

# Public Document Pack



To: Councillor Flynn, Convener; Councillor Yuill, Vice Convener;  
Councillor Donnelly, the Depute Provost, Allard, Bell, Cooke, Jackie Dunbar,  
Duncan, Graham, Lumsden, Avril MacKenzie, McLellan, Reynolds, Samarai,  
Sellar and Townson.

Town House,  
ABERDEEN 16 February 2018

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Committee Room 2 - Town House** on **THURSDAY, 22 FEBRUARY 2018 at 2.00 pm.**

FRASER BELL  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **BUSINESS**

#### **DETERMINATION OF URGENT BUSINESS**

1.1 There are no items of urgent business at this time

#### **DETERMINATION OF EXEMPT BUSINESS**

2.1 There are no items of exempt business at this time

#### **DECLARATIONS OF INTEREST**

3.1 Members are requested to intimate any declarations of interest (Pages 5 - 6)

## **REQUESTS FOR DEPUTATION**

- 4.1 There are no requests for deputation at this time

## **MINUTES**

- 5.1 Minute of Previous Meeting of 23 November 2017 (Pages 7 - 20)
- 5.2 Minute of Meeting of the Corporate Health and Safety Committee of 25 August 2017 (Pages 21 - 36)
- 5.3 Minute of Meeting of the Corporate Health and Safety Committee of 17 November 2017 (Pages 37 - 48)

## **COMMITTEE BUSINESS AND TRACKER**

- 6.1 Committee Business Statement (Pages 49 - 52)
- 6.2 Committee Tracker (Pages 53 - 58)

## **FINANCE, PERFORMANCE RISK AND SERVICE WIDE ISSUES**

### Financial Reporting

- 7.1 Annual Accounts 2017/18 - Action Plan and Key Dates - CG/18/002  
(Pages 59 - 64)

### Performance and Improvement

- 7.2 Internal Audit Progress Report - IA/18/001 (Pages 65 - 78)
- 7.3 Internal Audit Plan 2018/19 - IA/18/003 (Pages 79 - 130)
- 7.4 External Audit Strategy (Pages 131 - 166)
- 7.5 Information Governance - Data Governance Standards - CG/18/007  
(Pages 167 - 268)
- 7.6 Sustainable Development Service Review - Wellington Brae Update CHI/18/006 (Pages 269 - 286)

- 7.7 Response to Grenfell Tower fire - building safety - CHI/18/007 (Pages 287 - 314)
- 7.8 Scottish Public Services Ombudsman and Inspector of Crematoria Complaint Decisions - CG/18/003 (Pages 315 - 320)
- 7.9 Audit of Aberdeen Crematorium by the Federation of Burial and Cremation Authorities - CHI/18/001 (Pages 321 - 328)

#### Risk Management

- 7.10 Bond Governance Protocol - CG/18/004 (Pages 329 - 358)
- 7.11 Corporate Framework for Management of Risk - CG/18/006 (Pages 359 - 386)
- 7.12 Fraud, Bribery and Corruption Policy - CG/17/154 (Pages 387 - 408)

#### Control Environment and Assurance - Internal

- 7.13 Vehicle Maintenance Audit - AC/18/08 Update - CHI/18/008 (Pages 409 - 412)
- 7.14 Major IT Business Systems - IA/AC/1810 (Pages 413 - 428)
- 7.15 Post Election Training for New Council - IA/AC/1816 (Pages 429 - 442)
- 7.16 Nursery Education - Pre-School Commissioned Places - IA/AC/1815 (Pages 443 - 454)
- 7.17 Integrated Joint Board - Integration Review - IA/AC/1724 (Pages 455 - 468)
- 7.18 Vehicle Usage - IA/AC/1817 (Pages 469 - 482)
- 7.19 Your HR - IA/AC/1822 (Pages 483 - 496)
- 7.20 Children's Social Work Payments - IA/AC/1809 (Pages 497 - 508)
- 7.21 Adult Social Work Payroll - IA/AC/1821 (Pages 509 - 524)
- 7.22 Capital Contracts - IA/AC/1819 (Pages 525 - 538)

7.23 Social Work Financial Assessments - IA/AC/1813 (Pages 539 - 554)

7.24 Bond Governance - IA/AC/1824 (Pages 555 - 576)

Control Environment and Assurance – Audit Follow Up

7.25 Releasing Information to the Public - IA/18/004 (Pages 577 - 580)

7.26 Internal Audit Follow Up on Recommendations since April 15/16 - IA/18/002 (Pages 581 - 628)

**EXEMPT/CONFIDENTIAL BUSINESS**

8.1 There are no exempt items of business at this time

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.aberdeency.gov.uk/ecCatDisplayClassic.aspx?sch=doc&cat=13450&path=0>

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# Agenda Item 3.1

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether reports for meetings raise any issue of declaration of interest. Your declaration of interest must be made under the standing item on the agenda, however if you do identify the need for a declaration of interest only when a particular matter is being discussed then you must declare the interest as soon as you realise it is necessary. The following wording may be helpful for you in making your declaration.

I declare an interest in item (x) for the following reasons .....

*For example, I know the applicant / I am a member of the Board of X / I am employed by...*  
and I will therefore withdraw from the meeting room during any discussion and voting on that item.

**OR**

I have considered whether I require to declare an interest in item (x) for the following reasons ..... however, having applied the objective test, I consider that my interest is so remote / insignificant that it does not require me to remove myself from consideration of the item.

**OR**

I declare an interest in item (x) for the following reasons ..... however I consider that a specific exclusion applies as my interest is as a member of xxxx, which is

- (a) a devolved public body as defined in Schedule 3 to the Act;
- (b) a public body established by enactment or in pursuance of statutory powers or by the authority of statute or a statutory scheme;
- (c) a body with whom there is in force an agreement which has been made in pursuance of Section 19 of the Enterprise and New Towns (Scotland) Act 1990 by Scottish Enterprise or Highlands and Islands Enterprise for the discharge by that body of any of the functions of Scottish Enterprise or, as the case may be, Highlands and Islands Enterprise; or
- (d) a body being a company:-
  - i. established wholly or mainly for the purpose of providing services to the Councillor's local authority; and
  - ii. which has entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority.

**OR**

I declare an interest in item (x) for the following reasons.....and although the body is covered by a specific exclusion, the matter before the Committee is one that is quasi-judicial / regulatory in nature where the body I am a member of:

- is applying for a licence, a consent or an approval
- is making an objection or representation
- has a material interest concerning a licence consent or approval
- is the subject of a statutory order of a regulatory nature made or proposed to be made by the local authority.... and I will therefore withdraw from the meeting room during any discussion and voting on that item.

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## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 23 November 2017. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; Councillor Crockett, the Lord Provost; Councillor Donnelly, the Depute Provost, and Councillors Allard, Bell, Cooke, Jackie Dunbar, Lesley Dunbar (as substitute for Councillor Crockett for items, 7.1 - 7.4, part of 7.5 and 7.9 to 9.1), Duncan, Graham, Lumsden, Avril MacKenzie, McLellan, McRae (as substitute for Councillor Samarai), Nicoll (as substitute for Councillor Townson), Reynolds and Sellar.

### CONVENER ANNOUNCEMENT

1. The Convener advised that had been contacted relating to issues at Marchburn Park and that he had requested that a report be presented to the Communities, Housing and Infrastructure Committee rather than this Committee.

**The Committee resolved:-**  
to note the information.

### DETERMINATION OF URGENT BUSINESS

2. The Convener had determined that the following item of business be considered as a matter of urgency in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973:-

- Item 7.5 – ALEO Assurance Hub – CG/17/138

**The Committee resolved:-**  
to concur with the Convener.

### DETERMINATION OF EXEMPT BUSINESS

3. The Convener proposed that item 9.1 of today's agenda (article 20 of this minute refers) be considered with the press and public excluded.

**The Committee resolved:-**  
in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for item 9.1 so as to avoid disclosure of exempt information of the class described in paragraph 14.

### DECLARATIONS OF INTEREST

4. Councillors Cooke and Graham declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of their position as Directors of Sport Aberdeen, they considered that the nature of their interest did not require them to leave the meeting at that item on the agenda.

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Councillors Lumsden and Nicoll declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of their position as Directors of Garthdee Alpine Sports, they considered that the nature of their interest did not require them to leave the meeting at that item on the agenda.

Councillor Duncan declared an interest in item 7.5 (ALEO Assurance Hub) by virtue of her position as Director of Aberdeen Performing Arts, she considered that the nature of her interest did not require her to leave the meeting at that item on the agenda.

**The Committee resolved:-**

to note the declarations of interest.

**MINUTE OF MEETING OF 26 SEPTEMBER 2017**

5. The Committee had before it the minute of its previous meeting of 26 September 2017.

**The Committee resolved:-**

- (i) to note that at article 2 (Determination of Exempt Business), first sentence, the article number should be 26 not 27;
- (ii) to note that in relation to article 25 (Wellington Brae Investigation) that the Convener, Vice Convener and Councillors Allard, Cooke, McRae, McLellan, Nicoll and Townson had intimated their dissent against the foregoing decision which had not been recorded in the minute; and
- (iii) to otherwise approve the minute as a correct record.

**COMMITTEE BUSINESS STATEMENT**

6. The Committee had before it the Committee Business Statement as prepared by the clerk.

**The Committee resolved:-**

- (i) subject to the decision taken later on the agenda, to delete item 4 (Risk System Review); and
- (ii) to otherwise note the content of the business statement.

**COMMITTEE TRACKER**

7. The Committee had before it the Committee Tracker which presented a list of reports to be discussed at future meetings of the Committee.



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**The Committee resolved:-**

to note the content of the tracker.

**INTERNAL AUDIT PROGRESS - IA/17/016**

8. The Committee had before it a report by the Internal Auditor which advised on Internal Audit's progress against the approved 2016/17 and 2017/18 Internal Audit plans.

**The report recommended:**

That the Committee –

- (a) approve the rescheduling of the planned audit of the Craft Workers Payroll to 2018/19 in view of delays in the renegotiation of the Craft Workers Terms and Conditions;
- (b) approve the merging of additional work requested by the Committee relating to controls in the programme management office with the planned audit of the Capital Plan; and
- (c) review, discuss and comment on the issues raised within the report and the attached appendices.

In response to a question from Councillor Duncan relating to Services not responding to Internal Audit, the Chief Internal Auditor advised that Services were advised of the timescales at the start of the audit process and that the Head of Legal and Democratic Services had issued instructions to senior officers for them to respond to Internal Audit requests. He further advised that the draft Internal Audit Plan would be discussed with Heads of Service to ensure they had input into the process prior to the Internal Audit plan being approved by this Committee in February 2018.

In response to a question from Councillor Lumsden relating to whether the audit on the Programme Management Office could be brought to this Committee sooner than the timescales outlined, the Chief Internal Auditor advised that April would be the earliest that Internal Audit could present the audit report and that at its meeting of 27 June 2017, the Interim Director of Communities, Housing and Infrastructure presented a report on the Review of Capital Programmes which outlined the governance arrangements to be put in place in the Programme Office. He further advised that the audit would be undertaken once the new arrangements were in place to gain assurance that the changes were effective.

**The Committee resolved:-**

- (i) to note that the draft Internal Audit Plan would be circulated to Directors and Heads of Service for their input prior to it being submitted to this Committee in February 2018;
- (ii) to request the Interim Director of Communities, Housing and Infrastructure to ensure that every step is taken to ensure that the new process within the programme management office is embedded before the audit takes place;

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(iii) to otherwise approve the recommendations contained in the report.

**SOCIAL WORK COMPLAINTS - ECS/17/063**

9. The Committee had before it a report by the Director of Education and Children's Services which advised that the Council's process for handling Social Work complaints had been deemed fully compliant by the Scottish Public Services Ombudsman.

**The report recommended:**

that the Committee note that the Scottish Public Services Ombudsman had provided external assurance that Aberdeen City Council was fully compliant with the Complaints Handling Procedure.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**REVIEW OF THE SYSTEM OF RISK MANAGEMENT - CG/17/122**

10. The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

- (i) to request that for future reports, the colour coded key is provided prior to the Action Plan and not the end; and
- (ii) to otherwise approve the recommendation contained in the report.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CG/17/126**

11. The Committee had before it a report by the Head of Legal and Democratic Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle, together with details of the SPSO Local Authority 2016/17 annual statistics tables to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

**The report recommended:**

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

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**The Committee resolved:-**

to approve the recommendation contained in the report.

**MATTER OF URGENCY**

**In accordance with the decision recorded under article 1 of this minute, the following item was considered as a matter of urgency in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973 due to the recommendations contained within it potentially not being implemented prior to the next ALEO Assurance Hub meetings.**

**ALEO ASSURANCE HUB - CG/17/138**

**12.** The Committee had before it a report by the Head of Legal and Democratic Services which provided an update on (1) the Arm's Length External Organisation (ALEO) Assurance Hub meetings of 1 November and 9 November 2017 and to outline the Hub's level of assurance on the six ALEOs within its remit and future oversight arrangements; and (2) Audit Scotland's ongoing Performance Review of ALEOs including their visit to Aberdeen on 1 November 2017.

**The report recommended:**

That the Committee -

- (a) note the level of assurance provide by each ALEO on risk management, financial management and governance;
- (b) note the future oversight arrangements for each ALEO and to further note that this had been predicated on the level of risk to the Council and the level of assurance provided by the ALEO;
- (c) instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, the possibility of holding Board meetings in public where appropriate;
- (d) instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, internal audit arrangements or, where appropriate, the undertaking of audit needs assessments;
- (e) note that the Assurance Hub officers will discuss any outstanding issues with representatives of each ALEO with a view to improving the assessment ratings at the next Hub meeting; and
- (f) note the update on the Audit Scotland Performance Review of ALEOs.

Councillor Duncan sought clarification on the legal definition of an ALEO following ALEOs questioning their status, wherein Mr Robertson advised that there is no legal definition and that each Local Authority determines the definition with Aberdeen City

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Council using the Audit Scotland definitions. He further advised that during the review of the Service Level Agreements this would be picked up.

Councillor Duncan sought guidance on whether the Council could advise ALEO's on the structure of their boards, specifically in relation to gender balance. Mr Robertson advised the Gender Bill was currently being discussed however this was for national public bodies not ALEO's however this could be looked at to offer advice on best practice.

The Vice Convener sought clarification as to whether the group accounts would be affected by ALEOs questioning if they were an ALEO. The Head of Legal and Democratic Services advised that there were a number of factors taken into consideration when determining if an ALEO was an ALEO. Mr Dixon advised that the factors taken into account when deciding if an ALEO would be in scope for the Group Accounts would be the extent to which the Council is able to exercise control and influence over the decision making of the organisation, which may be determined by ownership, the voting rights held or the extent to which the organisation is dependent upon Council funding, and the significance of the financial size of the organisation i.e. annual turnover and/or balance sheet values.

Councillor Cooke sought clarification in relation to the legal risk identified in paragraph 6.6 of the report. The Head of Legal and Democratic Services advised that this would be a contractual dispute with the ALEO not providing sufficient information for assurance to this Committee and that if the information was not provided and a dispute was in place, a report would be submitted to this Committee.

Councillor Lumsden sought guidance on other organisations that received funding from the Council but had not been deemed to be an ALEO. Mr Robertson advised that there were several factors to be taken into account as well as looking at the definitions provided by Audit Scotland.

Councillors asked specific questions in relation to each of the ALEOs.

**The Committee resolved:-**

- (i) to request the Service Lead for the Aberdeen Sports Village to liaise with the ALEO to relay the concerns of the Committee relating to their Boards contention regarding their ALEO status and the requirement to report to the Committee;
- (ii) to request the Service Lead for Aberdeen Performing Arts to liaise with the ALEO to ensure that the documentation provided was robust and that Business Continuity Planning had been undertaken and documentation provided;
- (iii) to request the Service Lead for Garthdee Alpine Sports to liaise with the ALEO to relay the Committees concerns about their approach towards Business Continuity Planning and lack of capacity to support the Hubs efforts to provide assurance to the Committee; and
- (iv) to otherwise approve the recommendations contained in the report.

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**INTERNAL AUDIT PUBLIC SECTOR INTERNAL AUDIT STANDARDS - OCE/17/26**

13. The Committee had before it a report by the Head of Legal and Democratic Services which presented proposed actions to be taken in response to recommendations made by KPMG following the review of the Council's arrangements for internal audit.

**The report recommended:**

That the Committee -

- (a) note the recommendations made by KPMG with respect to the Council's Internal Audit function together with the management response to those recommendations; and
- (b) agree the actions identified in Appendix A to the report.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**TRAVEL COSTS - IA/AC/1814**

14. The Committee had before it a report by the Internal Auditor which presented an audit in relation to Travel Costs which reviewed a sample of travel and subsistence claim forms to ensure they had been completed, authorised and paid correctly along with a sample of travel applications made for travel outwith the Council's boundaries.

**The report recommended:**

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

In response to a question from Councillor Jackie Dunbar relating to why the implementation date for ensuring passenger names were recorded prior to payment was in December 2017, to note that due to other work priorities it would not be possible to implement before then.

**The Committee resolved:-**

- (i) to note that in relation to the recommendation for passenger names to be recorded to claim for passenger miles, that the implementation date of December was due to other work pressures; and
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Services.

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**SOCIAL WORK TRANSPORT - IA/AC/1801**

**15.** The Committee had before it a report by the Internal Auditor which presented an audit in relation to Social Work Transport which considered whether appropriate arrangements were in place to secure transportation in a cost effective and well managed way.

**The report recommended:**

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

Councillor Duncan requested further information relating to the number of contracts that had been awarded where the initial bids were unsatisfactory. The Head of Land and Property Assets advised that a response would be sought and circulated to the Committee.

**The Committee resolved:-**

- (i) in relation to a question from Councillor Duncan on the number of contracts awarded where the initial bids were unsatisfactory, to note that a response would be sought from the Public Transport Unit and circulated to members;
- (ii) to otherwise note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**VEHICLE MAINTENANCE WORKSHOPS - IA/AC/1808**

**16.** The Committee had before it a report by the Internal Auditor which presented an audit on Vehicle Maintenance which considered whether adequate controls were in place in relation to Written Procedures, Security Arrangements, Fees and Charges, Income and Expenditure, Stocks, Payroll and Budget Monitoring.

**The report recommended:**

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

Councillor Duncan raised concerns relating to the contravention of the Council's Procurement Regulations and Financial Regulations within the Fleet Service and requested that a report be submitted to this Committee providing more details on the issue and the actions taken to address the recommendations.

**The Committee resolved:-**

- (i) in response to a question from Councillor Duncan regarding the contravention of the Council's Procurement Regulations and Financial Regulations, to instruct the Fleet Services Manager to present a report to the Committee at its meeting in February 2018, providing an update on the position; and

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- (ii) to note the content of the report and endorse the recommendations for improvement as agreed by the Service.

**PLACING REQUESTS - IA/AC/1811**

17. The Committee had before it a report by the Internal Auditor which presented an audit on School Placing Requests which reviewed the decision making processes and considered whether they were being adhered to.

**The report recommended:**

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

The Vice Convener asked whether the Council could use an electronic system that was being used by other Local Authorities rather than source an independent system. The Service Manager for Education and Children's Services advised that he would discuss this with colleagues and circulate a response to the Committee.

**The Committee resolved:-**

- (i) in response to a question from the Vice Convener relating to why the Council were developing their own electronic system and not utilising those used in other Local Authorities, to note that a response would be sought and circulated to members; and
- (ii) to note the content of the report and endorse the recommendations for approval as agreed by the Service.

**INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS SINCE APRIL 2015 - IA/17/017**

18. The Committee had before it a report by the Internal Auditor which advised on the progress made by Services with implementing recommendations that were agreed in Internal Audit reports issued since April 2015.

**The report recommended:**

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

Councillors raised concerns over responses from Services that new technology was required and sought assurance that the recommendations within the audit reports were still being actioned. The Chief Internal Auditor advised that some of the recommendations made in previous audit reports may be superseded due to the implementation of the Digital Platform and new technology. The Chief Executive

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recommended that all of the outstanding recommendations related to IT systems be consolidated and submitted to the Technology Transformation Board.

Councillor Lumsden asked what the current situation was with the YourHR system wherein the Chief Internal Auditor advised that the system was not being developed further and would be replaced by the new system that combines payroll and HR functions. Councillor Lumsden further asked what the cost of the YourHR system had been to date, wherein he was advised that it was an inhouse system and that the exact cost of the system would be sourced and provided to the Committee.

**The Committee resolved:-**

- (i) in response to questions from members relating to outstanding recommendations where Services have provided a response stating that new technology systems were in development or required to fit with the new Digital Platform, to request the Internal Auditor to consolidate those recommendations and submit them to the Technology Transformation Board for their assurance and to request that an update on those recommendations be provided to the next meeting in February 2018;
- (ii) in response to a question from Councillor Lumsden relating to the cost to date for the YourHR system, to note that the system was an in-house system and that a specific answer would be sought from the relevant Head of Service and provided to members; and
- (iii) to otherwise note the content of the report and request all Services to undertake the work required to complete the outstanding audit recommendations.

**AUDIT SCOTLAND NATIONAL REPORTS - OCE/17/025**

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

**The report recommended:**

That the Committee note the detail of the Audit Scotland Reports:

- (1) Self Directed Support – 2017 Progress Report
- (2) Equal Pay in Scottish Councils.

Councillor Cooke sought clarification in relation to the advice for elected members for equal pay, wherein the Head of Legal and Democratic Services advised that he would liaise with officers and provide a response to Committee.

**The Committee resolved:-**

- (i) in response to a question from Councillor Cooke relating to section 3.4.10 of the report which gave advice for elected members in relation to equal pay and the fact that he could not answer the majority of the questions, to note that the Head



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- of Legal and Democratic Services would liaise with colleagues and provide a response to the Committee; and
- (ii) to otherwise approve the recommendation contained in the report.

**EXEMPT INFORMATION**

**In accordance with the decision taking at article 3 of this minute, the following item of business was considered with the press and public excluded.**

**CORPORATE INVESTIGATION TEAM - ANNUAL REPORT 2016/17**

**20.** The Committee had before it a report by the Head of Finance which presented the annual Corporate Investigation Team report for 2016/17.

**The report recommended:**

that the Committee note the contents of the Annual Report 2016/17.

The Vice Convener asked whether there was a particular reason why there was an increase in the number of fraud referrals. The Committee were advised that there had been an increase in the awareness of reporting fraud which may have contributed to the increase in the number of referrals and that if there were any other statistics available that a response would be provided to the Committee.

