triangle Site	Kay Diack
SHMU Extension	Ally Reid

Programme
HRA
Programme Sponsor
John Quinn
Projects and Project Managers

Smithfield Primary	Paul Genoe
Manor Walk	Paul Genoe
HRA Capital Plan	Ian Perry
HRA Business Plan	Ian Perry

Programme
Transportation
Programme Sponsor
Eric Owens
Projects and Project Managers

Broad Street	Scott Ramsay
Third Don Crossing	Hugh Murdoch
Dyce Drive	Stuart Andrew
Berryden Corridor	Mike Matheson
South College Street	Joanna Murray
Access from South	Joanna Murray
Cross City Connections	Joanna Murray
AWPR	John Wilson
Nestrans Programme	Joanna Murray

Programme
City Centre
Programme Sponsor
Marc Cole
Projects and Projects Managers

Marischal Square	Stephen Booth
Union Terrace Gardens	Andrew Win
Union Street Improvements	Scott Ramsay
Golden Square	Scott Davidson
Schoolhill Pocket Park	Scott Ramsay
Queens Square	Stephen Booth
City Centre Living Study	Scott Davidson
Car Parking Study	Louise Napier
Aberdeen 365	Dawn Schultz
Aberdeen in Colour	Sandy Beattie
Aberdeen Works	Heather Farquhar
Independent Aberdeen	Geoff Cooper
North Dee Business Quarter	Andrew Win

Programme
Culture
Programme Sponsor
Euan Couperwhite
Projects and Project Managers

Art Gallery	Christine Rew
Treasure Hub	Christine Rew
Provost Skene House	Maria Thies
Music Hall	Lesley
Thomson	
Arts Centre	Lesley
Thomson	
Mither Kirk	TBD

Programme
AECC
Programme Sponsor
Richard Sweetnam
Projects and Project Managers

New AECC Arena	Scott Ramsay
Hotel 1	Scott Ramsay
Hotel 2	Scott Ramsay
Energy Centre	Scott Ramsay
AD Plant	Amy Perry
AECC Operator	Scott Ramsay

Programme
School and Childrens Estate
Programme Sponsor
Euan Couperwhite
Projects and Project Managers

South of the City Academy	Sharon McNutt
Brimmond Primary	Sharon McNutt
Centre of Excellence	Sharon McNutt
Greenbrae Extension	Claire Cowan
Replacement Stoneywood	Claire Cowan
New Tillydrone Primary	Maria Thies
New Torry Primary	Maria Thies
New Milltimber Primary	Maria Thies
Clifton Road Refurb	Andrea McGill
Kingsfield Upgrade	TBD

Programme
Estate Management
Programme Sponsor
John Quinn
Programmes

Asset Rationalisation
Place Based Reviews
Tenanted Non Residential Portfolio
Capital Receipts
Delivery of Council LDP

Programme
Rolling Programmes
Programme Sponsor
John Quinn/Mark Reilly
Rolling Programmes

Condition and Suitability
Replacement Roads and Streetlighting
Fleet Replacement

Programme
Zero Waste Strategy
Programme Sponsor
Mark Reilly
Projects and Project Managers

EfW Procurement	Pete Lawrence
EfW Construction	Pete Lawrence
IWC	Ros Baxter
Altens East (RDF/MRF)	Pete Lawrence
BoD HWRC	Pete Lawrence

Programme
Energy
Programme Sponsor
Eric Owens
Projects and Project Managers

Powering Aberdeen	Terri Vogt
ESCo	Terri Vogt

Programme
Hydrogen
Programme Sponsor
Richard Sweetnam
Projects and Project Managers

Hydrogen Bus Project	Emma Watt
ACHES	Wendy Devall
Hytrec2	Emma Watt
JIVE	Yasa Ratnayeke
OLEV	Wendy Devall
FC Train	Wendy Devall
Hyancth	Emma Watt
Hydrogen Summit	Emma Watt

External Funding ALEO's and HRA

External Funding and ALEO's

External Funding and ALEO's

External Funding and ALEO's

External Funding and ALEO's

External Funding and ALEO's

Programme
Oversight of City Region Deal/ACC Capital Projects
Sponsor
Richard Sweetnam
Programme Manager
John-Paul Cleary (PMO)

Corporate Landlord Function– Standard Process for Capital Plan Delivery

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Consistent Programme Management Approach and Benefits Realisation

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Communications

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IMPLEMENTATION PLAN TO ADDRESS CAPITAL PROGRAMME REVIEW FINDINGS APRIL 2017					
Ref	Theme	Finding	Action Required	Who	By Date
S1	Strategic	A Property Asset Management Policy and Framework was agreed in Sept 16 but the Council does not have an up to date Strategy which sets out how it will ensure that property & land assets are optimised to ensure maximisation of key business objectives.	FP & R have requested a report in June 17 on the Property Asset Management Strategy The Strategy should inform the Council's suite of Asset Management Plans	John Quinn	June 17
S2	Strategic	There is a need to clarify arrangements for Corporate Landlord model and One Public Estate	The development of the Property Asset Management Strategy (see above) should address this issue	John Quinn	June 17
S3	Strategic	It is unclear who has responsibility for the Capital Programme - CMT have agreed that subject to the allocation of appropriate resources, the Director for Communities, Housing and Infrastructure (Interim) be responsible for the Capital Programme until the restructure is undertaken.	Structural review to set out who is responsible for the Capital Programme	CMT	August 17
S4	Strategic	There is no formal process to develop pipeline projects and add projects into the 5 year Capital Programme	The "Capital Plan Process" guidance note should be reviewed, updated and revised	Bernadette Marjoram/PMO	July 17
S5	Strategic	It is not understood how the priorities of all rolling programmes are determined	The priorities for each rolling programme need to be identified	John Quinn Mark Reilly	Aug 17

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S6	Strategic	There is no structured Benefits Plan	Establish a Benefits Realisation Framework	Bernadette Marjoram	Oct 17
S7	Strategic	Fleet – there is lack of challenge regarding bringing additional assets into the programme	There is a corporate review of Fleet with services as part of the Transformation Programme scheduled. Outline Business Case considered Full Business Case considered	Richard Ellis/Mark Reilly	22 June 17 Sept 17
S8	Strategic	Education – the service may benefit from a dedicated Programme Manager	Consider recruitment of Programme Manager	Gayle Gorman	May 17
S9	Strategic	Capital funding has been awarded to ALEOs. There is a risk that the Council's interests are not been adequately protected.	A review of all external capital grant allocations should be undertaken to confirm that the Council is satisfied that these projects are being managed effectively and consistent with Council regulations/policy.	PMO (Audit undertaking governance review)	Sept 17
S10	Strategic	Need to coordinate the Energy projects	The energy projects will be co-ordinated via the Energy Board	PMO	July 17
S11	Strategic	The Council has a number of Strategies and Plans contributing towards the achievement of Corporate priorities	These should be reviewed and rationalized/streamlined where appropriate Proposals for the review to CMT	Performance, Risk & Improvement Board Mark Reily - Sponsor	Aug 17
G1	Governance	The health check identified that a number of capital projects did not have adequate documentation in place.	A follow-up review should be undertaken which ensures that all capital projects have filled the identified gaps in project documentation	PMO	Aug 17
G2	Governance	The CCMP Board should refocus as an outward looking Board focusing	The Terms of Reference for the CCMP should be reviewed and revised	PMO/Marc Cole	June 17

		on partnership and relationship management and reputational management.	accordingly.		
G3	Governance	Although all of the Project Managers produce monthly highlight reports (PSR's) the quality of the reporting varies across the programme.	The PMO should work with individual Project Managers to improve the quality of reporting and gain greater consistency across the programme	PMO/ Project Managers	July 17
G4	Governance	Star Chamber sessions have been undertaken on high and medium priority projects. There is a risk that low priority projects have 'hidden' issues that need to be addressed.	Star Chamber sessions should be undertaken on all remaining projects to confirm their status and provide assurance. Meetings have been scheduled.	Bernadette Marjoram	July 17
G5	Governance	Programme Boards to be established	All members to be notified of their roles so that these can be agreed and validated	PMO	June/July 17
G6	Governance	Programme Boards to be established	Programme Managers to be appointed	PMO	June/July 17
G7	Governance	Programme Boards to be established	Meetings to be scheduled	PMO	June/July 17
G8	Governance	Programme Boards to be established	Terms of Reference to be drafted	PMO	June/July 17
G9	Governance	Programme Boards to be established	A programme plan is to be drafted which includes project milestones, resource requirements, and interdependencies,	PMO	Sept 17
G10	Governance	Programme Boards to be established	Establish and maintain risk register for each programme	PMO	June/July 17

G11	Governance	Programme Boards to be established	Establish and maintain benefits realisation plan for each programme	PMO	Dec 17
G12	Governance	Programme Boards to be established	Establish and maintain a programme dashboard	PMO	June/July 17
G13	Governance	The Project Management Toolkit will need to be updated to incorporate revised governance arrangements	Update Project Management Toolkit	PMO	July/Aug 17
G14	Governance	The Project Management Training will need to be updated to incorporate revised governance arrangements	Update Project Management Training	PMO	Aug 17
G15	Governance	The PMO is supporting other functions both internal and external to the Council there is a concern whether the PMO has the capacity to deliver all that is being asked of them	Review the scope and capacity of the PMO	Bernadette Marjoram	May 17
G16	Governance	Audit made a series of recommendations which have been taken into account throughout this review. A further audit should be undertaken to give assurance that recommendations have been implemented where required	Schedule audit for quarter 4 which will enable the revised governance arrangements to be implemented	Audit	March 18
G17	Governance	There is concern over whether some services have project management capability	All Capital Project Managers be required to attend PMO training. Identify and implement additional training requirements for project managers. Supplement with additional	PMO/Programme Managers/Project Sponsors/Project Managers	July 17 On-going

			expertise if required. (Training to be extended for Programme Managers and Project Sponsors)		
G18	Governance	There is inconsistency on how Project Managers are requesting changes to the project	The change control process needs to: I. Be re-communicated to Project Managers II. Propose a scheme of tolerances to be established as part of the change control process i.e. what value requires Project Manager approval or Board approval	PMO/ Programme Boards	June 17 June 17
G19	Governance	A lack of clarity on roles and responsibilities appears across the programme. Some projects were unaware of who their project sponsor was - this was usually as a result of changes in personnel	Information setting out roles and responsibilities to be circulated	PMO	June 17
G20	Governance	Some projects do not have a risk register in the correct format	PMO to re-communicate risk register format to those projects this applies to and Project Managers to action	PMO/ Project Managers	June 17
G21	Governance	Not all projects have a Communications Plan in place	PMO to re-communicate Communications Plan format to those projects where this currently does not exist. Project Managers to action and this needs to be included as part of the project plan.	PMO/Project Managers	June 17
G22	Governance	Some risk registers are not been reviewed and updated on a regular	PMO to re-communicate the requirement to review risk registers on	PMO/Project Managers	June 17 on-going

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		basis	a regular basis. Project Managers to action (e.g. review at monthly project board meeting)		
G23	Governance	Most issue registers are not completed and updated on a regular basis	PMO to re-communicate requirements. Project Managers to ensure that they complete and update issue registers on a regular basis (e.g. review at monthly project meeting)	PMO/Project Managers	June 17 On-going
G24	Governance	Escalation routes are not being used to resolve project issues	PMO to re-communicate the process for escalation. Project Managers and Project Sponsors to ensure escalation routes are used when appropriate	PMO/Project Sponsors/Project Managers	June 17
G25	Governance	A lack of project plans for the duration of the project e.g. using contractor's plan as project plan	PMO to re-communicate requirements. Project Managers to ensure that they have a full project plan in place which included a decision tree for approval stages	PMO/Project Managers	June 17
G26	Governance	Interdependencies are not fully articulated or understood	Interdependency workshops to be delivered to identify project and programme interdependencies. An interdependency log should be established at both project and programme level - Note 1st workshop with CH & I Service Heads held May 17	PMO/Programme Managers	Sept 17
G27	Governance	Lessons learnt are not being routinely identified. There is also an outstanding committee instruction on getting lessons learnt available	PMO to recommunicate how the lessons learnt register should be used throughout the project lifetime.	PMO	June 17

			for use.	A lessons learnt workshop should be undertaken at the end of each project and if appropriate at key stages throughout the project.	PMO/Project Managers	As appropriate
				Lessons learnt as projects progress should be captured on a central database, creating a capital learning hub.	PMO	Aug 17
				Peer learning sessions should be held to share best practice and pitfalls to avoid	PMO	Sept 17 & on-going
G28	Governance		There is concern over the capacity of Programme and Project Managers who appear to be responsible for multiple projects	A resource plan for the programme is being prepared to: I. identify % of time Project Managers are spending managing projects II. identify % of time Programme Managers, Project Sponsors and Board members are spending managing Capital Programme	PMO	June 17 Sept 17
G29	Governance		Rolling programmes are not all reporting back on performance	Rolling programmes will be required to provide performance data to the relevant Programme Boards	PMO/Programme Managers/Project Managers	June/July 17
G30	Governance		The Gateway Process is not always observed	PMO to re-communicate Gateway Process. Project Managers need to ensure that	PMO/ Project Managers	June/July 17

			they are seeking approval of the Programme Board at the required stages.		
G31	Governance	Current Gateways are not always closely tracking the delivery of capital projects and ensuring that approvals are given at appropriate stages.	Additional Gateway Stages may be requested by the Strategic Asset and Capital Board when the project is initially approved.	PMO/Strategic Asset and Capital Board	May 17 On-going
G32	Governance	There is an inconsistent way of how Projects report to Members	Agree how and what information should be communicated to Members (also reviewing reporting to F & PR)	Monthly Member Reference Group proposed	Aug 17
G33	Governance	Business cases are not being reviewed throughout the project lifetime	PMO to re-communicate requirements. Business cases should be reviewed at key points within the programme to ensure that there is still a business justification for the project	PMO/Project Managers	May 17 On-going
G34	Governance	There are inconsistencies in how the Contract Administrator and Project Manager work together and who is responsible for what	The roles of contract administrator and Project Manager need to be clarified	PMO/ Stephen Booth	June 17
G35	Governance	Options appraisals are not always fully understood or completed	PMO to communicate that options appraisals need to be completed as part of the Outline Business Case. Advice is available from PMO and Finance. (This is part of the Toolkit Review)	PMO/Finance/Project Managers	Aug 17 On-going
G36	Governance	A number of projects end with claims against the Council. Consideration should be given on whether the Council should opt for	It is recommended that a review should be taken on what type of contract the Council has preference for	Procurement	Oct 17

		a contract which has more price certainty.			
G37	Governance	The Aberdeen Treasure Hub project does not have a Capital Project Manager	Capital Project Manager for the project to be put in place	Euan Couperwhite	May 17
G38	Governance	Many projects have experienced delays due to problems with diversion/connection of utilities	PMO to review problems experienced due to utilities. Once evidence collated a series of high level meetings to be organised with utility companies.	PMO	May 17
G39	Governance	The Art Gallery Refurbishment project does not have a Capital Project Manager	Capital Project Manager for the project to be put in place	Euan Couperwhite	May 17
G40	Governance	A process for Project Closure needs to be established.	PMO to: I. re-communicate the procedure for project closure which includes the stages a project is practically complete/occupied, financial completion and benefits realised. II. Review the process to ensure it addresses how post project evaluations and post occupancy evaluations, if required, are undertaken.	PMO	June 17 Aug 17
F1	Finance	There is a lack of understanding of what budget contingency is and the process for accessing this funding	Clarification is required on what contingency is and how it can be used. In addition a decision should be taken on whether contingency should be held centrally or at programme level rather than within individual project budgets	PMO/Finance	June/July 17

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F2	Finance	There is evidence that not all projects are fully funded	All projects which are not fully funded need to be identified so that the risk around this projects can be determined and further funding identified where appropriate	PMO/Finance	June/July 17
F3	Finance	Revenue projects are not scrutinised in the same way as Capital	Consider agreeing governance arrangements for revenue projects	CMT	June 17
F4	Finance	Revenue consequences of capital expenditure are not being adequately captured	Whole-life costings to be included as part of the business planning process and if project is agreed then revenue requirement needs to be included in the budget planning process	PMO/Project Managers/ Project Sponsors	May 17 On-going
F5	Finance	Project Managers are not always managing the project budget. The Contract Administrator is sometimes taking on this responsibility	Project Managers must manage their budgets and forecast expenditure on a monthly basis. They must agree any instructions issued by the Contract Administrator which affect the budget.	PMO/Project Managers	May 17 on-going
F6	Finance	Many projects have external funding for which the Council is accountable for. This presents a risk to the Council if not adequately managed.	It is recommended that a review of all external funding is undertaken to ensure that the appropriate governance arrangements can be put in place.	PMO/Finance	August 17

NB: The Action Plan relates to all capital projects including the HRA

Project Management Process

Define
Agree the Change

Develop Project Proposal

↓

GATE 1 – Approve Project Proposal

↓

Establish Project Governance

↓

Develop the Business Case

↓

GATE 2 – Approve Business Case

Key Documents:
- Project Proposal
- Business Case

Implement
Make the Change

Develop PID, Designs & Plans

↓

GATE 3 – Approve PID, Designs and Plans

↓

GATE 4 – Approve Procurement

↓

Manage Project Delivery

↓

GATE 5 – Six-Monthly Reviews

Key Documents:
- Project Initiation Document
- Project Designs and Plans
- Communications Plan
- Risk Log & Issue Log
- Lessons Learned Log
- Project Status Reports
- Project Change Requests

Close
Close the Project

End of Project Review

↓

GATE 6 – Project Close

Key Documents:
- End of Project Report

Measure
Measure the Benefits

Monitor Benefits Realisation

↓

GATE 7 – Benefits Review

Key Documents:
- Benefits Realisation Report

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 June 2017
REPORT TITLE	Review of the System of Risk Management
REPORT NUMBER	CG/17/061
LEAD OFFICER	Fraser Bell
REPORT AUTHOR	Neil Buck

1. **PURPOSE OF REPORT:-**

The report provides the Committee with an update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project.

2. **RECOMMENDATION(S)**

That the Committee:
Note the progress made in delivering the project.

3. **BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE**

3.1 At its meeting on 24 November 2016, the Committee reviewed the action plan relating to the Risk and Assurance improvement project and agreed to receive an update on progress at the June 2017 meeting.

3.2 The Council carried out a comprehensive review of the system of risk management during 2016 and at its conclusion, agreed an action plan to take forward a number of actions to improve the system. Notable amongst these actions were improving our risk identification mechanisms, strengthening the level of assurance the Council's senior management can take in the effectiveness of risk controls and mitigation and the agreement of a risk appetite for the Council, to inform risk assessment and escalation between tiers of risk management.

3.3 KPMG carried out a piece of work to map assurance to two corporate risks and this model is now being rolled out to the remaining risks in the register. The Corporate Risk Register is reviewed by CMT each month.

3.4 The Risk and Assurance Improvement Project is now part of the Performance, Risk and Improvement Change Delivery Programme and progress is being reported through the governance arrangements in place for that programme. This also creates an environment where cross-over between risk and assurance and other work streams across the portfolio of change delivery programmes become apparent and a coordinated approach can be taken.

3.5 Appendix 1 details the actions in the project plan and updates against actions are provided where appropriate.

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4.   FINANCIAL IMPLICATIONS

4.1   There are no direct financial implications arising from the recommendations of this report but the report deals with the highest level of risk and this process serves to identify controls and assurances that finances are being properly managed.

5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report but the Corporate Risk Register serves to manage many risks with implications for the legal position and statutory responsibilities of the Council.

6.   MANAGEMENT OF RISK

6.1   The report provides information on the Council's system of risk management and the improvements designed to make the system robust and fit for the changing social, political and economic environment in which we exist, so that all risks attaching to the Council's business and strategic priorities may be identified and managed.

7.   IMPACT SECTION

7.1   **Economy**
Robust risk management arrangements are essential to the identification and control of risks with the potential to impact the Council's strategic priorities and the objectives set out in the Local Outcomes Improvement Plan, which support our commitment to a prosperous economy. The mapping of assurances to risks, as set out in the appended action plan summary, will evidence to the Council's senior managers gaps in the strength of those controls which can then be addressed.

7.2   **People**
Some corporate risks have the potential to impact both the safety and wellbeing of
our   citizens and communities. In addition, action is taken to identify the impact of some risks on the wellbeing and experience of our staff.   The emphasis on proper risk controls and identifying mitigating actions which are aligned with our strategic and service business and improvement planning processes, as documented in the action plan, ensures that all such risks are effectively managed.

7.3   **Place**
The Council's commitment to creating a city which is a chosen destination to live, invest, work and visit is reflected in our Strategic Business Plan and the Local Outcomes Improvement Plan. The Risk and Assurance project aims to ensure that all risks impacting that commitment are identified timeously and subjected to appropriate risk management techniques, in order to maximise delivery of those outcomes.

7.4   **Technology**
The strong horizon scanning mechanisms outlined in the action plan are designed to maximise opportunities to strengthen our commitment to digital place and enabling technology and to mitigate risks to the success of that commitment.

8.   BACKGROUND PAPERS

None

2

9.   **APPENDICES**

Appendix 1 (Risk and Assurance Project Action Plan Summary)

10.   **REPORT AUTHOR DETAILS**

Neil Buck
Performance and Risk Manager
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HEAD OF SERVICE DETAILS

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No.	Action	Deadline	Status	Comments
1	**Clearly align our strategic objectives with risk management and risk reporting systems** (i) Align corporate risks with Strategic priorities (ii) Align directorate risks with Strategic priorities.	31/12/16		There is a single corporate risk register and the risks contained within it and the directorate risk registers are aligned with the Council's strategic priorities.
2	**Ensure that the revised risk management strategy incorporates risk management objectives**	30/09/17		This action will take account of other developments during the life of the project including most importantly, the development of an assurance framework for the Corporate Risk Register.
3	**Streamline risk reporting and escalation using risk scores.**	30/09/17		As above
4	**Streamline risk reporting to service and directorate committees include review of their risk registers.** 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. (i) Ensure directorate risk registers are up to date and included in director / chief executive 1-2-1 packs (ii) Align risk reporting with performance reporting to provide SMTs / DLTs with risk registers along with performance scorecards quarterly. (iii) Report directorate risk registers to service committees twice yearly.	31/03/17		Reporting of risk registers to management teams and within 1-2-1 packs is embedded. The Performance, Risk and Improvement Change Programme is examining the place of risk management within the service planning process.
5	**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 for the 2017/18 financial year.**	30/06/17		KPMG completed in March a risk assurance mapping exercise against two corporate risks. This model is being implemented on all corporate risks.

	(i) Amend the risk register formats to include assurances on the corporate risk register			
	(ii) Reinforce the assurance mapping task by building review of assurances into Council Business cycle.			
	(iii) Define and communicate the distinction between controls and assurances			
6	**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.**	31/03/17		The corporate risk register has been redesigned. A glossary of risk management terminology has been distributed to responsible officers and work is under way to encompass indicators of risk management effectiveness. It is expected this will be complete by 30/06/17 and rolled out to all services.
	(i) Produce new risk register format for corporate and directorate level risks which categorises impacts as people, financial, property, reputation.			
	(ii) Establish key risk indicators which evidence that mitigation is successful.			
7	**Develop an action tracker to assist the CMT in closure of actions**	30/04/17		An action tracker has been developed. Due to the roll out of assurance mapping for the corporate risk register, assurance actions are being identified along with control actions. The finalised tracker will take account of both requirements and this is scheduled to be in place by 30/06/17.
	(i) Action tracker for CMT: should include all collated mitigating actions from corporate risk register with timeline for completion and progress / evidence.			
	(ii) Action tracker for SMTs / DLTs to include all collated mitigating actions from directorate risks with timeline for completion and progress / evidence.			
8	**Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business**	30/04/17		There are quarterly reports to Council on IJB activities including an update on risk management. A process has been agreed for "Directions" from the IJB to Council which includes:
				• an appropriate template for consistent use for all Directions;
				• consultation is undertaken with the Council's Head of Legal Services to provide assurance that proposed Directions are legally competent;
				• IJB Directions which propose "major changes" to the

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				delivery of services, be issued only following engagement with the Council's elected members; • where IJB Directions are required for the delivery of services, but no "major change" is proposed, these be submitted to the Council annually for information. All Directions are appended to the quarterly report. An internal audit review is under way which will consider how IJB operational performance may be reported to the Council in future.
9	**(a) Business analysis input on risk management information needs in relation to software and** **(b) [b]Evaluate the covalent system - both should be included in the Information Communications Technology (ICT) strategy and plans [factoring in risk registers]**	30/09/17		This action was originally scheduled for completion on 30/04/17 and has been raised with the relevant officers in the ICT service. There is a review of all critical and non-critical systems under way and this will take account of risk management system requirements as the review proceeds. The action deadline has been moved to 30/09/17.
10	**Support identification and discussion of risk by:** (i) Promotion of a range of risk identification methods (ii) Formal training and induction (iii) Prepare and distribute training guidance notes on use of the Covalent system risk module.	Ongoing		A risk management training programme for officers has been under way for 18 months and continues. Further training options are also being considered in conjunction with the Organisational Development Team, Risk software guidance is complete and has been issued to all users.
11	**Hold workshops within Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making.** (i) Support identification and discussion of risk by: Use of risk appetite within risk system (ii) Streamline risk reporting and clarity of delegation using risk tolerance levels	30/09/17		Further work is under way to ensure transformational activity is subject to risk assessment in advance of moving forward with this action.
12	**Ensure there is supporting guidance or worked scenarios and advice on induction for elected members on procedures concerning conflict of interest and liability.**	10/05/17		Training for elected members has been completed

| 13 | Establish a risk identification and moderation role for the ECMT which encompasses:
• Horizon-scanning, discussion and identification of new risks.
• Compilation and refresh of corporate operational risk register.
• Review of high level risks from directorate risk registers.
• Submission of issues for escalation to the CMT for strategic risk register.
• Moderation of risk scores in the corporate operational risk register.
• Engage heads of services in the recognition and analysis of good risk management | 30/06/17 | | A corporate issues log is in development with the aim of capturing information from horizon scanning and using peer review and challenge through ECMT. Significant emerging issues are reported to CMT (Stewardship) meetings monthly so that new corporate risks may be identified.
The corporate risk register has been comprehensively reviewed and redesigned. |
| 14 | Evaluate the system for acceptability and consistency after year one of operation | 31/10/17 | | |

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ABERDEEN CITY COUNCIL

COMMITTEE   Audit, Risk and Scrutiny Committee

DATE   27 June 2017

REPORT TITLE   Communities, Housing and Infrastructure Risk Register

REPORT NUMBER CHI/17/078

DIRECTOR   Bernadette Marjoram

REPORT AUTHOR   Mike Hearns

CHECKLIST COMPLETED   Yes

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1.   PURPOSE OF REPORT:-

This report presents Committee with the Communities, Housing and Infrastructure Risk Register.

2.   RECOMMENDATION(S)

The Committee are asked to note the content of the risk register and advise any further action as appropriate.

3.   BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

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

The wide range and consequent diversity of services provided by the Directorate have necessitated the adoption of a high level generic approach in compiling the Register.
It should be noted therefore that the document is supported and augmented by a series of risks identified at service and team levels.

The Risk Register will be reviewed on a regular basis by Communities, Housing and Infrastructure Senior Management Team, involving continual assessment of control effectiveness and progress on the implementation of mitigating actions.

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4. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from the recommendations of this report.

5. **LEGAL IMPLICATIONS**

There are no direct legal implications arising from the recommendations of this report.

6. **MANAGEMENT OF RISK**

The report provides the Communities, Housing and Infrastructure Risk Register which details how the risks identified might impact on delivery of our priorities are currently managed.

7. **IMPACT SECTION**

The effective management of risk is an essential element to our achieving strategic and business priorities as set out in the Aberdeen City Local Outcome Improvement Plan 2016-26, the Aberdeen City Council Strategic Business Plan and in the Directorate's Service Improvement Plans.

Economy

Managing risk will ensure more effective use of our resources, reducing potential financial loss with the added prospect of extending their lifetime.

People

Although focused on our internal management arrangements and therefore primarily affecting our workforce our management of risk will also impact on citizens and visitors to the City alike, in terms of health and safety, our approach to climate change and how we engage with our customers on a day to day basis.

Place

The actions taken in managing and mitigating against risk will lead to a rised in environmental standards in the City, making it a more attractive, appealing place to live, work and visit.

2

Technology

None.

8.   **BACKGROUND PAPERS**

None.

9.   **APPENDICES (if applicable)**

Appendix 1 Communities, Housing and Infrastructure Risk Register

10.   **REPORT AUTHOR DETAILS**

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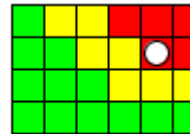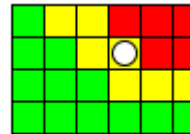
CHI Operational Risk Register

Report Type: Risks Report
Report Author: Mike Hearns
Generated on: 8 June 2017

Communities Housing and Infrastructure Operational Risk Register
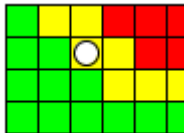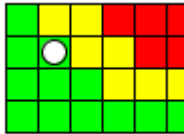
Current Risk Assessment

Very serious

Low

Code	C,H&I 01	**Risk that Business Continuity Planning is ineffective or uncoordinated.**
Definition		Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard services and to protect communities. **BCPS are required for Critical Functions in respect of** 1. Human welfare or the environment 2. The finances of the Council 3. The Council's statutory obligations 4. The Council's reputation 5. The Council's ability to respond to emergencies

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
• Inability to deliver essential services during disruption. • Harm to individual or vulnerable groups. • Reputational damage. • Prosecution. • Security of sensitive / personal data compromised. • Government intervention.	• Absence of effective Business Continuity Policy. • No clear ownership of BCPs or consistent review by management. • Absence of management oversight - consistency / reality checking. • Absence of regular testing regime. • Inadequate disaster recovery planning across the range of C,H&I business critical and non-critical functions. • Disaster recovery and BCP not subject to audit. • Poor governance structure - committee assurance.	Clear ownership of BCPs established with effectiveness monitored through supervision meetings	Partially Effective	1	
		Regular review by SMT with remedial actions directed to plan owners	Partially Effective	1	
		Regular testing regime with documented learning points considered and actioned by SMT	Partially Effective	1	
		Robust disaster recovery arrangements and structures in place for public buildings monitored and tested to establish learning points for action	Not Effective	1	
					Serious
					High

Mitigating Actions	Residual Risk Assessment
• SMT commitment to re-invigorating BCP within Directorate • Embed BCP ownership and accountability • Ensure BCPs are subject to rigorous testing and review. • Establish quarterly reporting to SMT.	
	Serious

	Significant
Risk Owner	Director	**Risk Manager**	CHI SMT
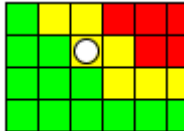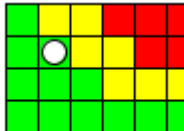
Code	C,H&I 02	**Risk that workforce planning is ineffective**
Definition		The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.

Potential Impact	**Causes**	**Control Effectiveness**			**Current Risk Assessment**
		Control	Control Assessment	Weight	
• Service quality deteriorates • Workforce attrition • Over-reliance on agency support • Council not seen as an employer of choice	• Workforce planning is not aligned with business need • Absence of development opportunities leads to poor morale and retention deficits • Recruitment practices are flawed • Training is not aligned to business need • Knowledge capture processes not in place	Service workforce plan included in service improvement plans to support business change programmes	Partially Effective	1	
		Service workforce plan actions monitored by service management teams with remedial actions identified and implemented	Not Effective	1	
		Business critical / hard to fill posts identified and succession plans in place to address future resourcing issues – reviewed by service managers and HR to ensure effectiveness	Partially Effective	1	
		Recruitment training focused on recruiting on technical and cultural fit basis and outcomes monitored for effectiveness	Partially Effective	1	
		PR&D outcomes monitored to ensure effective recruitment decisions made	Partially Effective	1	
					Serious
					Low

Mitigating Actions	**Residual Risk Assessment**
• Build workforce planning into financial planning • Build workforce planning into business planning • Ensure recruitment training for new managers • Monitor through performance management staff turnover • Continue to embed PR&D process	 Serious

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			Very Low
Risk Owner	Director	**Risk Manager**	CHI SMT
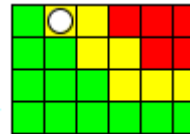
Code	C,H&I 03	Risk of major IT business systems failure (i-World, Consileum, Confirm, Tranman, Uniform, Flare)			
Definition	Secure, well-functioning business systems are critical to carrying out statutory functions, providing essential services and ensuring legal compliance.				

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
• Essential services not delivered • Harm to members of public (including vulnerable groups) • Inability to raise revenue • Inability to pay creditors • Harm to local economy • Reputational damage –prosecution, civil litigation	• Inadequate disaster recovery and business continuity planning • Absence of adequate firewalls • Malware/ cyber attack compromise systems • Ageing infrastructure • Increasing demand not met with infrastructure improvements • Business systems not co-ordinated to meet continuing and increasing demand • Absence of key IT skills in some areas	High level Business Continuity Risk Assessment in place	Fully Effective	1	
		Tested Business Continuity Risk Assessment in place for C,H &I specific systems and monitored for continuing effectiveness by SMT	Partially Effective	1	
		Best practice security controls	Fully Effective	1	
		Regular business systems review	Fully Effective	1	
		Robust Disaster Recovery arrangements (including testing)	Partially Effective	1	
		Robust customer-led governance structures	Partially Effective	1	
		IT staff trained in all essential skills areas	Fully Effective	1	
					Serious
					Low

Mitigating Actions	Residual Risk Assessment
• Ensure application reviews and resilience testing in place • Review meetings arranged to ensure consistent and robust approach adopted and applied across Directorate • Ongoing review by IT colleagues of Disaster Recovery arrangements in place • Rationalise applications and upgrade ageing systems • Review of infrastructure between buildings	
	Serious
	Very Low

Risk Owner	Director	Risk Manager	CHI SMT

Code	C,H&I 04	Risk of poor health, safety and wellbeing safeguards for employees and service users			
Definition	The Council is required by law to safeguard its employees and members of the public to ensure their health and safety through effective implementation of the Health and Safety Policy.				

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	**Control Assessment**	**Weight**	
• Fatality or serious injury to employee or member of the public • Corporate Health and Safety Policy breached • Increase costs due to absence levels and agency costs • Prosecution for failings (criminal) • Compensation claims (civil) • Enforcement action – cost recovery of regulator time • Increased costs due to absence levels and agency costs • Increased insurance costs • Poor service delivery due to high absence levels • Reputational damage	• Lack of Leadership displayed by Management • Poor health and safety culture of organisation • Poor understanding of Health and Safety and associated risks •Poor communication and co-ordination of health and safety matters • Compliance with Health and Safety requirements not monitored • Inconsistent reporting of accidents and near misses	Attendance at Health and Safety Committee of Heads of Service	Fully Effective	1	Impact / Likelihood
		Adoption of Health, Safety and Wellbeing Improvement Plan and aligned with service improvement plans – actions monitored by SMT	Partially Effective	1	
		Health and Safety Co-ordinator appointed – actively overseeing implementation of H&S Improvement actions	Fully Effective	1	
		Virtual Health and Safety team set up and working together	Fully Effective	1	
					Serious
					Very Low

Mitigating Actions	Residual Risk Assessment
• Fully embed Health, Safety and Wellbeing Improvement Plan and ensure compliance • Ensure all accidents, near misses recorded and competently investigated • Senior Operational Managers attend local Health and Safety Committees	Impact / Likelihood
	Serious
	Almost Impossible

Risk Owner	Director	Risk Manager	CHI SMT

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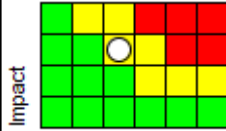
Code	C,H&I 05	Risk of poor performance management structures		
Definition	Performance management supports an effective compliance culture and change and continual improvement processes			

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
• Inconsistent approach to the transformation and improvement agendas • Censure by government agencies • Reputational damage • Inability to evidence Best Value delivery • Public Performance Reporting falls short of acceptable standards • Governance –assurance and accountability absent	• Lack of buy-in to robust performance culture • Accounts Commission Guidelines not met • Inconsistent performance reporting framework KPIs do not support service improvements • Poor benchmarking activity • Inadequate target-setting • KPIs do not inform service improvements • Performance management is not aligned to Strategic priorities • Committees do not oversee performance management and improvement	Management buy in to performance management is embedded and performance indicators are subject to regular scrutiny with remedial actions directed as required	Partially Effective	1	
		Consistent corporate performance management and reporting framework embedded at all levels	Partially Effective	1	
		Strong benchmarking activity leading to robust target-setting	Partially Effective	1	
		KPIs established to support plan delivery	Partially Effective	1	
		'Golden thread' ensures strategic priorities are properly measured	Fully Effective	1	
		Robust governance structure at committee level	Partially Effective	1	
					Serious
					Low

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

Risk Owner	Director	Risk Manager	CHI SMT
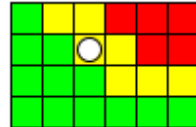
Code	C,H&I 06	Risk that legislative and policy changes are not anticipated or planned for				
Definition		The Council must be aware and plan for changes in legislation and policy and ensure that risks to functions and services are managed and opportunities seized.				

Potential Impact		Causes	Control Effectiveness			Current Risk Assessment
			Control	Control Assessment	Weight	
• Negative impact of changes		• Poor horizon-scanning • Poor relationships with legislative bodies • Lack of robust internal communication processes • Poor strategic and service planning processes	Embedded legislation and policy tracking with consultees consistently providing feedback	Partially Effective	1	Impact / Likelihood grid
			Robust 1-2-1 structure CE /Director, Director H of S including review of legislation / policy monitoring and documented remedial actions	Partially Effective	1	
			Effective communication between directorates	Partially Effective	1	
			Service/Business Planning process further embedding "golden thread" principle and future planning with plans monitored by SMT through lifecycle	Fully Effective	1	
						Very serious
						Low

Mitigating Actions	Residual Risk Assessment
• Ensure key managers are in position to respond timeously and comprehensively to future developments	Impact / Likelihood grid
	Very serious
	Very Low

Risk Owner	Director	Risk Manager	CHI SMT
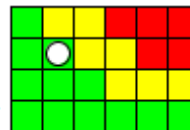
Code	C,H&I 07	Risk that Strategic and Directorate Business Plan commitments are not delivered		
Definition	The Strategic, Directorate and Team Plans set out our commitments to improved service delivery and the achievement of better outcomes in a Best Value culture			

Potential Impact	**Causes**	**Control Effectiveness**			**Current Risk Assessment**
		Control	Control Assessment	Weight	
. Key objectives not met . Service delivery deteriorates . Staff are disengaged from stated commitments . Reputational damage . Resources are wasted / used ineffectively . Improved outcomes are not achieved	• Objectives and actions are unrealistic or badly scoped • Performance measures are inadequate to evidence improved outcomes • The 'golden thread' is absent and required linkages are not mad • Consideration of risk is not properly taken • Staff are not fully engaged with planning • Performance Management Frameworks (CMT, SMT,1-2-1, committees) do not support delivery • Transformation and Innovation workstreams are not aligned with plans	Objectives are SMART where possible	Partially Effective	1	Impact / Likelihood
		Performance management framework supports effective strategic and service planning	Fully Effective	1	
		Risk management framework is fully aligned with business planning cycle and includes clear appetite statement	Partially Effective	1	
		Effective employee engagement strategies in place	Partially Effective	1	
		Accountabilities are clear and in place and PR&D objectives are linked to strategic and service planning	Partially Effective	1	
		Governance arrangements serve to maintain momentum of strategic plan delivery	Partially Effective	1	
					Very serious
					Low

Mitigating Actions	**Residual Risk Assessment**
Revisit Objectives to ensure SMART criteria . Ensure all required reporting matters are covered in corporate reporting framework . Internal Communication strategy to further embed 'golden thread' . Ensure 'golden thread' is present in all strategic planning activity and reporting . Revise risk management framework and scope risk appetite Governance Review ongoing Risk and Assurance Project Team set up .	Impact / Likelihood
	Very serious
	Very Low

Risk Owner	Director	**Risk Manager**	CHI SMT

Code	C,H&I 08	**Risk that data security is breached.**			
Definition		Failure to maintain effective data security arrangements leads to serious financial and reputational damage as well as placing others at harm.			

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Individual and groups placed at risk of harm. . Criminal prosecution. . Civil litigation. . Financial penalties (ICO fines) . Negative media coverage. . Reputational damage. . Increased external scrutiny	. Inadequate reporting of breaches and near misses . Poor awareness or knowledge of statutory requirements. . Proper training not provided to new employees or refresher training to existing employees. . Poor 'lessons learned' culture . ICO Audit recommendations not implemented. . Senior Risk Information Officer (SIRO) role not embedded or effective. . Poor communication channels between SIRO and Monitoring Officer. . Inconsistent approach to Information and data Management and security . Inadequate information management systems	Effective information management and security training and awareness programme for all staff with compliance exceptions reported and actioned	Partially Effective	1	
		Information Governance Board led by SIRO provides robust corporate oversight of information assurance arrangements	Fully Effective		
					Very serious
					Low

Mitigating Actions	Residual Risk Assessment
• Delivery of information assurance roadmap for 2017-18 including – delivery of Council wide behaviour based information governance training and awareness programme; readiness for requirements of new General Data Protection Regulation; embedding of Information Asset Ownership roles throughout organisation • Ensure proper physical security controls at all establishments • IT & Transformation Service Redesign including consolidation of IT and data activities • SMT monitoring in place	
	Very serious
	Very Low

Risk Owner	Director	Risk Manager	CHI SMT

Code	C,H&I 09	**Risk that processes to manage and benefit from the effects of severe weather and climate change are not effective.**
Definition		The Council is required to comply with key legislative requirements, including Public Bodies (Scotland) Climate Change Act (2009). This has a requirement to reduce emissions, adapt to climate change and be sustainable and is essential to: • Protect vulnerable people. • Safeguard city assets and infrastructure. • Protect the natural environment. • Contribute to a resilient economy. • Avoid costs.

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
• Death or harm to groups or individuals resulting from climate events which are unmitigated. • Cost of reparations to buildings & infrastructure. • Irrecoverable damage to the natural environment (species and habitats) & cultural assets. • Essential services not delivered. • Communities vulnerable to weather impacts. • Statutory obligations not met. • City loses competitive edge. • Poor air quality. • Increased transport disruptions and congestion. • Reduction in investment opportunities. • Loss of land and property values. Stranded assets • City growth restricted. • Difficult to attract and retain businesses.	• Climate resilience is not factored into decision making, policy development and service delivery. • Insufficient resources to support climate change & sustainability actions. • Poor relationship management with city partners and developers. • Lack of management buy in to addressing risks. • Climate resilience is not seen as a core corporate responsibility. • Inadequate planning and delivery processes.	Implemented statutory annual climate change monitoring and reporting requirement from 2016	Partially effective	1	Impact / Likelihood
		Flood Protection Schemes in place and reviewed	Fully Effective	1	
		Flood Warning system in place and reviewed	Partially Effective	1	
		Planning Policies in place to ensure compliance	Fully Effective	1	
					Very serious
					Low

• Claims and payouts for damage. • Increased insurance premiums. • Impact on performance targets. • Financial pressures. • Reputational damage.	• Lack of understanding of climate risks and consequences. • Priority areas for action are not identified.

Mitigating Actions	**Residual Risk Assessment**
• Developing climate resilience as a core directorate responsibility • Build an understanding of key climate risks and opportunities • Embed climate change ownership and accountability • Integrate climate change data into performance reporting systems • Embed collaborative working internally and externally to ensure holistic decision making • Council participation in the Adaptation Learning Exchange programme and Adaptation Scotland risk task team • Development of the Corporate Emissions Accountant role • 7 Flood Studies commissioned • 9 Surface Water Management Plans underway • Flood Protection Order (Peterculter) to be issued • Property Level Grant Scheme in place • Community Engagement Meetings to be arranged and embedded	 Likelihood / Impact Serious Low

Risk Owner	Director	**Risk Manager**	CHI SMT

12

Code	C,H&I 10	**Risk of poor employee engagement levels**			
Definition	Internal and external influences on the management of change in the delivery of services and core functions may impact negatively on workforce morale				

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Poor retention levels . Difficult to attract / recruit key staff . Deteriorating service quality . Increased customer complaints	. Lack of clarity in direction and culture . Inability to motivate and develop staff . Poor Communication . Lack of capacity and resources . Lack of staff recognition and appreciation . Lack of accountability	Further embed principle of "golden thread"	Partially Effective	1	
		Staff Engagement in developing Service/Directorate Plans	Partially Effective	1	
		Staff Engagement Events, Opinion Surveys	Fully Effective	1	
		Implement actions identified from feedback	Partially Effective	1	
		Improved Employee Benefits/Salary Sacrifices	Fully Effective	1	
		PR&D	Fully Effective	1	
		Communication Business Advisers aligned to Service	Fully Effective	1	
		E mag incorporating feedback mechanisms	Fully Effective	1	
		Director's Blog	Partially Effective	1	
		1-2-1	Partially Effective	1	
		The Zone	Fully Effective	1	
		Onelan screen used for performance reporting and corporate message sharing	Partially Effective	1	
		Smarter Working	Partially Effective	1	
		ICT Developments including Mobile Working	Partially Effective	1	
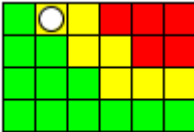
		Improved Work/Life Balance incorporating cultural shift	Partially Effective	1	
		Performance Management Framework	Fully Effective	1	
		Star Awards	Fully Effective	1	
		APSE Nominations etc	Fully Effective	1	
		Ideas Hub	Partially Effective	1	
		Director/ HofS engagement with LSA process	Fully Effective	1	
		Managers P&RD – focus on core objectives	Fully Effective	1	
		Performance Management Framework links to Shaping Aberdeen / Smarter Aberdeen	Partially Effective	1	Serious
					Low

Mitigating Actions	**Residual Risk Assessment**
. Reward system for exceeding employees . Transformation engagement system re 'good ideas' taken forward . Training needs identified from PR&D aligned with provision and monitored for delivery . Monitoring and reporting of staff engagement levels through opinion surveying against improvement target. . Ensure PR&D objectives reviewed and implemented in line with Directorate Priorities . Workforce Planning Events/ mini conferences in place Further development in use of Onelan screen CH&I Conference 2017 focus on EOS outcomes – Communication, Change and Vision	
	Serious
	Very Low

Risk Owner	Director	**Risk Manager**	CHI SMT

14
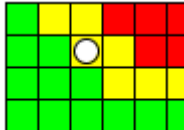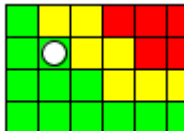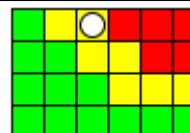
Code	C,H&I 11	Risk of non-compliance with statutory requirements in relation to Corporate Landlord Role			
Definition	The council is required to maintain it's building in an appropriate condition and undertake cyclical maintenance on systems and to ensure staff and the public remain safe and buildings are maintained effectively.				

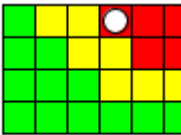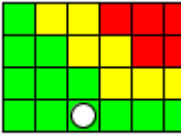| Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Fatality or serious injury to employee of member of the public. . Corporate Health and Safety Policy breached. . Prosecution for failings (criminal and civil). . Compensation claims. . Enforcement action(s) . Increased insurance costs Reputational damage	. Poor Leadership by Management . Poor Health and safety culture . Poor understanding of risk around buildings. . Contractor failure (original construction) . Inadequate monitoring of building works . Contractor failure compliance testing . Administration failure around certification and works planning . Poor management of contractor performance. . Performance management systems not interacting with work planning systems. . Poor KPI development, monitoring and recording . Restricted and prioritised budget around building works and improvements . Ongoing legislative changes. Insufficient training of building users.	Adoption of Health, Safety and Wellbeing Improvement Plan and aligned with service improvement plans – actions monitored by SMT	Partially Effective	1	
		Air Conditioning systems testing, maintenance in place, remedial actions monitored	Fully Effective	1	
		Asbestos Management systems – Modus system now live, remedial actions monitored	Fully Effective	1	
		Electrical – PAT, remedial actions monitored	Fully Effective	1	
		Fixed Electrical testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Emergency Lighting testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Fire Detection and Alarms testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Fire Doors testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Fire fighting equipment testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Lifts and hoists, testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Gas Safety, certification testing and maintenance in place remedial actions monitored	Fully Effective	1	
		Water Hygiene, risk assessment, temperature testing, water sampling chlorination etc. – Modus system currently being piloted in various buildings	Partially Effective	1	
		Working at Height, testing and maintenance of plant	Fully	1	

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		in place remedial actions monitored	Effective		
		Building Inspections undertaken to properties	Partially Effective	1	Very serious
					Low

Mitigating Actions	**Residual Risk Assessment**
. Compliance Monitoring procedure Update in June 2016 . Regular meeting held to monitor compliance with building services attended by senior managers . Appointment and management of suitably qualified staff or contractors . Development of suite of KPI's to monitor performance. . IT review ongoing to ensure adequate reporting . Sample testing and auditing of testing and maintenance regimes . CPD Requirements for all staff involved	
	Very serious
	Very Low

Risk Owner	Head of Service Land & Property Assets	**Risk Manager**	Senior Service Manager – Asset Management

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Code	C,H&I 12	**Risk that Capital Programme is not managed effectively, leading to failures / slippage in the delivery of capital projects /failure to secure and or retain funding from external sources impacting negatively on the Council's financial stewardship.**			
Definition		The Council is committed to the delivery of its strategic and capital planning priorities. Failure to deliver these priorities within time scale is a highly significant risk			

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Investment opportunities missed. . Inability to deliver balanced budget. . Inability to fund planned projects . Reputational damage. . Litigation. Special measures	. Disconnect between project management and corporate financial management . Poor project management skills base . Project risk escalations not notified to corporate financial management . Understatement of project risk . "Optimism Bias" . Poor communication channels . Key financial decision making at project level not aligned with corporate financial management . Inability of Developers to make payment to Council in relation to s75 Contributions or require reimbursement of said funds including interest	Alignment of risk at project and directorate levels with active consideration by SMT	Partially Effective	1	 Likelihood
		Effective project management in place, adoption of Programme Management Office procedures	Partially Effective	1	
		Projects allocated only to officers with appropriate skilss			
		Ongoing project review both during and post project life with learning points informing improvements	Partially Effective	1	
		Effective risk management training for key managers in relation to Capital Programme	Fully Effective	1	
		Open communication channels and effective reporting	Fully Effective	1	
		Effective communication channels maintained with developers to minimise disruption	Partially Effective	1	
		Adequate lead in time frame allowed to support robust forecasting	Partially Effective	1	
		Effective negotiating and influencing skills in place to ensure capital planning process adhered to.	Partially Effective	1	
		Enforced financial procedures compliance	Fully Effective	1	
		Risk based internal audit plan in place	Partially Effective	1	
		Strategic Asset and Capital Board monitor major projects and direct remedial actions	Fully Effective	1	
		Regular meetings of SIP & Capital Review Group	Fully	1	

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		with monitoring of implementation of agreed actions	Effective		
		Regular reporting to Strategic Board	Fully Effective	1	
		Regular reporting to Committee	Fully Effective	1	Very serious
					Low

Mitigating Actions	Residual Risk Assessment

. Capital Programme Review
. Section 75 Review
. Risk management training programme in place
. Ensure projects allocated to managers with appropriate skills –compulsory attendance on Project Management course
. Compulsory on line training for Project Sponsors
. Embed open communication channels between project and corporate tiers.
  Alternative funding options to be sourced for key infrastructure projects
. Capital Plan Review – stage gate process, PMO facilitate post project review
  Peer Review proposed
. Improved Governance Controls resulting from audit intervention
	Impact / Likelihood grid
	
	Very serious
	Very Low

Risk Owner	Director	Risk Manager	CHI SMT

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Code	C,H&I 13	**Risk of not effectively communicating and engaging with Customers**			
Definition		The importance of engaging with customers cannot be overstated particularly with the advent of social media and the immediacy of information. It is important to have awareness and understanding of customers expectations and to match or manage these			

Potential Impact	**Causes**	**Control Effectiveness**			**Current Risk Assessment**
		Control	Control Assessment	Weight	
. Mismatch in expectation levels . Increased scrutiny by regulatory bodies . Increased volume of complaints . Reputational damage . Resources diverted to address perceived service failures . Failure to address needs of customers	. Inadequate engagement with customer base . Feedback from surveys not used to inform service design and delivery . Feedback from complaints not used to inform service improvements	Communication and liaison with key stakeholder groups in place	Partially Effective	1	
		Stakeholder involvement in strategy focus groups	Partially Effective	1	
		Surveying results reported to Committee	Fully Effective	1	
		Wider customer surveying in place with actions to inform improvements in customer experience	Partially Effective	1	
		Corporate systems governing complaints handling with effectiveness of implementation monitored through performance reporting to management, remedial actions identified	Partially Effective	1	
		Complaint reporting to SMT ensuring lessons learnt shared across directorate	Not Effective	1	
					Serious
					Low

Mitigating Actions	**Residual Risk Assessment**

. Training of staff in managing customer expectations and responses to customers
. Customer experience improvements (Bridging Gap)
. Improved awareness and understanding of customer
. Implementation and roll out of Customer Service Standards and Charter -
  ICE Champions identified
. Corporate Voice of Customer team to be deployed
  Adoption of You Said, We Did approach following customer surveying
  Development of more effective use of social media channels
  Rollout of Firmstep	

	Serious
	Very Low

Risk Owner	Director	**Risk Manager**	CHI SMT

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Code	C,H&I 14	**Risk of poor financial management and financial decision making**
Definition	The Council must comply with requirements of good financial stewardship.	