The Committee were advised that the Corporate Investigation Team had submitted responses to the National Fraud Initiative with some of those being incorporated into the Scottish Government recommendations.

**The Committee resolved:-**

- (i) in response to a question from the Vice Convener relating to the increase in the number of fraud referrals to note that there had been an increase in the awareness of reporting fraud and that if there was any other reasons that a detailed response would be sought from the Corporate Investigation Manager and circulated to members;
- (ii) to note that the team had submitted responses to the National Fraud Initiative with some of those being incorporated into the Scottish Government recommendations;
- (iii) to congratulate staff on the work carried out throughout the year; and
- (iv) to otherwise approve the recommendation contained in the report.

- **COUNCILLOR STEPHEN FLYNN, Convener**

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## **CORPORATE HEALTH AND SAFETY COMMITTEE**

ABERDEEN, Friday, 25 August 2017. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Mike Middleton, Vice Chairperson. City Council Representatives:- Councillors Copland, Lesley Dunbar (as substitute for Councillor Alan Donnelly, the Depute Provost), Graham, Malik (as substitute for Councillor Reynolds) and Yuill.

Trade Union Representatives:- Joe Craig (UNITE), Alison Robertson (UNISON), Carole Thorpe (EIS), David Willis (GMB) and Stephen Clunes (UCATT).

Officers in attendance:- Morven Spalding (Interim Head of HR), Mary Agnew (Health, Safety and Wellbeing Manager), Colin Leaver (Team Leader), Ciaran Monaghan (Head of Service) (Office of Chief Executive), Mark Reilly (Head of Public Infrastructure and Environment), John Quinn (Head of Land and Property Assets) (Communities, Housing and Infrastructure), Martin Allan (Business Manager) (Corporate Governance), Vivienne Amakiri (Health and Safety Co-ordinator), Lesley Kirk (Directorate Support Manager), Carol Slessor (Team Manager), Andrew Jones (Service Manager, Assets and Finance) (Education and Children's Services), Paul Reid (Fleet Compliance Manager) and Sally Wilkins (Lead Service Manager - Health and Social Care Partnership) (Health and Social Care Partnership).

### **APOLOGIES**

1. Apologies were intimated on behalf of Councillor Donnelly and Reynolds, Sid Sandison (SSTA), Mishelle Gray (UNITE) and Angela Scott.

### **APPOINTMENT OF CHAIRPERSON AND VICE CHAIRPERSON**

2. The Vice Chairperson advised that the first order of business was the appointment of Chairperson and Vice Chairperson.

The Clerk sought nominations for the position of Chairperson.

Carole Thorpe (EIS) proposed Sid Sandison (SSTA) which was seconded by Mike Middleton (GMB) who said that Sid Sandison was aware of it and had consented to the appointment.

There were no further nominations for the position of Chairperson and Sid Sandison was duly appointed.

The Clerk thereafter sought nominations for the position of Vice Chairperson.

Councillor Malik proposed Councillor Graham, which was seconded by Councillor Lesley Dunbar. Councillor Graham accepted the nomination.

There were no further nominations and Councillor Graham was duly appointed to the position of Vice Chairperson.

In the absence of the Chairperson Councillor Graham, as Vice Chairperson, took the chair.

### **MINUTE OF PREVIOUS MEETING OF 17 FEBRUARY 2017**

3. The Committee had before it the minute of its meeting of 17 February 2017.

**The Committee resolved:-**

to approve the minute as a correct record.

### **MATTERS ARISING**

4. In relation to article 6, Martin Allan advised that there had been no HAVS reports recorded in the last two years and the Noise and Vibration Group managed the monitoring, as reported at the last meeting.

In relation to article 7, Euan Couperwhite advised that a report detailing violent incidents in schools was not available due to staff absence, however a full report would be available for the next meeting.

**The Committee resolved:-**

to request the Head of Policy, Performance and Resources to present a report to the next meeting of this Committee to provide detailed information in relation to violent incidents in schools.

### **COMMITTEE BUSINESS STATEMENT**

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

In relation to item 2 (Violent Incidents in Schools), to note that the report would be submitted to the next meeting of this Committee;

**The Committee resolved:-**

- (i) to note the update in relation to item 2; and
- (ii) to remove any items that the Committee have discharged via reports later on the agenda; and
- (iii) to otherwise note the content of the business statement.

### **BON ACCORD CARE LTD MINUTE OF 8 JUNE 2017**

6. In relation to article 9 of the minute of its previous meeting, the Committee had before it the minute of the Health and Safety Committee of Bon Accord Care and Bon Accord Support Services for Thursday 8 June 2017.

Mike Middleton advised that the Bon Accord Care minutes were shared with the Trade Unions on a regular basis and anything arising was discussed, as appropriate.

**The Committee resolved:-**

to note the content of the minute.

**SOLAR PANEL INCIDENT - CHI**

7. The Committee had before it a Significant Incident Report from the Interim Director of Communities, Housing and Infrastructure which presented details of an incident within a sheltered housing complex relating to a fire in the Switch Room caused by the failure of DC Isolation equipment. The report advised that the condition of the Isolators was such that the exact cause of the failure could not be determined, however it was understood to be related to loose connections.

The Head of Land and Property Assets advised that owing to this, and other previous issues relating to the work of outside contractors, an internal inspection regime was now in place.

Councillors and Trade Union members asked questions relating to the incident, the Councils contractual commitments and its responsibilities towards safety inspection. The Head of Land and Property Services advised that he would present a report relating to the responsibilities of the Council to the Committee in 2 cycles.

Councillor Yuill sought an explanation regarding the use of the term 'thermal event' by Officers, as opposed to 'fire'. Mary Agnew agreed to circulate information which would explain the difference.

**The report recommended:**

1. Previous contractor had already been replaced and no longer working on any system. This was due to a decision by the owner to change his contractor and re-tendering of work.
2. All systems worked on by previous contractor be re-inspected in early course.
3. System owner be pressed for documentary evidence around inspections and duty of care around system.
4. Full inspection regime is agreed for future inspections and monitoring.
5. ACC met with owner on 17th August and working through what further investigation works may be required around the incident.
6. ACC look to appoint independent expert (BRE) to undertake audit and systems and risks.
7. Assurance has been given that appropriate components have been used in accordance with industry standards and to prevent incidents by owners contractor. Conversation about additional standards is ongoing.
8. All Inspection reports to be provided to the relevant officer within ACC responsible for the SPV contract. ACC seeking to alter contract to reflect changes in industry in recent years.

**Post Incident Actions:**

1. Meeting held between ACC and OGS on 17th August following initial review.
2. All 30 systems by AES have been undertaken (7 visual only)
3. Any systems with any concern, even minor issues, have been switched off.

4. All systems not checked since 2015 inspections have been instructed and been undertaken late August, early September 2017, prioritise buildings with more vulnerable groups. Officers in daily contact monitoring progress.
5. BRE appointed to undertake system audit (once all inspection reports available).
6. New inspection/ maintenance schedule/ regime to be agreed with system owner.
7. Inspection regime put in place

**The Committee resolved:-**

- (i) to adopt the recommendations contained within the report; and
- (ii) to note the post incident actions; and
- (iii) to otherwise note the content of the report.

**ADULT HEALTH AND SOCIAL CARE ANNUAL HEALTH AND SAFETY REPORT**

8. The Committee had before it a report by the Chief Officer for the Health and Social Care Partnership which presented the Annual Health and Safety Report for the Adult Social Care Service for the period 1 July 2016 to 30 June 2017.

The report contained the following statistics:

- there were 19 incidents reported, of which 1 was reportable to the enforcing authority
- the main cause of injury was physical assault as per previous years
- employees within establishments were trained on how to deal with physical assaults (Strategies for Crisis Intervention and Prevention Training (PROACT SCIPr UK)) with regular meetings taking place at the establishment to discuss further measures to reduce the potential for physical assault from clients
- there were 46 near miss incidents reported with the highest being against violence (28)
- the scores for the individual elements of the health and safety matrix for the Service were: 91% for Workplace Inspections Returned; 94% for Emergency Precautions; 94% for Housekeeping and Cleaning; 94% for Environment; 82% First Aid; 96% for Slips and Trip Hazards; 98% for Machinery, Plant and Equipment; 94% for Welfare; and 100% for Accident/Incidents
- the main issues raised during workplace inspections related to inappropriate lighting in 2 or 3 workplaces, replacement carpeting to reduce the potential for trip hazards, staff training requirements for adequate First Aid cover and DSE assessments were raised, leading to an increase in the number of DSE assessors
- 678 employees attended health and safety training across a variety of topics
- long term absence had a current figure of 13.75 days lost which was an increase from the previous year (11.5)
- the number of short term absences (under 28 days) had an average figure of 54.67 which was a reduction from the previous year (57.83)
- during the winter months the figures are higher due to respiratory problems which had been identified as a trend since 2013
- the main reason for absences were respiratory (163) and gastrointestinal (144)
- the highest number of days lost due to sickness absence related to psychological reasons (2313)

**The report recommended:**



that the Committee note the contents of the report and advise further action as appropriate.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**COMMUNITIES, HOUSING AND INFRASTRUCTURE ANNUAL HEALTH AND SAFETY REPORT**

9. The Committee had before it a report by the Interim Director of Communities, Housing and Infrastructure which presented the annual health and safety report for the Communities, Housing and Infrastructure Service for the period 1 April 2016 to 31 March 2017.

The report contained the following statistics:

- there were 128 accidents recorded of which 16 were reportable, 1 related to a service user and the remaining 15 related to employees and agency workers
- the most common types of accident were slips and trips (32) and other type of accident (20)
- the majority of the accidents related to the Public Infrastructure and Environment service (62) and Land and Property Assets (50); together accounting for 87% of accidents
- there were 149 Near Misses reported with the highest being against inappropriate communication or abuse (41%)
- the distribution of accident types follows a similar pattern as that recorded for the previous reporting period, with Slips/Trips, Other Accidents and Lifting/Handling being the top three causes
- 2677 employees attended health and safety training across a variety of topics
- The current score for the number of days lost per employee was 13.4
- Long term absence had a current figure of 8.6 days lost and short term absence averaged 4.7 days lost
- The main reasons for absences were Musculoskeletal with 38.6% for front line staff and 20.5% for office based staff; and Psychological with 18.0% for front line staff and 18.1% for office based staff

Councillor Yuill requested a definition of 'hospitalisation' as referred to within the report. The Business Manager for CG/OCE advised that he would source an explanation and circulate it to the Committee in due course.

**The report recommended:**

that the Committee note the content of the report and advise further action as appropriate.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EARLY WARNING SYSTEM**

**10.** With reference to article 3 of the minute of the previous meeting, the Committee had before it a report by the Business Manager of CG/OCE which presented an update on the progress made with the development of an Early Warning System intended to provide staff with a means of checking whether a client/customer is already known to the Council as being potentially dangerous or violent prior to any meetings with them.

The report advised that since the beginning of February, 137 searches had been carried out on database which is in use by APP users and the Building Standards team.

Councillor Copland asked for detailed information on how future incidents would be flagged up and Alison Robertson added that that flagging should be integrated across all relevant computer systems, so that all relevant staff have access to the information. The Business Manager advised that he would include this information in his report to the next committee.

**The report recommended:**

that the Committee note the content of the report and note that a further update will be submitted to the next meeting.

**The Committee resolved:-**

to approve the recommendation contained in the report.

## **FLEET COMPLIANCE**

**11.** With reference to article 5 of the minute of its meeting of 17 February 2017, the Committee had before it a report by the Interim Director of Communities, Housing and Infrastructure which provided an update on the progress to date for monitoring performance of corporate fleet compliance.

The report advised that there were currently 95 vehicles and 2 trailers on the 'O' licence and also that driver CPC courses continue throughout the service and are currently up to date, with more planned.

Members asked if the process that that been put in place for Gatehouse Checks was working well and Joe Craig responded saying that the Trade Unions had been in attendance to ensure the process was completed correctly.

**The report recommended:**

that the Committee note the actions taken and progress measures for monitoring performance or corporate Fleet Compliance, put in place by fleet services.

**The Committee resolved:-**

to approve the recommendation contained in the report.

## **SCHOOL SECURITY**

**12.** The Committee had before it a report by the Director of Education and Children's Services which provided an update on the recent work undertaken on improvements to School Security.

Councillor Lesley Dunbar sought further information in relation to ensuring school grounds were secure to prevent vandalism. Andrew Jones advised that the Service were looking at how this could be achieved, specifically during evenings and weekends when schools were being vandalised, but remaining in line with the 'open grounds' policy.

Mike Middleton requested that the open grounds policy be reviewed to ensure that schools and pupils were not compromised due to the policy. Euan Couperwhite advised that as part of the school estate review the open grounds policy was being looked at.

The report advised that (1) work had been undertaken in three schools as part of the improvements to the physical security of the school buildings; (2) there were 45 recorded incident of vandalism to schools during June and July mostly involving broken windows, and officers were continuing to work with schools to assess options for making the grounds more secure, whilst continuing to comply with the 'Open Grounds' policy (3) following advice received from Police Scotland, work had continued on the development of guidance materials for schools, to support staff in creating lockdown procedures.

Councillor Graham requested that information on school security which was contained within the Children's Services Estate Plan should be shared with Committee members. The Head of Policy, Performance and Resources confirmed that the full Estate Plan would be shared with the Committee.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved:-**

- (i) to note that the Children's Services Estate Plan was scheduled to be presented to the Education and Children's Services Committee on 16 November 2017.
- (ii) to otherwise note the content of the report.

**COVALENT REPORTING**

**13.** The Committee received a verbal report from Health and Safety Wellbeing Manager who advised that work was ongoing around Covalent in terms of:

- 1. Audit
- 2. Mandatory completion
- 3. Workplace incidents, and
- 4. Fire risk assessments

Areas for improvement included how to ensure completion and where incidents were not closed off they would be elevated to management level. The project was being piloted by Corporate Governance, with the Business Manager conducting feedback.

**The Committee resolved:-**

to note the content of the verbal report.

## **CORPORATE HEALTH AND SAFETY REPORT - JANUARY TO MARCH 2017**

**14.** With reference to article 9 of the minute of its previous meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented details of the number and types of accidents, incidents and occurrences during January to March 2017.

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

### **Incidents, Near Misses and Accident Rates**

- 206 employee incidents were reported of which 1 was reportable to the enforcing authority
- 70 third party incidents were reported of which 1 was reportable to the enforcing authority
- out of the 165 physical assaults on staff, 112 occurred within primary educational establishments. 110 (83%) involved ASN pupils.
- 19 of the 70 non reportable third party incidents related to school pupils taking part in sporting activities
- the reportable employee incident rate was 0.10 which was a decrease from the same quarter in 2016 (0.60)
- 176 near misses were reported with the highest attributed to violence against school staff (57)

### **Dangerous Occurrences and Dangerous Gas Fittings**

- There were 2 reportable gas incidents during the quarter

### **Enforcement Interventions**

- There have been 3 HSE interventions and 1 Scottish Fire and Rescue intervention.

### **Health and Safety Training**

- 278 employees attained health and safety training
- 342 e-learning health and safety course had been completed

### **Fire Risk Assessment**

- 31 fire risk assessments had been carried out within the Education and Children's Services (22) and Communities, Housing and Infrastructure (5) directorates
- 3 of those were for premises managed by Bon Accord Care therefore the findings for those are not included in this report

### **Health and Safety Audits**

- there had been 10 compliance visits carried out on a variety of topics

### **Compliance Monitoring**

- there had been 3 compliance monitoring visits carried out within the Communities, Housing and Infrastructure (1) and Education and Children's Services (2) directorates

The report appended the list of Health and Wellbeing events held over the period.

**The report recommended:**

that the Committee consider the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**CORPORATE HEALTH AND SAFETY REPORT - APRIL TO JUNE 2017**

15. With reference to article 9 of the minute of its previous meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented details of the number and types of accidents, incidents and occurrences during April to June 2017.

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

**Incidents, Near Misses and Accident Rates**

- 139 employee incidents were reported of which 7 were reportable to the enforcing authority
- 43 third party incidents were reported. None were reportable to the enforcing authority
- 12 of the 43 non reportable third party incidents related to school pupils taking part in sporting activities
- the reportable employee incident rate was 0.11 which was a decrease from the same quarter in 2016 (0.35)
- 121 near misses were reported with the highest attributed to violence against school staff (33) (a near miss is an unplanned event that did not cause injury, illness or damage but had the potential to do so)

**Health and Safety Training**

- 201 employees attended face to face health and safety training
- 652 e-learning health and safety courses had been completed

**Fire Risk Assessments**

- 28 fire risk assessments had been carried out of which 8 were for premises managed by Bon Accord Care therefore the findings for those were not included in the report
- the average overall compliance across the Council was 89%

**Health and Safety Audits**

- there had been 8 audits carried out on a variety of topics
- the average overall score across the Council was 80%

**Compliance Monitoring**

- there were 3 compliance visits carried out within Education and Children's Services (1), Communities, Housing and Infrastructure (1) and Adult Health and Social Care (1) directorates.

The report appended a list of Health and Wellbeing events held over the period.

**The report recommended:**

that the Committee consider the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**OCCUPATIONAL HEALTH REPORT - JANUARY TO MARCH 2017**

16. With reference to article 10 of the minute of its meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics for the period January to March 2017.

The report provided the following statistics:

- 390 referrals were received including OH Referrals, Pre-employment screening, ill health retirement and health surveillance
- 171 OH Referrals were received which included 76 from the Education and Children's Services directorate and 60 from the Communities, Housing and Infrastructure directorate
- 39% of the referrals related to Mental Health and Behavioural Disorders
- 62 Pre-employment referrals were received
- 2 ill health retirement referrals were received
- 108 Health Surveillance referrals were received
- there were 30 short notice cancellations for a variety of reasons
- 70 physiotherapy assessments had been carried out

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**OCCUPATIONAL HEALTH REPORT - APRIL TO JUNE 2017**

17. With reference to article 10 of the minute of its meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics for the period April to June 2017.

The report provided the following statistics:

- 464 referrals were received including OH Referrals, Pre-employment screening, ill health retirement and health surveillance
- 179 OH Referrals were received which included 80 from the Education and Children's Services directorate and 70 from the Communities, Housing and Infrastructure directorate
- 35% of the referrals related to Mental Health and Behavioural Disorders
- 68 Pre-employment referrals were received
- 1 ill health retirement referrals were received
- 212 Health Surveillance referrals were received
- there were 30 short notice cancellations for a variety of reasons
- 55 physiotherapy assessments had been carried out

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EMPLOYEE ASSISTANCE PROGRAMME REPORT - JANUARY TO MARCH 2017**

18. With reference to article 11 of the minute of its meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics of the Employee Assistance Programme for the period January to March 2017.

The report provided the following statistics:

- 39 referrals had been received all from employees with the number of incidents referring to personal issues almost doubling from the previous reporting period
- 17 of the 25 personal issues related to personal stress/depression/anxiety/anger which accounted for 68% of the referrals
- of the 14 work related issues, 9 related to understanding the role and 7 related to the demands of the role
- there were 29 face to face consultations, 4 no contact with the client and 3 received telephone consultations

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EMPLOYEE ASSISTANCE PROGRAMME REPORT - APRIL TO JUNE 2017**

19. With reference to article 11 of the minute of its meeting of 17 February 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics of the Employee Assistance Programme for the period April to June 2017.

The report provided the following statistics:

- 30 referrals had been received all from employees with the number of incidents referring to personal issues accounting for 22 of them
- 15 of the 22 personal issues related to personal stress/depression/anxiety/anger which accounted for 68% of the referrals
- of the 8 work related issues, 2 related to understanding the role and 6 related to the demands of the role
- there were 18 face to face consultations, 3 no contact with the client and a small number of telephone consultations

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**CORPORATE HEALTH AND SAFETY REPORT - 1 APRIL 2016 TO 31 MARCH 2017**

**20.** The Committee had before it an annual report by the Interim Head of Human Resources which presented details of the number and types of accidents, incidents and occurrences during April 2016 to March 2017.

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

**Incidents, Near Misses and Accident Rates**

- 689 employee incidents were reported of which 17 were reportable to the enforcing authority
- 290 third party incidents were reported of which 5 were reportable to the enforcing authority
- 78 of the 290 non reportable third party incidents related to school pupils taking part in sporting activities
- 508 physical assaults on employees were reported which was an increase of 146% from 2016 (208)
- the reportable employee incident rate was 2.00 which was a decrease from 2016 (3.29)
- 565 near misses were reported with the highest attributed to violence against school staff (135)

**Dangerous Occurrences and Dangerous Gas Fittings**

- there were 3 reports of dangerous gas fittings

**Enforcement Interventions**

- there were 4 HSE interventions

**Health and Safety Training**

- 1334 employees attended face to face health and safety training
- 3240 e-learning health and safety courses had been completed

**Fire Risk Assessments**

- 112 fire risk assessments had been carried out of which 31 were for premises managed by Bon Accord Care therefore the findings for those were not included in the report
- the average overall compliance across the Council was 69%

**Health and Safety Audits**

- there had been 62 audits carried out on a variety of topics
- the average overall score across the Council was 76%

**Compliance Monitoring**

- there were 160 compliance visits carried out across the directorates



Mary Agnew advised that the ROSPA silver award had been received for two years running. Mike Middleton asked why it had moved from gold to silver and she advised that the change had been linked to prosecutions.

Councillor Copland expressed concern regarding the increase in violent incidents recorded against school staff and asked if the 46% rise was due to more incidents or just increased reporting. Euan Couperwhite advised that this was difficult to ascertain at present and assured the Committee that more robust systems were being put in place to record incidents and support staff.

**The report recommended:**

- (i) that the Committee approve the report; and
- (ii) that the Committee support actions to reduce incidents and work related ill health in line with health and safety targets; and
- (iii) that the Committee disseminate and take action on health and safety information in the report.

**The Committee resolved:-**

- (i) to note the achievement of the ROSPA silver award for two years running; and
- (ii) to otherwise approve the recommendations contained in the report.

**OCCUPATIONAL HEALTH REPORT 1 APRIL 2016 TO 31 MARCH 2017**

21. The Committee had before it an annual report by the Interim Head of Human Resources which presented the utilisation statistics for the period April 2016 to March 2017.