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Resources insufficiently funded potentially resulting in harm/loss of life . Inability to meet statutory duties . Reduced ability to fully deliver services and City, Council, Directorate priorities, . Negative financial impact . Government censure Reputational damage	. Tight budget settlement from Government . Inability to set balanced budget . Critical financial procedures not followed	Key financial procedures adhered to with compliance gaps challenged by management	Fully Effective	1	
		Proper challenge by management of annual budget forecasting	Fully Effective	1	
		Finance Business Partners provide SMT with spend v budget information leading to informed challenge of budget holders	Fully Effective	1	
					Very serious
					Low

Mitigating Actions	Residual Risk Assessment
• Deliver actions arising from Financial Management Review (currently underway) • Implement management training arising from Finance framework • Ensure awareness within workforce of financial position and impact on financial decision making	
	Very serious
	Almost Impossible

Risk Owner	Director	Risk Manager	CHI SMT

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Code	C,H&15	Risk arising from the decision to deem supplementary planning guidance unlawful
Definition		The Council is at risk of losing not only sums obtained from and committed by developers for local transport initiatives, to the SDPA, but also the costs incurred of pursuing an appeal to the Supreme Court. The maximum liability in court costs is £150k for ACC but sums of £1.7 million already held in STF and a further commitment of £26 million also at risk.

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
• Reputational damage. • Strategic Transport Fund can no longer support transport initiatives in and around the city • Finances diverted from other projects to support transport initiatives. • New supplementary guidance required and approved (delay). • High court costs. • Resource intensive work around transport assessments where supplementary guidance challenged. • Developments 'cease.' • New SDP arrangements.	• Decision to appeal based on flawed legal advice. • Developers require reimbursement for sums already paid with interest. • High cost of appeal procedures. • Lengthy delay obtaining judgement. • Existing supplementary guidance 'out of step' with other arrangements across Scotland. • Developers submit s75a notices even where suspension of SPG lifted. • Delays to planning process.	Effective communication channels maintained with developers to minimise disruption	Partially Effective	1	
		Source alternative funding for key transport projects (e.g SG support for crossrail potentially ensure Kintore station goes ahead	Not Effective	1	
		Agreed alternative process to transport impact assessments which minimise impact on staff resources and delays	Not Effective	1	
					Very serious
					Significant

Mitigating Actions	Residual Risk Assessment
• Workshop arranged for 9 September with senior officers to establish a common position in the medium term (next 12 months) and consider alternative guidance and delivery mode for effective mitigation of development.	
	Negligible
	Low

Risk Owner	Head of Planning	Risk Manager	Head of Planning

Code	C,H&I 16	Risk that governance of the operation and management of Aberdeen Heat and Power Ltd is adequate to minimise risk posed to the Council			
Definition		The operation of ALEOS in carrying out services or functions devolved by the Council poses risks to the Council			

Potential Impact	Causes	Control Effectiveness			Current Risk Assessment
		Control	Control Assessment	Weight	
. Increased problems with system affecting heat and hot water supply to customers . Disruption to supply of heat and hot water to homes and public building connected to the CHP Network . Increased complaints from existing customers, leading to increased workload for council staff. . Response time for repairs not being met for tenants . Failure to deliver our commitments within Local Housing Strategy, in particular failing to meet our targets on fuel poverty, energy efficiency, and carbon emissions. . Aberdeen Heat and Power (AHP) going into administration or liquidation . Aberdeen City Council would need to assume responsibility for the operation and maintenance of the network . Delivery of projects already in process and being managed by AHP. . Contractual agreements between AHP and sub-contractors . Procurement processes that are ongoing . Reputational damage • Teckal compliance could be affected if the Council do not have sufficient input into AHP • Procurement delays impacting on business continuity • Limit influence of council in strategy and development of city CHP Heat Network, leading to missed opportunities in meeting targets and outcomes of the Council. • Could lead to conflicts on development strategies and delivery of the city CHP Network, which may impact on the council ability to meet targets in a cost effective way. . Customers wanting to disconnect . Work on heat network development stopping.	. Poor financial management of AHP . Poor Operational Management . Poor governance of AHP . Unexpected loss of staff or lack adequate staffing and resources (Currently AHP only have 2.5 FTE staff, A CEO, an Engineer, and a P/T, so impact high with any loss of staff) . Catastrophic event such as explosion or severe damage to heat network. . District Energy Aberdeen Limited (DEAL), a company set up by AHP to sell heat to the commercial entities fall into financial difficulties. Note: ACC have no formal representation or control on the decision making processes of DEAL. . The Council do not have sufficient input into the Governance and Development of AHP . Insufficient Council representation on Board and working groups within AHP . Stakeholders have lack of understanding, or conflicting understanding of responsibilities and relationship between the	Identify potential companies who could provide short-term operation and management service in the event of AHP failure to provide services.	Not Effective	1	Impact Likelihood
		AHP Business Continuity Plan tested and monitored for continuing effectiveness	Fully Effective	1	
		The Council have step in rights if AHP fail to meet their obligations set out within framework agreement	Fully Effective	1	
		AHP ensure good succession planning and employ sufficient number of staff with appropriate skills	Fully Effective	1	
		The legal set-up of DEAL ensures that there is no risk to the business of AHP.	Fully Effective	1	
		Control at Board level with two elected members Council representation. No board decisions can be made without at least one Council board member in attendance.	Fully Effective	1	
		AHP have a Policy and Operations sub-group formed from board members and staff. The role of this group is to provide guidance and ensure good governance of AHP. There is Council representation through Members on AHP Board.	Partially Effective	1	
		Officer representation at Board Level and on Development Sub-Group	Fully Effective	1	
		Regular Strategic and Development meetings between Council and AHP.	Partially Effective	1	
		Report to the Council's ALEO Governance Hub	Fully Effective	1	
		AHP and ACC participate and attend relevant fora and networks and industry groups.	Fully Effective	1	

Council and AHP . AHP not following governance procedures . Poor communications and relations between ACC and AHP . Lack of Quality Management Processes by AHP . Lack of Board members with sufficient skills . Lack of awareness of energy industry policy **Changes in the Energy Market** . Lack of awareness of political environment . Extraordinary changes in fuel supply prices **Failure to deliver council capital projects timeously** . Poorly managed delivery contracts . Lack of resource investment by AHP . Unforeseen complications in building and site conditions. . Unexpected changes in the Council or Scottish Government funding arrangements.	Ensure heat network and systems are adaptable and have potential for diversification in the future.	Fully Effective	1	
	AHP constantly review operational efficiencies.	Fully Effective	1	
	Gas and electricity contracts checked to ensure robustness to protect AHP from fluctuations or unexpected market conditions	Fully Effective	1	
	Regular Project Meetings between the Council and AHP.	Partially Effective	1	
	Close Management of Contracts including Works Programme to be supplier by AHP.	Partially Effective	1	
	ACC Management procedures of AHP	Partially Effective	1	
				Very serious
				Very Low

Mitigating Actions	Residual Risk Assessment
Council Legal team to clarify the Council's options in event of AHP failing to deliver agreed services. .AHP to provide Operational and Procedural Documents to the Council. .Consider the potential for the Council's Corporate Governance representation on AHP Policy and Operations Sub-Group. Need to agree with AHP procedural process in the event of AHP going into administration or liquidation	
	Very serious
	Almost Impossible

Risk Owner		Head of Land and Property Assets	Risk Manager	Energy Manager

ABERDEEN CITY COUNCIL

COMMITTEE	Audit & Risk Committee
DATE	27 June 2017
REPORT TITLE	Website Breach Action Plan Update
REPORT NUMBER	CG/17/033
HEAD OF SERVICE	Fraser Bell
REPORT AUTHOR	Jamie Kirkwood

1. PURPOSE OF REPORT:-

1.1 This report is to update Elected Members on the action plan that was produced in response to the website homepage breach which occurred on the 28th January 2017.

2. RECOMMENDATION(S)

2.1 It is recommended that Elected Members note the contents of the report and attached action plan update.

3. BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

The Incident

3.1 On the evening of Saturday the 28th January, the homepage of the Council's website was replaced with an external image. Only the homepage was defaced, all other information on the website was still available and unaffected. 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.

Actions

3.2 Actions that arose, and were reported to committee in response to this incident, are recorded within the Action Plan at Appendix 1.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising from this update report.

5. LEGAL IMPLICATIONS

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5.1   There are no legal implications arising from this update report.

6.   MANAGEMENT OF RISK

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

6.2   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 complete.   This firewall enhances 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.

6.3   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.

7.   IMPACT SECTION

Economy

7.1   There is no direct impact on the economy as a result of this update report.

People

7.2   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.

Place

7.3   There is no direct impact on the environment as a result of this update report.

Technology

7.4   The incident highlighted 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.

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8.   BACKGROUND PAPERS

Website Breach Committee Report CG/17/033

9.   APPENDICES (if applicable)

Appendix 1: Updated actions

10.   REPORT AUTHOR DETAILS

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HEAD OF SERVICE DETAILS

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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 process	IT Team Leaders	10/02/2017	Closed – out of hours support works on voluntary basis
Change all server Administration passwords	Web Team	10/02/2017	Closed
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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 June 2017
REPORT TITLE	Scottish Public Services Ombudsman and Inspector of Crematoria Complaint Decisions
REPORT NUMBER	CG/17/060
LEAD OFFICER	Fraser Bell Head of Legal & Democratic Services
REPORT AUTHOR	Lucy McKenzie

1. PURPOSE OF REPORT:-

In order to provide assurance to Committee that complaints are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council complaints since the last reporting cycle.

2. RECOMMENDATION(S)

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

3. BACKGROUND / MAIN ISSUES

A report detailing all Scottish Public Ombudsman and/or Inspector of Crematoria decisions relating to Aberdeen City Council complaints is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints are being handled appropriately. The last report on this matter was submitted to the 24 November 2016 Committee. There have been no further decisions until this reporting cycle.

Scottish Public Services Ombudsman (SPSO) Decisions

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

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

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

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such as service failures and maladministration (administrative fault), as well as the way the council has handled the complaint.

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

Since the last reporting period, the SPSO have made 3 decisions relating to Aberdeen City Council complaints that were referred to the Ombudsman for consideration. 1 complaint was upheld and 2 complaints were not upheld. The upheld decision has been appealed by Aberdeen City Council and is currently under review by the Ombudsman. Whilst an outcome was anticipated before the time of this report, it has yet to be made. An update will therefore be reported in the next cycle. Details of the complaints and any subsequent recommendations are provided in Appendix A.

Inspector of Crematoria Decisions

The Inspector of Crematoria is responsible for providing appropriate oversight and scrutiny of practices within Scotland's crematoria and is also a point of contact for families who have any concerns about crematoria practices, anywhere in Scotland.

The Inspector of Crematoria responds to complaints or queries from the public about cremations. There have been no decisions by the Inspector of Crematoria in relation to Aberdeen City Council cremations to date.

4. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from the recommendations of this report.

5. **LEGAL IMPLICATIONS**

There are no direct legal implications arising from the recommendations of this report.

6. **MANAGEMENT OF RISK**

No risks have been identified in this report.

7.   **IMPACT SECTION**

Economy

Complaints provide rich customer insight for the organisation to act upon to help transform service delivery. The organisation should look to solve the core issue which led to the complaint and learn from the outcome of complaints so to reduce the potential for more / similar complaints. This leads to a reduction in time spent on handling and investigating repeat complaints, which can be a lengthy process for those involved.

People

The Aberdeen City Council complaints procedure can be easily accessed by all service users and by whichever means is easiest for the complainant. The outcomes of complaint decisions are fed back to the complainant and also to the relevant staff. This includes both upheld and not upheld decisions to engage staff in complaints handling and ensure they are fully informed of outcomes. Complaint information is also used to inform changes in working practices and training provision for staff to improve their experience as well as that of the customer. SPSO recommendations relating to complaints handling are fed back to the responding officers to help develop the key skills required for good complaints handling.

Place

There are no direct implications on 'Place' arising from the recommendations of this report.

Technology

There are no direct implications on 'Technology' arising from the recommendations of this report.

8.   **BACKGROUND PAPERS**

N/A

9.   **APPENDICES (if applicable)**

Appendix A – Complaint Details and Subsequent Recommendations

10.   **REPORT AUTHOR DETAILS**

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Appendix A - Complaint Details and Subsequent Recommendations

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Directorate	Decision	SPSO Recommendations	Date Implemented
4 July 2016	10 April 2017	1. Aberdeen City Council failed to take reasonable action in relation to the customer's complaints that the greenspace behind his home was being used by a school, contrary to the Council's Parks and Outdoor Areas Management Rules 2014.	Communities, Housing and Infrastructure	Upheld	1. The council should apologise to the complainant for failing to properly consider his complaint. 2. The Council should ensure activities taking place on the greenspace are in line with the 2014 rules.	Due 11 May 2017. (However, the council has appealed the decision and the outcome of the appeal has yet to be determined by the SPSO)
8 July 2016	28 February 2017	1. Aberdeen City Council has not reasonably responded to the customer's concerns about a lack of insulation in their property. 2. The council has not reasonably responded to the customer's reports of antisocial behaviour.	Communities, Housing and Infrastructure	Not upheld	Not applicable	
22 November 2016	19 April 2017	1. Aberdeen City Council unreasonably charged the complainant for repairs to his television aerial. 2. The council's handling of the complaint was unreasonable.	Communities, Housing and Infrastructure	Not upheld	Not applicable	

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 June 2017
REPORT TITLE	ALEO Operating Model
REPORT NUMBER	CG/17/073
DIRECTOR/HOS	Fraser Bell – Head of Legal and Democratic Services
REPORT AUTHOR	Iain Robertson

1. PURPOSE OF REPORT:-

To seek approval for a new Arms-Length External Organisation (ALEO) operating model to provide assurance to Council on the effectiveness of ALEO systems of governance, with a view to ensuring that the outcomes of those organisations are being monitored, and the risks to those organisations and the Council are mitigated and managed.

2. RECOMMENDATION(S)
It is recommended that the Committee:

(a) Note the options appraisal undertaken to identify a preferred option for a refreshed ALEO operating model as attached under **Appendix A**;

(b) Note the Good Governance Institute's recommendation from their report to Council dated September 2016, that the level of ALEO scrutiny should be proportionate to the level of risk to the Council and that the previous iteration of the Governance Hub was administratively *burdensome* and *unsupportable in the future*;

(c) Note CIPFA's view as detailed in their report to Council dated 9 January 2017, that Council should strike a balance between oversight of ALEOs and allowing their freedom to operate as independent legal entities; and

(d) Approve the adoption of **Option 3: Assurance Hub Model** as the Council's new ALEO operating model.

3. BACKGROUND/MAIN ISSUES

3.1 An ALEO can be defined as a body separate from the council but subject to its control or influence which has been set up to deliver a service on behalf of the

1

Council. The Council currently has seven ALEOs of which one organisation (AECC Ltd) is in the process of being wound up. It is proposed that oversight arrangements be applied to the following organisations: Aberdeen Heat and Power; Aberdeen Performing Arts; Aberdeen Sports Village; Bon Accord Care; Garthdee Alpine Sports; and Sport Aberdeen.

3.2   Following an Internal Audit report presented to the Audit and Risk Committee on 16 April 2013 which recommended that Council review risk management frameworks created by ALEOs and develop a system to monitor adequacy with regular reporting to Council on the status of high level corporate risks, Council established the second iteration of the ALEO Governance Hub in June 2015.

3.3   The Governance Hub held 22 Hub meetings and 8 Officer and Convener pre-meetings between June 2015 and August 2016 and adopted a one size fits all, quality control approach. The standard process involved:

- The scheduling of an officer's pre meeting to discuss areas of intended scrutiny;
- Followed by a request for extensive documentation from ALEOs;
- After which a Convener/Vice Convener's Pre Meeting was held to review the documentation;
- Following this, a series of 90 minute meetings were held with each of the seven ALEOs, in which officers from Corporate Governance would individually scrutinise ALEO representatives in a formal environment on strategic matters and service performance; and
- Thereafter detailed assurance statements and minutes were produced and submitted to the next meeting of the Audit, Risk and Scrutiny Committee.

3.4   The Governance Hub last reported to the Audit, Risk and Scrutiny Committee on 27 September 2016 and thereafter Committee Services conducted an ALEO 360 survey that was circulated to key stakeholders to elicit feedback on the administration and output of the Hub.

PREPARING AN OPTIONS APPRAISAL TO SUPPORT THE DEVELOPMENT OF A REFRESHED ALEO OPERATING MODEL

3.5   In the interim period, the Good Governance Institute (GGI) and CIPFA have both prepared reports for Council on governance and risk management and recommended that an options appraisal be drafted to inform the development of a refreshed ALEO Operating Model.

3.6   Four options have been developed; these are the Committee Model; Governance Hub Model; Assurance Hub Model; and External Assurance Model. An overview of each option, with a SWOT analysis has been provided within **Appendix A** beginning on page 6. **Option 3: Assurance Hub Model** has been identified as the most proportionate model to ensure the most effective use of resource and secure best value. This model balances recognition of the ALEOs' status as independent legal entities, with the

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Council's need to have monitoring arrangements in place whereby ALEOs could provide assurance on governance and management of risk.

3.7 The Assurance Hub Model would introduce a more streamlined administrative and reporting approach that allows for a more efficient and effective use of resource by shifting to a more targeted form of scrutiny through an assessment of risk rather than a one size fits all approach. As recommended by the GGI and CIPFA, Council oversight would shift from quality control to a receipt of quality assurance for issues relating to governance and risk.

3.8 Option 3 would scale back the remit of the Assurance Hub to cover governance, risk management and financial management. Service directorates would be responsible for providing assurance to service committees on service performance and ensuring that ALEOs are complying with their contractual obligations to the Council.

3.9 Option 3 has been endorsed as the preferred option by the Governance Review Programme Board on 27 March 2017 and by the Corporate Management Team on 27 April 2017. Both bodies took the view that this approach would be the most proportionate as it would balance Council's need for assurance on ALEO governance whilst recognising ALEOs' status as independent legal entities. Both bodies also accepted that this model would make best use of limited resource by reducing the administrative workload for ALEOs and Council officers. This option also takes into account the benefit of an assurance hub in light of the Council's bond issue and creditor interest in the contingent liability of bodies within the Council's group structure.

3.10 The Assurance Hub model has been developed to align with CIPFA's principles of good governance and these have been outlined below:-

a) Behaving With Integrity – The Hub would keep under review key corporate governance documents and approaches relating to areas such as procurement; grievance; fraud; compliance with legislation; diversity and recruitment. The ALEO Strategic Partnership would continue to support the development of effective relationships between senior ALEO and Council officers.

b) Ensuring Openness and Stakeholder Engagement – ALEOs feedback was requested and received through the ALEO 360 survey, and suggestions around greater collaboration and a move to a more quality assurance model have been taken on board. The ALEO Strategic Partnership was consulted on the options appraisal on 3 May 2017 and endorsed option 3 as the preferred option.

c) Defining Outcomes – The Assurance Hub's outcomes relating to the oversight of risk management, financial management and governance have been set out on page one of the Options Appraisal attached as **Appendix A**. The service directorate would be responsible for setting outcomes for ALEOs that align with Service outcomes. The review of ALEO Service Level Agreements should ensure that quantitative and qualitative outcomes were measurable and able to be presented to the service committee in a suitable format.

d) Determining Interventions Necessary – The Assurance Hub model would balance the Council's need for assurance in terms of risk management; financial management; governance and service performance through streamlined reporting to the Hub and the relevant service committee whilst recognising that ALEOs are independent legal entities with their own governance, audit and management structures in place. ALEOs are also subject to auditing and inspection from external organisations such as the Office of the Scottish Charity Regulator (OSCR) and Companies House.

e) Developing Entity's Capacity – Training would be provided to Councillors and officers on ALEO governance arrangements and to highlight the Hub's strategic remit to provide oversight on risk management, financial management and governance; whilst advising that service performance would be within the remit of the relevant service committee. ALEO capacity would be enhanced through the receipt of scrutiny from Hub officers with expertise in key areas of corporate governance. The ALEO Strategic Partnership would continue to support ALEOs in terms of strategic planning; business planning; use of resource; and horizon scanning.

f) Managing Risk and Performance – Assurance on risk management, financial management and governance would be reported by exception to the Assurance Hub. This would mean that ALEOs would be asked to complete a document along the lines of the attached paper in **Appendix B** which would aim to ensure the targeted and efficient receipt of assurance; and provide ALEOs with clear sight of the Council's expectations on the management of risk and preferred sources of assurance. Thereafter officers would evaluate the response provided by ALEOs and score their level of assurance. Officers would then report their level of assurance to the following meeting of the Audit, Risk and Scrutiny Committee. Service performance would be reported to the relevant service committee. It is recommended that all ALEOs within the Hub's remit appear before the relevant service committee for scrutiny of their annual/business plan.

g) Implementing Good Practices in Transparency Reporting and Audit – The Assurance Hub would present their level of assurance on ALEO governance to the following meeting of the Audit, Risk and Scrutiny for public scrutiny. ALEO service performance and delivery of outcomes would be publicly reported to service committees. Service Level Agreements would be reviewed to ensure all ALEOs had appointed an independent internal auditing service. The Assurance Hub model has also made a recommendation that ALEOs give consideration to holding Board meetings in public to provide additional assurance on governance and service performance to Council and the public.

3.11 Further detail on all four options including a SWOT analysis, conclusions and recommendations can be found within the options appraisal attached under **Appendix A.** An example of exception reporting to support the development of a more efficient and targeted approach can be found under **Appendix B**.

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4.   **FINANCIAL IMPLICATIONS**

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

4.2   The role of the hub is to ensure that good governance and scrutiny of the Council's ALEOs provides an assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5.   **LEGAL IMPLICATIONS**

5.1   A review of ALEO service level agreements is currently being undertaken by solicitors within Commercial and Procurement Services. The introduction of a new approach to monitoring ALEOs would have to be taken into consideration during this review.

5.2   The introduction of the Hub would help to support the Council's governance arrangements with regards to the bond issue by providing assurance to creditors and external partners on the contingent liability of bodies within the council's group structure and the ability of the arm's length bodies to impact on the underlying borrowing requirement of the Council.

6.   **MANAGEMENT OF RISK**

6.1   ALEOs would receive independent scrutiny from Council officers with expertise in corporate governance and these officers would evaluate their risk management arrangements and systems of governance to identify risk, monitor improvement and report their level of assurance to the Audit, Risk and Scrutiny Committee. The Hub would also provide ongoing assurance to Council and its external partners on the risk level and financial viability of its ALEOs.

6.2   Where Council has taken the decision to establish an ALEO, Council would remain ultimately responsible for ALEO risk as the creation of arms-length bodies is an alternative way to deliver services on behalf of the Council. Further information on the management of risk including a SWOT analysis on each option can be found within **Appendix A.**

7.   **IMPACT SECTION**

        Economy

        Council ALEOs contribute to the local economy through employment and the provision of services. The Assurance Hub would provide oversight of key corporate governance areas to ensure that ALEOs could continue to operate effectively within the local economy.

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People

No significant equalities implications have been foreseen. An Equality and Human Rights Impact Assessment has been completed and submitted to the Council's Equalities team.

Place

The ALEO operating model would scrutinise how ALEOs were managing environmental issues and risks. Provision has been made within the proposal for relevant Council officers to receive project management training to enable them to oversee ALEO delivery of major capital or change programmes which may have an impact on place.

Technology

The Assurance Hub would scrutinise the processes and systems of governance adopted by the ALEOs and this would include how they used technology to manage their organisations, report performance and deliver services.

8. **BACKGROUND PAPERS**

CG/16/125 – ALEO Governance Hub, Audit, Risk and Scrutiny Committee, 27 September 2016.

9. **APPENDICES**

Appendix A: ALEO Operating Model Options Appraisal
Appendix B: Template for Exception Reporting

10. **REPORT AUTHOR DETAILS**

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Audit, Risk and Scrutiny Committee	
27 June 2017	
Work stream:	Third Party Governance
Work stream Lead:	Roderick MacBeath
Update:	ALEO Governance Hub Operating Model: Options Appraisal

Scope

To develop an Operating Model for the Council to receive assurance from its Arm's Length External Organisations (ALEOs) on the effectiveness of their systems of governance, with a view to ensuring that the outcomes of those organisations are being monitored, and the risks to those organisations and the Council are mitigated and managed.

Outcomes

To produce a model which:

1. enables the Council to identify, monitor and mitigate risk relating to its arm's length operations;

2. determines the level of Council intervention needed to provide assurance that ALEOs were appropriately managing and mitigating risk to the Council;

3. integrates ALEO oversight arrangements into the third party governance structure;

4. simplifies and strengthens reporting arrangements by putting in place appropriate processes for reporting to Council committees that deal with risk and governance as well as service performance;

5. recognises the differences in funding levels, corporate structures and capacities of each of the Council's ALEOs and to shape the degree of scrutiny proportionate to the level of risk;

6. takes account of best practice guidance on ALEO governance and Committee approved recommendations from the Council's internal and external auditors;

7. mitigates against conflicts of interest between elected members, officers and ALEOs to ensure independent and measured scrutiny of the Council's ALEOs; and

8. adopts a proportionate response to ALEO oversight in which the level of scrutiny would shift from quality control to quality assurance based on a collaborative approach between the Council and its ALEOs.

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Background

An ALEO can be defined as a body separate from the council but subject to its control or influence which has been set up to deliver a service on behalf of the Council. A common reason for setting up ALEOs is to save money and about one-third of ALEOs are registered charities and can attract business rates relief. They can also generate income through selling services more widely, and it has been argued that their independence helps them focus on the business at hand and be more responsive to customers. Recently, Aberdeen City Council has established three ALEOs (Aberdeen Sports Village, Sport Aberdeen and Bon Accord Care) which receive over £1million in funding from the Council on an annual basis. As a result of this expansion, the Council's internal auditors recommended to the Audit and Risk Committee on 16 April 2013 that the Council should:-

1. ensure that SLAs outline the requirement for ALEOs to have risk management processes in place;

2. develop and maintain a risk register that would identify, assess and manage key risks relating to funding of individual ALEOs; and

3. review risk management frameworks created by ALEOs and monitor its adequacy with regular reporting to Council on its status and high level corporate risks.

In response to the internal audit report, the ALEO Governance Hub in its current format was established in June 2015 with the following remit:

"To receive, through an agreed data set, a _high level_ statement of assurance from ALEOs on the effectiveness of their systems of governance and operational performance, with a view to ensuring that the outcomes of that organisation are being met, and the risks to that organisation and to the Council, mitigated and managed. A detailed minute will be produced and submitted to the Audit, Risk and Scrutiny Committee"

For its first two cycles, the Hub restricted its scrutiny to the four tier 1 ALEOs (Aberdeen Sports Village, Sport Aberdeen, Bon Accord Care and AECC Ltd) and in May 2016 this was expanded to include the three tier 2 ALEOs (Garthdee Alpine Sports, Aberdeen Performing Arts and Aberdeen Heat and Power). It is proposed that the ALEOs listed above, minus AECC Ltd (which from 1 April 2017 is in the process of being wound up as an ALEO) be included within the operating model's terms of reference and provision be made to expand or reduce the number of ALEOs subject to these arrangements where the level of risk necessitates.

The Hub's membership as at August 2016 and their respective roles are noted below:-

Roderick MacBeath (Senior Democratic Services Manager) (Chairperson) – Governance and Decision Making
Neil Buck (Performance and Risk Manager) – Risk Management
Paul Dixon (Finance Partner) – Financial Management
Jeff Capstick (HR Manager) – HR Management
Mary Agnew (Health, Safety and Wellbeing Manager) – Health, Safety and Wellbeing Management
Joan McCluskey (Corporate Procurement Manager) – Contract and Commercial Management
Euan Couperwhite (Head of Policy, Performance and Resources) – Service Lead for Aberdeen Sports Village, Sport Aberdeen and Garthdee Alpine Sports

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Scott Ramsay (Senior Project Officer) – Service Lead [1] for AECC
Tom Cowan (Head of Operations, ACHSCP) - Service Lead for Bon Accord Care
Lesley Thomson (Cultural, Policy and Partnership Manager) - Service Lead for Aberdeen Performing Arts
Mai Muhammad (Energy Manager) - Service Lead for Aberdeen Heat and Power

From June to December 2015, the Hub met twice a year but from May 2016 the Hub began to meet four times a year following an external audit recommendation to do so. Representatives from the ALEOs were invited to attend Hub meetings to account for their performance and they were questioned in turn by Hub officers. The Clerk maintained an Improvement Plan for each ALEO and they were asked for a progress update at each Hub meeting. Minutes and an Assurance Statement were also produced and presented to the next meeting of the Audit, Risk and Scrutiny Committee. To prepare for Hub meetings, an officer's pre meeting was held to discuss areas of intended scrutiny at forthcoming meetings and a Conveners pre meeting was held to ensure that relevant elected members were consulted on ALEOs their committee had oversight of. The Conveners and Vice Conveners of the Audit, Risk and Scrutiny Committee; Education and Children's Services Committee; Communities, Housing and Infrastructure Committee and the Chair of the Integration Joint Board were all invited to attend.

The Hub has held 22 meetings since its inception and last met in August 2016. It last reported to the Audit, Risk and Scrutiny Committee on 27 September 2016. Following this, Democratic Services conducted a 360 survey on ALEO governance which was sent to the three main stakeholders in the process (ALEOs, Conveners and Vice Conveners and Hub officers).

Since the Hub has been in operation, the Good Governance Institute, CIPFA and the Council's internal and external auditors have all prepared reports on the Council's ALEO governance arrangements. More widely, the Scottish Parliament's Local Government and Regeneration Committee conducted an inquiry into ALEOs across Scotland. These reports have been summarised below:-

Good Governance Institute Report (September 2016)

- ALEOs welcomed the formation of the ALEO Strategic Partnership hosted by the Director of Corporate Governance as a forum for strategic planning, partnership working and horizon scanning

- Hub officers were unclear about how ALEO objectives aligned with the Council's and there was a lack of clarity about expectations which made it difficult to determine a level of assurance

- A conflation of roles had been identified between officers with support roles and those with scrutiny responsibilities

- Accountability for ALEO performance should be delegated to the relevant service directorate

- Significant administrative challenges had been identified by Hub officers relating to the number of meetings per year and volume of paperwork

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[1] A Service Lead is a senior Council officer who has been designated as the primary liaison officer between the Council and the ALEO and is responsible for ensuring that the Council's interests are respected. Service Leads meet regularly with senior managers from the ALEO, attend board meetings as observers and receive financial, operational and performance information. They are a source of advice to the service committee and are the accountable officer for ALEO performance

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- The report recommended that exception reporting should be introduced to reduce the volume of ALEO submissions and the level of scrutiny should reflect the level of risk to the Council

CIPFA Report (9 January 2017)

- Councilors should not be directors on ALEO boards to avoid conflicts of interest

- Service Level Agreements (SLA) should be reviewed so that there is a greater clarity between the Council and its ALEOs on their shared objectives

- A Contract Manager[2] should be involved in the scrutiny process to ensure that ALEOs were effectively delivering on outcomes and adhering to contractual requirements

- The report recommended that Council scrutiny should ensure that ALEOs were using funds for its intended purpose, that best practice was being achieved, good governance and risk management arrangements were in place and effective relationships were being fostered and maintained

- Specialist Council support should be provided to ALEOs on a risk assessed basis

- The existing Governance Hub's one size fits all model was resource intensive and time consuming and consequently the Council should move from a quality control approach (detailed checking and measuring) to a quality assurance model (gaining assurance against risks)

- A balance has to be struck between ALEO oversight and allowing freedom to operate in order to deliver expected outcomes

Internal Audit Report ((Audit, Risk and Scrutiny Committee, 9 March 2016)

- The Council should adopt a formal definition of an ALEO

- Service Directorates should update their risk registers to take account of risks relating to ALEOs within their remit

- It should be the responsibility of the Service Directorate to monitor ALEO performance and contractual compliance

- More tangible links should be adopted between the provision of Council funding to the ALEOs and performance against Council objectives as set out in SLAs

- SLAs should be revised to ensure that there is a requirement for all ALEOs to put in place an independent internal audit function

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[2] A Contract Manager would be a designated officer from Legal Services or Commercial and Procurement Services who would have responsibility for ensuring an ALEO's compliance with contractual requirements as set out in Service Level Agreements.

4

External Audit Report (Audit, Risk and Scrutiny Committee, 27 June 2016)

- The Council should take steps to improve the monitoring of ALEO performance relating to the delivery of Council objectives and value for money

- Performance information should be more coordinated and streamlined in order to reduce administrative strain and avoid duplication

- The degree of ALEO scrutiny should be targeted in terms of the level of risk to the Council

- SLAs should be reviewed with clear Council objectives which the Hub could monitor performance against

- Assurance Statements should be introduced in order for the Audit, Risk and Scrutiny Committee to be updated on how assured Hub officers were with regards to ALEO performance and the management of risk

- The Council should gather feedback on ALEO governance arrangements from its main stakeholders

Scottish Parliament's Local Government and Regeneration Committee Report (9 March 2016)

- The Committee report focussed on the democratic accountability and delivery of public services by ALEOs, its conclusions are noted below

- There are inherent tensions between the involvement of citizens under the public reform agenda and councils' use of ALEOs which could lead to an increasingly fragmented service delivery environment

- The appointment of Councillors onto ALEO boards ensures that public money provided by the Local Authority is used properly

- Concern was raised with respect to multiple ALEOs functioning in the same area and delivering similar services leading to duplication and cause confusion to the public

- The creation of "*Super ALEOs*" through merging ALEOs in order to achieve further efficiencies could result in less flexibility and greater risk to local authorities if non-performance was identified

- There was concern that ALEOs were providing services to vulnerable people in areas such as social care

- Councils should put arrangements in place to enable them to monitor the delivery of outcomes, public involvement in the delivery of local services and potential risk if non-performance was identified

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Benchmarking

In August 2016 Audit Scotland reported that there were 130 ALEOs operating throughout Scotland. A further survey from the Office of the Scottish Charity Regulator (OSCR) found that 27 Local Authorities had established at least one ALEO and these ALEOs were mostly limited companies although a number of trusts and Scottish Charitable Incorporated Organisations (SCIO) had also been registered: the majority of ALEOs operated in the leisure and cultural sector, whilst a number of ALEOs had housing and urban regeneration remits. Following a review of the ALEO landscape across Scotland it became apparent that there is no standard way of scrutinising ALEOs as each Local Authority has adopted monitoring arrangements suited to their own particular needs and circumstances. For instance North Lanark shire Council established an ALEO and External Bodies Monitoring Committee which first met on 17 May 2016 and had seven elected members serving on the Committee. The terms of reference delegate authority to the Committee to scrutinise business and strategic plans; and monitor ALEO risks, financial performance and performance against contract. Whereas smaller authorities which have only one ALEO, such as South Ayrshire Council limit their scrutiny to the submission of an ALEO progress report to the relevant service committee on a bi-annual basis.

More broadly, ALEO scrutiny has been delegated to service committees; finance committees; policy and resources committees; and operational cabinets. The frequency of formal scrutiny also ranged from quarterly updates to annual consideration of an ALEO's business plan or annual report but most Councils in response to a Scottish Parliamentary survey noted that finance colleagues had regular access to ALEO accounts for monitoring purposes and a designated service lead attended ALEO board meetings as an observer. They also advised that planned and ad hoc meetings between senior Council officers and ALEOs took place throughout the year. Stirling Council noted that the level of scrutiny and reporting requirements for their ALEOs correlated with the level of funding provided by the Council.

Options Appraisal

Option 1: Committee Model

1.1   An External Bodies Sub-Committee of the Audit, Risk and Scrutiny Committee comprised of elected members would be established and undertake the scrutiny of ALEOs

1.2   The Sub-Committee would be integrated into the committee structure and adopt the Council's governance framework and reporting arrangements

1.3   Meetings of the Sub-Committee would be open to the public and press

1.4   The Sub-Committee would be assigned powers currently delegated to the Communities, Housing and Infrastructure and Education and Children's Services Committees. Terms of Reference would be revised to avoid duplication

1.5   Senior officers who had been members of the Governance Hub would be chief advisers to the Committee. The Sub-Committee would require resource from officers with expertise in risk management; financial management; governance and decision making; HR; health and safety; procurement and contract compliance; and service performance. Health and Social Care Partnership officers would advise on issues relating to Bon Accord Care

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1.6 An elected members training session on ALEO governance and scrutiny would be scheduled prior to the Sub-Committee's first meeting to increase members' awareness of key issues and to highlight the Sub-Committee's remit to receive assurance on strategic matters

1.7 The Sub-Committee would receive administrative support from Committee Services

1.8 ALEO representatives would be invited to attend at the request of the Sub-Committee

1.9 ALEO risk registers, management trading accounts and KPIs would be reported on a quarterly basis; business continuity and business plans would be considered on an annual basis

1.10 Authority would be delegated to the Sub Committee to begin the escalation process and to make recommendations to the relevant committee on the withdrawal of ALEO funding

1.11 The Sub-Committee would consider best practice guidance; audit reports; SLA revisions and proposals to create a new ALEO or subsidiary; as well plans to merge two organisations or have an ALEO wound up

1.12 Internal and external audit would be invited to observe Sub-Committee proceedings to enable them to form an opinion on the robustness of ALEO governance in order to support reporting to the Audit, Risk and Scrutiny Committee

1.13 ALEO risk assessments and Sub-Committee minutes would be presented to the next meeting of the Audit, Risk and Scrutiny Committee. Risk Assessments and minute extracts relating to Bon Accord Care would be submitted to the Audit, Risk and Scrutiny Committee and the IJB's Audit and Performance Systems Committee to reflect both bodies role in its oversight

1.14 Service Leads would continue to attend board meetings as observers and meet regularly with senior ALEO officials

1.15 To provide additional assurance on ALEOs' capital investment and change projects, it is recommended that relevant ALEO representatives and Council Service Leads attend the Council's three day training Project Management Office (PMO) training course. This course would cover areas such as the project management toolkit; project planning; business planning; risk management and communications

1.16 ALEO accounts would be presented to ACC Finance on a quarterly basis to support the quarterly reporting of Group Accounts to the Finance, Policy and Resources Committee in light of the bond issue

1.17 An Accountability Statement should be developed to outline the roles and responsibilities of individuals and organisations involved in the governance of ALEOs. This would be a living document and updated as and when required

1.18 For the first cycle of meetings the following ALEOs would be included within the Sub-Committee's terms of reference: Aberdeen Sports Village, Sport Aberdeen, Bon Accord Care, Garthdee Alpine Sports, Aberdeen Performing Arts and Aberdeen Heat and Power

1.19 The criteria for identifying additional external bodies subject to these governance arrangements would be predicated on the body's level of risk to the Council as determined by the Sub-Committee,

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in line with the external body's Service Level Agreement; the Council's corporate policies; and after consultation with the Audit, Risk and Scrutiny and relevant service committee

SWOT	Committee Model
Strengths	• Thorough scrutiny would lead to a greater understanding of the Council's ALEOs and how they operate. Tighter scrutiny of the ALEOs would allow the Council to determine at an early juncture if ALEOs were performing poorly, engaging in bad practice or posed an unacceptable risk to the Council • Corporate visibility and cohesion would be strengthened and accountability increased. The public's perception as identified in the Scottish Parliamentary Inquiry into ALEOs that the creation of ALEOs had further removed accountability and decision making from voters would be addressed with elected members providing direct scrutiny • By holding regular meetings with the ALEOs and reporting their performance to Council committees this would reinforce the corporate relationship
Weaknesses	• The Committee would have powers to scrutinise service performance and this could lead to duplication of information, time and resource between the Sub-Committee, service committees, service directorates and ALEO boards • Having elected members scrutinise ALEOs may lead to the politicisation of ALEO governance. CIPFA have recommended in their Local Government Framework (2016) that public bodies should aim to take decisions with a longer term view to achieve organisational outcomes and short term factors such as the political cycle may impinge on this • Elected members may stray into consideration of operational or low level matters which should be reserved to ALEO boards • The resource impact on Council officers would be significant. Workload for senior officers across service lines would have to be taken into account. Organisational and systematic change may be required to closely monitor ALEO performance and support the operation of the Sub-Committee • Committee structures and processes would have to be revised to accommodate the establishment of a new sub-committee. This would have resource implications for services charged with this task • The adoption of formal committee processes may lead to meetings which are confrontational rather than collaborative and ALEOs advised in their responses to the 360 survey that they would prefer the adoption of a more collaborative approach to ALEO oversight
Opportunities	• Local democracy would be strengthened with Councilors undertaking direct scrutiny of ALEOs

	• ALEO accountability and transparency would increase as Sub-Committee meetings would be open to the public and press. This was a key issue identified by the Scottish Parliament's Local Government and Regeneration Committee during their inquiry into ALEOs • By establishing a Sub-Committee comprised of elected members and supported by officers with expertise in areas of risk, governance and financial management the Council would be able to provide ongoing assurance about the level of risk and financial viability of external organisations within its group accounts to credit rating agencies and other financial bodies with an interest in the Council's bond issue • The establishment of a Sub-Committee would appropriately reflect the level of risk to the Council having established several tier 1 and 2 ALEOs which collectively receive grant funding in excess of £35 million
Threats	• The scrutiny role of ALEO boards could be undermined, board members may not feel that ALEOs are sufficiently independent and this could result in difficulty attracting high level talent • Accountability of the Council for its ALEOs would increase but this would complicate the local ALEO landscape in terms of which body ALEO managers were ultimately accountable to • Conflicts of interest involving elected members and ALEOs may undermine the independence and effectiveness of the Council's scrutiny body • Due to inherent conflicts of interest between Councilors and ALEOs, the Council may be subject to closer scrutiny from the Standards Commission and other audit and scrutiny bodies • Workload for ALEO partners would likely increase • Closer scrutiny of ALEOs may reduce the ALEOs' risk appetite and they may not pursue innovative policies and projects particularly in the area of income generation. This would be a concern as access to external funding sources and generating additional income remains one of the primary drivers for establishing an ALEO

Option 2: Governance Hub Model

2.1   This model would closely resemble the previous Governance Hub structure which was officer led

2.2   Specialist officers from across the Corporate Governance directorate would be identified to support the Hub alongside ALEO service leads. Resource would be required from officers with expertise in risk management; financial management; governance and decision making; HR; health and safety;

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procurement and contract compliance; and service performance. Health and Social Care Partnership officers would support the work of the Hub for issues relating to Bon Accord Care

2.3   The Hub would appoint a Chairperson from within its membership

2.4   Committee Services would provide administrative support to the Hub

2.5   A development session would be organised based on feedback received from the ALEO 360 survey; and the GGI and CIPFA reports to learns lessons and improve on how the Hub previously operated

2.6   Standing items on Hub agendas would include risk registers; management trading accounts and performance indicators which would evidence ALEO performance against Council objectives as set out in SLAs. The Hub would continue to exercise quality control through receipt of detailed reports and documentation

2.7   ALEO representatives would continue to be invited to attend Hub meetings and account for performance

2.8   Hub minutes and an assurance report would be submitted to the next meeting of the Audit, Risk and Scrutiny Committee. Assurance reports and minutes relating to Bon Accord Care would be submitted to the Audit, Risk and Scrutiny Committee and the IJB's Audit and Performance Systems Committee to reflect both bodies role in its oversight

2.9   Hub officers would continue to attend the Audit, Risk and Scrutiny Committee to respond to members questions on their level of assurance

2.10   ALEOs would be expected to present their business plans and/or annual reports to the relevant service committee once a year and appear in person to directly answer questions from elected members. It may also be beneficial for ALEOs to prepare a one off presentation at service committees following the Local Government elections in May 2017 to increase the new Council's understanding of an ALEO's role in strategic planning and service delivery; and to set out governance arrangements and relationships with the Council

2.11   The Hub would be integrated into the initial stages of the escalation process for withdrawing ALEO funding

2.12   Internal and external audit would be invited to observe Hub proceedings to enable them to form an opinion on the robustness of ALEO governance in order to support reporting to the Audit, Risk and Scrutiny Committee

2.13   Service Leads would continue to attend board meetings as observers and meet regularly with senior ALEO officials to discuss operational matters

2.14   To provide additional assurance on ALEOs' capital investment and change projects, it is recommended that relevant ALEO representatives and Council Service Leads attend the Council's three day training Project Management Office (PMO) training course. This course would cover areas such as the project management toolkit; project planning; business planning; risk management and communications

2.15 ALEO trading accounts would be presented to ACC Finance on a quarterly basis to support the quarterly reporting of Group Accounts to the Finance, Policy and Resources Committee in light of the bond issue

2.16 An Accountability Statement should be developed to outline the roles and responsibilities of individuals and organisations involved in the governance of ALEOs. This would be a living document and updated as and when required

2.17 For the first cycle of meetings the following ALEOs would be included within the Governance Hub's remit: Aberdeen Sports Village, Sport Aberdeen, Bon Accord Care, Garthdee Alpine Sports, Aberdeen Performing Arts and Aberdeen Heat and Power

2.18 The criteria for identifying external bodies subject to these governance arrangements would be predicated on the body's level of risk to the Council as determined by the Hub, in line with the external body's Service Level Agreement; the Council's corporate policies; and after consultation with the Audit, Risk and Scrutiny and relevant service committee

SWOT	Governance Hub Model
Strengths	• The framework for this model is largely in place so this would support its implementation
	• The Council's level of control over its ALEOs would likely increase over time
	• Bad practice and poor performance could be identified by specialist officers at an early stage and escalated to the ALEO board and relevant Council committees
	• In the recent past Council auditors have recommended increased scrutiny of ALEOs
	• Hub officers would produce an Assurance Statement and minutes of meetings which would increase transparency and officers would be held to account by the Audit, Risk and Scrutiny Committee on their level of assurance
	• By holding regular meetings with senior ALEO representatives and reporting their performance to Council committees, the corporate relationship would be reinforced
	• ALEOs would receive independent scrutiny from officers with expertise in a number of key areas. This would strengthen the robustness of the ALEOs' governance arrangements
	• The active involvement of key officers including the Performance and Risk Manager would increase the robustness of Corporate and Service risk registers in relation to ALEOs
	• The Hub's integration into the escalation process would provide greater clarity

	for ALEOs on Council procedures. A lack of understanding about the escalation process was identified by a number of ALEOs in their 360 survey responses
Weaknesses	• The existing model may not be proportionate and has led to duplication between what has been considered by the Hub; ALEO boards; the ALEO Strategic Partnership; the Audit, Risk and Scrutiny Committee; and service committees • The Hub may continue to inadvertently slip into scrutiny of operational matters which should be reserved to ALEO boards and service committees • The resource impact on Council officers would be significant. Particularly on senior officer time as they would comprise the membership of the Hub. The GGI have noted that submission of detailed reports to the Hub by ALEOs has proven to be "*burdensome*" and "*unsupportable in the future*"
Opportunities	• More detailed scrutiny of ALEOs would lead to greater understanding of how they operate and may enable the Hub to identify opportunities to improve ALEO performance and increase value for money, as well as opportunities for pooling resources • By establishing a Hub staffed by officers with expertise in areas of risk, governance and financial management the Council would be able to provide ongoing assurance about the level of risk and financial viability of external organisations within its group accounts to credit rating agencies and other financial bodies with an interest in the Council's bond issue • The establishment of a Hub would appropriately reflect the level of risk to the Council having established several tier 1 and 2 ALEOs which collectively receive grant funding in excess of £35 million
Threats	• The scrutiny role of the ALEO boards could be undermined, board members may not feel that ALEOs were sufficiently independent and could result in a difficulty attracting high level talent • The existing scrutiny model has been described by a number of ALEOs in their 360 survey responses as confrontational and administratively burdensome. There is a concern that ALEOs may disengage from the process • Closer control of ALEOs by the Council may lead to ALEOs questioning their status as ALEOs if their independence or freedom of movement is curtailed in light of closer Council scrutiny. It is also a key criteria of OSCR that charities be able to demonstrate sufficient independence from parent bodies • Closer scrutiny by the Council may lead to the ALEOs becoming risk adverse and not adopting innovative solutions or entering into partnerships with private enterprise • The publication of assurance statements and minutes could lead to negative media coverage on areas of poor performance or disagreement between the

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	Council and its ALEOs

Option 3: Assurance Hub Model

3.1 The Hub's remit would be to receive assurance from its Arm's Length External Organisations (ALEOs) on the effectiveness of their systems of governance, with a view to ensuring that the outcomes of those organisations are being monitored, and the risks to those organisations and the Council are mitigated and managed.

3.2 The Hub would receive assurance on governance rather than adopt a quality control approach. Membership would be scaled back to cover risk management; financial management and governance arrangements. The Hub's core membership would comprise of the Council's Performance and Risk Manager; the Corporate Governance Finance Partner; and the Senior Democratic Services Manager. Service Leads would also attend meetings as advisers to the Hub. Health and Social Care Partnership officers would support the work of the Hub for issues relating to Bon Accord Care.

3.3 Service directorates and committees would be responsible for monitoring ALEO performance and contractual compliance. It is recommended that provision be made within SLAs to require ALEOs to submit performance information to service committees in a format which supports Council business and at a frequency to be set out in SLAs. The Service Lead would be the Committee's primary source of advice on each ALEO and provide assurance on operational and performance matters

3.4 Each ALEO would present their business plan or annual plan to the relevant service committee once a year and appear in person to directly answer members' questions. Bon Accord Care would report annually to Council and the Integration Joint Board to recognise both bodies role in its oversight and to ensure strategic alignment. It may also be beneficial for ALEOs to prepare a one off presentation at service committees following the Local Government elections in May 2017 to increase the new Council's understanding of an ALEO's role in strategic planning and service delivery; and to set out governance arrangements and relationships with the Council

3.5 A development session would be organised for elected members to brief them on the Hub's strategic remit; and how the Hub would conduct its business and report to the Audit, Risk and Scrutiny Committee. The session would also highlight the Hub's purpose to provide oversight of ALEO governance and risk management; whereas service directorates would be accountable for service performance and would report to the relevant service committee

3.6 The Hub would appoint a Chairperson from within its membership

3.7 Designated officers from Legal Services; Commercial and Procurement Services; HR; Health and Safety; and Asset Management would be co-opted onto the Hub where required

3.8 Terms of Reference would clearly differentiate between officers who had a support role (ALEO Strategic Partnership) and those with a scrutiny role (Assurance Hub) in order to mitigate against conflicts of interest

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3.9   An Accountability Statement should be developed to outline the roles and responsibilities of individuals and organisations involved in the governance of ALEOs. This would be a living document and updated as and when required

3.10   The Hub would continue to review internal and external audit reports, national reports on ALEO governance and best practice guidance

3.11   ALEOs would be risk assessed based on their level of funding support and risk management arrangements. The Hub would make a determination on which ALEOs represented a high risk to the Council and should report more regularly to the Hub. The GGI report has outlined a number of areas that this risk assessment could cover and these include risks related to finance; regulatory compliance; transformation and innovation; harm to the community; impact on Council clients and staff; and the Council's reputation

3.12   Committee Services would provide administrative support to the Hub

3.13   Commercial and Procurement Services have proposed a template that would allow ALEOs to prepare exception reports for the Hub's consideration. This would cut down on the volume of paperwork and lead to a more effective use of staff time. The GGI have suggested that the inclusion of top scoring risks, mitigation measures and assurance status should be considered during the development of exception reporting templates

3.14   Exception reporting would facilitate a better balance between ALEOs providing sufficient information for Council to be assured of the level of risk whilst not being too onerous for ALEOs to provide, or for officers and members to understand. Achieving this balance was a key point outlined within CIPFA's Local Government Framework (2016)

3.15   The Hub would have the authority to increase or reduce scrutiny based on the level of assurance it had received and retain the option to invite ALEOs to attend Hub meetings to account for their performance

3.16   Internal and external audit would be invited observe Hub proceedings to enable them to form an opinion on the robustness of the process in order to strengthen reporting to the Audit, Risk and Scrutiny Committee

3.17   An ALEO assurance report would be presented to the next meeting of the Audit, Risk and Scrutiny Committee. Assurance reports relating to Bon Accord Care would be submitted to the Audit, Risk and Scrutiny Committee and the IJB's Audit and Performance Systems Committee to reflect both bodies role in its oversight

3.18   Hub officers would attend the Audit, Risk and Scrutiny Committee and be held to account by committee members on their level of assurance with regards to ALEO governance. An annual performance report would be submitted to the Committee to outline the work of the Hub over the previous year

3.19   Council would receive further assurance on ALEO governance through the presence of elected members on ALEO boards

3.20   Service Leads would continue to attend board meetings as observers and meet regularly with senior ALEO officials

3.21 To provide additional assurance on ALEOs' capital investment and change projects, it is recommended that relevant ALEO representatives and Council Service Leads attend the Council's three day training Project Management Office (PMO) training course. This course would cover areas such as the project management toolkit; project planning; business planning; risk management and communications

3.22 ALEO accounts would be presented to ACC Finance on a quarterly basis to support the quarterly reporting of Group Accounts to the Finance, Policy and Resources Committee in light of the bond issue

3.23 ALEOs should give consideration to holding board meetings in public and publishing reports and minutes online to make ALEO management more transparent and provide greater clarity on accountability

3.24 For the first cycle of meetings the following ALEOs would be included within the Assurance Hub's remit: Aberdeen Sports Village, Sport Aberdeen, Bon Accord Care, Garthdee Alpine Sports, Aberdeen Performing Arts and Aberdeen Heat and Power

3.25 The criteria for identifying additional external bodies subject to these governance arrangements would be predicated on the body's level of risk to the Council as determined by the Hub, in line with the external body's Service Level Agreement; the Council's corporate policies; and after consultation with the Audit, Risk and Scrutiny and relevant service committee