The report provided the following statistics:

- 1867 referrals were received including OH Referrals, Pre-employment screening, ill health retirement and health surveillance
- 688 OH Referrals were received which included 247 from the Education and Children's Services directorate and 281 from the Communities, Housing and Infrastructure directorate
- 31% of the referrals related to Mental Health and Behavioural Disorders
- 296 Pre-employment referrals were received
- No ill health retirement referrals were received
- 854 Health Surveillance referrals were received
- there were 298 short notice cancellations for a variety of reasons
- 223 physiotherapy assessments had been carried out

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**EMPLOYEE ASSISTANCE PROGRAMME REPORT - 1 APRIL 2016 TO 31 MARCH 2017**

**22.** The Committee had before it an annual report by the Interim Head of Human Resources which presented the utilisation statistics of the Employee Assistance Programme for the period April 2016 to March 2017.

The report provided the following statistics:

- 136 referrals had been received all from employees with the number of incidents referring to personal issues accounting for 88 of them
- 63 of the 88 personal issues related to personal stress/depression/anxiety/anger which accounted for 88% of the referrals
- of the 48 work related issues, 20 related to understanding the role and 22 related to the demands of the role
- there were 98 face to face consultations, 4 no contact with the client and 11 telephone consultations

**The report recommended:**

that the Committee consider the contents of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

## **CORPORATE HEALTH AND SAFETY IMPROVEMENT PLAN**

**23.** The Committee had before it a report by the Interim Head of Human Resources which provided an update on the Corporate Health and Safety Improvement Plan.

The Corporate Health and Safety Plan reflected findings of health and safety audits, compliance monitoring, incident investigation, corporate risk register and the Health and Safety Assurance report.

There was discussion around frequency of reporting to the Committee, whereupon it was agreed that the Committee would receive updates on a quarterly basis and an annual report at its June meeting each year, which would ensure that the previous financial year was fully captured.

**The report recommended:**

- (i) that the Committee consider the content of the report; and
- (ii) agree any additional themes for inclusion and monitor the progress of same.

**The Committee resolved to:-**

- (i) to receive quarterly updates on the Corporate Health and Safety Improvement Plan; and
- (ii) that the Corporate Health and Safety Improvement Plan Annual Report would be reported to its meeting in June; and
- (iii) to otherwise note the content of the report.

## **HEALTH AND SAFETY IMPROVEMENT PLANS**

**24.** The Committee had before it a report from all Directorates which provided an update on the Directorate Health and Safety and Wellbeing Improvement Plans.

The report provided the Committee with the initial versions of Directorate Health, Safety and Wellbeing Improvement Plans for Corporate Governance and OCE, Communities Housing and Infrastructure, Education and Children's Services and Aberdeen City Health and Social Care Partnership.

There was discussion around frequency of reporting to the Committee, whereupon it was agreed that the Committee would receive updates on a quarterly basis and an annual report at its June meeting each year, which would ensure that the previous financial year was fully captured.

Councillor Copland emphasised the importance of making sure that Council staff were aware of the plans and the Business Manager advised that he would conduct communications with the Trade Unions and ensure that Council Staff were updated via the Chief Executive's blog.

**The report recommended:**

that the Committee note the content of the report.

**The Committee resolved to:-**

- (i) to receive quarterly updates on the Directorate Health and Safety Improvement Plans; and
- (ii) that the Directorate Health and Safety Improvement Plans would be reported to its meeting in June; and
- (iii) to otherwise note the content of the report.

**DATE OF NEXT MEETING**

**25.** In closing the meeting the Vice Chairperson noted that it was Committee Clerk Karen Finch's last meeting as Clerk, having served the Committee for 13 years. He thanked her most sincerely for her dedicated service. This was acknowledged by the rest of the Committee.

The next meeting was scheduled for Friday 17 November 2017.

- **Councillor Gordon Graham, Vice Chairperson**



## CORPORATE HEALTH AND SAFETY COMMITTEE

ABERDEEN, Friday, 17 November 2017. Minute of Meeting of the CORPORATE HEALTH AND SAFETY COMMITTEE. Present:- Sid Sandison, Chairperson; and Councillor Gordon Graham , Vice Chairperson; City Council Representatives:- Councillors Copland and Yuill.

Trade Union Representatives:- Mishelle Gray (UNITE), Steve Clunes (UCATT), Kenny Luke (UNISON), Neil Watson (GMB), Carole Thorpe (EIS), David Willis (GMB) .

Officers in attendance:- Mary Agnew (Health and Safety Wellbeing Manager), Colin Leaver (Team Leader), Carol Slessor (Team Manager), Lesley Kirk (Directorate Support Manager), Martin Allan (Business Manager), Lee Morrison (Supervisor), Andrew Moat (Health and Safety Adviser), Martin Murchie (Policy, Performance and Parliamentary Liaison Manager), Bernadette Oxley (Head of Children's Social Work), Andrew Jones (Service Manager), Martyn Phillips (Health and Safety Adviser), Angela Crawford (Finance Controls Manager), Phil Astley (City Archivist) and Carol Wright (Business and Procurement Improvement Manager).

### APOLOGIES

1. Apologies were intimated on behalf of Morven Spalding, Euan Couperwhite, Alison Robertson, Michelle Gray, Joe Crag and Mike Middleton.

### MINUTE OF PREVIOUS MEETING OF 25 AUGUST 2017 - FOR APPROVAL

2. The Committee had before it the minute of its meeting of 25 August 2017.

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

to approve the minute as a correct record.

### MATTERS ARISING

3. In relation to article 7, Mary Agnew advised that the information explaining the difference between the terms 'thermal event' and 'fire' had been circulated and the matter was concluded.

In relation to article 9, The Business Manager advised that there was no fixed definition of 'hospitalisation' in terms of the Health and Safety Executive and that he would circulate the Council definition via email to the Committee.

In relation to article 12, in response to a question from Councillor Graham on the status of the School Estate Plan, Andrew Jones advised that it was still in draft and would be presented to the Committee once it was finalised.

**The Committee resolved:-**

to request the Business manager to circulate information pertaining to the Council definition of the term 'Hospitalisation'.

**COMMITTEE BUSINESS STATEMENT**

4. The Committee had before it the Committee Business plan as prepared by the Clerk.

**The Committee resolved:-**

- (i) to remove any items that the Committee have discharged via reports later on the agenda; and
- (ii) to otherwise note the content of the business statement.

**FLEET COMPLIANCE**

5. With reference to article 11 of the minute of its meeting of 17 August 2017, the Committee had before it a report by the Interim Director of Communities, Housing and Infrastructure which provided an update on the progress to date for monitoring performance of corporate fleet compliance.

The report advised that (1) as a result of Public Enquiries held on 19 December 2014 and 12 May 2015, the Operator's Licence has been curtailed to 111 vehicles, with 92 vehicles currently in operation; (2) a trial is currently ongoing with 10 vehicles to test a new telematics application; (3) 133 driver assessments have been carried out to date, CPC courses are up to date and Driver Assessor courses are booked for December 2017, which will enable in-house testing; (4) the Fleet Services Manager has introduced meetings with apprentices to assist them through their apprenticeship; (5) Fleet Services have a licence check system in place for vocational drivers which is kept up to date with penalty points, licence restrictions and licence revocations etc.; (6) the recent audit of Fleet Services showed much improvement and robustness on the current and new procedures that are in place.

**The report recommended:**

That the Committee:

- (i) note the actions taken and progress measures for monitoring performance of corporate Fleet Compliance and Health and Safety, put in place by Fleet Services

The Chairperson asked what was meant by the term 'Telematics App', where it appeared on page 26. Paul Reid advised that the term referred to a software application used to track and trace vehicles.

With reference to Paragraph 2 on page 4 of the report dealing with Internal Audit, Mary Agnew noted that the report stated 'actions are being implemented to address any matters arising' however there were no details of the actions. Paul Reid advised that this referred to a process of transferring and consolidating from a paper based platform to a digital platform.

Paul Reid asked Committee to note that EU rules had recently superseded Council procedures for the treatment of tachographs.

With reference to the Unreported Accident Graph on page 5 of the report, the Chairperson sought an explanation for a spike in the graph. Paul Reid explained that the spike was due to seasonal grass cutting work and was further compounded by the fact that the reporting process had been modified, leading to increased reporting. He further advised that additional driver training was being undertaken as a result.

**The Committee resolved:-**

to note the actions taken, and the progress measures for monitoring the performance of corporate Fleet Compliance and Health and Safety, put in place by Fleet Services.

**SCHOOL SECURITY**

6. The Committee had before it a report by the Director of Education and Children's Services which provided an update on the recent work undertaken on improvements to School Security.

**The report recommended:**

that the Committee note the contents of the report.

Mary Agnew advised that she had not had an opportunity to see the report prior to the publication of the Additional Circulation.

With reference to interim security measures, Mary Agnew sought an explanation of the term 'temporary arrangements'. Andrew Jones responded saying that every school was different, but such measures should generally focus around the school entrances. Best practice was to reconfigure the entrance, if necessary, so that visitors had to report to a member of staff before being granted further access. Andrew Jones concluded by saying that a survey was being carried out of all schools

The Chairperson noted that, in addition to the Council's responsibility towards school buildings, the education employers also had a duty to ensure school security for their staff. He requested that a summary report based on the school survey be made available to the Committee.

**The Committee resolved:-**

- (i) in relation to a request from the Chairperson, to note that a summary report would be presented to the next meeting providing information based on the survey undertaken at all schools in relation to school security; and
- (i) to otherwise note the content of the report.

**VIOLENT INCIDENTS**

7. The Chairperson noted the inclusion of the Health and Safety Audit and referred to the figures which showed an increase in the number of violent incidents reported in schools and noted that a significant number of them had been reported by a relatively small number of staff members. The Chairman suggested that work should be undertaken to establish the cause of this.

Reyna Stewart acknowledged the Chairperson's comments and assured the Committee that there was nothing to suggest a general increase in violence within in schools. She

agreed with the Chairperson that a relatively small number of staff were reporting a high number of incidents compared with colleagues at the same schools.

She further advised that the same pattern had emerged across the whole of Scotland and the data also showed that incidents which might be reported in some schools had gone unreported in others. She advised that training was being undertaken with Head Teachers and staff, as it was important that appropriate guidance was given to establish what constituted a violent incident, in order to improve consistency in future reporting.

Councillor Copland asked if there was any known link between the increased figures and the Council's 'Inclusion Policy', whereby children who would previously have been educated at special schools have been entered into mainstream education. Reyna Stewart responded saying that there was no apparent link.

**The Committee resolved:-**

to note the content of the report.

## **EARLY WARNING SYSTEM - VERBAL REPORT**

8. The Business Manager provided a verbal report to the Committee with information relating to progress on the creation of an Early Warning System, advising that he had spoken to colleagues in IT with regard to the very broad scope of the project. Data protection and legal issues had been identified and, taken together with the fact that the project called for all existing systems to be integrated, this meant that the process needed to be project managed, so project management resources would be identified and the relevant information reported to the Committee in due course.

**The Committee resolved:-**

to note the content of the verbal report.

## **CORPORATE GOVERNANCE AND OFFICE OF CHIEF EXECUTIVE ANNUAL HEALTH AND SAFETY REPORT**

9. The Committee had before it a report by the Interim Director of Corporate Governance which presented the annual performance report in regard to health and safety activities for the Corporate Governance Directorate and the Office of the Chief Executive for the period 1 October 2016 to 30 September 2017.

The report contained the following statistics:

- there were no accidents reported to the enforcing authority
- there were no 3<sup>rd</sup> party non-reportable incidents
- there were 20 near misses reported
- 25 employees had been identified as requiring the flu vaccine
- the scores for the individual elements of the health and safety matrix for the Services were: 100% for Accidents and Incidents Reporting; 99% for Risk Assessments; 95% for Workplace Inspections; 93% for Evac Chair Operators; 90% for Fire Wardens; 85% for First Aid and 75% for DSE Assessors
- the overall score for compliance across the Services was 91% which was an increase from the previous year (90%)
- 559 employees attended health and safety training across a variety of topics



- for Corporate Governance the number of days lost per employee due to sickness was 5.8 days, a decrease from the previous year (6.4)
- for the Office of the Chief Executive the number of days lost per employee due to sickness was 5.6 days, a decrease from the previous year (6.3)

**The report recommended:**

that the Committee note the content of the report.

The Chairperson noted the low attendance levels in relation to stress awareness training for managers and sought an explanation.

Mary Agnew advised that a large amount of information was available on the Zone and that some services were conducting workshops and delivering training to line managers. She added that 'Time for Talking' wallet cards containing relevant information were also in the process of being issued. Managers were taught to try and intervene as early as possible if someone was showing signs of stress.

Councillor Copland expressed concern that such intervention by a manager might be perceived by the staff member as bullying. He stressed the need for an independent option, whereby staff seeking help with a stress related or psychological matter could bypass their manager altogether. Mary Agnew responded saying that options already existed for people to approach Trade Union reps, HR Business Team partners and to use the 'Time for Talking' facility. Councillor Copland suggested that these options should be advertised more.

Steven Clunes noted the low number of people receiving the flu vaccine and questioned whether the right people were being targeted. Mary Agnew advised that, having been identified, it was cheaper for people to attend their local pharmacy and pay over the counter for the flu vaccine than it was to have the vaccine administered to them via the Council's Occupational Health Provider. The figures in the report only accounted for vaccines administered via the Provider, so the true figure was likely to be higher.

**The Committee resolved:-**

- (i) to note that information relating to Managing the Change Process would be circulated to the Committee; and
- (ii) to otherwise approve the recommendations contained in the report.

**EDUCATION AND CHILDREN'S SERVICES ANNUAL HEALTH AND SAFETY REPORT**

**10.** The Committee had before it a report by the Director of Education and Children's Services which presented the annual performance report in regard to health and safety monitoring, performance and training activities for the Education and Children's Services Directorate for the period 1 October 2016 to 30 September 2017.

The report contained the following statistics:

- 660 injuries were recorded of which 1 was reportable to the enforcing authority
- 4 reportable accidents were for employees and 5 were for 3<sup>rd</sup> party (all school pupils)

- the most common type of injury category reported was physical assault (414) which was an increase from last year (222), with 399 of them occurring in Education Services
- 236 of the physical assault incidents took place in one primary school
- 440 near miss incidents were reported which was an increase from the previous year (261)
- 363 of the near miss incidents related to violence against a member of staff with 36.5% of those attributed to 5 pupils
- the number of working days lost due to absence over the period was 30482
- the highest reasons for absence were psychological, musculoskeletal and gastrointestinal
- the average number of days lost per employee was 8.6
- in November 2016, over 600 staff were recommended to receive a flu vaccination
- 1299 employees attended health and safety training
- Fire risk assessments were carried out by the Health, Safety and Wellbeing Team at 42 establishments
- The scores for the individual elements of the health and safety matrix for the Service were:

	<b>Education Services</b>	<b>Inclusion</b>	<b>Children's Services</b>	<b>Policy, Performance &amp; Resources</b>
<b>Category</b>	<b>Score</b>	<b>Score</b>	<b>Score</b>	<b>Score</b>
Emergency Precautions	97%	100%	96%	
Housekeeping & Cleaning	99%	100%	95%	
Environment	99%	100%	96%	
First Aid	100%	100%	92%	
Slip & Trip Hazards	98%	92%	98%	
Machinery, Plant & Equipment	100%	100%	98%	
Welfare	99%	100%	98%	
Accidents & Incidents Reporting	100%	100%	100%	
Risk Assessment	84%	100%	83%	
<b>Overall compliance average</b>	<b>97.33%</b>	<b>99%</b>	<b>95.11%</b>	n/a

**The report recommended:**

that the Committee note the content of the report.

The Vice-Chairperson sought an explanation for the apparent increase in physical assaults on education employees by pupils. Lesley Kirk advised that although incidents involving injury had gone up, near misses had gone down, so the overall figure was actually very similar.

The Chairperson asked whether the increase in apparent severity could be attributed to the closure of off-site provision and the resulting transfer of pupils from special schools

to mainstream establishments. Lesley Kirk advised that data pertaining to that particular issue did not form part of the matrix and was therefore unavailable.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**HEALTH AND SAFETY ASSURANCE REPORT**

11. The Committee has before it a report from the Head of Corporate Governance/Office of the Chief Executive entitled Health and Safety Assurance Audit Report and dated 28 September 2017.

The report contained no recommendations.

Colin Leaver apologised to the Committee that the report appeared a little unusual and did not conform to the normal report template. He explained that it was a new style report which was created in response to a request from the Corporate Management Team to look at the Safety Assurance Management System across all directorates.

Councillor Graham asked, for the purposes of future reporting, if it would be possible to include a section in the report listing actions taken so that Committee can monitor progress. It was agreed that Officers would meet separately with the Vice-Chairperson to discuss what was required.

Lesley Kirk acknowledged that the report contained several very useful elements and advised that these would be incorporated into future reports from Education and Children's Services.

**The Committee resolved:-**

- (i) to instruct that those responsible for the health and safety improvement plans should look at all of the recommendations in this report and identify which improvement actions matched up and include them in the improvement plans;
- (ii) to note that some of the actions would be included in the Children's Services Improvement Plan; and
- (iii) to otherwise note the content of the report.

**CORPORATE HEALTH AND SAFETY REPORT - JULY TO SEPTEMBER 2017**

12. With reference to article 14 of the minute of its meeting of 25 August 2017, the Committee had before it a report by the Interim Head of Human Resources which presented details of the number and types of incidents, near misses and occurrences from 1 July to 30 September 2017.

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

**Incidents, Near Misses and Accident Rates**

- 71 employee incidents were reported of which 4 were reportable to the enforcing authority
- 30 third party non-reportable incidents were recorded of which 1 was reportable to the enforcing authority

- 6 of the third party incidents related to school pupils taking part in sporting activities
- 26 assaults on staff were reported with 20 occurring within primary educational establishments. Of the 59, 10 involved ASN pupils, with 55% involving 2 pupils
- the reportable employee incident rate for the period was 0.50 which was a decrease from the same quarter in 2016 (0.87)
- there was 1 dangerous occurrence within the reporting period relating to a craft worker who drilled into a wall and exposed asbestos
- 108 near misses were reported with the highest attributed to 'other' (26)

### **Health and Safety Training and Cancellations**

- As part of the transformation process, quotes are currently being sourced for Health and Safety Training via the Public Contracts Scotland Portal. In the meantime limited training has been delivered via the Health and Safety Development Programme.
- 28 employees attended health and safety training
- 182 e-learning health and safety courses had been completed
- Percentage data is not available during the transformation process.

### **Fire Risk Assessment**

- 26 fire risk assessments had been carried out of which 14 were for premises managed by Bon Accord Care therefore the findings for those were not included in the report

### **Health and Safety Audits**

- there had been 11 compliance visits carried out on a variety of topics

### **Compliance Monitoring**

- there had been 26 compliance visits carried out of which 6 were at premises operated by Bon Accord Care

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

That the Committee consider the contents of the report.

Colin Leaver advised that, although the figures appeared to show an improvement over the last reporting period there was a seasonal element to consider, with the schools having been on holiday during a large part of this reporting period.

With reference to page 3 of the report, the Chairperson asked if the Pupil Centres Risk Assessment process (PCRA) was still at the pilot stage. Colin Leaver advised that it had been rolled out, but was subject to ongoing improvement.

With reference to page 10 of the report, the Chairperson sought additional information to explain what happens after a fire audit takes place. Colin Leaver advised that a report was generated with a list of recommendations and an action plan. The report was then discussed between the appropriate person at the site (e.g. Head Teacher if it's a school) and the relevant Directorate Support Team.

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

to approve the recommendation contained in the report.

## **OCCUPATIONAL HEALTH REPORT - JULY TO SEPTEMBER 2017**

**13.** With reference to article 17 of the minute of its meeting of 25 August 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics for the period July to September 2017.

The report provided the following statistics:

- 238 referrals were received including OH Referrals, Pre-employment screening, ill health retirement and health surveillance
- 99 OH Referrals were received which included 30 from the Education and Children's Services directorate and 49 from the Communities, Housing and Infrastructure directorate
- 35 Pre-employment referrals were received
- No ill health retirement referrals were received
- 101 Health Surveillance referrals were received
- 8 physiotherapy assessments had been carried out

### **The report recommended:**

that the Committee consider the contents of the report.

Mary Agnew pointed out that Occupational Health was upgrading to a new IT platform which had proved to be very problematic and had caused significant disruption to service delivery and to their administrative processes in terms of recording and monitoring their KPI's. In the meantime, robust management was being conducted via weekly meetings.

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

to approve the recommendation contained in the report.

## **EMPLOYEE ASSISTANCE PROGRAMME REPORT - JULY TO SEPTEMBER 2017**

**14.** With reference to article 19 of the minute of its meeting of 25 August 2017, the Committee had before it a report by the Interim Head of Human Resources which presented the utilisation statistics of the Employee Assistance Programme for the period July to September 2017.

The report provided the following statistics:

- 29 referrals had been received which is very similar to the previous reporting period (30)
- 26 referred to personal issues of which 18 related to personal stress/depression/anxiety/anger which accounted for 69% of the those referrals
- of the 3 work related issues, 1 related to the demands of the role
- the Service has introduced a self-reporting questionnaire designed to be administered before and after therapy.

### **The report recommended:**

that the Committee consider the contents of the report.

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

to approve the recommendation contained in the report.

## **CORPORATE**

**15.** With reference to article 23 of the minute of its meeting of 25 August 2017, the Committee had before it a quarterly update on the Corporate Health and Safety Improvement Plan 2017/2018.

The Vice-Chairperson asked if there was a comprehensive asbestos register. Colin Leaver advised that there were separate asbestos registers for domestic and non-domestic properties, however it was not possible for them to be completely exhaustive.

**The Committee resolved:-**

to note the content of the Health and Safety Improvement plan.

## **DIRECTORATE**

**16.** With reference to article 24 of the minute of its meeting of 25 August 2017, the Committee had before it a quarterly updates on the Directorate Health and Safety Improvement Plans for Corporate Governance/Office of the Chief Executive; Education and Children's Services; Aberdeen City Health and Social Care Partnership; and Communities, Housing and Infrastructure.

**The Committee resolved:-**

to note the content of the Health and Safety Improvement plans.

## **SIGNIFICANT INCIDENT**

**17.** The Committee had before it a report from the Interim Director of Communities, Housing and Infrastructure with information pertaining to three recent incidents which occurred within Building Services relating to asbestos management.

The Head of Land and Property Services provided additional information to the Committee and advised that, due to the ongoing nature of the various investigations, the reports were still restricted. However he undertook to provide a detailed report to the Committee in February 2018, advising that, where disciplinary actions were still ongoing, a verbal report would be submitted on the identified actions and remedial action taken to date, to provide assurance that matters were being addressed and that preventative measures were being implemented to prevent reoccurrence.

**The Committee resolved:-**

- (i) to note the position with regard to the confidential nature of the three incidents which are currently under investigation;
- (ii) to request the Head of Land and Property Assets to provide a detailed report to its meeting in February 2018; and
- (iii) to otherwise note the content of the report.