SWOT	Assurance Hub Model
Strengths	• Less resource intensive than Options 1 and 2
	• The use of exception reporting would streamline the reporting process and allow for a more efficient interrogation of risk management and governance arrangements
	• The scope of scrutiny would be scaled back to be more strategically focused, therefore a drift into scrutiny of operational matters would be less likely
	• By scaling back the Hub's scope of scrutiny to focus on financial management, risk management and governance; and by delegating service performance and contractual compliance to service committees, responsibility would be assigned to officers with appropriate expertise and accountability as per job profiles and committee terms of reference. For instance, the Hub with its focus on risk would report to the Audit, Risk and Scrutiny Committee; and service directorates with responsibility for ALEO performance and contractual compliance would report to the relevant service committee
	• This model is the most balanced amongst all the options presented. It is cognizant of the respective roles of the ALEO Strategic Partnership; the Hub; Council committee; auditors; service directorates; and ALEO boards

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	• The Council's capacity to follow the public pound would be reinforced as Service Leads would monitor and report service performance to service committees whilst the Assurance Hub would monitor and report on financial performance to the Audit, Risk and Scrutiny Committee
	• By reporting ALEO performance to the relevant service committee, Councillors and the public would be assured of an ALEO's contribution towards the achievement of Council objectives
	• ALEOs would receive independent scrutiny from officers with expertise in a number of key areas. This would strengthen the robustness of the ALEOs' risk management and governance arrangements
	• The involvement of key officers in the assurance process such as the Performance and Risk Manager would increase the robustness of Corporate and Service risk registers in relation to ALEOs
	• Clear separation between ALEO support officers (ALEO Strategic Partnership) and scrutiny officers (Assurance Hub) improves ALEO governance by reducing conflicts of interest This would follow best practice as noted in the Following the Public Pound (2004) guidance
	• By assigning responsibility for governance and risk management to the Hub; and service performance and contractual compliance to service directorates, duplication of reporting would be reduced resulting in a more efficient co-ordination of information. This was a key recommendation of the External Audit report from 27 June 2016
	• This model would comply with a recommendation made by CIPFA (2017) that the Council should shift its focus from quality control to quality assurance in relation to ALEO oversight
	• The 360 ALEO survey found that a number of ALEOs felt that the existing Governance Hub model was too interrogative and would welcome the introduction of a more collaborative way for the Council to receive assurance on ALEO governance
Weaknesses	• The level of ALEO scrutiny would be streamlined and operational matters would generally not be considered. This may be an issue as the previous iteration of the Governance Hub identified a number of areas for improvement relating to operational practice particularly from the Tier 2 ALEOs which had less resource
	• Formal minutes would not be produced as the Hub's method of receiving assurance would be through exception reporting as opposed to holding scrutiny meetings. Elected members may question if assurance statements provide the level of detail for them to be assured on an ALEO's management of risk
Opportunities	• The separation of support and scrutiny bodies would allow the ALEO Strategic Partnership to provide a collaborative strategic planning forum that could provide opportunities for closer working and better use of resources between

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	the Council and its ALEOs, whilst mitigating conflicts of interest • By establishing a Hub staffed by officers with expertise in areas of risk, governance and financial management the Council would be able to provide ongoing assurance about the level of risk and financial viability of external organisations within its group accounts to credit rating agencies and other financial bodies with an interest in the Council's bond issue • The establishment of a Hub would appropriately reflect the level of risk to the Council having established several tier 1 and 2 ALEOs which collectively received grant funding in excess of £35 million in 2016-17
Threats	• This model is not as transparent as Options 1 and 2 as Hub proceedings would not be open to the public and detailed Hub minutes would not be produced for public scrutiny

Option 4: External Assurance Model

4.1 The Council receives assurance from existing bodies and structures on governance and risk management. These include reports to and from ALEO boards; internal and external audit reports; and ALEO compliance with OSCR and/or industry regulator criteria. ALEO performance against SLA outcomes would be reported to service committees on a frequency to be set out within SLAs

4.2 Service Leads would attend ALEO board meetings and continue to receive operational and performance information. Service Leads would attend service committee meetings and be available to answer members' questions and provide assurance on ALEO performance and governance

4.3 A senior officer from the Health and Social Care Partnership would be the designated Service Lead for Bon Accord Care and would provide assurance to the Integration Joint Board and Full Council

4.4 Resource allocated by the Council to ALEO governance would be significantly reduced as officers would not be required to support a Sub-Committee or an officer led Hub. Officers with specific areas of expertise may be requested to support the work of service committees and the Audit, Risk and Scrutiny Committee on an ad hoc basis

4.5 To provide additional assurance on ALEOs' capital investment and change projects, it is recommended that relevant ALEO representatives and Council Service Leads attend the Council's three day training Project Management Office (PMO) training course. This course would cover areas such as the project management toolkit; project planning; business planning; risk management and communications

4.6 ALEO accounts would be presented to ACC Finance on a quarterly basis to support the quarterly reporting of Group Accounts to the Finance, Policy and Resources Committee in light of the bond issue

4.7 Council would receive further assurance on ALEO governance through the presence of elected members on ALEO boards

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4.8 ALEOs should give consideration to holding board meetings in public and publishing reports and minutes online to make ALEO operations more transparent and provide greater clarity on accountability

4.9 An Accountability Statement should be developed to outline the roles and responsibilities of individuals and organisations involved in the governance of ALEOs. This would be a living document and updated as and when required

4.10 ALEOs would present their business plans and annual plans to the relevant service committee and senior ALEO officials would be invited to attend the meeting to directly answer questions from elected members. It may also be beneficial for ALEOs to prepare a one off presentation at service committees following the Local Government elections in May 2017 to increase the new Council's understanding of an ALEO's role in strategic planning and service delivery; and to set out governance arrangements and relationships with the Council

4.11 Existing escalation procedures for contractual non-compliance or poor performance would remain in place

SWOT	External Assurance Model
Strengths	• Least resource intensive, the level of administration provided by the Council would reduce significantly • Duplication of resource and information would be less likely • ALEO governance and oversight would be less complex
Weaknesses	• The Council would be reactive rather than proactive and may not be fully aware of issues until they manifest. There would be additional risk in this approach • A receipt of external assurance would not insulate the Council from criticism if ALEO performance was poor. The Council would remain the accountable body for services it had outsourced • As scrutiny and engagement would be less frequent, some areas of operation would remain in dispute i.e. repairs and maintenance responsibilities • High reliance on Service Leads to control the flow of information from ALEOs and keep specialist colleagues informed of emerging issues • Items in the Corporate and Service risk registers relating to ALEOs may not be updated as early or often as necessary due to a reduction in the information flow between the Council and its ALEOs • High reliance on ALEO boards to provide scrutiny and assurance to the Council. The board may not have specialism in a number of key areas such as procurement; health and safety; and risk management • The ALEO landscape is becoming increasingly cluttered and complex and a number of ALEOs have established subsidiaries or become members of larger

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	partnerships. As the Council would be reliant on a receipt of external assurance, this model would be least tangible in terms of following the public pound and the weakest in terms of accountability to the Council
Opportunities	• ALEOs and their boards would be empowered and their brands would likely become more distinct (through less engagement with the Council and the resulting less media coverage of this relationship) and this may increase their risk appetite to develop innovative solutions with regards to income generation; forming new partnerships and delivering better services • The Council's confidence in its ALEOs and their boards to provide effective scrutiny on its behalf would be transmitted
Threats	• The degree of assurance that Council could provide to creditors and other financial agencies with an interest in the bond issue may be reduced as there would not be a Sub-Committee or an officer led Hub in place to provide this. • This is the least accountable and transparent model, the lack of published scrutiny from the Council in relation to its ALEOs in light of possible reductions in service delivery and closure of community facilities could possibly lead to negative press coverage and reputational damage • ALEOs may be inclined to pay less attention to meeting Council objectives in favor of achieving their own organisational outcomes. Corporate visibility would likely be reduced • Scrutiny bodies such as Audit Scotland and the Accounts Commission have recommended a greater level of engagement from councils in the area of ALEO governance not less. An example of this can be found in Following the Public Pound (2004) which advised that *"officers and councilors on ALEO boards and bodies does not, in itself represent a robust monitoring mechanism to enable the Council to discharge its stewardship responsibilities"* • An external assurance model would run contrary to best practice guidance and recommendations made recently by the Council's internal and external auditors

Conclusion

The purpose of this options appraisal was to design a model that could enable the Council to efficiently follow the public pound and receive assurance from its ALEOs that risk was being mitigated and managed; whilst recognising that ALEOs are separate legal entities, with their own boards and internal and external scrutiny arrangements. After a review of audit reports and best practice guidance it became clear that there was no consensus on a best practice model. Having taken this into account and considered 360 survey responses and recent Good Governance Institute and CIPFA reports, it is recommended that a proportionate response to ALEO oversight be adopted in which the level of scrutiny would shift from

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quality control to quality assurance and for the Hub's remit to be scaled back to cover risk management, financial management and governance. Service directorates and committees would be responsible for monitoring service performance and ensuring compliance against requirements set out in Service Level Agreements.

Under the existing national system whereby Councilors regularly serve on ALEO boards, the potential conflicts of interest outlined in **Option 1: Committee Model** of Councilors serving on ALEO boards and then scrutinising their governance arrangements would be a challenging issue to address. A benchmarking exercise of North Lanarkshire Council's recently established ALEOs and External Bodies Monitoring Committee found that at its first meeting on 17 May 2016, two of the Committee's seven members declared an interest and left the meeting before consideration of a performance monitoring framework. This issue may also impact the work of the Sub-Committee outlined in option 1. With this model there is also concern about the politicisation of ALEO governance and that scrutiny may focus on low level, operational matters of importance to constituents but out with the Committee's strategic remit.

With respect to **Option 2: Governance Hub Model**, there would be significant resource implications for Council services and officers who would be charged with supporting the function of the Hub and this issue has already been identified by Hub officers in their 360 survey responses. ALEOs felt that this format was too interrogative and they would favor a more collaborative approach. There are additional issues around the coordination and duplication of information between the Hub; Service Leads; Council committees and ALEO boards. Concern has also been raised that the Hub may slip into the scrutiny of operational matters that should be left to ALEO boards.

Having noted previously that a key objective of this appraisal was to achieve a balance between the Council's need for assurance and recognition of its ALEOs' status as independent legal entities, **Option 4: External Assurance Model** would not meet this objective as there is a concern that the Council may become too reactive when issues arose and its capacity to follow the public pound could be reduced. Another key weakness of this model is that it does not take cognizance of a more complex and challenging economic environment. The Council's capacity to provide targeted and ongoing assurance to external partners including credit agencies on the mitigation of risk and financial viability of ALEOs would also be curtailed.

Therefore it is **recommended** that **Option 3: Assurance Hub Model** be adopted as the preferred option for the ALEO Operating Model. This model achieves the best balance between the Council's need for assurance and the ALEOs' legal right to govern themselves. The responses of the 360 survey have also been taken into account as the implementation of an Assurance Hub would scale back resource implications for officers and introduce a more targeted and collaborative form of strategic oversight that would be in line with auditing requirements and best practice guidance. A risk based approach has also been favoured by the National Audit Office which during its review of arms-length bodies for the UK Government noted that *'with resources constrained, departments are increasingly adopting risk based approaches to oversight that are proportionate to the risks that the arms-length body poses to the department'*.

Furthermore this model would provide the best strategic fit for the Council moving forward as the public sector landscape shifts from traditional, in-house service delivery to more innovative models based around the creation of ALEOs, Joint Ventures, shared services and partnerships with private and independent organisations. The Council also has to be mindful of the financial and risk implications posed by ALEOs within group accounts in light of the recent bond issue valued at £370 million. This point was highlighted within the General Revenue Budget 2017-18 – 2021-22 approved by Council on 22 February 2017 which noted that *'the credit rating agency was particularly interested in the contingent liability of bodies within the council's group structure and the ability of the arm's length bodies to impact on the underlying*

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borrowing requirement of the Council'. This model will help the Council adapt to this new landscape by supporting its capacity to follow the public pound and enhance its capacity to receive and provide assurance on risks which the Council remains ultimately accountable for.

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Draft Template for Exception Reporting

RISK MANAGEMENT

ALEOs need to manage risks as part of their day to day operations and as part of forward planning and development. Aberdeen City Council bears some risk as a result of those decisions and requires assurance that ALEOs are managing their own risks appropriately.

The following requires to be completed/updated and submitted to ACC as requested prior to each Assurance Hub Meeting.

Risk Strategy or Policy
Please provide a copy of your risk policy document unless it has been provided to the Hub within the last 12 months.
Why is this requested? *It is important that the Council understands your approach to risk management. For example, the level of risk you are prepared to tolerate as an organisation within different categories of risk.*   *.*

Top ten risks
Please detail your top 10 risks as stated on your risk register.
Why is this requested? *We need to know that you have a proper understanding of the risks facing your organisation within the context of the current and future operating environments. Your top most significant risks will give us a picture of the pressures and challenges you face and how these are being addressed.*

Risk Controls (mitigation)
Are controls (mitigation) being properly applied to your top risks?
Why is this requested? *We need to know how effective your risk controls are. For example, if you need to roll-out training for something, how is this progressing? Controls become effective when actions needed to address them are completed. We need evidence that these actions are being*

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completed

Business Continuity
What arrangements are in place to ensure business can resume quickly following disruption of service?
Why is this requested?   *Your organisation provides public services. In times of disruption, due to natural or unnatural events which disrupt the delivery of service, what arrangements are in place to mitigate the effects of disruption and to resume effective service operations as quickly as possible?*

Risk Assurance
What assurance is in place that risk management is effective?
Why is this requested?   *Assurance is the process by which the board will be confident that their risks are being adequately controlled. For example, how frequently is the risk register reviewed and reported to the board? How frequently does internal and external audit activity take place to provide assurance on the effectiveness of risk controls? What independent or third party assessment is received by the board to provide assurance about the effectiveness of risk management activity?*

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Scoring and Risk

In order to ensure proper and robust review of how Risk Management is approached within your organisation, your responses will be reviewed and given an overall score of between 0 and 4. Each score has a corresponding risk rating which directly reflects the level of comfort that the Governance Hub has in the organisation's approach to Risk Management. Scores and risk ratings are given as detailed below:

Score	Standard	Risk Rating
4	Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
3	Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
2	Responses provide some indication of understanding and compliance.	Significant
1	Minimal or poor responses providing little evidence of understanding or compliance.	High
0	Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 June 2017
TITLE OF REPORT	Internal Audit Report AC1719 – General Fund Revenue Budget Setting
REPORT NUMBER	IA/AC1719
DIRECTOR	N/A
AUTHOR	David Hughes

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on General Fund Revenue Budget Setting.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

3.1 Internal Audit has completed the attached report which relates to an audit of General Fund Revenue Budget Setting.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

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7. IMPACT SECTION

7.1   **Economy** – The proposals in this report have no direct impact on the local economy.

7.2   **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3   **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4   **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8. APPENDICES

8.1   Internal Audit report AC1719 – General Fund Revenue Budget Setting.

9. REPORT AUTHOR DETAILS

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Internal Audit Report

General Fund Revenue Budget Setting

Issued to:

Steven Whyte, Head of Finance
Fraser Bell, Head of Legal and Democratic Services
Carol Smith, Accounting Manager
Helen Valentine, Finance Manager (Projects)
External Audit

Date of Issue: May 2017   **Report No. AC1719**

EXECUTIVE SUMMARY

The Council is required Section 93(3) of the Local Government Finance Act 1992 to set a balanced budget in February each year. There is an established collaborative process in place, and a dedicated Finance Team, to ensure that this is the case.

In February 2016, as in previous years, the Council agreed a balanced budget for 2016/17, having identified and considered a range of options for closing a potential budget gap arising due to challenging cost and funding pressures. Budgeted revenue expenditure for delivery of services for 2016 was £455 million.

The objective of this audit was to review the procedures used in setting the Council's revenue budget for 2016/17. In general, the process applied was well structured and supported, however more detailed procedures, timetables, and improved audit trails of supporting documentation, have been recommended and agreed. Strategy and budgeting could also be more clearly linked, and Finance has stated that this has been improved for the 2017/18 budget.

Although there is sufficient substantial detail provided in the budget setting paper regarding options and assumptions to allow Full Council to set a balanced budget, there is no information on the split of budgets between Council Services. Finance has stated that this information is provided separately both before the budget is set, and afterwards through budget monitoring. However, these may reflect a different position due to timing and application of options. There is an implicit assumption that the split of Service budgets is agreed and correct.

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1. INTRODUCTION

1.1   The Council is required under Section 93(3) of the Local Government Finance Act 1992 to set a balanced budget in February each year. There is a collaborative process in place, and a dedicated Finance Team, to ensure that this is the case.

1.2   In February 2016, as in previous years, the Council agreed a balanced budget for 2016/17, having identified and considered a range of options for closing a potential budget gap arising due to challenging cost and funding pressures. Budgeted revenue expenditure for delivery of services for 2016 was £455 million.

1.3   The objective of this audit was to review the procedures used in setting the Council's revenue budget for 2016/17. This report was due to be presented to the Audit, Risk and Scrutiny Committee in November 2016, but was delayed pending completion of an audit of Budget Monitoring. The draft report was issued in December 2016 following a meeting with Finance staff to discuss the contents.

1.4   As a result of the above, this audit did not cover procedures employed in setting the most recent budget, for 2017/18. However, statements from Finance in relation to the 2017/18 process have been included where appropriate.

1.5   The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Steven Whyte, Head of Finance, Carol Smith, Accounting Manager, and Helen Valentine, Finance Manager (Projects).

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

2.1.1 The CIPFA publication "the role of the chief financial officer in Local Government" states that one of the core responsibilities of the chief financial officer is to lead on the development of the annual budget process.

2.1.2 Finance starts with an existing 5-year budget model, and updates this based on known changes, including a review of staffing and contracts budgets, potential legislative changes, demographic forecasts and changes in cost drivers around material service areas. In this way, the base budget is updated for significant changes. The 5-year model is updated throughout the year and is reviewed as a result of budget monitoring findings.

2.1.3 Thereafter, for the 2016/17 process, budget holders were tasked, in conjunction with the Financial Planning and Projects Team and Finance Business Partners, with identifying options for balancing the budget through savings, to offset pressures (unavoidable cost increases) and growth (cost increases as a result of changes to the level of service provided), and for making service efficiencies and improvements. Services were supported through Finance engagement with Service Management Teams (SMT's) to develop their options and explore areas of budget for review. Services then collated their proposals and presented them to Extended Corporate Management Team (ECMT) and CMT as part of an iterative process for consideration in preparation of an officer budget. Thereafter this was presented to Full Council, which makes the final decisions. Subsequent to completion of the audit, Finance noted that changes were made during the 2017/18 budget setting process, however this has not been reviewed as part of this audit.

2.1.4 There is a separate Financial Planning and Projects Team whose main focus is on budget setting. Services are supported by the Team through the process, and it is progressed via regular reporting to CMT, and Service SMT's, however there are no detailed written procedures outlining what they must do in order to feed into the budget setting process.

2.1.5 The process was set out in a series of documents in May 2013 for the 2014-18 budget setting process. This included an overview, key stages, and standard documents (e.g. for presenting business cases for growth, savings options etc). CMT was provided with a new overview for 2017/18, outlining an iterative process which includes Function reviews (Heads of Service and management teams), Directorate round tables, and Cross-directorate round tables.

2.1.6 Each year a 'Project Plan – Budget' document was presented to CMT, which set out the main stages and months in which these would take place. Although this plan was not formally approved, minuted or monitored against, there were regular updates prepared for CMT, and a budget was prepared for presentation to Full Council by the due date in February each year.

2.1.7 Generally, the process is well planned and supported, however it may be useful to set out the process in more detail so that e.g. budget holders understand their role and responsibilities, and what happens with the information and bids they submit, in order to better engage them with the process, and to clarify deadlines. Setting out the procedures to be followed by the Finance Projects Team and other Finance colleagues would also be useful, particularly in the event of experienced team members leaving.

> **Recommendation**
> Finance should create more targeted guidance on the budget process for budget holders and team members.
>
> **Service Response / Action**
> Agreed. The process currently in place is already considered to be well structured and supported, there are clear decision points throughout, and there is a need for some flexibility as the process is fluid and subject to external influences, however more targeted guidance and clarity on deadlines might strengthen the process and prove useful to budget holders. A working group consisting of the Head of Policy, Performance and Resources (E&CS), Head of Legal and Democratic Services, Head of Land and Property Assets, Head of Public Infrastructure and Environment, and the Acting Head of Planning and Sustainable Development has been set up to help facilitate the 2018/19 budget process.
>
> | **Implementation Date** | **Responsible Officer** | **Grading** |
> |---|---|---|
> | June 2017 | Officers detailed in Service Response. | Important within audited area |

2.2 Budget Approach

2.2.1 The budget setting process, as set out above, is largely incremental – existing budgets are reviewed and adjustments are made based on historical spend, known changes, and assumptions about the future. ECMT determines an initial priority between the declared options and anticipated growth, and how to address any shortfall in the budget after these items have been considered and accepted / rejected. Individual Services and budget holders identify the savings options to offer, and growth / pressures to request. As the majority of budget lines reviewed by Internal Audit were rolled forward at the same level as the previous year, unless there are planned and agreed changes this could build in an implicit assumption that existing budgets are correct.

2.2.2 Finance has stated that over half of all budgets are reviewed in detail each year, particularly staffing and areas in which transformational change is planned, or options identified. Although smaller budgets may be rolled forward, these are reviewed in detail on a rotating basis in year. Budget monitoring and forecasts should identify any recurring issues to be addressed either in-year by virement or as part of future budget setting exercises.

2.2.3 For 2016/17 the Full Council budget setting papers show that challenge of existing budget assumptions took place (e.g. increasing vacancy factors and identifying other recurring underspends). Further challenge has been demonstrated in the 2017/18 papers prepared for CMT, as additional risks to achieving a balanced budget have been identified for the next financial year.

2.2.4 Although Finance piloted an 'outcome based' budgeting process in 2015/16 for 2016/17 this has not yet progressed into a revised budget process. Finance noted that information was gathered on performance, challenge questions, cost and activities. Activity maps were then refined into the main outcomes and a planning table created. This was found to be helpful as it collated the activities linked to outcomes, performance, priority and cost on one page and it gave insight to the service involved. It is likely that rollout of this approach as a service planning tool to further pilot areas will be considered, rather than a whole Council approach to budgeting.

2.2.5 Directorate Business Plans for Corporate Governance, Communities Housing & Infrastructure, and Education and Children's Services were presented to Council as a

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bulletin item on budget setting day. However, it is not clear that the draft 2016/17 budget figures within these plans correlate with the figures presented in the budget setting paper, since only adjustments are discussed in the latter and there is no analysis into Services (other than savings and growth options). It is also unclear whether options pending Council agreement had been included within the Business Plan figures. Finance state the Directorate Business plans were developed by management teams concurrently with the budget and the service analysis working papers presented to Directorates. They were developed with a recognition of the options under consideration for their Directorates.

2.2.6   The above process was compared to the Audit Scotland Best Value Financial Management Toolkit and areas where potential improvements could be made were examined. Although the Council has incorporated elements of 'better practice' (as defined by the toolkit) Internal Audit considers that there are areas where this could be better demonstrated, or moved to 'advanced practice'. This includes how well the budget reflects the organisation's strategic priorities and objectives, and the need for clear links between service plans and financial strategy.

2.2.7   While the budget process remains incremental, although it does include opportunity for cross-service interaction to develop and agree proposals, supported by Finance, there is a risk that individual directorates or functions might retain their non-core budgets at the expense of other Services' core functions and statutory duties. Finance stated that a review of functions was undertaken in 2013, but the results were inconclusive: each service has its merits and the balance is determined through Council strategy, business planning, and agreement of the annual budget and options. Due to the financial pressures and budget process implemented in the last 6 years there has been challenge of non-statutory budgets. The challenge concluded that non-statutory budgets that considerably benefit the council's objectives and customer feedback have been protected, whilst those of lesser value have been reduced. In addition, there have been a considerable number of options resulting in major change in the way service operations are undertaken to drive improvement and efficiency.

Recommendation
The Council should ensure there is a clear link between strategy and budgets.

Service Response / Action
Agreed. Strategy and budgets are already linked, but there may be room to improve this linkage and more explicitly document it, particularly in relation to areas of significant transformation, application of savings options, or budget pressures. This has been achieved as demonstrated in budget papers being presented to Council on 22 February 2017

Implementation Date	**Responsible Officer**	**Grading**
Implemented	Corporate Management Team	Significant within audited area

2.3   Supporting Information

2.3.1   All service options have been recorded on a template, and have been reviewed, considered by management, and where selected for action or Council approval: summarised into the budget setting paper. However, not all of these templates had been fully completed with all of the required detail, including the risks and assumptions associated with taking the option forward. Although management has discussed and agreed the options, there is no evidence of this discussion, beyond the outcome in the budget setting paper. Without a record of the assumptions it may be difficult to progress the agreed actions, and to ensure that there is no overlap between options, or unexpected impact on other services.

2.3.2   Service options are supported by varying levels of detail. Where there is supporting detail or workings, these do not always clearly demonstrate how figures have been arrived at through clear calculations and narrative. It is acknowledged that estimates have to be made based on knowledge and professional judgement, and it would be misleading to suggest that precise calculations can be made to determine future income and expenditure requirements. However, estimates should be made on the basis of the best available data, and it is important to retain an audit trail for material changes.

2.3.3   Although budget holders and ECMT have agreed the options, if there are insufficient supporting calculations, or records of consideration of the risks and assumptions underlying planned savings, there is a risk they may not be achieved in the way originally intended – particularly in the event of changes in Finance teams or budget holders. Alternative actions may have to be taken during the year to resolve budget variances, which may exceed or differ from those agreed by Full Council.

2.3.4   This is however being mitigated against, after the budget has been set, through budget monitoring, and a new Benefit Tracker spreadsheet being used by Finance which tracks savings delivery, for reporting to CMT, throughout the year. In the event of any difficulty in achieving savings, alternatives can be considered through this process.

> **Recommendation**
> The Council should ensure all service options have been detailed, risks and assumptions explained and are supported by reasonable calculations, before they are taken forward for approval.
>
> **Service Response / Action**
> Agreed. The audit trail could be improved in some cases, and will be developed to reflect the materiality and priority of the options. Significant options have been subject to more scrutiny and review.
>
> Head of Finance will make recommendations for CMT to apply in respect of the quality of service option audit trail.
>
> | **Implementation Date** | **Responsible Officer** | **Grading** |
> |---|---|---|
> | February 2018 | ECMT | Significant within audited area |

2.3.5   Budget data is updated promptly in the financial system to provide data for both Finance and Service colleagues to assist them in managing their budgets. The Budget Tracker spreadsheet that is used to document changes does not however clearly match the agreed adjustments included in the budget setting paper presented to Full Council, nor does it accurately reflect all of the adjustments made to the budget in the financial system.

2.3.6   Service Cost Model spreadsheets present the data in a different way, however it is not straightforward to compare the data in this spreadsheet with the agreed adjustments, or with the Budget Tracker. This is largely due to the way in which the adjustments have been combined, and shared between Services. These allocations are not consistently recorded across Services, and it was not possible for Internal Audit to verify that they were complete and accurate. Finance has stated that the way in which they are recorded is understood by those operating the process. As with the Budget Tracker, the data recorded on these spreadsheets does not always match the adjustments made to the financial system.

2.3.7   There are also differences due to some changes being applied in stages prior to final Council agreement to the budget paper, or the figures being presented net of prior years'

time-limited savings. Where this has occurred the spreadsheet does not clearly indicate it, and the budget paper does not clearly show the impact of prior years' decisions.

2.3.8   The audit trail is insufficient to determine whether all, and only, the adjustments presented to and agreed by the Council have been applied. If the adjustments are not sufficiently backed up, particularly given Councillors do not see the full budget, the process may not be sufficiently transparent. It is difficult to trace through from the changes agreed in the budget paper by Full Council, to the changes in the ledger: which are then used to monitor financial performance. There is a risk that some items may fall between these gaps and not be budgeted for.

> **Recommendation**
> Finance should ensure there is a clear audit trail to show that all budget adjustments agreed through the budget process have been applied, and disclosed, appropriately.
>
> **Service Response / Action**
> Agreed. Finance considers that an overall reconciliation is already carried out and there is minimal risk in respect of detail, as all elements of the budget are reflected in the ledger, and in the event of any errors this would be picked up and corrected through the budget monitoring process. A review of the audit trail will however be carried out to strengthen it where appropriate.
>
> | **Implementation Date** | **Responsible Officer** | **Grading** |
> |---|---|---|
> | July 2017 | Accounting Manager | Significant within audited area |

2.4   Publication

2.4.1   Finance acknowledged that there is no communications plan regarding the budget process. However, there are key stages during which key groups are consulted and provided with detailed updates as set out in the overall budget plan.

2.4.2   Finance has stated that Administration Leaders meet with CMT regularly to receive updates on the budget position. Directors then meet with Committee Convenors and other relevant Members at a later stage, during which their options are challenged / discussed. Although Finance has noted that there are records of regular meetings taking place, and of changes being applied as appropriate, there are no minutes of these discussions. At an early stage (November / December) Councillors are provided with budget packs setting out additional detail and the provisional options.

2.4.3   The 2016/17 budget was the first since the end of the previous 5 year rolling budget process and was presented as a single year budget – due to limited information on national grant settlements for future years. In contrast to the previous year, it was not presented to the Finance, Policy & Resources Committee in December prior to its presentation in February 2016 to Full Council. Finance noted that there were some delays in finalising the budget proposals due to delays in obtaining grant settlement data from Scottish Government.

2.4.4   High level risks and assumptions have been highlighted quite clearly as part of the budget setting paper, and this has given all Councillors the opportunity to feed into the process. The paper discussed the 'risk fund' whereby sums are held in reserves against the risk of savings targets not being met / other risks crystallising during the financial year. In addition, each proposed budget adjustment has been given a financial impact, and assessment of impact (high, medium or low) on customers, and on staff. The Council has then been given the opportunity to select between competing options (though only where officers had determined that the decisions require Committee / Council approval) to

balance the budget. Each option was briefly but adequately explained. Options selected, which have an equalities impact, had separate Equality and Human Rights Impact Assessments appended to the budget setting paper – further exploring the risks from this viewpoint. This presented an opportunity for improved understanding and buy-in to the content – which is likely to have been important given the impact on services from reduced financial resources.

2.4.5　The budget was not presented at a detailed level for 2016/17 – there is no overall cost per Service presented in the Council report. Only movements since the last budget have been included. Although the Council was asked, and agreed, to set a budget, Councillors had not seen it in detail other than agreeing the main changes, and selecting from a number of options to achieve the final balanced position. Without a Service by Service split, it is difficult to see how the Council's spending has been prioritised.

Recommendation
Finance should ensure Councillors have sufficient information regarding service budgets before they are agreed.

Service Response / Action
Not Agreed. Finance considers that there is already sufficient information provided through the budget process, and thereafter through the budget handovers and monitoring process. The priority areas for the Council are reflected in the service options, which are detailed within the budget setting report on a council-wide basis. It would be difficult to request Full Council to agree Service budgets before the service options have been agreed and applied to them.

Budget options are prioritised by Members in consideration of the costs and benefits of the individual options as identified through the service option sheets. For many options, there is considerable further consultation of Finance and Service Managers.

Following the approval of the budget, budget packs are created corporately and for individual directorates and services. These are handed over to the service and shared with service accountancy staff through a series of formal budget handover meetings. During the first few months of the financial year the new budgets are reviewed by all budget holders with their finance contact in the context of the prior year's out-turn position, financial issues arising are identified as the new forecast position is prepared. At this point the cost pressure and savings monitoring process commences.

A clearer timetable for the provision of budget information to Councillors would be of value, and Finance will develop this for 2018/19.

Internal Audit Comment	**Grading**
Service position noted. There remains a risk that Full Council may have insufficient information to prioritise budgets across the Council at the point the budget is set.	Significant within audited area

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AUDITORS: D Hughes
　　　　　　　C Harvey

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 June 2017
TITLE OF REPORT	Internal Audit Report AC1720 - Vehicles
REPORT NUMBER	IA/AC1720
DIRECTOR	N/A
AUTHOR	David Hughes

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Vehicles.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

3.1 Internal Audit has completed the attached report which relates to an audit of Vehicles.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

1

7.   IMPACT SECTION

7.1   **Economy** – The proposals in this report have no direct impact on the local economy.

7.2   **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3   **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4   **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8.   APPENDICES

8.1   Internal Audit report AC1720 – Vehicles.

9.   REPORT AUTHOR DETAILS

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Internal Audit Report

Communities, Housing and Infrastructure

Vehicles

Issued to:
Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure
Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)
Mark Reilly, Head of Public Infrastructure & Environment
Steven Whyte, Head of Finance
William Whyte, Fleet Services Manager
External Audit

Date of Issue: March 2017   **Report No. AC1720**

EXECUTIVE SUMMARY

Under the Goods Vehicles (Licensing of Operators) Act 1995, the Council requires a goods vehicle operator's licence ('O' Licence) in order to operate goods vehicles in excess of defined weights. Retaining the licence is conditional on appropriate fleet management practice. Compliance with the Act and terms of the licence are monitored by the Driver and Vehicle Standards Agency (DVSA). Non-compliance can result in the Traffic Commissioner imposing restrictions on, or withdrawing the licence which could severely restrict the ability of the Council to deliver many of its services.

Following a review by the DVSA on 14 January 2014 and subsequent review by the Traffic Commissioner, a public enquiry was held on 18 November 2014. The main concerns raised by the Traffic Commissioner were that Council vehicles and drivers had been issued with a number of defect notices and penalties in the previous five years. The Traffic Commissioner drew particular attention to concerns regarding vehicle maintenance, records of such maintenance and prompt recording by employees of such faults.

Management identified steps to improve the Service and a new Fleet Manager and Fleet Compliance Manager are now in place.

The objective of this audit was to determine whether or not the actions put in place to remedy the concerns which were raised by the Traffic Commissioner are working as intended.

There have been some improvements, and additional fleet management and compliance data is being used to further promote and improve compliance. However, Fleet cannot make changes in isolation – it is reliant upon Services and their drivers to operate their vehicles in adherence with corporate policy. New procedures have been implemented, the frequency of compliance audits will be increased, and an escalation process implemented in order to identify and address any further issues promptly.

1. INTRODUCTION

1.1 Under the Goods Vehicles (Licensing of Operators) Act 1995, the Council requires a goods vehicle operator's licence ('O' Licence) in order to operate goods vehicles in excess of defined weights. Retaining the licence is conditional on appropriate fleet management practice. A Licence is held on the Council's behalf by named officers: the Head of Public Infrastructure & Environment, the Fleet Manager and the Fleet Compliance Manager.

1.2 Compliance with the Act and terms of the licence are monitored by the Driver and Vehicle Standards Agency (DVSA). Non-compliance can result in the Traffic Commissioner imposing restrictions on, or withdrawing the licence which could severely restrict the ability of the Council to deliver many of its services.

1.3 Following a review by the DVSA on 14 January 2014 and subsequent review by the Traffic Commissioner, a public enquiry was held on 18 November 2014. The main concerns raised by the Traffic Commissioner were that Council vehicles and Drivers had been issued with a number of defect notices and penalties in the previous five years. The Traffic Commissioner drew particular attention to concerns regarding vehicle maintenance, records of such maintenance and prompt recording by employees of such faults.

1.4 Appendix 6 of the Act specifically states that the Operator must fulfil maintenance requirements to ensure vehicles are in a road worthy condition and are safety checked. This includes the necessity for a first use daily check by Drivers of their vehicles, prompt reporting of any faults noted, and the retention of records for a period of 15 months following any repair or servicing of a vehicle.

1.5 Following notification of the enquiry, the Chief Executive requested a root and branch review of the Service. Management have identified steps to improve the Service and a new Fleet Manager and Fleet Compliance Manager are now in place with plans for a further two Fleet Compliance Assistants, Workshop Manager and Workshop Supervisor to be recruited in the near future.

1.6 The objective of this audit was to determine whether or not the actions put in place to remedy the concerns which were raised by the Traffic Commissioner are working as intended. This involved discussions with key individuals within the Service, examining vehicle and driver records, and random spot checks of vehicles and associated Driver first use check sheets.

1.7 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Head of Public Infrastructure and Environment, and William Whyte, Fleet Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Management Information

2.1.1 Key performance indicators are reported to the Health and Safety Committee on a quarterly basis and provide a reflection of how the Service is performing. These can provide useful information in measuring how effective changes have been and can provide useful comparative statistics in how the Service is currently performing against historical results. The results discussed below all relate to the first two quarters of 2016/17 as reported in November 2016 (CHI/16/291).

2.1.2 There have been 115 accidents / incidents to date in 2016/17 compared with 378 for 2015/16. This represents an overall decrease, however late reporting of such occurrences to Fleet has increased from 8% for 2015/16 to 78% in 2016/17 to date. Fleet has reminded Services of the requirement for prompt notification, however this has not resulted in significant improvement to date.

Recommendation Fleet should consider what options are available in a bid to increase timely reporting of accidents and incidents from Services. **Service Response / Action** Agreed. Timescales for reminder for services to report back will be changed to 2 weeks initially, then 1 week reminder, then escalated to Head of Service if no response.

Implementation Date	Responsible Officer	Grading
April 2017	Fleet Compliance Manager	Important within audited area

2.1.3 Roadside inspections can be performed by either Police or DVSA Officers. To date there has only been one roadside inspection in 2016/17, which resulted in a prohibition for overloading a vehicle. In response, the Service has fitted some new vehicles in Building Services with on-board weighing systems, and random weighing inspections are being carried out.

2.1.4 MOT pass rates for 'O' Licence vehicles are 88.7% for 2016/17 to date (7 failures from 55 vehicles put for test) against the national average of 85.3%. 4 of the 7 failures were for minor defects which were rectified at the MOT station. This compares with a pass rate of 97.1% against a national average of 84.7% in 2015/16.

2.1.5 In order to raise the level of first time passes the Fleet Manager has recently employed a contractor to carry out pre MOT checks on vehicles prior to them being presented at the test station. A vehicle report is then produced which details any work which has had to be done in order to ensure that the vehicle passed the MOT first time. The cost of this service is varied depending on vehicle presentation to the contractor and vehicle age profile, and additional costs may be incurred if additional work has to be undertaken.

2.1.6 The Fleet Manager has noted that these checks have identified faults which should have been identified and corrected by Fleet workshops at an earlier stage. While this adds costs to MOTs, first time pass rates should improve and the need for this service should decrease as faults are highlighted to and discussed with Workshop staff.

2.1.7 Operators are given a Compliance Risk Score which is used by the DVSA to calculate the likelihood of an operator being non-compliant, and guides their selection of operators to review. This comprises two elements: The first gives a general indication as to a roadworthiness of vehicles, derived from vehicle test results. A second score is then given

for 'Traffic' which takes into account tachograph offences and the results of roadside inspections and weighing checks. Each is assigned a Red, Amber or Green level. Currently the Council's banding is Green for both elements, suggesting the DVSA does not consider the Council's fleet operations to present a significant risk.

2.2   Workshop Records

2.2.1   The main repairs and servicing depot is based at Kittybrewster. In order to improve overall efficiency, Fleet has recently introduced a number of new practices which are discussed below.

2.2.2   In order to ensure that vehicles do not spend excessive time in the workshop the Service has developed a vehicle out of service sheet to track the length of time that vehicles are spending in the workshop or are away for repair with an external contractor. The latest figures show, in general, a reasonable turnaround period for servicing and repair, and an improvement since the previous year. The current fleet software now has a Dash Board in place highlighting vehicles in the workshop over 3 days for servicing and repairs.

2.2.3   Six vehicles were however identified as having been out of service for over five weeks and in one instance for 127 days. The majority of these were with outside contractors for repair. Where vehicles are off the road for extended periods of time additional costs may potentially be incurred for hire of replacement vehicles, or services may be affected. It is therefore incumbent on the Service to ensure that outside contractors return vehicles promptly.

Recommendation
The Service should ensure that external contractors are encouraged to complete repairs in the shortest possible time.
Service Response / Action
Agreed. Fleet will, on each occasion, agree repair times and costs with all main suppliers of vehicle maintenance prior to any work being carried out.

Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Manager	Important within audited area

2.2.4   Where a vehicle has been brought in for servicing and repairs, a Vehicle Inspection sheet should be fully completed to indicate that all applicable actions have been undertaken. The Compliance Manager has recently started to audit an average of 30 records per week to ensure compliance. In addition an average of 11 vehicle files per month are being audited to ensure that all paperwork is present. It is anticipated that additional checks will be undertaken when 2 further Assistant Compliance Managers are recruited.

2.2.5   Between October and December 2016, 197 records had been examined and in 122 cases there were errors or omissions in the paperwork indicating an error rate of over 60%. The two most recent audits, comprising 39 records, inspected on 9 November and 19 December 2016 showed 13 errors or omissions (33%). Therefore, although this represents an improvement, records are still incomplete.

2.2.6   A number of Mechanics have recently received IRTEC training and in addition some employees have received performance counselling sessions to highlight specific areas where improvement is required. The Service should however continue to monitor these statistics and unless significant improvements are seen, further action will be required.

7

Recommendation
The Service should consider what management action is appropriate in order to realise significant improvement in the completion of vehicle maintenance records.
Service Response / Action
Agreed. Fleet will increase the frequency of vehicle maintenance records audits once the compliance assistants are in place. Currently audits carried out that highlight deficiencies are fed back to the Supervisor, Foreman and then the mechanics. Training and a template of the inspection sheet were made up and issued to the mechanics in September 2016, also A5 notices are displayed at three areas within the workshop again to remind the mechanics on how to complete the documents.

Implementation Date	Responsible Officer	Grading
May 2017	Fleet Compliance Manager	Significant within audited area

2.2.7   A random sample of 24 vehicles was chosen to ensure that they had been serviced on time, had been safety checked on time, and had a current MOT. In all instances this was shown to be the case, indicating that the current system of booking vehicles in for safety checks, servicing and MOTs is working adequately.

2.2.8   A Vehicle Maintenance Systems Compliance Audit was undertaken by the Freight Transport Association in August 2016. Key observations from their report included that the current system of walk round checks by Drivers (Driver's Daily Checks) is sufficient, with the checks being performed in line with current DVSA regulations. The report also noted that defects were reported in a timely fashion and that subsequent repair records were maintained in excess of the minimum required period of 15 months. Observation of vehicle records when on site during this Internal Audit also confirmed this.

2.2.9   A recommendation was made in the report with respect to ensuring that Vehicle inspection sheets were fully completed. This is being addressed as per the actions discussed in paragraphs 2.2.4 to 2.2.6 above. Additionally it was noted that where faults were noted that the person that these were reported to should be noted on the Drivers Check Sheet. Drivers have been reminded of this, and this information is recorded in TRANMAN (the vehicle repairs and maintenance management system).

2.2.10   A further recommendation was made that new vehicles should undergo a first use inspection prior to being put into service. Records of this are now maintained with the new vehicle as well as on TRANMAN. The final recommendation in the report was that while the number of brake tests being undertaken was compliant with DVSA regulations, the Service's own regulations stated that brake tests should be performed during every safety check.   The inspection sheets have been amended to comply with current DVSA regulations.

2.3   Staffing

2.3.1   Staffing levels are still not at the anticipated level: two Compliance Assistants, anticipated to have been in post by Summer 2016, are still to be recruited. In addition, there are vacancies for a Workshop Manager, Supervisor and Administrator. Further planned recruitment includes an additional 4 Mechanics and 2 Shunters for the workshop. A review of current procedures is also planned to streamline processes in order to make the whole service more efficient. A recommendation is made here to track progress.

Recommendation
The Service should set deadlines for the recruitment of staff and the review of procedures in order to drive the processes forward.

<table>
<tr><td>Service Response / Action
Agreed. Fleet are working with HR on the recruitment and subsequent interviews to fill these positions.</td></tr>
</table>

Implementation Date	**Responsible Officer**	**Grading**
July 2017	Fleet Manager	Important within audited area

2.4 Driver and Vehicle Checks

2.4.1   Each day, prior to using a vehicle, Drivers must ensure that a first use daily check sheet is completed. This details all safety and mechanical checks which must be undertaken by the Driver, and provides a record of the checks carried out and any faults identified. These checks must be completed prior to using the vehicle, as faults could pose a hazard if not identified and addressed promptly.

2.4.2   Internal Audit performed checks on a total of 25 vehicles arriving at or leaving depots in the mornings of 1 and 2 February 2017. First use check sheets had not been completed on 3 occasions. The Service has stated that these were reported and actioned through the Incident procedures.

2.4.3   Books of check sheets have a carbon copy of the check sheets for each day, and these are retained in the vehicle. It was confirmed that check sheets for all days for the previous week were present for each vehicle. However, it is not possible to determine whether or not these would have been completed prior to first use each day.

2.4.4   In addition, Internal Audit re-performed the checks on the vehicles. Two faults which had not been recorded were identified: a reversing light was not working on one vehicle, and on another ladders were protruding from the rear with no marking on them to alert other road users. The Service has stated that on investigation the light thought not to be working was not faulty as this type of vehicle (Dennis) only has one reverse light, and the ladder fault was rectified prior to the vehicle going back into service.

2.4.5   All Services are now performing a minimum 10% random checks in which the condition of vehicles is noted along with whether or not the Driver has noted any fault on their daily check sheet. Statistics for November and December 2016 showed that 17 out of 218 and 22 out of 176 random checks identified faults which had not been noted by Drivers. Further random checks are being completed by the Fleet Compliance Manager, with 1 out of 31 checks identifying an unrecorded fault between December 2016 and January 2017. On average therefore around one in ten faults are not being noted and acted upon promptly.

2.4.6   In additional to the internal checks, the Freight Transport Association has also been contracted to perform random vehicle checks. From May to December 2016, 50 'O' Licence vehicles were checked, with faults being noted in 20. Only three of these faults had been noted by the Driver.

2.4.7   Although in two instances vehicles have been temporarily removed from service as a result, Fleet typically pass on their findings to client Services to take appropriate management action. Corporate options may need to be considered in order to raise the profile of these requirements, and ensure consistency of their application.

9

> **Recommendation**
> The Service should review options to raise the profile of vehicle check requirements, and ensure consistent management action in response to compliance issues.
>
> **Service Response / Action**
> Agreed. Fleet carry out spot checks on a weekly basis to monitor the standards of the "First Use Checks" and to see if they are actually being carried out. User services are also tasked with carrying out checks on at least 10% of their fleet size on a monthly basis. The Freight Transport Association also carryout monthly spot checks and also carry out return to depot checks in the afternoon. All the results of these checks are collated and fed back to the service departments and if required an investigation will be carried out on any failed "First Use Check". If any service continually falls below the standard the results are escalated to the Head of Service and actions identified to rectify.
>
> | **Implementation Date** | **Responsible Officer** | **Grading** |
> |---|---|---|
> | May 2017 | Fleet Compliance Manager | Significant within audited area |

2.4.8   Various employees from the Health, Safety and Well Being Team have recently received training from the Freight Transport Association in the completion of first use check sheets and vehicle checks. It is intended that these Teams, when onsite performing health and safety checks, can additionally perform random vehicle checks.

> **Recommendation**
> Fleet should discuss with the Health, Safety and Well Being Team the best way for them to provide meaningful data to Fleet.
>
> **Service Response / Action**
> Agreed. Fleet to discuss with the Health, Safety and Well Being Team the potential and ability to carry out independent random vehicle first use checks during onsite health and safety checks.
>
> | **Implementation Date** | **Responsible Officer** | **Grading** |
> |---|---|---|
> | May 2017 | Fleet Compliance Manager | Important within audited area |

2.5   Tyres

2.5.1   Tyre replacements are currently carried out by an external company. As part of the service the company carries out random inspections on vehicles and replaces tyres where they are found to be worn or damaged. Paperwork for repair or replacement is sent to the depot at Kittybrewster.

2.5.2   A check on the previous three inspections which took place over October and November 2016 revealed that 83 vehicles had been subjected to random inspections and 7 vehicles had a tyre replaced due to excessive wear, equating to approximately 1 in 12 vehicles. This compares with 1 in 7 vehicles requiring replacement tyres when records were examined in the previous audit AC1618 (April 2016).

2.5.3   A sample of over 300 records of repair / safety checks for 24 vehicles between January and December 2016 additionally noted that in 28 cases tyres had to be replaced, without a Driver's check sheet identifying the issue. This compares to 31 instances over 300 records for January to December 2015.

2.5.4   While this is an improvement it indicates that Drivers may not be checking tyres sufficiently when performing their daily checks. The consequences of a serious accident occurring and it being subsequently discovered that a vehicle has worn tyres could result in financial and / or reputational damage to the Council.

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Recommendation
Fleet should ensure that Services are made aware of the current statistics relating to tyre replacements with a view to ensuring that Drivers are more diligent in checking the condition of tyres when performing their daily checks.

Service Response / Action
Agreed. Fleet are currently procuring a new provider to supply replacement tyres and tyre management reports. Increased fleet / tyre checks will identify re-occurring tyre defects which will be highlighting specific vehicles, routes or drivers relating to any damage found resulting in additional training or route changes. The reports would also highlight the standard of the "First Use Check" carried out by drivers and any tyres found to be defective and not picked up by the driver would trigger an investigation.

Implementation Date	**Responsible Officer**	**Grading**
April 2017	Fleet Manager	Important within audited area

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2.5.5   Fleet in conjunction with Commercial and Procurement Services intends to invite tenders in April 2017 for a tyre replacement and inspection service. Part of the requirement of the new tender will be for the successful company to produce electronic reports detailing the number of vehicles which they have inspected along with details of tyres that have had to be replaced, as this would provide efficiencies over the existing manual process.

2.6   Tachographs

2.6.1   Drivers operating specific categories of Large Goods Vehicles (LGV) or Passenger Carrying Vehicles are required to use a tachograph to demonstrate compliance with Driver Vehicle Standards Agency Regulations for vehicles of these types. The majority of vehicles to which this requirement applies are equipped with digital tachograph recording systems. Older vehicles may have an analogue waxed disc system.

2.6.2   The information from the systems is downloaded and analysed by an external company and Services can analyse the data online. The data highlights primary infringements such as driving in excess of daily hours limits, as well as minor infringements such as power supply interruptions, insertion of a card while driving and time overlaps where a driver is recorded as driving one vehicle at the same time as another due to clocks being incorrect.

2.6.3   Records for Waste and Roads were analysed for October and November 2016. These are summarised below along with a comparison of records for the same departments from 2015/16.

Month	No. of Drivers	No. of Drivers with Infringements (%)	No. of Drivers with Minor Infringements (%)	Failing to note completion of Safety Check (SC)	Minor Infringement (discounting SC) (%)
Nov 16	106	11 (10%)	33 (31%)	27	6 (6%)
Oct 16	86	5 (6%)	20 (23%)	19	1 (1%)
Oct 15	94	10 (11%)	6 (6%)	n/a	6 (6%)
Sep 15	95	15 (16%)	5 (5%)	n/a	5 (5%)

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2.6.4 The infringement listed as 'Safety Checks not Recorded', is a result of not switching the mode on the tachograph to 'Other Work' at the point at which the first use checks are carried out. It does not necessarily reflect Drivers not performing the required checks. This infringement was not previously recorded, hence the high level of minor infringements. With this discounted, the Service has shown a slight decrease in the level of infringements, however this is something which will continue to have to be monitored to increase compliance.

2.6.5 In addition to the information provided, Driver Infringement Letters are produced which list individual infringements for each Driver every month. These should be discussed and signed by both Driver and Supervisor to indicate the issues have been brought to the Driver's attention. A sample of 6 of these forms from November 2016 was reviewed. In 3 instances the Driver and Supervisor had signed the document on different dates. While Services have stated that Drivers are spoken with promptly, the evidence does not confirm this. In order to ensure that Drivers are being made aware of infringements promptly to prevent recurrence it may be appropriate for Fleet to consider examining a random selection on a periodic basis.

Recommendation
The Service should continue to monitor tachograph infringements with a view to increasing compliance with the Regulations.

Fleet should highlight to Services the high level of 'Safety Checks not Recorded' to ensure Drivers are reminded to change the mode switch to 'Other Work' when performing first use checks.

Fleet should consider randomly inspecting Tachograph Infringement Letters to ensure that Services can evidence that management are taking appropriate action to highlight infringements to Drivers.

Service Response / Action
Agreed. The reports are monitored and letters signed by drivers currently, and KPI's are produced monthly on "First Use Checks". A Service level audit on driver's letters will be developed and implemented by the Services and Fleet.

Implementation Date	**Responsible Officer**	**Grading**
June 2017	Fleet Compliance Manager	Important within audited area

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2.6.6 Where Drivers are noted as having regular infringements the Service has set up training for them to improve compliance. This consists of showing employees how to operate the equipment properly via a mobile unit which contains all the functionality which would be present in the vehicle. A list of employees is maintained who have received training and they are additionally asked to provide feedback on the training received with a view to improving the training as necessary.

2.7 Licence Checks

2.7.1 'O' Licence Drivers have their licences checked on a quarterly basis, or in the event of points being incurred or a restriction to driving being imposed this is notified to Management immediately. One of the Key Performance Indicators is for 'licence issues as a percentage of licences checked'. The statistics show that for the first two quarters of 2016/17 this is currently at 8%, compared with 0.73% for 2015/16.

2.7.2 The currently reported statistics appear to indicate excessive licence issues. Part of the reason for this increase is the inclusion in the statistics of Drivers who require eyesight

correction (glasses or contact lenses) to drive. It would be useful were these statistics to be reported separately in order to more accurately identify cases of either excess points or other restrictions on a Driver's ability to drive.