## **AOCB**

**18.** The Chairperson called upon the Committee to acknowledge the pressure created for Officers by the Council's ongoing transformation process and offered to write to the Chief Executive requesting that time be set aside for Officers to enable them to prepare reports for Committee. The Committee agreed.

**The Committee resolved:-**

to contact the Chief Executive requesting that, during the period of transformation, Officers were given sufficient time to prepare reports for Committee meetings.





**AUDIT, RISK AND SCRUTINY**

**COMMITTEE BUSINESS**

**22 FEBRUARY 2018**

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.

	<u>Minute Reference</u>	<u>Committee Decision</u>	<u>Update</u>	<u>Lead Officer(s)</u>	<u>Report Due</u>
1.	Audit, Risk and Scrutiny 23 Feb 17 Article 12	<b>3<sup>rd</sup> Don Crossing – Internal Audit Report</b>  (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;	This review was scheduled to be undertaken in quarter 4 of 2017/18 as agreed at the Audit, Risk and Scrutiny Committee in June 2017. Internal Audit is recommending, in report IA/17/016 on today’s agenda, that this work be incorporated in the planned audit of the Capital Plan, due to be reported to the Audit, Risk and Scrutiny Committee in April 2018.	D Hughes	May 2018
2.	Audit, Risk and Scrutiny 26 Sept 17 Article 10	<b>Information Governance Report &amp; the General Data Protection Regulation - CG/17/109</b>  (iv) to request officers to submit a report to a future meeting of this Committee providing an update on the position with data governance standards as they are developed as part of the Transformation Programme;	<b>A report is on the agenda</b>	C Anderson	22 Feb 2018

3.	<p>Audit, Risk and Scrutiny</p> <p>26 Sept 17 Article 10</p>	<p><b>Information Governance Report &amp; the General Data Protection Regulation - CG/17/109</b></p> <p>(ii) to request Internal Audit to undertake a review of the processes in place for determining what information can be released to the public.</p>	<p><b>A report is on the agenda</b></p>	<p>D Hughes</p>	<p>22 Feb 2018</p>
4.	<p>Audit, Risk and Scrutiny</p> <p>26 Sept 17 Article 25</p>	<p><b>Wellington Brae – Planning and Sustainable Development Service Review</b></p> <p>(iv) to instruct the Director of Communities, Housing &amp; infrastructure to report back to the Audit, Risk and Scrutiny Committee at a future date to provide evidence of how the wider Service Review of the Planning and Sustainable Development Service referred to in paragraph 3.8.5 is taking full account of the need to implement additional safeguards to ensure that any debatable land ownership and contract procurement issues are appropriately escalated, resolved and recorded;</p>	<p><b>A report is on the agenda</b></p>	<p>B Marjoram</p>	<p>22 Feb 2018</p>

5.	<p>Audit, Risk and Scrutiny</p> <p>26 Sept 17</p> <p>Article 26</p>	<p><b>Garthdee Alpine Sports</b></p> <p>(i) to note that the Head of Policy, Performance and Resources would submit a report to a future meeting of this Committee providing an update on the progress made with implementing the recommendations contained in the internal audit report;</p>	<p><b>Officers continue to work with Garthdee Alpine Sports to ensure compliance with the agreed recommendations. In addition, following the Finance, Policy and Resources Committee meeting of 6 December 2017, a copy of the Internal Audit report has been provided to the management of Sport Aberdeen to allow them to review the work that will be required to be completed during and after the merger of the two ALEOs.</b></p> <p><b>It is anticipated that a report will be submitted to the next meeting of this Committee to provide assurance that the agreed recommendations have been satisfactorily completed.</b></p>	E Couperwhite	<b>May 2018</b>
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6.	Audit, Risk and Scrutiny  23 Nov 17 Article 16	<b>Vehicle Maintenance Workshops</b>  (i) in response to a question from Councillor Duncan regarding the contravention of the Council's Procurement Regulations and Financial Regulations, to instruct the Fleet Services Manager to present a report to the Committee at its meeting in February 2018, providing an update on the position	<b>A report is on the agenda</b>	W Whyte	22 Feb 2018
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**CYCLE 5 - February 2018 - 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	Explanation if delayed or withdrawn
Internal Audit Progress and Performance	22/02/2018	David Hughes	Fraser Bell	to provide an update on progress with the 2016/17 and 2017/18 audit	
Bond Governance	22/02/2018	David Hughes	Fraser Bell	Consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and safeguarding the Council's credit rating	
<b>Financial Ledger System</b>	22/02/2018	David Hughes	Fraser Bell	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled	Due to Internal Audit staffing as previously reported and the availability of ACC Finance staff
Your HR	22/02/2018	David Hughes	Fraser Bell	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	22/02/2018	David Hughes	Fraser Bell	Ensure that the risk of major IT Business Systems failure is adequately managed	
Post Election Training for New Councillors	22/02/2018	David Hughes	Fraser Bell	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	22/02/2018	David Hughes	Fraser Bell	Consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure.	
Capital Contracts	22/02/2018	David Hughes	Fraser Bell	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	
Children's Social Work Payments	22/02/2018	David Hughes	Fraser Bell	To obtain assurance that care needs are being identified, planned and recorded accurately and that costs charged are appropriate and adequately controlled	

<b>Care Management</b>	22/02/2018	David Hughes	Fraser Bell	To obtain assurance that care needs are being identified, planned and recorded accurately and that costs charged are appropriate and adequately controlled	Delayed due to Internal Audit staffing Issue as previously reported.
<b>PECOS</b>	22/02/2018	David Hughes	Fraser Bell	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled	Delayed due to Internal Audit staffing issues as previously reported
<b>Fixed Asset Register</b>	22/02/2018	David Hughes	Fraser Bell	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.	Following commencement of the audit, Internal Audit was advised that one area due to be tested is undertaken as an annual exercise by the end January each year. As this is one of the audits that External Audit plans to take assurance from Internal Audit's work, the testing requires to be undertaken on 2017/18 work. Therefore, completion of the audit has been delayed and the outcome will be reported to Committee in May 2018.
Internal Audit Draft Plan 2018/19	22/02/2018	David Hughes	Fraser Bell	to present the draft internal audit plan for 2018/19.	
Information Governance - Data Governance Standards	22/02/2018	Caroline Anderson	Simon Haston	to provide an update in relation to data governance standards as they developed as part of the Transformation Programme	
Releasing Information to the Public	22/02/2018	David Hughes	Fraser Bell	Consider whether the processes in place for determining what information could be released to the public were adequate	
Wellington Brae report (Service Review of Planning and Sustainable Development included in this report)	22/02/2018	Bernadette Marjoram	Bernadette Marjoram	to instruct the Director of Communities, Housing & infrastructure to report back to the Audit, Risk and Scrutiny Committee at a future date to provide evidence of how the wider Service Review of the Planning and Sustainable Development Service referred to in paragraph 3.8.5 is taking full account of the need to implement additional safeguards to ensure that any debatable land ownership and contract procurement issues are appropriately escalated, resolved and recorded	

<b>Gathdee Alpine Sports</b>	22/02/2018	Euan Couperwhite	Euan Couperwhite	to provide an update on the progress made with implementing the internal audit recommendations	Officers continue to work with Garthdee Alpine Sports to ensure compliance with the agreed recommendations. In addition, following the Finance, Policy and Resources Committee meeting of 6 December 2017, a copy of the Internal Audit report has been provided to the management of Sport Aberdeen to allow them to review the work that will be required to be completed during and after the merger of the two ALEOs. Further work is required.
<b>Integregation Joint Board - Integration and Change Funding</b>	22/02/2018	David Hughes	Fraser Bell	Ensure appropriate governance is in place to manage delivery of funded projects and use of the funds	This report will be presented to the ACC IJB Audit and Performance Systems Committee on 2 March and then to this Committee in May 2018 for noting.
Vehicle Usage	22/02/2018	David Hughes	Fraser Bell	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.	
Adult Social Work Payroll	22/02/2018	David Hughes	Fraser Bell	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval) are adequately controlled	
Social Work Financial Assessments	22/02/2018	David Hughes	Fraser Bell	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner	
Integration Joint Board - Post Integration Review	22/02/2018	David Hughes	Fraser Bell	Post Integration review of Health and Social Care Integration as required by Integration Resource Advisory Group (IRAG) Guidance.	

Bond Protocol	22/02/2018	Deirdre Nicholson	Fraser Bell	to advise members that a protocol has been written to document the legislative and regulatory requirements which flow the issue of the credit rating and Bonds and identify the systems, processes and people responsible for compliance	
Vehicle Maintenance Workshops - IA/AC/1808	22/02/2018	Willie Whyte	Mark Reilly	In response to a question from Councillor Duncan regarding the contravention of the Council's Procurement Regulations and Financial Regulations, to instruct the Fleet Services Manager to present a report to the Committee at its meeting in February 2018, providing an update on the position.	
Internal Audit Follow Up on Recommendations since April 15/16	22/02/2018	David Hughes	Fraser Bell	provide an update on where services were with implementing agreed recommendations	
Corporate Framework for Management of Risk	22/02/2018	Neil Buck	Fraser Bell	The report presents the Committee with the Risk Management Framework	
Fraud, Bribery and Corruption Policy	22/02/2018	Brian Muldoon	Steve Whyte	to request the Committee to approve an amended Fraud, Bribery and Corruption Policy.	
Annual Accounts 2017/18 - Action Plan and Key Dates	22/02/2018	Karen Black	Steve Whyte	The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2017/18 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.	
Ombudsman Decision Report	22/02/2018	Lucy McKenzie		This report provides information on all Scottish Public Services Ombudsman (SPSO), Inspector of Crematoria decisions and Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) authorisations made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that the handling of complaints, Scottish Welfare Fund applications and surveillance is being undertaken appropriately.	



<p>Audit of Aberdeen Crematorium by the Federation of Burial and Cremation Authorities</p>	<p>22/02/2018</p>	<p>Graham Keith</p>	<p>Mark Reilly</p>	<p>At its meeting on 1 November 2016, the Communities, Housing and Infrastructure Committee resolved to commission a 'Critical Friend' Audit by an external crematoria industry body and to present the resulting report to the Audit, Risk and Scrutiny Committee.</p> <p>This report provides the Committee with the attached 'critical friend' audit report carried out by the Federation of Burial and Cremation Authorities (FBCA).</p>	
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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Annual Accounts 2017/18 – Action Plan and Key Dates
REPORT NUMBER	CG/18/002
DIRECTOR	Steven Whyte, Director of Resources
REPORT AUTHOR	Lesley Fullerton, Senior Accountant

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### **1. PURPOSE OF REPORT:-**

- 1.1 The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2017/18 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.

### **2. RECOMMENDATION(S)**

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

### **3. BACKGROUND/MAIN ISSUES**

- 3.1 The Annual Accounts 2017/18 will summarise the Council's transactions for the period, 1 April 2017 to 31 March 2018 and its financial position at the year-end 31 March 2018. They will be prepared in accordance with the International Financial Reporting (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with The Local Authority Accounts (Scotland) Regulations 2014. There are no changes to these Codes in 2017/18 which will have any significant impact on the Annual Accounts.

3.2 In order to comply with the regulations of being listed on the London Stock Exchange the Council is implementing a faster year end closedown. This means that the unaudited Annual Accounts will be ready for audit by 30 April 2018, a month earlier than previous years, and signed audited Annual Accounts by 22 June 2018, three months earlier than previous years, which were signed off in September.

- There are a number of key dates within this process and these are summarised as follows:-

31 March 2018	End of the financial year 2017/18
Jan – June 2018	Information from Group Entities (including ALEO's)
20 April 2018	Public Notice for the Public Inspection Period to be issued
8 May 2018	Signing of the unaudited Annual Accounts by the Proper Officer
8 May 2018	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
14 May – 4 June 2017	Public Inspection Period for the unaudited Annual Accounts
28 June 2018	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
28 June 2018	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
30 June 2018	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website
20 July 2018	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
28 September 2018	Deadline for submission of the signed audited Annual Accounts to the Auditor
September 2018	Audit Risk & Scrutiny Committee to consider the Auditor's Annual Report
September 2018	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2018	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
24 December 2018	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

### 3.3 31 March 2018

Transactions relating to goods and services received or provided by the Council by 31 March 2018 should be recorded in the 2017/18 financial year. To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, and meetings between accounting staff and budget

holders.

3.4 January 2018 – June 2018

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

3.5 20 April 2018, 14 May 2018 – 4 June 2018

The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. The latest date by which the public inspection can start is 1 July and a public notice must be issued by 17 June, giving at least 14 days' notice before the start of the inspection period. As the deadlines for preparation of the Annual Accounts are earlier this year, they are well within these dates.

3.6 8 May 2018

The Local Authority Accounts (Scotland) Regulations 2014 only requires the unaudited Annual Accounts to be signed by the Proper Officer (Head of Finance) prior to submission to the Auditor.

3.6.1 The Audit, Risk and Scrutiny Committee will receive the unaudited Annual Accounts 2017/18, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. As the body charged with governance it allows you the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

3.7 14 May 2018

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.

3.8 28 June 2018

The Audit, Risk and Scrutiny Committee will receive the audited Annual Accounts for consideration. The Local Authority Accounts (Scotland) Regulations 2014 require that the committee aim to approve these accounts prior to their signature by the Proper Officer, Chief Executive and Council Leader having regard to any report made on the accounts and any advice given by the Proper Officer or the Auditor. The committee will also receive the external auditor's "ISA 260 Report to Members and the Controller of Audit on the 2017/18 audit" providing observations arising from the audit that are

significant and relevant to their responsibility to oversee the financial reporting process for debate and consideration. This report sets out the auditor's responsibilities in relation to the financial audit including forming and expressing an opinion on the financial statements that have been prepared.

3.9 September 2018

The Audit, Risk & Scrutiny Committee will receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2017/18 audit" for debate and consideration. This report sets out the auditor's findings and conclusions from all audit activity undertaken during the year, highlights the significant issues arising from the audit of the financial statements and informs Elected Members of the proposed audit opinion in advance of the accounts being certified.

3.10 31 October 2018

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

3.11 KPMG's "Annual Audit Plan 2018/19" is also presented to this meeting and Elected Members should note that Accounting staff have already engaged with the external audit team as part of planning for the production of the accounts and the audit thereof. This engagement will continue throughout the accounts and audit processes. This will ensure that any issues arising with the accounts are highlighted and dealt with promptly and that information provided to the auditors is relevant, timely and of a suitable standard to enable them to carry out their work efficiently and effectively.

3.12 Local Authority Charities

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

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

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

#### **4. FINANCIAL IMPLICATIONS**

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

## **5. LEGAL IMPLICATIONS**

5.1 There is a statutory requirement for the Council to produce both unaudited and audited Annual accounts within certain timescales and to a high standard.

## **6. MANAGEMENT OF RISK**

6.1 Consideration has been given to financial; employee; customer/citizen; environmental; technological; legal and reputational risk. No risk or impact was identified.

## **7. IMPACT SECTION**

### **Economy**

7.1 There are no direct implications on the economy arising from the recommendations of this report.

### **People**

7.2 A robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience.

### **Place**

7.3 There are no direct implications on the environment arising from the recommendations of this report.

### **Technology**

7.4 There are no direct implications on technology arising from this report.

## **8. BACKGROUND PAPERS**

8.1 None.

## **9. REPORT AUTHOR DETAILS**

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/18/001
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

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

### **2. RECOMMENDATIONS**

- 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 The Internal Audit plan for 2017/18 was approved by this Committee on 23 February 2017. 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. On 26 September 2017, the Committee approved the rescheduling of two audits (PECOS and Fixed Asset Register) from September and November respectively to February 2018 to facilitate this.
- 3.2 On 23 November 2017, the Committee approved the rescheduling of the planned audit of the Craft Workers Payroll to 2018/19 in view of delays in the renegotiation of the Craft Workers Terms and Conditions.
- 3.3 Appendix B to this report shows progress with the audits contained in the plan and a summary is shown in the following table (which incorporates the changes detailed in paragraphs 3.1 and 3.2 above).

Planned Audit Status	As at 9 February 2018 by Original Target Committee Date						%age
	Jun 17	Sep 17	Nov 17	Feb 18	Apr 18	Total	
Complete	3	5	5	6	0	19	65.5
Draft Report Issued	0	0	0	2	0	2	6.9
Work in Progress	0	0	0	2	3	5	17.2
To Start	0	0	0	0	2	2	6.9
Rescheduled to 2018/19	0	0	0	0	1	1	3.5
<b>Total</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>6</b>	<b>29</b>	<b>100.0</b>

3.4 In September and November 2017, the Committee was advised of staffing issues in Internal Audit and the impact that this had had on the availability of completed audits for those meetings of Committee. Internal Audit is now operating at full establishment and progress is being made with recovering the lost time. Progress had been further impacted by delays in Services responding to requests for data and providing responses to draft reports, and the requirement to undertake additional work in relation to European Interreg project grant claims.

#### 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 2017/18 Internal Audit Plan.

**9. REPORT AUTHOR DETAILS**

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## APPENDIX A

### PROGRESS WITH 2017/18 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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#### CROSS SERVICE

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.	Draft report due to be issued	22.12.17	Green	
		Draft report issued	05.01.18		
		Management response due	19.01.18	Green Amber Red Red	
		Management response received:			
		.. Legal and Democratic Services	19.01.18		
		.. Finance	28.01.18		
		.. C&PS	N/A		
.. Economic Development	N/A				
Updated draft issued to Service	09.02.18	Green			
Final draft agreed	16.02.18				
Final Report Issued	16.02.18	Green			
Original target Committee date	22.02.18	Green			
Actual submission to Committee	22.02.18				
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.	Draft report due to be issued	14.03.17	Green	
		Draft report issued			
		Original target Committee date	08.05.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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## 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.	Draft report due to be issued	21.02.18	Green	Delayed due to previously reported staffing issues although this is now well progressed
		Draft report issued	09.02.18		
		Management response due	02.03.18	Green	
		Management response received	N/A		
Original target Committee date	22.02.18	Amber			
		Amended target date	08.05.18	Green	

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.	Draft report due to be issued	TBC	Amber	See below:
		Draft report issued			
		Original target Committee date	22.02.18	Amber	
		Amended target date	08.05.18	Green	

Following commencement of the audit, Internal Audit was advised that one area due to be tested is undertaken as an annual exercise by the end January each year. As at 8 February 2018, this work had not been completed. As this is one of the audits that External Audit plans to take assurance from Internal Audit's work, the testing requires to be undertaken on 2017/18 work. Therefore, completion of the audit has been delayed and the outcome will be reported to Committee in May 2018.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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### CORPORATE GOVERNANCE (continued)

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.	Draft report due to be issued	26.01.18	Green	Delayed due to previously reported staffing issues in Internal Audit and of availability of Finance staff to deal with provision of information, although this is now well progressed
		Draft report issued	26.01.18		
		Management response due	09.02.18	Amber Green	
		Management response received	N/A		
Original target Committee date	22.02.18				
		Amended target date	08.05.18		

YourHR	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	Draft report due to be issued	22.12.17	Green	Final draft issued with some queries to be resolved.
		Draft report issued	10.01.18		
		Management response due	19.01.18	Green	
		Management response received	18.01.18		
		Final draft issued to Service	19.01.18	Green	
		Final draft agreed	01.02.18		
		Final Report Issued	01.02.18	Green	
		Original target Committee date	22.02.18		
		Actual submission to Committee	22.02.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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### CORPORATE GOVERNANCE (continued)

Major IT Business Systems	Ensure that the risk of major IT Business Systems failure is adequately managed.	Draft report due to be issued	16.10.17	Green	Meetings held and further data being provided by Service
		Draft report issued	13.10.17		
		Management response due	30.10.17	Green	
		Management response received	31.10.17		
		Final draft issued to Service	11.12.17	Amber	
		Final draft agreed	20.12.17		
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.	Final Report Issued	21.12.17	Green	
		Original target Committee date	22.02.18		
		Actual submission to Committee	22.02.18	Green	
		Draft report due to be issued	06.12.17	Green	
		Draft report issued	05.12.17		
		Management response due	05.01.18	Green	
Management response received	18.12.17				
Final draft issued to Service	22.12.17	Green			
Final draft agreed	10.01.18				
		Final Report Issued	10.01.18	Green	
		Original target Committee date	22.02.18	Green	
		Actual submission to Committee	22.02.18		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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## EDUCATION AND CHILDREN'S SERVICES

Care of Children and Young People – Community Care (Children's Social Work Payments)	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	Draft report due to be issued	02.08.17	Amber	<i>Availability of service management due to external inspection and then departure of lead auditor.</i>
		Changed to	29.09.17		
		Draft report issued	17.11.17		
		Management response due	15.12.17		
		Management response received (meeting)	30.11.17		
		Updated draft issued to Service	30.11.17		
		Management response received	22.12.17		
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.	Draft report due to be issued	23.11.17	Green	
		Draft report issued	23.11.17		
		Management response due	22.12.17		
		Management response received	07.12.17		
		Final draft issued to Service	08.12.17		
		Final draft agreed	15.12.17		
Final Report Issued	21.12.17	Green			
		Original target Committee date	22.02.18		
		Anticipated submission to Committee	22.02.18		
		Actual submission to Committee	22.02.18	Green	



SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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### EDUCATION AND CHILDREN'S SERVICES (continued)

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.	Draft report due to be issued Draft report issued	23.02.18 Green	
		Original target Committee date	08.05.18 Green	

### COMMUNITIES, HOUSING AND INFRASTRUCTURE

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.	Draft report due to be issued Draft report issued	17.11.17 13.11.17	Green	<i>Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17</i>
		Management response due Management response received	04.12.17 06.12.17	Green	
		Final draft issued to Service Final draft agreed	15.12.17 24.01.18	Amber	
		Final Report Issued	25.01.18	Green	
		Original target Committee date Anticipated Committee date	23.11.17 22.02.18	Amber	
		Actual submission to Committee	22.02.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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### COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

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.	Draft report due to be issued	22.12.17	Green		
		Draft report issued	09.01.18			
		Management response due	19.01.18			Green
		Management response received	15.01.18			
		Updated draft report issued	17.01.18			Green
		Final draft issued to Service	01.02.18			Green
		Final draft agreed	08.02.18			
Final Report Issued	08.02.18	Green				
Original target Committee date	22.02.18	Green				
Actual submission to Committee	22.02.18					
Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	Original target Committee date	08.05.18	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.	Draft report due to be issued	23.02.18	Green		
		Draft report issued				
		Original target Committee date	08.05.18	Green		
Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	08.05.18	Green	Not yet commenced	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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## ADULT SOCIAL CARE

Social Work Payroll	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled.	Draft report due to be issued	22.12.17	Green	<i>Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17</i>
		Draft report issued	22.12.17		
		Management response due	12.01.18	Green	
		Management response received	12.01.18		
		Final draft issued to Service	16.01.18	Green	
Final draft agreed	30.01.18				
Final Report Issued	30.01.18	Green			
Original target Committee date	23.11.17	Amber			
Anticipated submission to Committee	22.02.18				
Actual submission to Committee	22.02.18	Green			
Social Work Financial Assessments	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.	Draft report due to be issued	03.11.17	Amber	<i>Commencement delayed as above and then there were ICT issues regarding access to required information resulting in further delay.</i>
		Changed to	17.11.17		
		Draft report issued	15.11.17	Green	
		Management response due	15.12.17		
		Management response received	15.12.17	Amber	
Final draft issued to Service	16.01.18				
Final draft agreed	09.02.18	Green			
Final Report Issued	09.02.18	Green			
Original target Committee date	23.11.17	Amber			
Anticipated submission to Committee	22.02.18				
Actual submission to Committee	22.02.18				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018	Red Amber Green	Comment where applicable
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### ADULT SOCIAL CARE (continued)

Care Management	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	Draft report due to be issued	28.02.18	Green	Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17
		Original target Committee date Amended target date	22.02.18 08.05.18	Amber	

### 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 the following Interreg Projects as required by Interreg Programme Secretariat: <ul style="list-style-type: none"> <li>• HyTrEc2 (Partner)</li> <li>• HyTrEc2 (Lead Partner)</li> <li>• ACE Retrofitting (Partner)</li> <li>• Heat Net (Partner)</li> <li>• BEGIN (Partner)</li> </ul>	<i>First six-monthly grant claim for ACE Retrofitting certified – August 2017</i> <i>First six-monthly grant claim for Heat Net certified – August 2017</i>  First six-monthly grant claim for HyTrEc2 (Lead Partner) January and February 2018			

SUBJECT / SCOPE	OBJECTIVE	Progress as at 9 February 2018
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## 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.	The report arising from this work will be presented to the ACC IJB Audit and Performance Systems Committee on 13 February 2018 before presentation to the Audit, Risk and Scrutiny Committee in April 2018.
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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
TITLE OF REPORT	Internal Audit Plan 2018/19
REPORT NUMBER	IA/18/003
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2018/19.

### **2. RECOMMENDATION**

- 2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2018/19.

### **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 the approval of the Internal Audit Plan. The proposed plan for 2018/19 is attached as appendix B2 and includes the Aberdeen City Integration Joint Board and North East of Scotland Pension Fund for information. The plan as presented is aligned with the Council's current structure and will be re-aligned to the new structure for future reporting on progress.
- 3.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit regarding the Council's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.
- 3.3 The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

- 3.4 When the shared Internal Audit Service was introduced between Aberdeenshire and Aberdeen City Councils it was planned to have rolling three year plans, with those of both Councils linked as far as possible to improve efficiency and help share best practice. This has not, at present, been possible to achieve. It is, however, proposed that a three year plan will be developed for the Council for the period 2019/20 to 2021/22.
- 3.5 During the planning process, Internal Audit reviewed each Service's approved Risk Register and consulted with the Chief Executive, Service Directors and Heads of Service to ensure that areas which Services consider to be of risk to their business operations were considered for inclusion in the plan. Each of the planned audits have been allocated to a target Committee date. The plan was discussed at CMT on 21 December 2017 and 18 January 2018 where it was confirmed that the main corporate risks were adequately covered by the plan.
- 3.6 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B2). The plan details what Internal Audit expects to be able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified.
- 3.7 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2017/18 was £576,000 and it is anticipated that the budget for 2018/19 will provide for a similar level of resource. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

#### **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. The purpose of this report is to seek approval for the Internal Audit plan.

#### **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 outcomes of a review that the Committee requested Internal Audit undertake. 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 – Internal Audit Plan 2018/19 – Strategy and Risk Assessment.

8.2 Appendix B – Internal Audit Plan 2018/19 including process of development.

## 9. **REPORT AUTHOR DETAILS**

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## **APPENDIX A**

### **INTERNAL AUDIT PLAN 2018/19 STRATEGY AND RISK ASSESSMENT**

This document details the process adopted for developing the Internal Audit plan for 2018/19, which is the same as approved by the Audit, Risk and Scrutiny Committee previously when it considered plans for previous years.

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

Whilst an audit universe has been identified, based on previous work undertaken by Internal Audit in Aberdeenshire and Aberdeen City, to apply scores against various criteria is considered, by Internal Audit, to be too subjective and adds little value to the process.

In developing the plan, consideration was given to the Council's risk registers, the Council's Strategic Priorities, and a listing of previous audits undertaken within both Aberdeenshire and Aberdeen City Councils, and the outcome of these. The Chief Executive, Service Directors and Heads of Service were invited to provide input to the plan to help ensure that the right areas were targeted for review. The detail of this is included in further appendices attached to this report.

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

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

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

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

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

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

**NOTE** – Internal Audit's risk assessment based on evaluation of mitigating controls is based on Internal Audit work undertaken previously.

**Risk:**

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

## **Internal Audit Plan 2018/19**

Having considered the above issues, it has been determined that audits will be developed in the detailed Internal Audit plan to ensure that periodic assurance is provided over the following areas.

- Various aspects of procurement, payroll, and income collection will be reviewed on an annual basis.
- Various aspects of Budget Setting, Monitoring and Management will be covered across all Services on a rolling basis over a three year period.
- The main financial and business systems of the Council (Financial Ledger, Council Tax System, Business Rates, Receivables, Housing Rents, Payroll, Payables, Housing Benefit, Care First, etc) will each be covered once every four to five years.

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

The outcome from all audits will feed into an overall evaluation of the Corporate Governance arrangements and compliance.

## **APPENDIX B**

### **ABERDEEN CITY COUNCIL – INTERNAL AUDIT PLAN 2018/19**

*(incorporating Aberdeen City IJB and NESPF)*

#### **Index**

#### **Appendix**

Planning Process

**B1**

Draft 2018/19 Internal Audit Plan following consultation with Service Management teams and CMT

**B2**

Analysis of Risk Registers

**B3**

# APPENDIX B1

## PROCESS FOLLOWED IN DEVELOPING THE PLAN

Current versions of Risk Registers were obtained and analysed

Request to all Chief Officers for input to plan / invitation to meet with Service Management Teams – 16 October 2017

Internal Audit staff met with:

Aberdeen City Health and Social Care Partnership Executive Team (25 October 2017)

Communities Housing and Infrastructure SMT (31 October 2017)

Education and Children's Service's DLT (7 November 2017)

Corporate Governance SMT (6 December 2017)

Input to planning process received from KPMG (External Audit) 22 November 2017

Developed draft plan for circulation to ECMT on 24 November 2017

Comments on analysis and draft plan required by 11 December 2017

Updated draft of plan submitted to CMT on 21 December 2017

Meeting between Co-Leaders and Chief Internal Auditor held to discuss planning process and content – 10 January 2018.

Plan resubmitted to CMT on 18 January 2018 for agreement

Plan to be submitted to Audit Risk and Scrutiny Committee on 22 February 2018



## **APPENDIX B2**

### **DRAFT 2018/19 INTERNAL AUDIT PLAN FOLLOWING CONSULTATION WITH CMT ON 21.12.17 AND 18.01.18**

**NOTE – BASED ON CURENT COUNCIL STRUCTURE**

## CROSS SERVICE

Area	Scope	Objective	Link to RR	Target AR&SC Date
Transformation	Review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, controls around "lift and shift" of headcount and budget, role of Establishment Control Board, and New Scheme of Governance)	To provide assurance that the Council has appropriate arrangements in place to ensure the success of its transformational aspirations.	Corp001 ECS006/018 CH&I 02/10 CG008/9/10	September 2018
Voluntary Severance / Early Retirement (VSER) Scheme	Voluntary Severance / Early Retirement (VSER)	To provide assurance that the terms of the VSER Scheme are complied with and that payments made / enhancements to pensions are accurate.	N/A	December 2018
Timesheets and Allowances	Timesheets and Allowances paid to Council staff	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	N/A	September 2018
Health and Safety	Health and Safety Arrangements across the Council	To provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council.	Corp002 ECS003 CH&I 4 CG006	February 2019
Compliance with Procurement Legislation and Council Regulations	Procurement across the Council including review of on / off contract spend, contract register, third party spend process (raising of purchase orders)	To provide assurance that the Council has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.	Corp004 ECS007 CG011	December 2018
Prevention of Fraud, Bribery and Corruption	Arrangements in place to prevent fraud, bribery and corruption	To provide assurance that the Council's arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate.	Corp006	February 2019

Area	Scope	Objective	Link to RR	Target AR&SC Date
General Data Protection Regulations	Data Protection – information management and security	To provide assurance that the Council has adequate arrangements in place, that are understood throughout the organisation, to protect the Council's information.	Corp007 CH&I 08 CG005	September 2018
Creditors Payments	Payments made following interface to the Creditors System from Care First, Caps Uniform, TALIS, Total Consilium, Confirm and Tranman	To provide assurance that there are adequate controls around the interface of payment data from named systems to the Creditors System (supporting documentation for and authorisation controls over input data, segregation of duties, accuracy and reconciliation of interfaced data sent and received) and that any associated balance sheet / suspense codes are reconciled on a regular basis.	N/A	June 2018
Digital Booking, Fees and Charges	Council's programme for digitising booking, fees and charges	To provide assurance over the controls around on-line booking and collection of fees and charges	N/A	April 2019

### EDUCATION AND CHILDREN'S SERVICES

Area	Scope	Objective	Link to RR	Target AR&SC Date
Music Centre	Review income, expenditure (procurement and payroll), and inventory	To provide assurance that procedures have been improved following completion of work undertaken by Corporate Investigation Team.	N/A	April 2019
Pupil Equity Fund	Pupil Equity Fund	To provide assurance that schools are spending in accordance with their plans, and that these were developed as required, to close the poverty related attainment gap.	N/A	February 2019
Devolved Education Management	Devolved Education Management Scheme	To provide assurance that the scheme in place is adequate and that the decision making process is appropriate based on delegations in place.	ECS010	September 2018

## COMMUNITIES HOUSING AND INFRASTRUCTURE

Area	Scope	Objective	Link to RR	Target AR&SC Date
i-World	i-World Housing Management System	To provide assurance that appropriate control is being exercised over the i-World system and that interfaces to and from other systems are accurate and properly controlled.	CH&I 03	February 2019
Craft Workers' Terms and Conditions	Craft Workers' Payroll	To provide assurance that new Terms and Conditions have been implemented and are being complied with.	N/A	February 2019
Housing Rent	Impact of Universal Credit on rent collection.	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.	N/A	September 2018
Contract Management	Management of high risk contracts	To focus on recent identified issues:- <ul style="list-style-type: none"> <li>- 3<sup>rd</sup> Don Crossing</li> <li>- Photovoltaic Panels</li> </ul> To include data / intelligence used for monitoring and escalation of risk.	Corp004	April 2019
Interreg Projects	Interreg Projects where Aberdeen City Council is involved as a Lead Partner and / or Project Partner	To certify required grant claims in accordance with Programme Secretariat requirements.  <i>There will be no specific reporting to management and / or Audit Risk and Scrutiny Committee in relation to these grant claims unless a significant issue were identified.</i>	N/A	N/A

## CORPORATE GOVERNANCE

Area	Scope	Objective	Link to RR	Target AR&SC Date
Bond Governance	Bond Trust Deed	To provide assurance that the requirements of the Bond Trust Deed are complied with.	N/A	February 2019
Debtors System	Debtors System	To provide assurance over system controls, documentation supporting invoices raised and debt recovery process.	N/A	September 2018
VAT	VAT	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.	N/A	September 2018
Business Rates	Business Rates	To provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.	N/A	December 2018
Data security in a cloud based environment	Arrangements in place to ensure the ongoing security of systems / data moved to a cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted through the Cloud.	CG005	December 2018
Digital Strategy	Digital Strategy	To provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.	N/A	September 2018

## HEALTH AND SOCIAL CARE PARTNERSHIP

Area	Scope	Objective	Link to RR	Target AR&SC Date
Criminal Justice	Criminal Justice Service	To provide assurance that adequate control is exercised over income and expenditure, that system data is accurate and adequately supported, and that reporting arrangements between the Council and IJB are appropriate.	N/A	April 2019
Charging Policy	Health and Social Care Partnership Charging Policy	To provide assurance that there is a clear charging policy in place and that it is being complied with.	N/A	September 2018
National Care Home Contract	Sustainability	To provide assurance that risk to supply is controlled through adequate monitoring of supply and suppliers and related business continuity plans. (Ref Kingsmead Nursing Home.)	Corp004	December 2018

## GENERAL

Area	Scope	Objective	Link to RR	Target AR&SC Date
Reporting to Audit Risk and Scrutiny Committee	Reporting Internal Audit outputs to Audit Risk and Scrutiny Committee	To report the outcome of Internal Audit assignments to the Audit Risk and Scrutiny Committee	N/A	All
Follow up of Agreed Recommendations	Recommendations agreed in final Internal Audit reports	To provide assurance (as required by the Public Sector Internal Audit Standards) to the Audit Risk and Scrutiny Committee that actions agreed in Internal Audit reports are completed within agreed timescales.	N/A	All
Additional Work and Investigations	Additional Work and Investigations as identified through Internal Audit work, requested by the Audit Risk and Scrutiny Committee, or requested by management	To provide an allocation of time as a contingency in relation to any additional work or investigation requests received. Any such requests may impact on progress with planned work.	N/A	As required

## ABERDEEN CITY INTEGRATION JOINT BOARD

This part of the overall plan relates to the Aberdeen City Integration Joint Board and its content will be agreed with the Aberdeen City Integration Joint Board Audit and Performance Systems Committee in April 2018

Area	Scope	Objective	Link to RR	Target AR&SC Date
Budget Setting, Monitoring and Financial Reporting	IJB Budget Setting, Monitoring and Financial Reporting	To provide assurance that appropriate arrangements are in place regarding IJB budget and financial reporting.	HSCP 2	Following reporting to IJB A&PS Committee
Directions	Directions	To provide assurance that the arrangements in place for issuing Directions, and the Directions themselves, are appropriate, and that adequate procedures are in place for monitoring performance.	N/A	Following reporting to IJB A&PS Committee
New Models of Delivery / Co-location of staff	IJB's arrangements following introduction of new structure from April 2018	To provide assurance over the IJB's arrangements regarding their new structure from April 2018 ensuring that accountability and reporting arrangements are clear, appropriate policies and procedures are in place, and that there is clarity regarding schemes of delegation.	N/A	Following reporting to IJB A&PS Committee

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## NORTH EAST OF SCOTLAND PENSION FUND

This part of the overall plan relates to the North East of Scotland Pension Fund and its content will be agreed with the Pensions Committee in March 2018

Area	Scope	Objective	Link to RR	Target AR&SC Date
Governance arrangements including risk management.	Governance arrangements including risk management.	To provide assurance over the governance arrangements procedures in place including risk management and performance management.	KP1 KP2	Outcome will be reported to the Pensions Committee

# APPENDIX B3

## ANALYSIS OF RISK REGISTERS

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### Key

	<b>No Previous IA Coverage</b>
	<b>Some Previous IA Coverage</b>
	<b>Previous IA Coverage as Detailed</b>
	<b>Proposed Inclusion in IA Plan</b>



## CORPORATE RISK REGISTER

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
Corp001	Our workforce model and ways of working do not meet the requirements of our target operating model	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.	Partially Effective – 4	None	Cross Service review of Workforce Planning. See also ECS006, CH&I 02, CG008 and HSCP 11	CMT 21.12.17: Propose 2019/20. WP been reviewed by external audit and further review would fit better following bedding in of organisational design and new appointment to Chief Officer People and Organisation.
Corp002	Corporate health and safety and corporate landlord responsibilities are breached	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 and the proper delivery of corporate landlord responsibilities.	Fully Effective – 1 Partially Effective – 7	Health and Safety – None – initially included in IA Plan for 2016/17 but rejected by management as other assurance arrangements being sought. September 2017 – IA Report AC1806 “Corporate Landlord Responsibilities”	Cross Service review of Health and Safety arrangements in place. See also ECS003, CH&I 04 and CG006	CMT 21.12.17: Need to co-ordinate assurance work with the H&S function who have recently undertaken a major review and are developing their assurance plans.

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
Corp003	Inadequate levels of assurance that statutory obligations are met and that legislative and policy changes are anticipated or planned for	The Council must be aware of its statutory obligations, ensure that these are met and plan for changes in legislation and policy and ensure that risks to functions and services are managed and opportunities seized.	Fully Effective – 1 Partially Effective – 3	None	Cross Service review to ensure that the Council has appropriate arrangements in place to identify forthcoming changes in government policy, legislation and regulation so that action can be taken to ensure compliance. See also ECS004, CH&I 06 and CG007.	CMT 21.12.17: This is covered by regular reporting to CMT.
Corp004	Poor contract management	An effective and properly maintained contracts register underpins good supplier management and efficient use of resources	Partially Effective – 4	June 2016 – IA Report AC1623 and February 2017 – IA Report AC1717 – both on Council Wide “Compliance with Procurement related Legislation and Financial Regulations”.  April 2016 – IA Report AC1619 “Social Work Tendering”	Cross Service review to ensure compliance with procurement related legislation and internal governance arrangements. See also ECS007 and CG011	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
Corp005	Not adequately planning for emergencies (as defined by the Civil Contingencies Act 2004) which may affect Aberdeen City and/or an incident having a significant adverse effect on the operations of Aberdeen City Council.	The risk could occur through a lack of leadership which results in inadequate planning for and testing for civil contingency events, which results in an inadequate rescue and recovery in the event of a real incident	Fully Effective – 2 Partially Effective – 3	August 2017 – IA Report AC1804 “Business Continuity Planning”	No	CMT 21.12.17: Agreed
Corp006	The Council is exposed to fraud, bribery and corruption	Failure to maintain effective policies, procedures and skills for the identification and investigation of suspected fraud, bribery and corruption, places the Council at risk of financial loss and reputational damage.	Fully Effective – 5 Partially Effective – 4	None	Review of Council’s arrangements for the prevention of fraud, bribery and corruption (to include review of arrangements relating to Whistleblowing)	CMT 21.12.17: Agreed
Corp007	Poor information management and security	Inadequate protection for data held by the Council carries risk for the safety of individuals and the ability of the Council to manage its essential functions and to deliver services	Fully Effective – 4 Partially Effective – 10	September 2016 – IA Report AC1707 “Data Protection”	Review to ensure that the Council’s arrangements for GDPR compliance are adequate. See also CH&I 08 and CG005	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
Corp008	The Council does not appropriately manage its response to the requirements of the National Scottish Child Abuse Inquiry	Need to manage the potential impact of the ongoing Inquiry on the people and place of Aberdeen, taking into account our duty of care to any affected children and their families. The Inquiry may also prompt those affected to seek compensation from the Council. Currently there is no financial allocation funding to cover any claims or risks and insurance cover is unlikely to be relevant/high enough.	Partially Effective – 3	None	Watching brief – no specific review planned	CMT 18.01.18: Agreed

## EDUCATION AND CHILDREN'S SERVICES RISK REGISTER

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS001	Business Continuity Planning is not managed or tested	Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard public services and to protect communities.	Fully Effective – 2 Partially Effective – 6	August 2017 – IA Report AC1804 “Business Continuity Planning”	No	CMT 18.01.18: Agreed
ECS002	Performance management arrangements are not robust	Performance management supports an effective compliance culture and change and continual improvement processes.	Fully Effective – 2 Partially Effective – 2	None	Service specific review examining arrangements for performance management	CMT 21.12.17: 2019/20 at earliest. A new function is being brought together across the Council in 18/19.
ECS003	Non-compliance with health and safety management system	The Council is required by law to safeguard its employees and users and to ensure their wellbeing through effective implementation of the Health and Safety Policy.	Fully Effective – 1 Partially Effective – 2	September 2017 – IA Report AC1804 “Health and Safety – SSERC”	See Corp002 – Cross Service review of Health and Safety arrangements in place.	CMT 21.12.17: Need to co-ordinate assurance work with the H&S function who have recently undertaken a major review and are developing their assurance plans.

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS004	Legislative and policy changes are not anticipated or planned for	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	Fully Effective – 2 Partially Effective – 3	None	See Corp003 – Cross Service review to ensure that the Council has appropriate arrangements in place to identify forthcoming changes in government policy, legislation and regulation so that action can be taken to ensure compliance.	CMT 21.12.17: This is covered by regular reporting to CMT.
ECS005	Appropriate governance of ALEOS is not in place	The Council delivers services for sports and arts through Arms-Length External Organisations and it must ensure that these organisations are delivering the services specified in the contract agreements and that robust governance arrangements are in place within each ALEO	Fully Effective – 1 Partially Effective – 1 Not Effective – 1	February 2016 – IA Report AC1621 “ALEOs” – review of governance arrangements between the Council and its ALEOs, including determination of sources of assurance regarding RM internal controls, and staff and information governance. August 2017 – IA Report 1722 “ALEOs – Management by Services”.	No.. Assurance can be gained from previous work and recent changes being proposed.	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS006	Service delivery is hindered by staff recruitment and retention issues	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas. With high staff vacancies the pace of change may be slowed and more pressure put on the staff in post.	Fully Effective – 2	November 2015 – IA Report AC1601 – Council wide “Recruitment and Selection”	See Corp001 – Cross Service review of Workforce Planning	CMT 21.12.17: Propose 2019/20. WP been reviewed by external audit and further review would fit better following bedding in of organisational design and new appointment to Chief Officer People and Organisation.
ECS007	Poor contract management	An effective and properly maintained contracts register underpins good supplier management and efficient use of resources.	Fully Effective – 1 Partially Effective – 4	June 2016 – IA Report AC1623 and February 2017 – IA Report AC1717 – both on Council Wide “Compliance with Procurement related Legislation and Financial Regulations”.  April 2016 – IA Report AC1619 “Social Work Tendering”	See Corp004 – Cross Service review to ensure compliance with procurement related legislation and internal governance arrangements	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS008	Growing demographic demands result in service delivery pressures	ECS services are increasingly delivering to a greater number of looked after and accommodated children and to a greater number of school aged pupils.	Fully Effective – 4 Partially Effective – 1	None – although, Internal Audit has a planned 2017/18 review of Pre-School Commissioned Places which is looking at the areas of concern.	No	CMT 18.01.18: Agreed
ECS009	Physical condition of the ECS Estate is insufficient to meet service delivery demands	The ECS estate is unable to provide a platform from which effective service delivery can be maintained.	Fully Effective – 5	None	No.	CMT 18.01.18: Agreed
ECS010	Financial planning is not robust	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources. Robust financial planning is essential to ensure that high class services are delivered to the citizens of Aberdeen.	Fully Effective – 3 Partially Effective – 1	May 2017 – IA Report AC1719 “Revenue Budget Setting” “Partially Effective” control relates to DEM Scheme	Review of DEM Scheme to ensure that it complies with requirements and that decisions made are appropriate based on delegations in place.	CMT 18.01.18: Agreed



Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS011	Major SEEMiS and / or CareFirst systems failure	Secure, well-functioning IT systems are critical to carrying out statutory Education and Children's Social Work functions.	Fully Effective – 6 Partially Effective – 2	November 2016 – IA Report AC1709 "Care First System"  October 2017 – Draft IA Report AC1810 "Major IT Business Systems"  SEEMiS	No	CMT 18.01.18: Agreed
ECS012	Failure of partnership working with key stakeholders to deliver for children and young people	To ensure an effective delivery of the GIRFEC agenda, agencies must work together to deliver the best life and educational outcomes for children and young people.	Fully Effective – 4	None	No.	CMT 21.12.17: Agreed
ECS013	Failure to implement 'Reclaiming Social Work.'	Reclaiming Social Work aims to deliver earlier interventions for children and young people based on a community model.	Fully Effective – 3 Partially Effective – 1	None	Review of progress with Reclaiming Social Work	Potential to include this in 2019/20 to gauge effectiveness of proposals being implemented.