Recommendation		
The Service should separate out the statistics of Drivers who require eyesight correction when driving from those with points on their licences to clarify statistics.		
Service Response / Action		
Agreed. The Service has now put in place a reporting system that identifies drivers with eye correction issues and subsequently notifies the service department.		
Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Compliance Manager	Important within audited area

2.7.3   Drivers of LGV's require to have completed the Certificate of Professional Competence (CPC), which comprises 35 hours of training every 5 years. The Compliance Manager confirmed that Services should be maintaining databases of which Drivers have completed this training and which are due for training. Centralising these records would provide Fleet (as the Licence holder) with more assurance that Drivers' training is up to date.

Recommendation		
The Service should centralise CPC training records to ensure all Drivers are up to date.		
Service Response / Action		
Agreed. Fleet now have a centralised database for all Driver CPC courses attended which is shared with the relevant services.		
Implementation Date	**Responsible Officer**	**Grading**
Implemented	Fleet Compliance Manager	Important within audited area

2.7.4   The new system for annual checks to Driver's licences for non 'O' licence vehicles was due to have been operational in 2016. However delays to the implementation of the system along with a desire to add additional functionality such as identification of casual and essential car usage allowances has meant that the projected 'go live' date for the system is now April 2017. The recommendation relating to the implementation of this new system and annual checks of licences therefore still remains live under the previous audit report AC1618.

2.7.5   In conjunction with HR, the Service has identified all posts for which driving is a requirement. In addition, employment contracts have been amended for employees with driving duties which require them to inform their Manager should they have any medical condition which may affect their ability to drive.

2.8   Insurance

2.8.1   The Council has a responsibility to ensure that all employees driving Council owned or rented vehicles are adequately covered when performing duties commensurate with the requirements of their post. The current insurance document was examined and found to provide this cover.

AUDITORS: D Hughes, C Harvey and D Henderson

Appendix 1 – Grading of Recommendations

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

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Aberdeen City Council

Local Scrutiny Plan – April 2017 to March 2018

Introduction

1.   This local scrutiny plan ('LSP') sets out the planned scrutiny activity in Aberdeen City Council ('the Council') during the financial year 2017-18. The plan is based on a shared risk assessment undertaken by a local area network ('LAN'), comprising representatives of all the scrutiny bodies who engage with the Council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.

2.   This plan does not identify or address all risks in the Council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2017-18, which is available on the Audit Scotland website.

Scrutiny risks

2016-17

3.   The 2016-17 LSP did not identify any specific additional scrutiny, although scrutiny activity was undertaken as a consequence of national follow-up work or at the direction of Scottish Ministers and there was planned risk-based national driven scrutiny.

4.   The 2016-17 LSP identified three performance audits to be undertaken by Audit Scotland covering local government:

- An audit of equal pay in councils. This is due to be reported in June 2017.

- A follow-up audit on self-directed support. This is due to be reported in August 2017.

- An audit of early learning and childcare. This is due to be reported in November 2017.

5.   The 2016-17 LSP also identified that City Region Deals are of continuing interest to the Accounts Commission. A performance audit which incorporates City Deal Authorities, including Aberdeen City Council, will be published in 2017-18 as noted in paragraph 16.

2017-18

6.   The Council agreed a general fund revenue budget for the period 2017-22 in February 2017. The five year budget requires cumulative savings of £267 million, of which £17

million relates to 2017-18. A number of service options have been identified over the five year period, presented as options for Councillors in order to prioritise expenditure. These options would result in a balanced budget in 2017-18 and 2018-19. The Council has established a Transformation Board with the remit of reviewing the way in which the Council works and implements alternative models of delivery. The external auditor will continue to monitor developments in this area through the 2016-17 annual audit process.

7. The Care Inspectorate has been leading a project on the validated self-evaluation of Alcohol and Drug Partnerships ('ADPs') across Scotland during 2016. Field work activity has concluded and all ADPs received individual summary feedback to support continuous improvement. A national report will be published on the work in April 2017.

8. In 2017-18, the Care Inspectorate will also lead on thematic activity in the areas of adult support and protection and self-directed support, working with a range of scrutiny partners.

9. The joint inspection of health and social care services, published in September 2016, found the Aberdeen City Community Health Partnership is taking forward health and social care integration built on a good foundation of joint working. The principles of service user and carer focus are clearly set out in its plans along with the focus of shaping support around communities to improve outcomes. However, more work was needed by the Integration Joint Board ('the IJB') to ensure effective engagement with carers. The community health partnership had made good progress with establishing an effective governance framework that was clearly understood by the IJB. These were clearly set against an integrated structure focused on locality. Of the nine areas for evaluation inspectors found one area was very good, two were good, five were adequate and one was weak.

10. Aberdeen City Community Health Partnership prepared a comprehensive joint action plan which makes clear how it will make improvements in line with the recommendations in the inspection report. The joint action plan clearly aligns the recommendations with other developments being taken forward by the IJB. The Care Inspectorate link inspector will monitor the progress of the joint action plan.

11. Partners prepared a comprehensive and detailed action plan in response to the recommendations of the joint inspection of services for children and young people, published in March 2015. The Improvement and Performance group, which included all the key partners, drew up and closely monitored the action plan. The final version of the plan and supporting evidence was submitted to the Care Inspectorate in August 2016. Very many of the actions had clearly been achieved. For example, achievements noted for the key issue of chronologies were expressed succinctly across all the contributing groups and including important audit evidence. However, there had been very limited progress in developing a young carer's strategy. There was only very limited reference to developing priorities through joint self-evaluation. This will continue to be discussed with partners during regular Care Inspectorate link inspector meetings.

12. During the year Scottish Housing Regulator ('SHR') met Council officials and monitored the Council's progress. The Council has made positive progress in a number of areas including tenant satisfaction, time taken to resolve anti-social behaviour cases; voids; rent arrears; and repairs. The Council has started to take action to continue this trend into 2017-18.

13. The LAN has not identified any other specific additional scrutiny for 2017-18.

Planned scrutiny activity

14. As shown in Appendix 1, the Council will be subject to a range of risk-based based and nationally driven scrutiny activity between April 2017 and March 2018. For some of their scrutiny activity in 2017-18, scrutiny bodies are still to determine their work programmes which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.

15. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2017-18 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

16. Audit Scotland plans to undertake performance audit work in four areas covering local government in 2017-18. It will undertake a performance audit on children's mental health and a follow-up audit on health and social care integration. It will also undertake a performance audit on City Deals and Arms Length External Organisations ('ALEOs'). Any engagement with individual councils is still to be decided. Details of future audit work are available on the Audit Scotland website here.

17. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report ('BVAR') for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR report for Aberdeen City Council is not planned in the period covered by this scrutiny plan. The Best Value audit work planned this year will focus on the Council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management, and will be reported in the external auditor's Annual Audit Report.

18. In the context of the Council issuing a bond which is listed on the London Stock Exchange ('LSE'), the work over financial planning will include will consideration of the additional financial reporting requirements as part of LSE reporting obligations.

19. Based on the findings of the joint inspection of health and social care services (paragraph nine) the Care Inspectorate, in partnership with Healthcare Improvement Scotland will revisit the partnership to review their progress in quarter three of 2017-18 as shown in Appendix 1.

20. The link inspector will continue to provide support and challenge to partners in children's services. The action plan following the last inspection is complete, although as noted in paragraph 10 the link inspector will continue to discuss two areas where there has been the least progress: the young carer's strategy; and developing priorities through joint self-evaluation.

21. There is a clear performance risk in relation to educational attainment and achievement. However Aberdeen City Council is, for the present, categorised as subject to ongoing monitoring rather than additional scrutiny. The scrutiny provided by Education Scotland's continued engagement with the Council through the Area Lead Officer link and the regular inspection programme of schools and centres is sufficient to control and mitigate these performance risks. This will be subject to continuous review.

22. To assess the risk to social landlord services SHR has reviewed and compared the 2015-16 performance of all Scottish social landlords to identify the weakest performing landlords.

23. SHR will engage with the Council in relation to evidencing the accuracy of data on gas safety and homelessness.

24. SHR will publish the findings of its thematic inquiry work completed during 2016-17. It may carry out further thematic inquiries during 2017-18. SHR will also review the Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017-18. If the Council is to be involved in a thematic inquiry or a data accuracy visit SHR will confirm this directly with the Council and the LAN lead.

25. Her Majesty's Inspectorate of Constabulary in Scotland ('HMICS') will continue to inspect local policing across Scotland during 2017-18 as part of its rolling work programme. These inspections will examine, among other things, local scrutiny of and engagement with Police Scotland by councils. HMICS will also consider local policing divisions' contribution to partnership working. There is no planned policing inspection in respect of the North East Division.

26. Her Majesty's Fire Service Inspectorate in Scotland determines an inspection plan each year, covering local authority areas as well as national thematic inspections. There are no inspections planned in the Aberdeen City area.

April 2017

Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Audit Scotland	Audit Scotland has four planned performance audit work in three areas covering local government in 2017-18. It will undertake a performance audit on children's mental health and a follow-up audit on health and social care integration. It will also undertake a performance audit on City Deals and ALEOs. Any engagement with individual councils is still to be decided.	To be determined
Care Inspectorate and Healthcare Improvement Scotland	The Care Inspectorate link inspector will monitor the progress of the Aberdeen City Community Health Partnership joint action plan, representing an area of scrutiny. The Community Health Partnership prepared the comprehensive joint action plan in response to the joint inspection of health and social care services, published in September 2016. The inspection identified that more work was needed by the Integration Joint Board to ensure effective engagement with carers for older people.	Quarter three of 2017-18
Scottish Housing Regulator (SHR)	SHR will engage with the Council in relation to the accuracy of data on gas safety and homelessness. SHR will publish the findings of its thematic inquiry work completed during 2016-17. It may carry out further thematic inquiries during 2017-18. SHR will also review the Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017-18. If the Council is to be involved in a thematic inquiry or a data accuracy visit SHR will confirm this directly with the Council and the LAN lead.	Early 2017-18

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 June 2017
TITLE OF REPORT	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/17/011
DIRECTOR	N/A
AUTHOR	David Hughes

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. BACKGROUND / MAIN ISSUES

3.1 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 2017 have been completed, these are no longer shown in the appendices.

3.2 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.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of

this report.

6.   MANAGEMENT OF RISK

6.1   The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.   Those not implemented by their agreed due date are detailed in the attached appendices.

7.   IMPACT SECTION

7.1   **Economy** – The proposals in this report have no direct impact on the local economy.

7.2   **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review the position with Services implementing agreed Internal Audit recommendations. The proposals in this report will have no impact on improving the staff experience.

7.3   **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4   **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8.   APPENDICES

8.1   Appendix A – Position with Agreed Recommendations as at 9 June 2017 – Summary.

8.2   Appendix B – Position with Agreed Recommendations as at 9 June 2017 – Detail.

8.3   Appendix C – Grading of Recommendations.

9.   REPORT AUTHOR DETAILS

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APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 9 JUNE 2017

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 23 February 2017, the Committee was advised that, as at 10 February 2017, there were 51 recommendations which were due to have been completed by 31 December 2016 which were not fully complete. This has reduced to 34. The total not fully complete, which had an original due date of before 30 April 2017, is 72. Full details relating to progress, on a report by report basis, are shown in appendix B.

	Recommendations						Grading of Overdue Recommendations		
SERVICE	Agreed in reports shown in Appendix B	Due for completion by 31.12.16	Confirmed complete by Service	New in January to April 2017	Confirmed complete by Service	Not fully complete by original due date of 30.04.17	Major	Significant	Important
Cross Service	93	55	49	26	15	**17**	0	12	5
Communities, Housing and Infrastructure	122	90	72	13	8	**23**	2	11	10
Corporate Governance	61	19	14	35	23	**17**	0	8	9
Education and Children's Services	39	31	27	6	3	**7**	0	6	1
Health and Social Care Partnership	48	23	22	23	16	**8**	0	7	1
Total	363	218	184	103	65	**72**	2	44	26

APPENDIX B

| | | | POSITION WITH AGREED RECOMMENDATIONS AS AT 9 JUNE 2017 | | | | |

			Number of Recommendations				
Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CROSS SERVICE

AC1604	Corporate Policies and Procedures	March 2016	2	2	0	**2**	2 Important

The overdue recommendations were due to be implemented by the end of March 2017. The position with these is as follows:

Recommendation	Position
2.1.4 – The Council should hold a full categorised list of all policies and procedures via which all officers can access relevant information for their role and activities they intend to carry out *(graded "important within audited area")*.	A revised corporate template has been agreed and is in use. A number of policies / procedures have been developed into an e-induction module for all new staff. All other policies / procedures are being developed across Services with progress being monitored through the project team and the Governance Review Board has agreed to extend this to the end of August 2017
2.1.5 – The Council should ensure a timetable is put in place for implementation of a policy framework for all Council policies *(graded "important within audited area")*.	The Governance Review Board is monitoring progress of this project through the wider Governance Review Programme and has agreed to extend the collation / housekeeping aspect to the end of August 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CROSS SERVICE (continued)

AC1615	Timesheets	January 2016	25	25	23	**2**	2 Significant

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 *(graded "significant within audited area")*.	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 Service advised that this was launched in Customer Services in February 2017 and that it was planned to roll this out across other services once the pilot feedback is fully assessed. The latest update from the Service is that the system has been developed, tested and the roll-out has commenced in Corporate Governance. HR will work with Directorates to roll this out further in a phased and systematic way but it will not be completed until at least the end of August 2017.
2.4.6 (2) was due to be implemented in July 2016 – Spot checks will be put in place on an ongoing basis to ensure the correct application of guidance in relation to payment for non-standard hours *(graded "significant within audited area")*.	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. The latest update from the Service is that this is included in the design and roll-out of the overtime module and, as with 2.4.6 (1c) above will not be fully implemented until at least the end of August 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CROSS SERVICE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1621	ALEOs	February 2016	10	6	6	0	0

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1623	Compliance with Procurement Legislation	June 2016	28	28	23	5	5 Significant

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 **(graded "significant within audited area")**.	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. The latest update from C&PS is that this remains in progress as part of the Financial Regulations. Governance colleagues have advised that these are currently scheduled to be reported to the Finance Policy and Resources Committee in September 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
(AC1623 – Compliance with Procurement Legislation – Continued)	
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 was anticipated that this would be completed by March 2017 and that expenditure across other Directorates would have to be considered. The latest update from the Service is that, as there is not currently a system to allow identification of collected spend on an item by item basis, it is more appropriate at this moment in time to adopt a common sense approach to tackling the issue of compliance in overall school spend. The Service is therefore targeting the commodities that all schools would have a requirement for eg transport for school trips. In the case of school trips, there is significant spend not currently covered by contract and the creation of a contract would significantly reduce the time taken by schools when seeking quotes for transport.
2.5.4 was due to be implemented in March 2017 – C&PS should review the status of implied contracts, determine appropriate actions with the Service, and seek Committee approval *(graded "significant within audited area")*.	Commercial and Procurement Services has advised that this will now be complete in September 2017 as Service reviews are required to be completed first.
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.
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 *(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 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CROSS SERVICE (continued)

AC1712	Agency Staff	February 2017	14	12	8	**4**	2 Significant 2 Important

The following five recommendations were due to be implemented by the end of February 2017:

Recommendation	Position
2.1.2 - 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. *(graded "important within audited area")*	HR has advised that the form has been revised and is awaiting approval. This should be done by the end of June 2017.
2.1.3 - Written procedures should be expanded to include standardised procedures for the processing of timesheets and the induction process. *(graded "important within audited area")*	HR has advised that the procedures have been revised and are awaiting approval. This should be done by the end of June 2017.
2.4.2 - Services should ensure the induction of agency workers is carried out, and is evidenced *(graded "significant within audited area")*.	HR has advised that feedback is awaited from Business Partners on induction requirements and content of checklist. Information on audit recommendations has been communicated to hiring managers. This recommendation will be fully implemented by the end of August 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
(AC1716 – Agency Staff – Continued)	
2.4.3 - Completion of agency worker induction checklists should be recorded and monitored centrally within Services *(graded "significant within audited area")*.	HR has advised that feedback is awaited from Business Partners on induction requirements and content of checklist. Information on audit recommendations has been communicated to hiring managers. This recommendation will be fully implemented by the end of August 2017.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1716	Timesheets and Allowances	February 2017	9	8	4	**4**	3 Significant 1 Important

Progress with implementing the four recommendations that are overdue is as detailed below.

Recommendation	Position
2.2.6 (1) was due to be implemented by the end of March 2017 - HR should determine the most appropriate way of resolving the issue of incorrect payments being made via the Non-Standard Working Week Allowance *(graded "significant within audited area")*.	HR has advised that the briefing to deal with this is still to be done. It will now be done by the end of June 2017.
2.2.6 (2) was due to be implemented by the end of March 2017 - incorrect payments should be resolved, complying with Financial Regulations in respect of identified overpayments *(graded "significant within audited area")*	HR has advised that the checking process is complete and that recovery of overpayments will commence in June 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CROSS SERVICE (continued)

Recommendation	Position
(AC1716 – Timesheets and Allowances – Continued)	
2.4.6 (1) was due to be implemented by the end of February 2017 – HR should determine the best approach to ensuring that additional holiday pay is only claimed when eligible hours have been worked *(graded "significant within audited area")*.	The Service response in the audit report was as follows: 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. The latest update from the Service is that this is included in the design and roll-out of the overtime module. HR will work with Directorates to roll this out further in a phase and systematic way but it will not be completed until at least the end of August 2017.
2.8.2 was due to be implemented by the end of April 2017 - HR should consider designating specific periods as annual leave for term-time staff in order to provide greater clarity *(graded "important within audited area")*.	HR has been leading on a project dealing with this issue and a proposal was issued to relevant managers and Trade Union colleagues in April 2017. It has been agreed that the recommended course of action will be implemented and this will be finalised by the end of June 2017 for implementation in the 2017/18 academic year.

| AC1717 | Compliance with Procurement Legislation | February 2017 | 5 | 0 | 0 | **0** | 0 |

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	9	3	**6**	2 Major 4 Significant

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 *(graded "major at a service level")*.	As reported previously, the Service advised that all recommendations were being progressed through discussion and negotiation, and that it was anticipated they would all be resolved by December 2016. The Service then advised that they were discussing a renewed craft agreement with trade workers and unions. Meetings had taken place and others were due in January leading into February. The Service was hopeful that an agreement can be signed as soon as possible in 2017. The latest update from the Service is that the craft agreement has to be agreed at a regional level by the unions. At this stage, until other union matters are resolved, progress has stalled. It is hoped that these discussions will resume in the near future.
2.3.13 – The Service should complete the roll out of the hand held system to ensure that periods of stand-by are covered *(graded "significant within audited area")*.	As reported previously, this had been partially implemented and piloted and would be fully implemented with the new craft agreement. The latest update from the Service is that the craft agreement has to be agreed at a regional level by the unions. At this stage, until other union matters are resolved, progress has stalled. It is hoped that these discussions will resume in the near future.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Recommendation	Position
(AC1602AW – Craft Workers Terms and Conditions – Continued)	
2.3.14 – The Service should consider whether such payments remain appropriate *(graded "significant within audited area")*.	As reported previously, 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")*.	As reported previously, this was being reviewed as part of the new craft agreement, as per 2.2.6, above, and discussions will take place with housing management. The latest update from the Service is that, although the repairs identified in the audit were of a rechargeable nature, the Service Directorate has decided not to recharge the tenant at this time. As the amounts involved were relatively small, this recommendation will be treated as implemented.
2.3.16 – The Service should consider whether calls that have been cancelled within a short period of having been lodged should be verified to confirm the identity of the caller *(graded "significant within audited area")*.	As reported previously, this was being reviewed as part of the new craft agreement, as per 2.2.6, above, and discussions will take place with housing management. The latest update from the Service is that this will be addressed when additional IT is introduced to the call out service.
2.5.6 – The Service should review procedures in place to ensure compliance with Working Time Regulations *(graded "major at a corporate level")*.	As reported previously, this was being reviewed as part of the new craft agreement, as per 2.2.6, above.

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1605 AW	Building Services Recharges	July 2016	11	11	8	**3**	3 Important

The position with the overdue recommendations is as follows:

Recommendation	Position
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 *(graded "important within audited area")*.	As reported previously, 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 *(graded "important within audited area")*.	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 *(graded "important within audited area")*.	As per 2.4.4, above.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1608	Trade Waste	January 2016	14	14	10	**4**	2 Significant 2 Important

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 *(graded "important within audited area")*.	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")*.	As reported previously, the Service advised that the Bartec system is being introduced which is designed to resolve the issues. For similar reasons to 2.1.9, this action would be completed by April 2017. The latest update from the Service is that delays to completing this action are due to resource availability as a result of the roll out of the waste changes, software updates and the knock on impact of the Council's digital platform project delays. It is anticipated that the action will be completed by September 2017 subject to the Council's digital platform project remaining on schedule. The service is now working closely with the digital platform project team to complete this work.
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

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Recommendation	Position
(AC1608 – Trade Waste – Continued)	
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.

The latest update from the Service is that delays to completing this action are linked to the response to recommendation 2.1.10 above. |

AC1618	Vehicle and Driver Records	April 2016	22	22	20	**2**	2 Significant
The position with the overdue recommendations is as follows:							

Recommendation	Position
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")*.	As reported previously, 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 decisions with initial results anticipated by September 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Recommendation	Position
(AC1618 – Vehicle and Driver Records – Continued)	
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")*.	As reported previously, in January 2017, the Communities, Housing and Infrastructure Committee approved a telematics trial 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	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1702	Building Services Procurement	June 2016	9	9	7	**2**	1 Significant 1 Important

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 *(graded "important within audited area")*.	As reported previously, 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 *(graded "significant within audited area")*.	As reported previously, 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.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1703	Cleaning Payroll	June 2016	14	14	11	**3**	3 Important

The position with the overdue recommendations, which were due to be implemented by the end of January 2017, is as follows:

Recommendation	Position
2.4.5 (b) - The Cleaning Service in conjunction with HR should undertake a review of the overtime rates payable to all staff, with a view to matching the rate payable to the job covered rather than the employees' regular hourly rate *(graded "important within audited area")*	Management response in IA report - The Service (HR) currently has a number of projects that will be looking further at overtime analysis and multiple contracts and it is anticipated that these issues will be picked up as a result. These are due to commence in June 2016. HR has advised that YourHR has recently been rolled out in Corporate Governance and the Office of the Chief Executive, and will be rolled out further in June assuming that no issues are identified. It is anticipated that this will be complete by December 2017.
2.5.3 – HR will explore possibility of using YourHR to monitor staff contracted hours and rotas, create a database of employees available to work extra hours and when, record the team extra hours are worked in and provide data to cleaning management *(graded "important within audited area")*	The Service has already determined that a database won't be suitable, but other functionalities within the recommendation will be considered after the Overtime Module is rolled out. However, the start of this has now been delayed until August 2017.
2.5.4 - The Service should ensure that timesheets are authorised by the Team Leader who can substantiate that the hours have been worked *(graded "important within audited area")*	This was going to be achieved through the launch of the Online Overtime and Additional Hours Module in YourHR. However, this has now been delayed until August 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1705	Roads Payroll	August 2016	22	21	18	**3**	2 Significant 1 Important

The position with the overdue recommendations is as follows:

Recommendation	Position
2.2.19 (1a) was due to be implemented in March 2017 - Payroll should ensure all payments, including those made in arrears, are at the rate applicable on the date the work was carried out *(graded "significant within audited area")*	HR has advised that overtime claims are planned to go through YourHR in the next few months and this will resolve the issue. It is anticipated that this is likely to happen by the end of August 2017.
2.2.19 (1b) was due to be implemented in November 2016 – Payroll should ensure all payments, including those made in arrears, are at the rate applicable on the date the work was carried out *(graded "significant within audited area")*.	Response in IA report – Other Elements – We will go back to our current Payroll provider and ask if there is anything that can now be done.

As reported previously, 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.

The latest update is that the system provider has provided a fix and this needs to be tested before being implemented. It is anticipated that this will be done soon. |
| 2.2.13 was due to be implemented in February 2017 - The Service should review options to ensure all relevant duties (including supervision, administration and vehicle checks) can be completed within contractual hours *(graded "important within audited area")* | The Service has advised that this will now form part of a wide restructure of the Roads Service which is underway. Once the two senior posts are recruited to, the working patterns will be part of the formal review for the remainder of the Service. It is anticipated that this will take to the end of December 2017 to complete. |

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1714	Land and Buildings	February 2017	9	0	0	**0**	0
AC1720	Vehicle and Driver Records	March 2017	12	3	3	**0**	0

CORPORATE GOVERNANCE

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
AC1610	Budget Monitoring	November 2016	9	8	7	**1**	1 Significant

Progress with the overdue recommendation is detailed below:	
Recommendation	**Position**
2.5.8 was due to be implemented in April 2017 – Finance should ensure adherence to the scheme of virement is clearly documented and adhered to *(graded "significant within audited area")*	High level virement guidance is included in the Budget Monitoring Procedures document and following further review by Internal Audit the Service has agreed to add more detail by 31 July 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CORPORATE GOVERNANCE (continued)

AC1614	Risk Management	November 2015	10	10	5	**5**	3 Significant 2 Important

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 *(graded "significant within audited area")*.	As reported previously, the Service advised that data on numbers of people completing the risk management training course is available but had yet to be reported. Other training was 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 *(graded "significant within audited area")*.	As reported previously, there was to be a strategic risk register (SRR) and a corporate operational risk register. The operational register would 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 was to follow. The SRR is now reported to CMT regularly although CMT had yet to make a decision on reporting to the Audit, Risk and Scrutiny Committee. The latest update from the Service is that the position has changed with this recommendation. In February 2017, CMT approved 2017 the completion of a single corporate risk register at the top tier of management, to be considered and reviewed by CMT (stewardship) monthly. This has been in place since February. No decision has been taken on reporting the register into the public domain due to the sensitive nature of the content including commercial sensitivity. Legal advice has been obtained to support the non-disclosure of the register beyond CMT at the current time.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

Recommendation	Position
(AC1614 – Risk Management – Continued)	
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 *(graded "important within audited area")*.	As reported previously, all risk registers will be uploaded to the relevant dashboards once agreed. Performance dashboards are being reviewed as part of the Performance Management Framework Review. The latest update from the Service is that the Corporate Governance Risk Register continues to be reported on the directorate's performance dashboard. The register is reviewed regularly and following each review, the new version is uploaded. The next review will take place in June. Dashboard development more widely is subject to the Performance, Risk and Improvement Programme which had its inaugural meeting in April 2017.
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")*.	As reported previously, the strategy was to be revised through work with consultants on the governance review and the manual would 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 then to be reported to Committee in November with the manual being revised in 2017. The Audit, Risk and Scrutiny Committee was advised I November 2016 that the risk system review had concluded and the associated implementation plan was 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.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CORPORATE GOVERNANCE (continued)

Recommendation	Position
(AC1614 – Risk Management – Continued)	
2.1.13 continued	The latest update from the Service is that the risk and assurance review identified confusion over some risk terminology and there have also been significant developments in the risk management software. Guidance is now being prepared to cover both of these areas and will be made available in June to all officers involved in risk management and will replace the existing manual on the Council's intranet. The Risk Management Strategy will be prepared in late summer 2017, in order to take account of the development required post council elections including the agreement of a risk appetite statement for ACC.
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 *(graded "significant within audited area").*	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. The Committee was advised in November 2016 that the benchmarking data had been received in draft form only and, as a result of having not received final data, the exercise has been delayed further.
	The latest update from the Service is that the output of the benchmarking exercise has been aligned with the priorities in the risk and assurance review project which is under way. The project was previously reported to Audit, Risk & Scrutiny Committee before the output was received and it was agreed that updates would be provided to future meetings as the project progressed. This will still be the case. The project is now part of the wider Performance, Risk and Improvement Programme.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

AC1616	Bank Reconciliations	November 2016	3	3	1	**2**	2 Important

The two overdue recommendations were due to be implemented in April 2017:

Recommendation	Position
2.1.4 – The Service should document the way in which the fund types and Methods of Payment (MOP) are configured detailing how each impacts on the Bank Reconciliation module and reconciliation process *(graded "important within audited area")*	The Service has advised that fund types and MOPs were documented as agreed but action to set out in the document the rationale behind the system configuration for funds and MOP types has been agreed with internal Audit and will be completed by 31 July 2017.
2.3.5 – The Service should simplify the combined analysis by fund daily bank reconciliation and provide reasons for reconciling differences between the cashbook and ledger *(graded "important within audited area")*	The Service has advised that work to simplify the reconciliation has progressed but further discussion regarding actions to complete this recommendation is ongoing and will be completed by 31 July 2017.