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS014	Failure to deliver the implementation of the Inclusion Review	The implementation of the Inclusion Review will lead to pupils being educated in their local schools with the introduction of supports. It will appropriately support the Council to reduce the need for young people to be educated in out of authority placements.	Fully Effective – 4 Partially Effective – 2	2017/18 IA Plan includes a review of Out of Authority Placements with the objective of reviewing progress with implementing the Inclusion Review. Due to be reported to the AR&S Committee in April 2018.	No	CMT 21.12.17: Agreed
ECS015	Failure to deliver statutory obligations for early learning and childcare	Local authorities are required to deliver 600 hours per year of early learning and childcare for all 3 & 4 year olds and 27% of eligible 2 year olds and by 2020 this will increase to 1,140 per year by 2020.	Fully Effective – 3 Partially Effective – 1	2016/17 IA Plan includes a review of Pre-School Commissioned Places which will 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	No	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	ECS Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
ECS016	Fundraising for the Aberdeen Art Gallery refurbishment and extension does not meet the previously agreed target of £10 million	The Council is committed to refurbishing and extending the Aberdeen Art Gallery, with funding from 3 equal sources – Council capital programme, heritage Lottery Fund and public fundraising. The risk is that public fundraising does not meet the agreed £10 million target.	Fully Effective – 3 Partially Effective – 1	None	No	CMT 21.12.17: Agreed
ECS017	Unaccompanied Asylum Seeking Children	The Council is preparing for the anticipated arrival of a number of UASC in Aberdeen following a planned change to Scottish legislation and their dispersal from accommodation sites in England.	Fully Effective – 2	None	No	CMT 21.12.17: Agreed
ECS018	Council Transformation	None	Fully Effective – 1 Not Effective - 1	None	Internal Audit proposal to undertake a review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, etc)	CMT 21.12.17: Agreed

## COMMUNITIES HOUSING AND INFRASTRUCTURE

Risk No.	Risk	Definition	CH&I Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CH&I 01	Business Continuity Planning is ineffective or uncoordinated	Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard services and to protect communities.	Fully Effective – 1 Partially Effective – 3 Not Effective – 1	August 2017 – IA Report AC1804 “Business Continuity Planning”	No	CMT 21.12.17: Agreed
CH&I 02	Workforce planning is ineffective	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.	Partially Effective – 2 Not Effective – 3	None	See Corp001 – Cross Service review of Workforce Planning	CMT 21.12.17: Propose 2019/20. WP been reviewed by external audit and further review would fit better following bedding in of organisational design and new appointment to Chief Officer People and Organisation.
CH&I 03	Major IT business systems failure: i-World, Consilium, Confirm, Tranman, Uniform, Flare	Secure, well-functioning business systems are critical to carrying out statutory functions, providing essential services and ensuring legal compliance.	Fully Effective – 4 Partially Effective – 3	October 2017 – Draft IA Report AC1810 “Major IT Business Systems”  No specific review of individual systems detailed to date.	Propose a review of i-World – Housing Management System	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	CH&I Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CH&I 04	Poor health, safety and wellbeing safeguards for employees and service users	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.	Fully Effective – 1 Partially Effective – 3	None – initially included in IA Plan for 2016/17 but rejected by management as others assurance arrangements being sought.	See Corp002 – Cross Service review of Health and Safety arrangements in place.	CMT 18.01.18: Agreed
CH&I 05	Poor performance management structures	<i>None detailed in risk register</i>	Partially Effective – 6	None	Service specific review examining arrangements for performance management	CMT 21.12.17: 2019/20 at earliest. A new function is being brought together across the Council in 18/19.
CH&I 06	Legislative and policy changes are not anticipated or planned for	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.	Fully Effective – 1 Partially Effective – 4	None	See Corp003 – Cross Service review to ensure that the Council has appropriate arrangements in place to identify forthcoming changes in government policy, legislation and regulation so that action can be taken to ensure compliance.	CMT 21.12.17: This is covered by regular reporting to CMT.
CH&I 07	Strategic and Directorate Business Plan commitments are not delivered	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	Partially Effective – 7	None	See CH&I 05 – Service specific review examining arrangements for performance management	CMT 21.12.17: 2019/20 at earliest. A new function is being brought together across the Council in 18/19.

Risk No.	Risk	Definition	CH&I Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CH&I 08	Data security is breached.	Failure to maintain effective data security arrangements leads to serious financial and reputational damage as well as placing others at harm.	Fully Effective – 4	September 2016 – IA Report AC1707 “Data Protection”	See Corp007 – Review of Council’s arrangements to ensure that the Council’s arrangements for GDPR compliance are adequate.	CMT 21.12.17: Agreed
CH&I 09	Processes to manage and benefit from the effects of severe weather and climate change are not effective.	The Council is required to comply with key legislative requirements, including Public Bodies (Scotland) Climate Change Act (2009).	Fully Effective – 1 Partially Effective – 2 Not Effective – 3	None	No	CMT 21.12.17: Agreed
CH&I 10	Poor employee engagement levels	Internal and external influences on the management of change in the delivery of services and core functions may impact negatively on workforce morale	Fully Effective – 11 Partially Effective – 13	None	Internal Audit proposal to undertake a review of the Council’s progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, etc)	CMT 21.12.17: Agreed
CH&I 11	Non-compliance with statutory requirements in relation to Corporate Landlord Role	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.	Fully Effective – 11 Partially Effective – 2	September 2017 – IA Report AC1806 “Corporate Landlord Responsibilities”	No	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	CH&I Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CH&I 12	Management failures / slippage in the delivery of capital projects / failure to secure and or retain funding from external sources impacts negatively on the Council's financial stewardship	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	Fully Effective – 3 Partially Effective – 5 Not Effective – 1	2017/18 IA Plan includes a review of Capital Plan including mechanisms for setting, progressing and monitoring the plan. Due to be reported to the AR&S Committee in April 2018.	No	CMT 21.12.17: Agreed
CH&I 13	Capital Programme is not managed effectively	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources	Fully Effective – 4 Partially Effective – 3 Not Effective – 1		No	CMT 21.12.17: Agreed
CH&I 14	Not effectively communicating and engaging with Customers	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	Partially Effective – 5 Not Effective – 1	None	No	CMT 21.12.17: Agreed

<b>Risk No.</b>	<b>Risk</b>	<b>Definition</b>	<b>CH&amp;I Control Effectiveness Assessment</b>	<b>Previous Internal Audit Coverage</b>	<b>Proposed Inclusion in 2018/19 Internal Audit Plan</b>	<b>Management Comment</b>
CH&I 15	Poor financial management and financial decision making	The Council must comply with requirements of good financial stewardship	Fully Effective – 3 Partially Effective – 1	Various audits covering Budget Setting, Budget Monitoring, Capital Plan.	No	CMT 21.12.17: Agreed
CH&I 16	Governance of the operation and management of AECC Ltd. is inadequate to minimise risk posed to the Council	The operation of ALEOS in carrying out services or functions devolved by the Council poses risks for the Council.	Fully Effective – 3 Partially Effective – 2	See ECS005	No	CMT 21.12.17: Agreed
CH&I 17	Governance of the operation and management of Aberdeen Heat and Power Ltd is adequate to minimise risk posed to the Council	The operation of ALEOS in carrying out services or functions devolved by the Council poses risks to the Council	Fully Effective – 11 Partially Effective – 5 Not Effective – 2		No	CMT 21.12.17: Agreed



Risk No.	Risk	Definition	CH&I Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
"Corp 10"	Full occupancy of the Marischal Square scheme, impacting the financial and reputational status of ACC, is not achieved	The risk reflects the high importance of maximising occupancy rates of retail, office and hotel accommodation in order to realise all of the full range of outcomes that were anticipated from the development including the mitigation of financial and reputational impacts and delivery of city centre regeneration objectives.	No management assessment	None	No	CMT 21.12.17: Agreed

## CORPORATE GOVERNANCE

Risk No.	Risk	Definition	CG Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CG001	Business Continuity Planning is not managed or tested	Effective and robust Business Continuity Planning and Disaster Recovery arrangements are essential to safeguard public services and to protect communities	Fully Effective – 3 Partially Effective – 2 Not Effective – 1	August 2017 – IA Report AC1804 “Business Continuity Planning”	No	CMT 21.12.17: Agreed
CG002	Poor performance management structures	Performance management supports an effective compliance culture and change and improvement processes	Fully Effective – 5 Partially Effective – 1	None	Service specific review examining arrangements for performance management	CMT 21.12.17: 2019/20 at earliest. A new function is being brought together across the Council in 18/19.
CG003	<i>None</i>	N/A	N/A	N/A	N/A	N/A
CG004	Poor financial compliance	The Council is bound to comply with financial stewardship requirements	Fully Effective – 3 Partially Effective – 1	Various audits undertaken that relate to compliance with financial stewardship	No	CMT 21.12.17: Agreed
CG005	Inadequate information and data management	The Council is required by law to evidence that appropriate management of its information and Data protection legislation binds the Council to hold data securely and only for the purpose it was collected.	Fully Effective – 3 Partially Effective – 1	August 2016 – IA Report AC1710 “Public Records (Scotland) Act”.  September 2016 – IA Report AC1707 “Data Protection”.	See Corp007 – Review of Council’s arrangements to ensure that the Council’s arrangements for GDPR compliance are adequate.	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	CG Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CG006	Non-compliance with health and safety management system	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.	Fully Effective – 1 Partially Effective – 6	None – initially included in IA Plan for 2016/17 but rejected by management as other assurance arrangements being sought.	See Corp002 – Cross Service review of Health and Safety arrangements in place.	CMT 21.12.17: Agreed
CG007	Legislative and policy changes are not anticipated or planned for	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.	Fully Effective – 3 Partially Effective – 2	None	See Corp003 – Cross Service review to ensure that the Council has appropriate arrangements in place to identify forthcoming changes in government policy, legislation and regulation so that action can be taken to ensure compliance.	CMT 21.12.17: This is covered by regular reporting to CMT.
CG008	Workforce planning is ineffective	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas.	Fully Effective – 1 Partially Effective – 5	None	See Corp001 – Cross Service review of Workforce Planning	CMT 21.12.17: Propose 2019/20. WP been reviewed by external audit and further review would fit better following bedding in of organisational design and new appointment to Chief Officer People and Organisation.

Risk No.	Risk	Definition	CG Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CG009	Poor employee engagement levels	Internal and external influences on the management of change in the delivery of services and core functions may impact negatively on workforce morale.	Partially Effective – 5	None	Internal Audit proposal to undertake a review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, etc)	CMT 21.12.17: Agreed
CG010	Change is not delivered or managed effectively	The Council is committed to a culture where transformation, innovation and improvement are forefront in delivering services in a constantly changing environment.	Partially Effective – 5	None	Internal Audit proposal to undertake a review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, etc)	CMT 21.12.17: Agreed
CG011	Poor contract management	An effective and properly maintained contracts register underpins good supplier management and efficient use of resources	Fully Effective – 1 Partially Effective – 4	June 2016 – IA Report AC1623 and February 2017 – IA Report AC1717 – both on Council Wide "Compliance with Procurement related Legislation and Financial Regulations".  April 2016 – IA Report AC1619 "Social Work Tendering"	See Corp004 – Cross Service review to ensure compliance with procurement related legislation and internal governance arrangements	CMT 21.12.17: Agreed

Risk No.	Risk	Definition	CG Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
CG012	Strategic and Directorate Business Plan commitments are not delivered	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.	Partially Effective – 7	None	See CG002 – Service specific review examining arrangements for performance management	CMT 21.12.17: 2019/20 at earliest. A new function is being brought together across the Council in 18/19.
CG013	Financial resources are not managed effectively	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources	Fully Effective – 3 Partially Effective – 5	November 2016 – IA Report AC1610 “Revenue Budget Monitoring”. May 2017 – IA Report AC1719 “Revenue Budget Setting”.	No	CMT 21.12.17: Agreed
CG014	Major IT business systems failure	Secure, well-functioning business systems are critical to carrying out statutory functions, providing essential services and ensuring legal compliance.	Partially Effective – 8	October 2017 – Draft IA Report AC1810 “Major IT Business Systems”	No	CMT 21.12.17: Agreed
CG015	Legal challenge over Non-Domestic Rates charges for unoccupied premises	<i>None detailed in risk register</i>	<i>No controls or control effectiveness assessment detailed in risk register</i>	None	Proposed review of Business Rates	CMT 21.12.17: Agreed
CG016	Inadequate planning for civil contingencies	<i>None detailed in risk register</i>	<i>No controls or control effectiveness assessment detailed in risk register</i>	August 2017 – IA Report AC1804 “Business Continuity Planning”	No	CMT 21.12.17: Agreed

# INTEGRATION JOINT BOARD / HEALTH AND SOCIAL CARE PARTNERSHIP

Risk No.	Risk	Definition	H&SCP Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
HSCP1	Significant market failure in Aberdeen City	Relates to the failure of providers in the third and independent sectors.	High Risk <i>Ref. potential market failure, commissioning plan and legislative risks.</i>	April 2016 – IA Report AC1619 “Social Work Tendering”	No.	CMT 18.01.18: Agreed
HSCP 2	Financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.	Relates to financial failure of the IJB.	High Risk <i>Ref. budget setting and monitoring. Current overspends / pressures, and recovery plans</i>	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of budget monitoring.  May 2017 – IA Report AC1719 “Revenue Budget Setting” for the Council.  July 2017 – PWC Report “HSCI Budget Setting and Staff Governance”	Review of IJB budget setting, monitoring and financial reporting arrangements.	CMT 18.01.18: Agreed
HSCP 3	Failure of the IJB to function, make decisions in a timely manner, etc.	Relates to the failure of the IJB to function.	Medium Risk <i>Refs review of standing orders (scheme of delegation) and recruitment of senior officers.</i>	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of governance.	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	H&SCP Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
HSCP 4	That outcomes expected from hosted services are not delivered and that the IJB does not identify non-performance through its systems.	Relates to services that Aberdeen IJB hosts on behalf of Moray and Aberdeenshire, and those hosted by those IJBs and delivered on behalf of Aberdeen City	Medium Risk <i>Refs governance arrangements across all 3 HSCP's, largely via NHSG.</i>	None	No	CMT 18.01.18: Agreed
HSCP 5	Governance arrangements between the IJB and its partner organisations (ACC and NHSG) are not robust enough to provide necessary assurance within the current framework – leading to duplication of effort and poor relationships.	Relates to cross-body reporting arrangements.	Medium Risk <i>States continuing to evolve.</i>	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of governance and reporting.	No.	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	H&SCP Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
HSCP 6	Services provided by ACC and NHS corporate services on behalf of the IJB do not have the capacity, are not able to work at the pace of the IJB's ambitions, or do not perform their function as required by the IJB to enable it to fulfil its functions.	Support from e.g. Finance, Legal etc might not have capacity to serve the HSCP to the full extent required to meet the changes it's trying to implement.	Medium Risk	N/A  Partly covered by audits of these services e.g. budget setting, budget monitoring, payroll, tendering etc.	No.	CMT 18.01.18: Agreed
HSCP 7	The IJB and the services that it directs and has operational oversight of fail to meet performance standards or outcomes as set by regulatory bodies.	Performance standards and regulatory / inspection compliance.	Medium risk. <i>Clinical and care governance committee and groups, being tested by GGI.</i>	None	Review of IJB arrangements for issuing Directions and monitoring of performance.	CMT 18.01.18: Agreed



Risk No.	Risk	Definition	H&SCP Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
HSCP 8	Reputational damage to the IJB and its partner organisations resulting from the complexity of function, delegation and delivery of services across health and social care.	Seems to refer to potential for confusion over who delivers what and how.	High risk	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of governance and reporting.	No.	CMT 18.01.18: Agreed
HSCP 9	Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.	Managing the transition from Council and NHSG to IJB services, including transformation agenda and projects.	High risk.	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of governance and reporting.  Current (WIP) – IA Report AC1807 “Transformational Funding”	No	CMT 18.01.18: Agreed
HSCP 10	The IJB does not maximise the opportunities offered by locality working.	Development of locality based services, management and reporting as per legislation.	Medium Risk.	September 2017 – IA Report AC1724 “Post Integration Review” – covered elements of governance and reporting.	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	H&SCP Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
HSCP 11	Workforce planning across the Partnership is not sophisticated enough to maintain future service delivery.	Plans for maintaining or adjusting the staffing complement and workforce profile (e.g. skillset, capacity, likely changes)	Medium Risk	None	See Corp001 – ACC Cross Service review of Workforce Planning	CMT 18.01.18: Agreed

## NORTH EAST OF SCOTLAND PENSION FUND

Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
<b>Key Priorities</b>						
KP1	Lack of effective risk management	Failure to identify and respond to risks with the potential to impact on our ability to achieve our objectives	Medium risk. Regular review	None	Proposed review of Governance Arrangements including Risk Management and Performance Management	CMT 18.01.18: Agreed
KP2	Poor Governance	Failure to ensure the Fund has in place a sound organisational framework, identifies responsibilities, manages its systems and processes and support the Council's culture and values	Low risk. Annual review and new f/w from April15	AC1725 Pension Fund Payroll October 2017;  AC1620 Pensions Investment Strategy & Management May 2016.	Proposed review of Governance Arrangements including Risk Management and Performance Management	CMT 18.01.18: Agreed
KP3	Lack of performance measures	Failure to measure how successful we are at delivering the Pension Fund Business Plan priorities and achieving improved outcomes for our scheme members	Medium risk. Statutory and local PI's being reported.	Looked at partly in AC1620 Pensions Investment Strategy & Management May 2016 (reporting of fund managers' performance)	Proposed review of Governance Arrangements including Risk Management and Performance Management	CMT 18.01.18: Agreed
KP4	Actuarial valuation – market volatility	Increase in employer contributions to meet unfunded position	Low risk. Valuations interim and final. 2017 tbc	None	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
KP5	GMP Equalisation	Failure to ensure that future member benefits are calculated correctly. Audit criticism and financial loss to the Fund	Low risk. Staff appointed to do this.	None	No	CMT 18.01.18: Agreed
KP6	Annual Review of workings of Pension Board and Pension Committee	Failure to ensure effective joint working of the Pension Board and Pension Committee, not compliant with Scheme Regs and Pension Regulator requirements	Low risk. Currently being reviewed by SPPA.	None	No – current review by SPPA	CMT 18.01.18: Agreed
KP7	New Global Custody Services	Failure to manage transition between old and new custodial arrangements. Financial loss through delay in service or errors in data	Medium risk. Has its own plan and risk register, regular reporting to Cttee.	None	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
<b>Pensions Regulator Requirements</b>						
PR1	Pension Administration system failure	Staff downtime, loss of service delivery	Low risk Externally hosted and backed up	2017/18 review of Pension Systems	No	CMT 18.01.18: Agreed
PR2	Unable to access workplace	Staff downtime, loss of service delivery	Medium risk. Council's disaster recovery policy.	August 2017 – IA Report AC1804 "Business Continuity Planning"	No	CMT 18.01.18: Agreed
PR3	Overpayment of pension benefits	Audit criticism, legal challenge, reputational risk	Low risk. Supervisory and segregation controls	AC1725 Pension Fund Payroll October 2017;	No	CMT 18.01.18: Agreed
PR4	Failure to maintain member records and comply with regulations	Incorrect pension payments, incorrect assessment of actuarial liabilities	Low risk. Regular checks of employers' data	AC1725 Pension Fund Payroll October 2017;	No	CMT 18.01.18: Agreed
PR5	Failure to carry out effective member tracing	Incorrect pension payments, incorrect assessment of actuarial liabilities	Low risk. ATMOS tracing system	AC1725 Pension Fund Payroll October 2017;	No	CMT 18.01.18: Agreed
PR6	Fraud/Negligence	Overpayment, unauthorised payments, system corruption, audit criticism, reputational damage	Low risk. Supervisory and segregation controls	AC1725 Pension Fund Payroll October 2017;	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
PR7	Failure to recruit and develop staff	Reduction in service delivery, poor operation of risk management controls	Medium risk. New structure 2016, training 2017	None	Proposed review of ACC workforce planning could cover this area.	CMT 18.01.18: Agreed
PR8	Fund's investments fail to deliver returns in line with anticipated returns required to meet the valuation of the long term liabilities	Increase in employer contributions	Medium risk. Regular updates and reviews to committee	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR9	Fall in bond yields, leading to risk in value placed on liabilities	Increase in employer contributions	Medium risk. Regular updates and reviews to committee	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR10	Pay and price inflation valuation assumptions either higher or lower	Increase in employer contributions	Low risk.	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR11	Longevity issues	Increase in employer contributions	Low risk. Actuarial assessments 3 yearly. Mentions 'strategy review to consider matching liabilities'	None	No	CMT 18.01.18: Agreed

Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
PR12	Employers leaving scheme/closing to new members due to cost	Residual liabilities could fall to other scheme employers	Medium risk. Monitoring and seeking 'guarantors'	None	No	CMT 18.01.18: Agreed
PR13	Failure to recover unfunded payments from employers, cross subsidy by other employers	Residual liabilities could fall to other scheme employers	Medium risk. Escalation process in place.	None	No	CMT 18.01.18: Agreed
PR14	Failure of world stock markets	Increase in employer contribution rates	Medium risk. Diversification and review.	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR15	Early retirement strategies by scheme employers	Pressure on cash flow	Medium. Engagement with employers	None	No – although proposed work on ACC VSER Scheme will cover this.	CMT 18.01.18: Agreed
PR16	Negligence, fraud, default by investment managers	Loss of value of the Fund, reputational damage	Low risk. Contract managed and 'audit' notices.	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed

<b>Risk No.</b>	<b>Risk</b>	<b>Definition</b>	<b>NESPF Assessment of Risk</b>	<b>Previous Internal Audit Coverage</b>	<b>Proposed Inclusion in 2018/19 Internal Audit Plan</b>	<b>Management Comment</b>
PR17	Failure of Global Custodian	Loss of investments or control of investment	Low risk. Contract managed and 'audit' notices.	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR18	Failure to monitor investment managers and assets	Audit criticism, legal challenge, reputational risk	Medium risk. Regular review and reporting	AC1620 Pensions Investment Strategy & Management May 2016.	No	CMT 18.01.18: Agreed
PR19	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding regulations	Audit criticism, legal challenge, reputational risk, financial loss/financial penalties	Medium risk. Subject to 6 monthly compliance review	None	Proposed review of Governance Arrangements including Risk Management and Performance Management	CMT 18.01.18: Agreed
PR20	Investment options restricted by introduction of European Directive MiFIDII	Legal challenge, financial loss, increase in costs	Medium risk. Engagement, awareness and training	None	No	CMT 18.01.18: Agreed



Risk No.	Risk	Definition	NESPF Assessment of Risk	Previous Internal Audit Coverage	Proposed Inclusion in 2018/19 Internal Audit Plan	Management Comment
PR21	Potential risks and conflicts of interest between ACC and NESPF	Audit criticism, legal challenge, reputational risk	Medium risk. Regular meetings and register maintained.	None	Include testing in proposed review of Governance Arrangements (see risk KP2)	CMT 18.01.18: Agreed
PR22	Breach of Data Protection –theft or loss of data	Audit criticism, legal challenge, reputational risk	Low risk.	September 2016 – IA Report AC1707 “Data Protection” relating to ACC procedures which cover NESPF – staff have to complete ACC training.	See Corp007 – Review of Council’s arrangements to ensure that the Council’s arrangements for GDPR compliance are adequate.	CMT 18.01.18: Agreed
PR23	Failure to comply with FOI requests	Audit criticism, legal challenge, reputational risk	Low risk.	None – although Audit Risk and Scrutiny Committee has requested that IA review elements of FOI and report back to Committee.	No	CMT 18.01.18: Agreed
PR24	Failure to meet annual audit deadlines	Audit criticism, legal challenge, reputational risk	Low risk.	None	No. This would be picked up by external audit.	CMT 18.01.18: Agreed
PR25	Failure to monitor AVC arrangements	Audit criticism, legal challenge, reputational risk	Low risk. Annual review and some changes to be made.	None	No	CMT 18.01.18: Agreed
PR26	Failure to monitor employer covenants	Residual liabilities could fall to other scheme employers	Medium risk. Ongoing discussions	None	No	CMT 18.01.18: Agreed

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# Aberdeen City Council

Audit strategy

Year ending 31 March 2018

For audit, risk and scrutiny committee consideration on 22 February 2018

9 February 2018

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## **About this report**

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

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

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

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

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

## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to Aberdeen City Council, telephone 0131 527 6673 email: [andrew.shaw@kpmg.co.uk](mailto:andrew.shaw@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, 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 6682 or email to [hugh.harvie@kpmg.co.uk](mailto:hugh.harvie@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 Fiona Kordiak, Audit Scotland, 4<sup>th</sup> Floor, 102 West Port, Edinburgh, EH3 9DN.

# Introduction

2017-18 is the second year of our external audit appointment to Aberdeen City Council (“the Council”), having been appointed by the Accounts Commission as auditor of the Council under the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2020-21, inclusive. Our appointment includes the audit of the Aberdeen City Council Charitable Trusts.

## Our planned work in 2017-18 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
  - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Council Accounting in the United Kingdom (“the 2017-18 Code”) of the state of the affairs of the Council as at 31 March 2018 and of the income and expenditure of the Council for the year then ended; and
  - have been prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2017-18 Code, the requirements of the Local Government (Scotland) Act 1973, the Local Council Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- participation in the shared risk assessment as part of the local area network;
- completion of returns to Audit Scotland and grant claims;
- a review and assessment of the Council's governance arrangements and review of the governance statement;
- a review of National Fraud Initiative arrangements;
- a review of arrangements for preparing and publishing statutory performance information; and
- contributing to the audit of wider scope and Best Value through performance of risk assessed work.

## Adding value

Throughout the audit, we will consider opportunities to add value and will conclude on this in our annual audit report. We add value through:

- our experience, which brings insight and challenge;
- our tools and approach, which contribute to a world class audit; and
- transparency and efficiency, which improves value for money.

## Our team

The senior team involved in the external audit benefits from continuity in engagement leader and has significant experience in the audit of local authorities. The team is supported by specialists, all of whom work with a variety of local government and public sector bodies. All members of the team are part of our wider local government network. The senior members of the audit team are set out below and relevant contact details are provided on the back page of this report. Due to the Council's status as an EU Public Interest Entity (“EU-PIE”), we are also required to include an engagement quality control reviewer.



**Andy Shaw**  
Engagement leader – Audit director



**Michael Wilkie**  
Senior Manager

Our work will be completed in four phases from December 2017 to September 2018. Our key deliverables are this audit strategy document, an interim report, ISA 260 report and annual audit report.

## Acknowledgements

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

# Headlines



## Materiality

Group materiality for planning purposes is based on last year's expenditure and is set at £8.78 million, which equates to 1% of gross cost of services expenditure. We will review the level of materiality on receipt of draft accounts for 2017-18.

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

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## Audit risks

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

- management override of controls fraud risk (assumed risk per ISA 240);
- fraud risk from revenue recognition (assumed risk per ISA 240);
- retirement benefits;
- revaluation of property, plant and equipment; and
- capital expenditure.

The last two items are those we consider to have the greatest effect on the overall audit strategy, the allocation of resources in the audit and on directing the efforts of the engagement team. We anticipate reporting on these areas in our financial statements annual audit opinion.

The risks with less likelihood of giving rise to a material error but which is nevertheless worthy of audit understanding relate to "faster accounts close".

Pages seven to 12



## £ Financial statement audit

Our financial statements audit work follows a four stage audit process which is identified below. **Appendix three** provides more detail on the activities that this includes. This report concentrates on the audit planning stage of the financial statements audit.



There are no significant changes to the Code of Practice on Local Council Accounting ("the Code") in 2017-18, which means for this year there is consistency in terms of accounting standards the Council needs to comply.



## Wider scope

Auditors are required to assess and provide conclusions in the annual audit report in respect of four wider scope dimensions:

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

We test wider scope areas where there are identified risks. We consider that there are wider scope risks in respect of the implementation of the Target Operating Model and implementation of the changes arising from the governance review. We have not identified wider scope financial statement level risks, although have included "faster accounts close" as an audit focus area as noted opposite.

Pages 15 to 21

# Headlines (continued)

## Best Value

In June 2016, the Accounts Commission formally agreed the overall framework for the approach to auditing Best Value in councils. The framework introduced a five year approach to Best Value. 2017-18 represents year two of the Best Value plan for the Council during which we will consider Improvement and Leadership.

**Pages 15 to 21** provide more detail on our work over Best Value and wider scope areas.

## Subsidiaries

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

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

To support our audit work on the Council's group accounts, we seek to place reliance on the work of firm which is the auditor to the Bon Accord entities. We will liaise with it in order to confirm that its programme of work is adequate for our purposes and they satisfy professional requirements. KPMG is auditor to Aberdeen City Council Common Good Fund and Aberdeen City Health and Social Care Partnership.

## Appendix seven

## Independence

In accordance with ISA 260 'Communication of audit matters with those charged with governance' and the APB Ethical Standards, we are required to communicate to you all relationships between KPMG and the Group that may be reasonably thought to have bearing on our independence both:

- at the planning stage; and

- whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.

**Appendix two** contains our confirmation of independence and any other matters relevant to our independence.

Total fees charged by us for the period ended 31 March 2017 were communicated in our Annual Audit Report issued in September 2017. Total fees for 2017-18 will be presented in our Annual Audit Report issued on completion of the audit. The proposed audit fee for 2017-18 will be discussed with management.

## Quality

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

Our Audit Quality Framework and KPMG Audit Manual comply with ISQC1. Our UK Senior Partner has ultimate responsibility for quality control. Operational responsibility is delegated to our Head of Quality & Risk who sets overall risk management and quality control policies. These are cascaded through our Head of Audit in Scotland and ultimately to Andy Shaw as the Director leading delivery of services to the Council.

The nature of our services is such that we are subject to internal and external quality reviews. KPMG's annual financial statements include our transparency report which summarises the results of various quality reviews conducted over the course of each year.

We also provide Audit Scotland with details of how we comply with ISQC1 and an annual summary of our achievement of KPIs and quality results.

We welcome your comments or feedback related to this strategy and our service overall.

# Financial statements audit planning

## Materiality

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

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

For the Council, materiality for planning purposes has been set at £8.78 million for the Council's standalone accounts, and at £8.99 million for the group accounts, which in both cases equates to 1% percent of gross expenditure. We adjust gross expenditure for plant and property impairments, to 'smooth' the impact of these movements. We take a five year rolling average of revaluation movements into our materiality calculations. We also remove the Integration Joint Board expenditure from the calculation, as income and expenditure is grossed up for presentational purposes within the consolidated income and expenditure account.

We design our procedures to detect errors in specific accounts at a lower level of precision.

### Reporting to the audit, risk and scrutiny committee

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

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.25 million.

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

### Group audit

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

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

**Materiality**  
**£8.78 Million**  
1% gross expenditure

**Reporting threshold**  
**£250,000**



# Financial statements audit planning (continued)



## Significant risks and other focus areas

In accordance with paragraph 19A of ISA 700, we are required to describe in our financial statements audit opinion those assessed risks of material misstatement which have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We have identified the revaluation of property, plant and equipment and capital expenditure as the two areas which we consider, at the planning stage of our audit, to have the greatest effect on our approach and on which we will report in our opinion in the financial statements. We will update this assessment in our ISA 260 report.

Significant risk	Why	Audit approach
<b>Financial statement risk</b>		
Fraud risk from management override of controls	Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.	<ul style="list-style-type: none"> <li>— Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council.</li> <li>— Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</li> <li>— In line with our methodology, we will carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the Council's normal course of business, or are otherwise unusual.</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks (continued)

Significant risk	Why	Audit approach
<b>Financial statement risk</b>		
Fraud risk from revenue recognition	<p>International Standards on Auditing require us to consider if the fraud risk from revenue recognition is significant. We consider only the fraud risk from recognition of 'other income' to be significant. Other income relates to charges or service income from various streams where we consider there to be judgement in recognition. In particular we consider investment property revenue recognition to represent a significant risk.</p> <p>We do not consider recognition of the remaining income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk (other than for "other income") and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.</p>	<ul style="list-style-type: none"> <li>— Non-ringfenced government grants are agreed in advance of the year, with any changes requiring government approval. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant. We will agree significant grants to supporting documentation.</li> <li>— The other major sources of income are from annual local taxes and rental income (council tax, non-domestic rates and housing revenues). These revenues are prescribed by law and other specific regulations, which prescribe the period in which annual local taxes and rental income is recognised as revenue. We will perform tests of detail and substantive analytical procedures in our audit of these sources of income.</li> <li>— The potential for other income to be incorrectly recognised will be addressed through controls testing and substantive procedures. We will consider each source of income and analyse results against budgets and forecasts, performing substantive analytical procedures and tests of details (including agreeing sample rental income to rent agreements).</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks (continued)

Significant risk	Why	Audit approach
<b>Financial statement risk</b>		
Revaluation of property, plant and equipment	<p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. In 2017-18 “other land and buildings” will be subject to revaluation and we expect the movement to be material.</p> <p>Given the quantum of the asset carrying values and the inherent use of assumptions in their valuation, we consider there to be a significant risk of misstatement.</p> <p>The Council also holds £85 million of investment property which is subject to annual revaluation and similarly we consider there to be a risk of misstatement arising from the use of assumptions in the valuations.</p>	<p>Our procedures include:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— We will review the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</li> <li>— We will also assess the risk of the valuation changing materially during the year, or between the date of valuation and the year end.</li> </ul> <p><b>Assessing valuer’s credentials:</b></p> <ul style="list-style-type: none"> <li>— In relation to those assets which have been revalued during the year we will assess the valuer’s qualifications, objectivity and independence to carry out such valuations.</li> </ul> <p><b>Assessing methodology choice and benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>— We will utilise our internal specialist to assess the methodology used including testing the underlying data inputs and assessing the assumptions used in comparison to available market information.</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks (continued)

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Significant risk	Why	Audit approach
<b>Financial statement risk</b>		
Retirement benefits	<p>The net pension liability (£250 million as at 31 March 2017, including assets of £1.2 billion) represents a material element of the Council's balance sheet. The Council is an admitted body of North East Scotland Pension Fund, which had its last triennial valuation completed as at 31 March 2014. The next triennial valuation (as at 31 March 2017) is expected to be completed in March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>	<p>Our audit approach includes:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>Testing the design and operating effectiveness of controls over the provision of membership information to the actuary who uses it, together with the assumptions, to calculate the pension obligation.</li> </ul> <p><b>Benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>Challenging, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data.</li> <li>Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations.</li> </ul> <p><b>Assessing transparency:</b></p> <ul style="list-style-type: none"> <li>Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions.</li> <li>Testing the assets recorded and disclosed, using our actuarial team.</li> <li>Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.</li> </ul>

# Financial statements audit planning (continued)



## Significant risks (continued)

Significant risk	Why	Audit approach
<b>Financial statement risk</b>		
Capital expenditure	<p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan.</p> <p>The Council is utilising some innovative methods of delivery of capital projects. This includes the use of a 'development strip lease' basis for Marischal Square (completed in 2017-18) and further PPP agreements for the Aberdeen Western Peripheral Route. These can give rise to more complex accounting arrangements.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider there to be a significant risk of misstatement. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions.</p> <p>We also consider that large capital projects inherently bring a fraud risk.</p>	<p>Our audit approach includes:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— Testing the design and operating effectiveness of controls over the capital projects.</li> <li>— Testing the design and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects.</li> </ul> <p><b>Control re-performance:</b></p> <ul style="list-style-type: none"> <li>— Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>— Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation.</li> <li>— Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified.</li> <li>— Review and corroboration of manual journals.</li> </ul> <p>We will specifically consider the following major projects overall, which may include more complex accounting treatments, including wider scope and Best Value aspects:</p> <ul style="list-style-type: none"> <li>— Marischal Square;</li> <li>— Aberdeen Art Gallery redevelopment; and</li> <li>— Aberdeen Exhibition and Conference Centre.</li> </ul>

# Financial statements audit planning (continued)



## Other focus area

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Other focus area	Why	Audit approach
<p>Faster accounts close</p>	<p>The Council intends to accelerate the timetable for production and audit of the financial statements by three months. The financial statements are anticipated to be finalised and subject to audit from 1 May and concluded by end June.</p> <p>Acceleration of the timetable increases the risk of error, notwithstanding the Council's detailed planning for the new timetable.</p> <p>In 2016-17 the Council become the first Scottish local authority to issue a £370 million bond for capital financing, listed on the London Stock Exchange.</p> <p>Consequently, the Council is subject to the continuing obligations set out in the Listing Rules and the Disclosure Rules and Transparency Rules.</p> <p>Members of the public have a right to inspect and object to local authority accounts under the Local Government (Scotland) Act 1973. The Local Authority Accounts (Scotland) Regulations 2014 require the Council to:</p> <ul style="list-style-type: none"> <li>— give public notice of the inspection period by 17 June;</li> <li>— have an inspection period of at least 15 working days; and</li> <li>— commence the inspection period at least 14 days after publication of the notice.</li> </ul> <p>The inspection period will extend to the audit fieldwork period.</p>	<p>Our audit approach includes:</p> <ul style="list-style-type: none"> <li>— reviewing and challenging the suitability of the Council's arrangements for faster accounts close;</li> <li>— understanding the revised accounts preparation and audit timetable and revising our approach accordingly;</li> <li>— assessing management's arrangements to comply with the public inspection rules;</li> <li>— conducting a substantive audit of finalised financial statement numbers to the end of quarter three, in February 2018; and</li> <li>— testing the roll forward of balances from 31 December 2017 to 31 March 2018, with specific reference to areas of judgement (pensions valuation/plan and property valuation).</li> </ul>

## Accounting framework update

There are no significant changes to the 2017-18 Code compared to the previous Code.

From 2018-19, IFRS 9 replaces IAS 39 *Financial instruments: recognition and measurement*, and includes:

- a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed;
- a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39; and
- new provisions on hedge accounting.

From 2018-19, IFRS 15 replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and their associated interpretations. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services.

Expected from 2019-20, IFRS 16 *Leases* supersedes IAS 17 *Leases*. IFRS 16 introduces a single lessee accounting model. Public body lessees will be more likely to account for operating leases in a similar way to the current IAS 17 treatment for finance leases.

These changes are significant and the Council will need to prepare in advance, particularly where the 2017-18 balances will form the comparatives in future accounts. As part of the 2017-18 audit, we will consider the Council's arrangements for complying with the forthcoming changes.

## Controls testing

In respect of the financial statements, we identify the constituent account balances and significant classes of transactions and focus our work on identified risks. Determining the most effective balance of internal controls and substantive audit testing enables us to ensure the audit process runs smoothly and with the minimum disruption to the Council's finance team.

In 2016-17 we identified five recommendations related to financial management and one related to governance and transparency. We will follow-up progress in implementing these recommendations and report any new recommendations arising from our work in 2017-18 and report our view of progress. Appendix three summarises our approach across each phase of the audit.

## Internal audit

International Standard on Auditing (UK and Ireland) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect, if any, on external audit procedures;
- obtain an understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
- perform a preliminary assessment of the internal audit function when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

We will continue liaison with internal audit and update our understanding of its approach and conclusions where relevant. The general programme of work will be reviewed for significant issues to support our work in assessing the statement of internal control.

# Other matters (continued)

## Bond accounting

We considered the accounting for the £370 million bond to be a significant risk in the 2016-17 audit, being the year of issuance. For 2017-18 management will update factual RPI movements to the 28 February 2018 measurement date (which determines the bond principal outstanding and interest payable) and will accrue for the month of March 2018 using factual RPI movements, which will be available when the accounts are prepared.

Management will also estimate future RPI movements in order to complete accounts disclosures and to facilitate long-term budgeting.

Whilst the accounting for the bond is complex, the treatment was established in 2016-17 and an accounting model was constructed, and audited by KPMG. We therefore have determined that bond accounting is not a significant risk to the financial statements, or an area of audit focus.

The Council must comply with the conditions of the Bond Trust Deed, which are not unusual for such financial instruments. We will obtain management's support for the compliance during the final audit.

The bondholders could seek repayment of the bond principal in certain circumstances. One such circumstance is if the Council's credit rating (as assessed by Moody's) is downgraded such that it is three notches or more below that of UK sovereign debt. At the date of this report, the Council's credit rating is one notch below that of UK sovereign debt and is rated as "stable". We would consider the impact to any revisions to credit rating relative to UK sovereign debt should they occur.

## Group audit considerations

Appendix six sets out our understanding of the Group structure and nature of each associated entity.

We conduct our audit of the Group in accordance with International Standard on Auditing 600 ("ISA 600") *Using the work of another auditor*. Consequently, we will issue group audit instructions to the auditor of Bon Accord Care Limited and Bon Accord Support Services Limited. We will meet with the external auditor at the outset of the audit, to discuss its risk assessment and proposed audit approach and review the reporting provided in response to group instructions.

We have reviewed the group accounts preparation timetable which management issued to bodies consolidated or those providing information required to prepare the Group accounts.



# Wider scope and Best Value

## Approach

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; governance and transparency; and value for money. We set out below an overview of our approach to wider scope and Best Value requirements of our annual audit. We provide on pages 17 to 21 our risk assessment in respect of these areas. We will provide narrative on these and other areas in the Annual Audit Report where relevant.

### Risk assessment

We consider the relevance and significance of the potential business risks faced by local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Council's own assessment of the risks it faces, and its arrangements to manage and address its risks.
- Evidence gained from previous audit work, including the response to that work.
- The work of other inspectorates and review agencies, through the Local Area Network ('LAN') which is established for each Council.

The LAN brings together local scrutiny representatives in a systematic way to agree a shared risk assessment. Andy Shaw is the LAN lead for the shared risk assessment process for the Council. For 2017-18 there is no additional scrutiny required by external audit.

The 2018-19 shared risk assessment has begun, and a local scrutiny plan will be agreed with management by 31 March 2018, followed by publication in Spring 2018.



### Linkages with other audit work

There is a degree of overlap between the work we do as part of the wider scope and Best Value audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, many aspects of which are relevant to our wider scope and Best Value audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and wider scope and Best Value work, and this will continue. We consider information gathered through the shared risk assessment and the Audit Commission's five strategic priorities when planning and conducting our work.



# Wider scope and Best Value (continued)

## Approach (continued)

### Identification of significant risks

The Code identifies a matter as significant *'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'*

If we identify significant wider scope and Best Value risks, we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Council, inspectorates and other review agencies.
- Carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.



### Concluding on wider scope and Best Value

At the conclusion of the wider scope and Best Value audit we will consider the results of the work undertaken and assess the assurance obtained against each of the wider scope audit dimensions and Best Value, regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our wider scope and Best Value conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



### Reporting

We have completed our initial wider scope and Best Value risk assessment and have not identified any significant risks, as noted on the next page. We will update our assessment throughout the year and should any issues present themselves we will report them in our Annual Audit Report.

We will report on the results of the wider scope and Best Value audit through our Annual Audit Report. This will summarise any specific matters arising, and the basis for our overall conclusion.



# Wider scope and Best Value (continued)

## Risk assessment

We have not identified any financial statement significant risks in relation to wider scope and Best Value, although we have identified “Faster Accounts Close” as a financial statements other focus area. ★ relates to an identified Wider Scope risk to be specifically addressed through audit procedures, as further explained on the next page.