AC1619	Social Work Tendering	April 2016	14	13	12	**1**	1 Significant

Progress with the overdue recommendation is as follows:

Recommendation	Position
2.2.3 (i) was due to be implemented in March 2017 – Social Work should ensure that a commissioning strategy is in place in all areas and that procurement plans are robust *(graded "significant within audited area")*.	The Service has advised that a draft commissioning plan is expected to be available for public consultation by the end of July 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CORPORATE GOVERNANCE (continued)

| AC1707 | Data Protection | September 2016 | 14 | 13 | 6 | **7** | 3 Significant 4 Important |

The position with the overdue recommendations is as follows:

Recommendation	Position
2.5.6 (a) due March 2017 - The SIRO should work with all relevant Services to develop and deliver all appropriate Council staff with refresher training which includes the areas of Data Protection related information security and information management standards, on a three yearly basis *(graded "significant within audited area")*	The Information Governance Group are currently developing a training & awareness campaign, which is expected to be piloted in July 2017. This campaign will be testing a new approach to the delivery of training & awareness activity, and as such will supplement, and not replace existing mandatory training until the effectiveness of this approach is measured and evaluated. It remains the case in the meantime that staff are expected to refresh their data protection training by completing appropriate existing OIL training.
2.5.6 (b) due March 2017 - The SIRO should consider what appropriate measures should be implemented to measure all forms of Data Protection training. As per the recommendation made by the ICO in its 2013 Report, formal KPIs, overseen by CMT, should be introduced to measure mandatory Data Protection training completion. Additionally, this should also include how instances of non-compliance shall be dealt with *(graded "significant within audited area")*	The Information Governance Group are currently developing a training & awareness campaign, which is expected to be piloted in July 2017. This campaign will be testing a new approach to the delivery of training & awareness activity, and as such will supplement, and not replace existing mandatory training until the effectiveness of this approach is measured and evaluated. Progress including uptake will be reported quarterly by the Information Governance Group through the Governance Review Board to CMT, from the meeting on 29 June 2017 onwards.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

CORPORATE GOVERNANCE (continued)

Recommendation	Position
(AC1707 – Data Protection – Continued)	
2.8.4, due March 2017 - Consideration should be given to using the Corporate Asset Register to track IT equipment throughout its life, recording current status, owner and location. Where the name of the end user or location is not known, notes explaining the situation should be recorded in the Register *(graded "significant within audited area")*	Currently assets are still being managed through IT Asset DB and Infrastructure. Project is underway to import and manage asset lifecycle this year. The implementation date has been extended to December 2017.
2.11.1 due December 2016 - Consideration should be given to updating the ICT Acceptable Use Policy to include links to other ICT procedures *(graded "important within audited area")*	The Service has advised that the policies have been updated and are due for submission to CMT on 29 June 2017 as part of the Information Management Policies review of the Information Governance programme work.
2.12.6 (a) due March 2017 - Work should not be carried out with a third party without a valid, signed contract in place. Services should be advised to seek the advice of the Legal Team within CPS, when engaging with a new supplier to ensure appropriate Data Protection clauses are included in the contract *(graded "important within audited area").*	Commercial and Procurement Services has advised that guidance notes have been published and training is being prepared for delivery which will cover these points. This will be done by the end of September 2017.
2.12.6 (b) due April 2017 - The Council should exercise their contractual rights to carry out contract compliance audits to provide assurance of Data Protection Act compliance *(graded "important within audited area").*	As for 2.12.6 (a) above.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

CORPORATE GOVERNANCE (continued)

Recommendation	Position
(AC1707 – Data Protection – Continued)	
2.15.6 due March 2017 - Clear guidance should be introduced surrounding charging fees for Subject Access Requests. As per the ICO recommendation, the Council should consider implementing a central log of Subject Access Requests *(graded "important within audited area")*	The Service has advised that, as part of the Council's broader transformation programme, complaints and information request handling (including subject access) will be consolidated into a central team, and processing will be managed through the Council's customer experience platform, which will provide a central log of subject access requests. This is expected to be implemented by the end of December 2017.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1708	InfoSmart System	August 2016	7	7	6	**1**	1 Important

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 *(graded "important within audited area")*.	As reported to Committee in February 2017, 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.

The latest update from C&PS is that the review of the contract remains on-going and is now due to be completed by July 2017. |

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1715	Treasury Management	February 2017	4	0	0	**0**	0

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	18	13	**5**	4 Significant 1 Important

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 *(graded "significant within audited area")*.	As reported previously, 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 *(graded "important within audited area")*.	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 then advised that this should be complete by the end of February 2017.

The latest update from C&PS is that implementation of the reporting tool remains ongoing and it is anticipated that this will be in place by the end of September 2017. In the interim, duplicate suppliers are being identified and dealt with as they come to light as part of normal monitoring. |
| 2.2.27 (ii) was due to be implemented in August 2016 – The Service should review controls over payments for block-funded care *(graded "significant within audited area")*. | Progress with implementing this is being discussed between Internal Audit an dthe Service. |

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

EDUCATION AND CHILDREN'S SERVICES

Recommendation	Position
(AC1604AW – Payment Controls in Children's Social Work – Continued)	
2.2.30 (i) was due to be implemented in April 2017 – The Service should set up service agreements and pay invoices for all Fostering and Residential Care through CareFirst *(graded "significant within audited area")*.	The Service has implemented a system via CareFirst which manages payments to ACC foster carers. Further work is ongoing to develop the system to other ACC carers (adopters and kinship carers). The development of CareFirst to manage payments to external fostering agencies is ongoing and is due to be completed by end of 2017.
2.2.30 (ii) was due to be implemented in April 2017 – The Service should review options for improving control and assurance over payments to fostering agencies *(graded "significant within audited area")*.	As for 2.2.30 (i) above

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	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 |

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 *(graded "significant within audited area")*.	As reported previously, 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. The latest update from the Service is that a circular was issued to all schools in June 2016 in relation to the collection of income and this covered receipting of income and payment into bank accounts. This was reinforced by the training sessions held for school staff between August 2016 and January 2017. However, consistency in charges for class contributions remains outstanding. The outcome of the working group may well be a Policy document which would need to be considered at Committee thereby extending the timescales for completion of this recommendation to October 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

EDUCATION AND CHILDREN'S SERVICES (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1718	Primary Schools	February 2017	3	2	1	**1**	1 Significant

The overdue recommendation was due to be implemented by the end of March 2017:

Recommendation	Position
2.3.1 – The Service should reregister with the Nursery Milk Reimbursement Unit and claim grant monies available *(graded "significant within audited area")*	The Service has re-registered with the Nursery Milk Unit in relation to both school nurseries and day care provision and are currently developing the claims procedure for individual schools that will enable the Service to claim the subsidy from June 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

HEALTH AND SOCIAL CARE PARTNERSHIP

| AC1617 | Self-Directed Support | October 2016 | 21 | 21 | 18 | **3** | 3 Significant |

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 *(graded "significant within audited area")*.	As reported previously, the Service advised that this would be completed in January 2017. The latest update from the Service is that a workshop had to be held with the Integration Joint Board and, following the Council elections, there are other training priorities for the Board members. In view of this, updates on progress will not now be provided to the appropriate Committees until December 2017. A report has been discussed by Education & Children's Services Committee on Self Direct Support.
2.1.5 was due to be implemented by the end of January 2017 - The Service should ensure it can demonstrate that appropriate options have been offered to all eligible service users *(graded "significant within audited area")*.	The Service has advised that all new users are being offered the four options whilst existing users will be offered the four options at their reviews. A timetable will be developed for achieving this and presented to the next SDS Board in July 2017 for approval.
2.4.2 was due to be implemented by the end of March 2017 - The Service should finalise and implement the Contributing to Your Care and Support Policy and guidance *(graded "significant within audited area")*.	The Service has advised that the draft guidance that has been produced and is being reviewed. The policy and guidance will not be implemented until the end of October 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations

HEALTH AND SOCIAL CARE PARTNERSHIP (continued)

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1701	Purchasing and Creditors	November 2016	14	12	12	**0**	0

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
AC1709	Care First System	November 2016	13	13	8	**5**	4 Significant 1 Important

Progress with the six overdue recommendations is detailed below:

Recommendation	Position
2.1.4 was due to be implemented in April 2017 – The CareFirst Team should ensure that it complies with Standing Orders and procurement regulations in terms of the Service's Case Recording System for Social Care Clients. *(graded "significant within audited area").*	The Service has advised that terms for an extension to the contract for three years to March 2020 have been agreed and Committee approval will be sought for this in September 2017.
2.4.4 was due to be implemented in April 2017 – The CareFirst Team should put in place a checklist of daily, weekly, monthly, quarterly and annual tasks which are necessary to maintain control of the CareFirst System. Those responsible for these tasks should indicate that they have been performed *(graded "significant within audited area").*	The Service has advised that this will now be complete by the end of September 2017 as the CareFirst team has been prioritised on other tasks.
2.7.4 were due to be implemented in April 2017 – The Service should ensure that Business Continuity Plans adequately reference how activities will continue to operate in the event of loss of CareFirst access *(graded "significant within audited area").*	The Service has advised that this will now be complete by the end of September 2017 as the CareFirst team has been prioritised on other tasks.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.17	Confirmed Implemented by Service	**Not implemented by original due date**	

HEALTH AND SOCIAL CARE PARTNERSHIP (continued)

Recommendation	Position
(AC1709 – Care First System – Continued)	
2.4.11 was due to be implemented in April 2017 – The Service should establish a written protocol to demonstrate where amendments and deletions requested in the CareFirst system require authorisation or supporting detail. *(graded "important within audited area").*	The Service has advised that this will now be complete by the end of September 2017 as the CareFirst team has been prioritised on other tasks.
2.5.6 (ii) was due to be implemented in March 2017 – Finance should review the instances where service users have not been reassessed and charged correctly. *(graded "significant within audited area").*	The Service has advised that further investigation of the work required in order to complete this action has identified that there is considerably more involved than was first anticipated. A significant project is now underway involving Housing, Social Care and Finance to address the past issues and streamline the process to ensure that every applicant is charged accordingly under a set of procedures with specific timelines. The first draft of the Project plan was approved at CMT in April 2017and further work is ongoing. It is likely that this will not be completed before 30 June 2018.

APPENDIX C

Grading of Recommendations

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

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	22 June 2017
REPORT TITLE	Appointment of Members to the Corporate Health and Safety Committee
REPORT NUMBER	CG/17/076
DIRECTOR/HOS	Fraser Bell
REPORT AUTHOR	Karen Rennie

1.   PURPOSE OF REPORT:-

1.1   The purpose of this report is to seek the appointment of elected members to the Corporate Health and Safety Committee.

2.   RECOMMENDATIONS

It is recommended that the Committee:

(a) note the composition for the Corporate Health and Safety Committee detailed at section 3.1 of the report as approved by Council on 17 May 2017; and

(b) appoint members to the Corporate Health and Safety Committee

3.   BACKGROUND/MAIN ISSUES

3.1   Compositions

3.1.1   Council at its meeting on 17 May 2017 agreed the following composition for the Corporate Health and Safety Committee:-

Number of Members	Composition
5	1 SNP, 1 Conservative, 1 Labour and 1 Liberal Democrat and 1 Independent

3.1.2   Council also agreed that at least one member be appointed from within the membership of the Audit, Risk and Scrutiny Committee.

1

3.1.3 The Liberal Democrats have indicated that their member would be Councillor Yuill, subject to agreement of this Committee.

3.1.4 A review of the remit, governance and membership of the Corporate Health and Safety Committee is proposed for later in 2017 as part of the Governance Review.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations contained in this report.

5.2 The Health and Safety Committee was established through the Health and Safety at Work etc Act 1974. The current constitution is attached as Appendix 1 to this report.

5.3 Under Section 56 of the Local Government (Scotland) Act 1973, the Council may arrange for the discharge of any of its functions by a Committee or a Sub Committee. Any such committee may appoint one or more sub-committees.

5.4 It should be noted, however, that the Corporate Health and Safety Committee is not a committee or a sub-committee in terms of the 1973 Act and so it has no decision making powers.

6. MANAGEMENT OF RISK

6.1 Acceptance of the above recommendations is not considered to pose any risk to the Council.

7. IMPACT SECTION

7.1 The report may be of interest to the public as it establishes membership of The Corporate Health and Safety Committee which comes under the remit of the Committee.

Economy

7.2 There will be no impact on economy arising from the recommendations.

People

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7.3   An Equality and Human Rights Impact Assessment is not required as the proposal does not disproportionately impact on persons with protected characteristics compared to persons without such characteristics.

Place

7.4   There will be no impact on the place arising from the recommendations.

Technology

7.5   There will be no impact on technology arising from the recommendations.

8.   BACKGROUND PAPERS

None.

9.   APPENDICES (if applicable)

Appendix 1 - Constitution of the Corporate Health and Safety Committee.

10.   REPORT AUTHOR DETAILS

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CORPORATE HEALTH AND SAFETY COMMITTEE

CONSTITUTION

<u>Title</u>

The Committee will be called "Corporate Health and Safety Committee".

1.   <u>Reporting Route</u>

The Committee will submit copies of its minutes to the Audit, Risk and Scrutiny Committee.

2.   <u>Objectives</u>

2.1   To promote, develop and maintain a pro-active attitude to Health, Safety and Wellbeing across the Council.

2.2   To provide a channel of communication and promote co-operation between management, employees and recognised health and safety representatives

2.3   To provide a forum to consult and endorse corporate Health and Safety policy.

2.4   To monitor the overall health and safety performance and trends of the Council with regards to incidents and work related ill health with a view to formulating improvements plans.

2.5   To encourage an understanding and acceptance of personal responsibility for Health and Safety across the organisation.

2.6   To promote Health, Safety and Wellbeing as an integral part of Service delivery the same as any other management function.

2.7   To engage and support employees on positive lifestyle choices to achieve a happier, healthier and more active workforce.

2.8   To consider reports and recommend actions in reports referred from Directorate Health and Safety committees and reports from other service providers.

2.9   To ensure commitment, support and action from all employees and allocation of sufficient resources to enable legal compliance.

2.10   To monitor the effectiveness of the Health and Safety Management systems in identifying, assessing and adequately controlling occupational health and safety risks

arising from work activities and to ensure that real risks are dealt with sensibly, responsibly and proportionately.

3. Membership

The membership of the committee will consist of:-

3.1 Elected Members –

Five Councillors, with at least one member from the Audit, Risk and Scrutiny Committee

3.2 Trade Unions

One member from each recognised Trade Union will be a full member with full voting rights (usually the Local Representative for Aberdeen City Council)
(Nominated members should be appointed Safety Representatives)

Lay Trade Union officials from recognised Trades Unions, can attend and participate, without voting powers, at any meeting.

Regional Trade Union Officials can attend any meeting and participate with the Chairpersons consent without voting powers.

3.3 Officers, Acting in an Advisory Role

The Chief Executive, or her representative
The Health, Safety and Wellbeing Manager
Health and Safety Co-ordinators
The Head of Human Resources and Customer Service, or his representative.
The Head of Legal and Democratic Services, or his representative, to act as committee clerk.

3.4 Chairperson and Vice-Chairperson

The Committee shall appoint annually (usually in August), from amongst its full members a Chairperson and Vice-Chairperson. When the Chairperson is an elected member the Vice-Chairperson will be a TU representative and vice-versa.

4. Attendance of Service Representatives or Advisers

4.1 Directors, Heads of Service and Managers are to be available to answer questions at each meeting on matters set out on the agenda.

4.2 Service representatives or any person acting in an advisory capacity may be invited to attend, for specific items on the committee agenda.

5. Quorum

A quorum for the Committee will consist of 5 members, comprising two elected members and three trade union members.

6.   Meetings

6.1   The Committee will meet four times a year. An extra meeting will be called to undertake a 6 monthly review of the health and safety performance based on the targets set within the Annual Health and Safety Report. Special meetings may be called at the request of any two committee members, to consider emergency situations.   Requests in writing, should be addressed to the Head of Legal and Democratic Services who will arrange a meeting within 5 working days.

6.2   Unless cancelled by the Chairperson, whom failing the Vice-Chairperson, meetings will be called by the issuing of an agenda five clear working days before the meeting.

6.3   The Head of Legal and Democratic Services will write to each Union representative on the committee 10 clear working days before the date of the meeting, requesting details of any items that representatives wish to be included on the agenda and, provided notice is given timeously, the item will be listed on the agenda and discussed by the Committee.

6.4   The Committee will take, as agenda items, items referred which

        1)   have appeared three times on the Directorate health and safety committee agenda without satisfactory resolution, or progress towards resolution.

or   2)   have corporate implications exceeding Directorate influence.

or   3)   presents a risk of serious injury or ill health.

or   (4)   relates to a significant incident.

7.   Facilities to attend Meetings

        The Council shall afford the necessary facilities for Trade Union representatives to attend meetings of the Committee.

8.   Variation to Constitution

        The Constitution may be varied or modified by agreement between Elected Members, Council representatives and Trade Union representatives on the Committee.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	27th June 2017
REPORT TITLE	Audit Scotland National Reports
REPORT NUMBER	OCE/17/10
DIRECTOR	Angela Scott
REPORT AUTHOR	Martin Murchie

1.   PURPOSE OF REPORT:-

1.1   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)

2.1   that the Committee:-

(a)   note the detail of the reports:-

• "Principles for a Digital Future"
• "Local government in Scotland: Performance and challenges 2017"

(b)   consider officers' comments.

3.   BACKGROUND/MAIN   ISSUES   /   OTHER   HEADINGS   AS APPROPRIATE

3.1   Audit Scotland has an annual programme of national reviews it undertakes. Some of these are specific to individual councils and Community Panning 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.

• "Principles for a Digital Future"
• "Local government in Scotland: Performance and challenges 2017"

3.2   A summary of each report is set out below.

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3.3   Principles for a Digital Future

Summary

3.3.1   In the past five years, the Scottish public sector has spent around £4 billion on ICT, with over £856 million spent on procuring ICT in 2015/16 alone.

3.3.2   Digital technology offers huge potential for improving and transforming public services. Services are now designed to be digital:

- organisations are moving from paper-based to digital processes
- data is used and shared to help decision-making and service delivery
- citizens' expectations of digital services are increasing.

3.3.3   The report aims to pull together the main findings from Audit Scotland's series of recent reports on ICT project failures in Scotland, and to signpost Scottish public bodies to the learning points of others. The authors supplement the principles with case studies and examples to highlight key messages. They state that the principles should not be considered in isolation and all interact to create the right environment for a successful project.

3.3.4   The principles they identify are shown below:-

Planning	Clearly define the needs and benefits
	Understand and appreciate the likely complexity
	Identify people with the right skills and experience
	Break the project down into manageable stages
	Be aware of optimism bias
	Consider the procurement options early
Governance	Ensure governance is active and dynamic
	Integrate risk management
	Use an appropriate project management methodology
	Be an intelligent client
	Develop appropriate independent assurance arrangements
	Ensure honest and accurate project monitoring
	Build in appropriate quality assurance processes
Users	Identify all users and understand their needs
	Sustain engagement with users
	Help people make change happen
	Prioritise knowledge transfer

2

Leadership	Ensure senior leadership show drive and commitment
	Clarify and define lines of accountability
	Maintain stability and develop succession planning
	Recognise the role of culture and tone at the top
Strategic Oversight	Work within a central assurance framework
	Recognise that strategic oversight adds value

Officer Commentary:-

3.3.5 A Business Analysis and Project Management Framework is in place for Aberdeen City Council's IT & Transformation projects and is being continuously improved. This framework is based on recognised standards including those from the British Computer Society, PRINCE 2 and DSDM.

3.3.6 In scoping and understanding an ICT project, the business needs, potential benefits, requirements, project context, stakeholder mapping including their power and interest are all taken into account to determine the potential complexity and risk of the project. Solution options and procurement take into account the Council's Digital Strategy as well as the specific needs, risks and opportunities of the project. A business case is produced to justify a recommended option for approval.

3.3.7 Communication, engagement and change management is driven by the stakeholder analysis which is started early in the project and continually reviewed and updated.

3.3.8 Projects are directed by a Project Board whose members have appropriate authority for the size and complexity of the project. The Project Board will be asked to help manage project risks relating to culture, readiness for change and access to people with the right skills and experience. Project Boards are kept informed of project progress. Additionally, the whole digital programme reports into a wider Change Delivery Board.

3.4   Local government in Scotland: Performance and challenges 2017

3.4.1 Key messages:-

- Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work.

- Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.

- With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward. A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.

3.4.2 Recommendations

	Councils should:	Officer Comments
1.	Set clear priorities supported by long-term strategies and medium-term plans covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions	The Council's Strategic Business Plan is fully aligned to the Local Outcome Improvement Plan which covers the period to 2026. The Strategic Business Plan is reviewed annually on a rolling basis and is supported by a suite of Directorate Service level improvement plans.
2.	Ensure that budgets are clearly linked to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year	A 35 year financial plan resulted in the Council achieving an Aa2 credit rating. The Council prepares medium term financial plans based on a range of assumptions. Since the Council is informed of the grant settlement on an annual basis, it is necessary to prepare an annual budget for approval by Members in February each year. Service Improvement Plans include an

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		analysis of the resources available and required to deliver improved outcomes. Service options include a consideration of the impact on customers, staff and the use of resources. Strong financial management and forecasting is in place as evidenced by external audit. The Council continues to improve its approach to financial planning and management.
3.	Have an organisation-wide workforce plan to ensure the council has the people and skills to manage change and deliver services into the future	A refreshed corporate strategic workforce plan was presented to CMT on 24/11/16. It is an essential component of the Council's integrated planning framework including financial planning, improvement planning and workforce planning. The plan sets out how we will continue to attract, develop, retain and recognise talented and motivated employees with the right behaviours who are aligned with our vision and values. Our focus in our refreshed plan is on developing succession plans for key occupational groups within in our workforce i.e. business critical, hard to fill posts. Our plan identifies the occupations that fall into this category, the supply and demand issues these occupations face and the strategies, plans and activities that have been put in place to address these issues. Our workforce plan is regarded as an "exemplar" by the Improvement Service.
4.	Ensure workforce data allows thorough analysis of changes to the workforce at an organisation-wide and department level. This will allow councils to better assess the opportunities and risks in staff changes	
		Each service has included its succession plans for its key occupational groups within its Service Improvement Plan. A summary of each Directorate's succession plan is included in the corporate strategic workforce plan.
5.	Thoroughly evaluate all options for change and service redesign, including options for investing to save, and monitor the impact of change on council priorities and desired outcomes	The Council's Strategic Business Plan sets out its ambitions for change and improvement. This is supported by a programme of transformational change which includes clear processes for options appraisal.
6.	Support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources	The Council provides leadership to the community planning partnership, Community Planning Aberdeen (CPA). CPA has introduced a new structure with community involvement throughout. Three new locality partnerships have been formed with more than 50% membership drawn from the local communities. Locality Plans to meet the requirements of the Community Empowerment (Scotland) Act 2015 has

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		been developed in partnership with communities. A new Engagement and Empowerment Strategy has been implemented. The Council has invested in additional community development staff to support enhanced community engagement and empowerment. Approximately £500k was disbursed through Participatory Budgeting.
7.	Ensure councillors get support to develop the right skills and knowledge to fulfil their complex and evolving roles	The Elected member induction and professional development framework has been designed to ensure that members have the capability to carry out their roles as well as the capacity in terms of time and resource to attend any training; a review of the development programme was carried out in 2016 including a survey of how members view development and the timings and frequency of development based on that plans have been developed to ensure members are aware of what is available to them well in advance to allow for planning. The findings from this meant that the schedule of development for the first 100 days following the election was issued to all prospective councillors at the end of March 2017.

As part of the Elected Member Induction, 1-2-1s will be carried out with all Members and development opportunities set out. The current development programme in place (specifically for the 1st 100 days following local election in May 2017) states what is essential and who should attend to ensure greater compliance. |
| 8. | Ensure there is clear public reporting of performance linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas | The Council's Strategic Business Plan and Local Outcome Improvement Plan priorities are aligned. We aim to ensure all public performance reporting for 2016/17 serves to illustrate our commitment to these priorities as well as meeting the Accounts Commission Direction 2016/17-2019/20 to provide meaningful performance information across the range of our activities including those undertaken with partners. |
| 9. | Continue to work to understand the reasons for variation in unit costs and performance, and collaborate to identify and adopt good practice from each other | We continue to participate in the Local Government Benchmarking Framework and other benchmarking activity and to challenge areas of reducing performance including variations in unit costs between |

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		ourselves and our peer authorities. Analysing and understanding these variations and our local context is key to determining where shared good practice can drive up performance.

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4.   FINANCIAL IMPLICATIONS

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

5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report.

6.   MANAGEMENT OF RISK

6.1   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.

7.   IMPACT SECTION

7.1   There is impact on the Council's governance arrangements through improved transparency, understanding and mitigation of the risks identified by Audit Scotland.

8.   BACKGROUND PAPERS

8.1   Audit Scotland reports
   - "Principles for a Digital Future"
   - "Local government in Scotland: Performance and challenges 2017"

9.   APPENDICES (if applicable)

9.1   None

10.   REPORT AUTHOR DETAILS

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