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Potential risk type: ■ Wider scope ■ Emerging ■ Best Value



# Wider scope and Best Value (continued)

## Risk assessment (continued)

Wider scope area	Why	Audit approach
<p><b>Financial sustainability and financial management</b></p>	<p>Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p> <p><b>Specific identified risks:</b></p> <p><b>Target Operating Model</b></p> <p>The Council is delivering a transformation plan, to consider efficient delivery of services against a backdrop of continuing reductions in funding. The transformation is designed to support the Aberdeen City Local Outcome Improvement Plan 2016-2026. It includes:</p> <ul style="list-style-type: none"> <li>— a new functional structure;</li> <li>— a revised approach to performance management (moving away from finance to outcomes), including new IT and business information systems investment;</li> <li>— development of a digital strategy; and</li> <li>— staff empowerment and engagement.</li> </ul> <p>The transformation to the Target Operating Model underpins delivery of £125 million required savings over the next five years. Taken together, there is significant capital investment, organisational and cultural change associated with the Target Operating Model which brings risk to achievement of savings and achievement of outcomes for citizens.</p> <p>There is also a risk associated with the timely completion of capital investment programmes which are supported by the bond financing, in the context of the capital repayments commencing in 2019-20 and being index linked.</p>	<ul style="list-style-type: none"> <li>— We will consider the Council's long term financial plans and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2018-19 budget and longer term financial plans from 2019-20 and beyond, including sensitivity analysis and bond repayment/RPI assumptions.</li> <li>— We will consider how the Council's move to the Target Operating Model is progressing and any potential impact on financial and service planning.</li> <li>— We will review the progress of capital programmes which are underpinned by the bond financing.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

Wider scope area	Why	Audit approach
<p><b>Financial sustainability and financial management</b> (continued)</p>	<p><b>Specific identified risks(continued):</b></p> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all Public Sector bodies.</p> <p><b>Scotland's new financial powers</b></p> <p>The Fiscal Framework agreement arising as part of the 2012 and 2016 Scotland Acts provides the Scottish Parliament with new powers and changes Scottish public finance.</p> <p>There is a risk that the Council's funding, responsibilities or performance objectives are altered, together with changes to the environment in which it operates which may impact on day to day activities.</p> <p><b>EU withdrawal</b></p> <p>The nature and impact of withdrawal from the EU continues to be uncertain and changing.</p> <p>There is a risk that Council fails to prepare for, or is impacted by changes to employees, citizens, funding or regulations.</p> <p><b>End of public sector pay cap</b></p> <p>The Scottish Government has stated its intention for the 1% public sector pay cap which has applied for seven years is being lifted. It is not clear when increases will take effect or how they will be funded.</p> <p>There is an uncertainty risk which needs to be considered as part of the Council's forward financial planning.</p>	<ul style="list-style-type: none"> <li>— We will remain alert to the impact of new financial powers and EU withdrawal on the Council's operations and the environment within which it operates. We will consider the appropriateness of management's risk assessment and planning for both matters.</li> <li>— We will consider how the Council is planning for the end of the public sector pay cap, for example, within future budget modelling, sensitivity and funding analysis.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

Wider scope area	Why	Audit approach
<p><b>Governance and transparency</b></p>	<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p> <p><b>Specific identified risks:</b></p> <p><b>Governance review</b></p> <p>The Council is carrying out an extensive governance review as part of the transformation programme. This has led to a number of changes towards the end of 2016-17 including Standing Orders, ALEO governance, risk management and Council committee structures. These changes are positive and show depth of improvement in governance. There is a risk of control failure during transition to new arrangements.</p> <p>Audit Scotland planning guidance requires us to consider the following matter which is a potential risk to all Public Sector bodies.</p> <p><b>Response to cyber security</b></p> <p>The Scottish Government published the Public Sector Action Plan for cyber resilience in November 2017. It aims to ensure that Scotland's public bodies work towards becoming exemplars of cyber resilience.</p> <p>The EU General Data Protection Regulation ("GDPR") will come into effect from 25 May 2018.</p> <p>The Council will need to understand its baseline cyber resilience position and demonstrate commitment to achieving good practice. It will also need to comply GDPR.</p>	<ul style="list-style-type: none"> <li>— We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information.</li> <li>— With regard to transformation and the move to the target operating model, we will consider the impact on existing governance and control arrangements.</li> <li>— We will update our understanding of the controls and processes around capturing officers' interests.</li> <li>— We will obtain and review minutes of meetings of the Governance Board which has responsibility for monitoring progress against agreed actions as part of the Council's governance review.</li> <li>— We will use guidance provided by Audit Scotland to consider the Council's approach to cyber resilience and readiness for GDPR.</li> </ul>

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# Wider scope and Best Value (continued)

## Risk assessment (continued)

Wider scope area	Why	Audit approach
<p><b>Value for money</b></p>	<p>Value for money is concerned with how effectively resources are used to provide services.</p> <p>We have not identified specific value for money risks.</p>	<ul style="list-style-type: none"> <li>— We will specifically consider statutory performance indicators, performance reporting and arrangements to provide for continuous improvement.</li> <li>— In the context of the Council's capital plan and procurement procedures, we will consider the arrangements to provide for value for money.</li> <li>— Our year two Best Value work will consider Improvement and Leadership and we will provide narrative on both in the Annual Audit Report.</li> </ul>



# Appendices



## Mandated communications with the Audit, Risk and Scrutiny Committee

Matters to be communicated	Link to audit, risk and scrutiny committee papers
Independence and our quality procedures ISA 260 (UK and Ireland).	<ul style="list-style-type: none"> <li>■ See next page</li> </ul>
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260 (UK and Ireland).	<ul style="list-style-type: none"> <li>■ Main body of this paper</li> </ul>
<ul style="list-style-type: none"> <li>■ Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380).</li> </ul>	<ul style="list-style-type: none"> <li>■ In the event of such matters of significance we would expect to communicate with the Audit Risk and Scrutiny Committee throughout the year.</li> <li>■ Formal reporting will be included in our ISA 260 report for the Audit, Risk and Scrutiny Committee meeting, which focuses on the financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>■ Significant difficulties we encountered during the audit.</li> <li>■ Significant matters discussed, or subject to correspondence, with management (ISA 260).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Our views about the qualitative aspects of the entity's accounting and financial reporting.</li> <li>■ The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450).</li> </ul>	
<ul style="list-style-type: none"> <li>■ The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Expected modifications to the auditor's report (ISA 705).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Related party transactions that are not appropriately disclosed (ISA 550)</li> </ul>	

# Auditor independence

## Assessment of our objectivity and independence as auditor of Aberdeen City Council

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

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

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

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

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

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

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

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. Total fees charged by us for the period ended 31 March 2017 and planned for 2017-18 are as follows:

Services provided to the Council and its group in respect of:	2017-18 continuing (excl VAT) £	2016-17 (excl VAT) £
Audit of the financial statements	193,103	194,431
Audit of subsidiaries (Charitable Trusts)	8,500	8,500
<b>Total audit services</b>	<b>201,603</b>	<b>202,931</b>
<b>Other non-audit services</b>		
- Capital financing advice	-	363,920
- Options appraisal and strategic review	-	50,000
- VAT claim advice	-	49,000
- Governance review	-	15,000
<b>Total non-audit services</b>	<b>-</b>	<b>477,920</b>
<b>Total</b>	<b>201,603</b>	<b>680,851</b>

There are no non-audit fees for 2017-18. Under the FRC's Revised Ethical Standard, no new tax contingent fees for listed entities can be entered into after 17 June 2016. We confirm that no new contingent fees for tax services have been entered into for Aberdeen City Council since that date.

All non-audit services require audit committee or equivalent approval. We will seek approval in advance of any such services being proposed.

We are appointed by the Accounts Commission via Audit Scotland as external auditor of Aberdeen City Council Charitable Trusts and Aberdeen City Health and Social Care Partnership.

We are also appointed as external auditor of Aberdeen Sports Village Limited, a subsidiary of the Council, this is not an appointment of the Accounts Commission.

# Auditor independence (continued)

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

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the audit, risk and scrutiny committee.

## **Confirmation of audit independence**

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

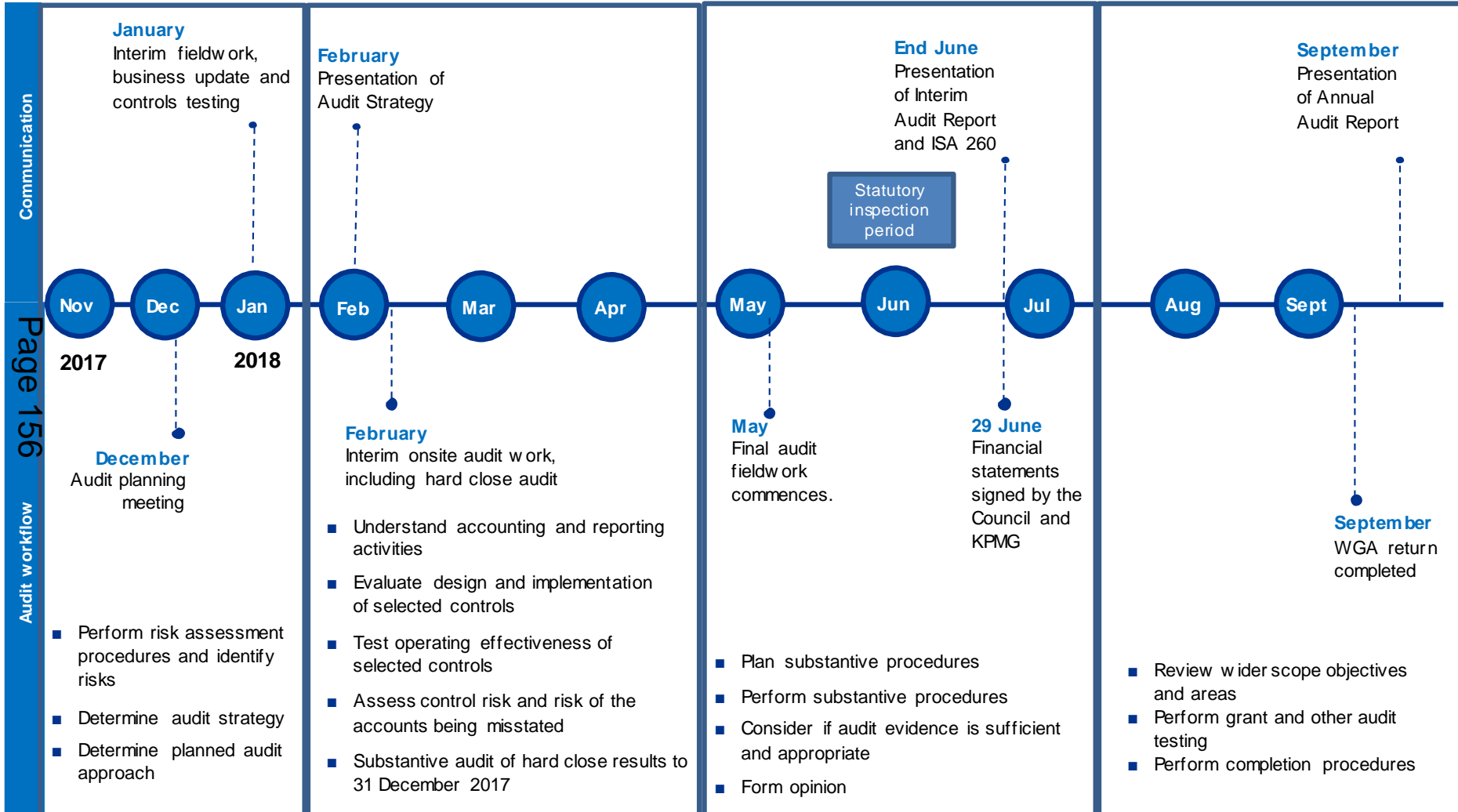
This report is intended solely for the information of the audit, risk and scrutiny committee and should not be used for any other purposes.

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

Yours faithfully

*KPMG LLP*

# Timeline



## Audit outputs

Output	Description	Report date
<b>Audit strategy</b>	Our strategy for the external audit of the Council and its group, including significant risk and audit focus areas.	By 22 February 2018
<b>Interim audit report</b>	We summarise our findings from our interim audit work.	By 31 May 2018
<b>Independent auditor's report</b>	Our opinion on the Council's financial statements.	By 29 June 2018
<b>Annual audit report</b>	We summarise our findings from our work during the year.	By 1 October 2018
<b>NFI report</b>	We report on the Council's actions to investigate and follow-up NFI matches.	By 2 February 2018
<b>Whole of Government Accounts</b>	We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts.	By 28 September 2018
<b>Audit reports on other returns</b>	We will report on the following returns: <ul style="list-style-type: none"> <li>- Current issues return.</li> <li>- Technical database.</li> <li>- Fraud returns.</li> </ul>	January, March, July and October 2018 27 July 2018 27 April 2018
<b>Audit reports to support Audit Scotland's wider analysis</b>	We will report on the following matters: <ul style="list-style-type: none"> <li>- Health &amp; social care integration progress.</li> <li>- City Deals</li> <li>- Digital</li> </ul>	July 2018 September 2018 September 2018
<b>Grant claim audits</b>	We provide an opinion on: <ul style="list-style-type: none"> <li>- Education maintenance allowance, Housing Benefit, Non domestic rates and Criminal Justice social work</li> </ul>	To submit by: July 2017, November 2017 and August 2017

# Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2017-18. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

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

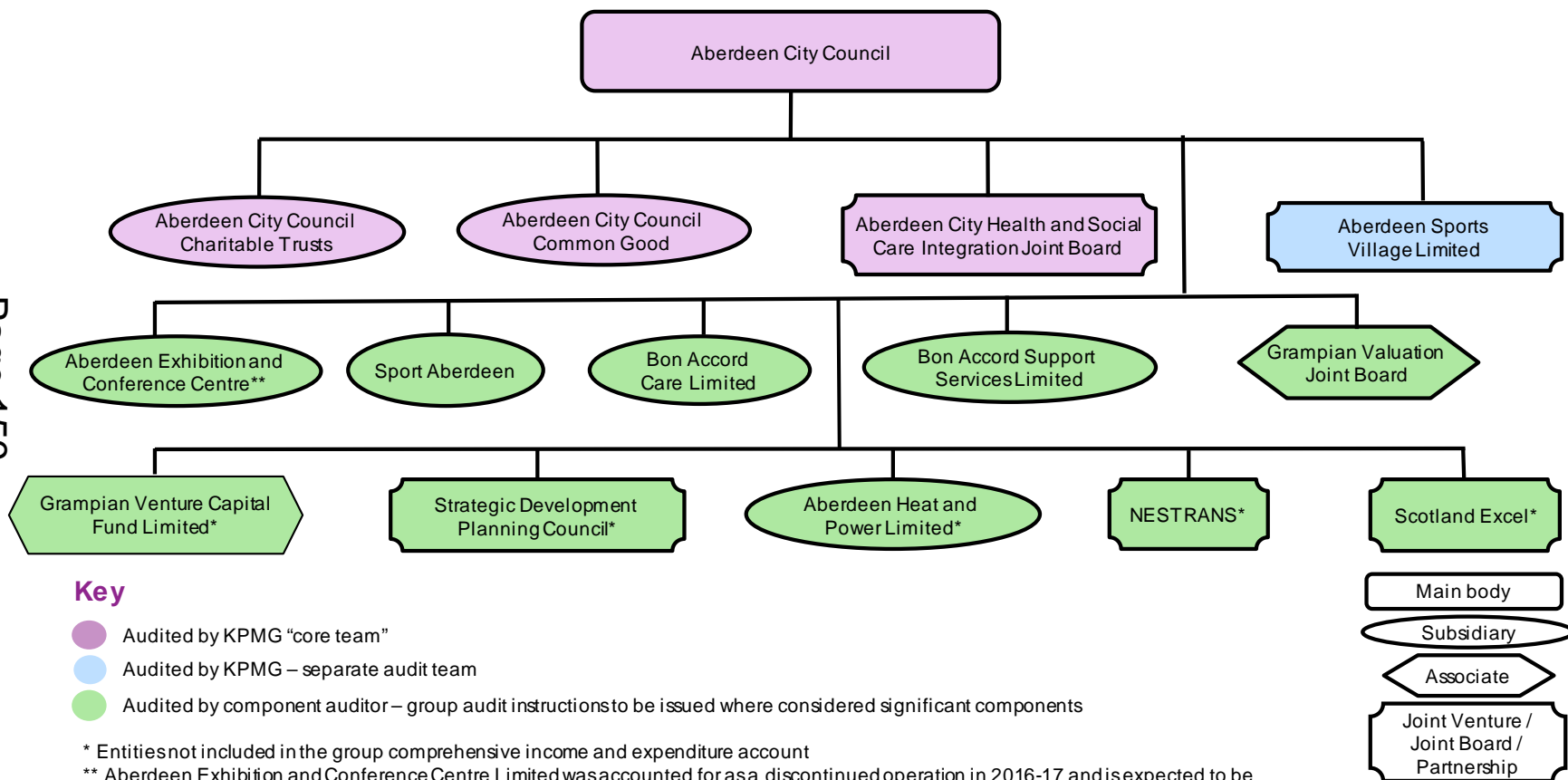
The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

We are in discussions with management regarding the auditor remuneration for 2017-18. Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus or other matters arise, we will discuss with management the impact of this on our proposed fee.

	2017-18 £ (incl VAT)
Auditor remuneration	250,920
Pooled costs	19,320
Contribution to PABV	124,780
Contribution to Audit Scotland costs	13,810
<b>Total Council audit fee</b>	<b>408,830</b>
Audit of Aberdeen City Council Charitable Trusts	8,500
<b>Total fee</b>	<b>417,330</b>

# Group financial statements

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# Responsibility in relation to fraud

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

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



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

## Responsibilities of management

### Financial statements

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

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

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

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

### Prevention and detection of fraud and irregularities

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

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

## Responsibilities of management

### Corporate governance arrangements

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

### Financial position

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

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

### Best Value, use of resources and performance

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

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

## Responsibilities of auditors

### Appointed auditor responsibilities

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

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

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

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

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

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

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



The contacts at KPMG in connection with this report are:

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	22 February 2018
REPORT TITLE	Information Governance- Data Governance Standards
REPORT NUMBER	CG/18/007
CG LEAD OFFICER	Fraser Bell
REPORT AUTHOR	Caroline Anderson

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### 1. PURPOSE OF REPORT

To provide an update on the development of Data Governance Standards in support of compliance with the General Data Protection Regulation.

### 2. RECOMMENDATION(S)

2.1 It is recommended that Committee note the content of this report.

### 3. BACKGROUND

3.1. The Council's Audit Risk & Scrutiny Committee considered a report on the Council's Information Governance performance & the incoming General Data Protection Regulation on 28 September 2017. Committee requested a further update be provided on the Council's development of Data Governance Standards.

3.2 The Council's current key information governance priority is readiness for the changes to data protection law which become enforceable on 25 May 2018. The Council's readiness approach focusses on the following key areas:

- Information & Data
- Systems & Processes
- People & Behaviour

3.3 **Appendix 1** provides an overview of the key activities in each of these areas. GDPR Readiness work is overseen by the Governance Delivery Board. As part of the Systems and Processes work, a revised, GDPR compliant Data Protection Impact Assessment Procedure and Template (**Appendix 2**),

Record Retention and Disposal Procedure (**Appendix 3**) and Information Asset Owner Handbook (**Appendix 4**) have been developed and approved.

- 3.4 Existing Corporate Data Protection Procedures and Guidance are currently being revised to ensure that they are ready to support GDPR compliance, and will be finalised prior to GDPR becoming enforceable on 25 May 2018.

#### **4. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. There are potential indirect financial implications related to penalties for non-compliance, as outlined at section 5.3, below.

#### **5. LEGAL IMPLICATIONS**

- 5.1 The Council's use and governance of its information is subject to a variety of legislation including: the Data Protection Act 1998, the General Data Protection Regulation (from 25 May 2018), the Public Records (Scotland) Act 2011, the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004, and the Re-use of Public Sector Information Regulations 2015.
- 5.2 The Council's GDPR readiness preparations and supporting data standards and procedures forms part of the Council's wider Information Governance Assurance Framework, and is a key component of ensuring that the Council is compliant with the above legislation.
- 5.3 The incoming General Data Protection Regulation will bring in significantly increased penalties for non-compliance with data protection law than currently apply. The maximum penalty for non-compliance with the General Data Protection Regulation is 4% of turnover, or €20 million, whichever is higher.
- 5.4 As outlined in this report, the General Data Protection Regulation introduces other changes to data protection law which the Council will be required to adhere to. The revised GDPR compliant Data Protection Impact Assessment Procedure and Template forms part of the data standards required to ensure that the Council is in a position to comply with the provisions of the new General Data Protection Regulation when it comes into force, and mitigate the risk that the Council will be subject to enforcement action and financial penalty.
- 5.5 The UK Government has confirmed that the General Data Protection Regulation will be implemented into UK law, so it is not anticipated that the UK's exit from the EU will impact the Council's requirement to comply with GDPR.



## **6. MANAGEMENT OF RISK**

### **6.1 Financial**

The Council's data governance standards and procedures forms part of the Council's wider Information Assurance framework, in mitigation against the risk of non-compliance with applicable Data Protection law, which may lead to enforcement action with monetary penalties and/or financial liability for damages to customers.

### **6.2 Employee**

The Council's data governance standards and procedures forms part of the Council's wider Information Assurance framework, in mitigation against the risk that our staff and elected members do not have the systems and processes to support them to play their part in the proper use and governance of the Council's information and data.

### **6.3 Customer**

The Council's data governance standards and procedures forms part of the Council's wider Information Assurance framework, in mitigation against the risk that customers are put at risk of harm due to inadequate management of personal data, and the risk that customers are unable to exercise their legal rights in relation to information and data held by the Council.

### **6.4 Environmental**

No risks.

### **6.5 Technological**

No risks.

### **6.6 Legal**

Any new or revised data governance standards identified from the GDPR improvement programme approach are a fundamental aspect of the Council's wider Information Assurance framework, and form part of the Council's mitigation against the risk that Council is exposed to enforcement or legal action resulting from non-compliance with information legislation.

### **6.7 Reputational**

Realisation of any of the above risks would also be likely to lead to significant reputational damage to the Council.

## 7. IMPACT SECTION

### 7.1 Economy

Information and data are key assets of the Council, and recognised in the Aberdeen City Local Outcome Improvement Plan 2016-26 and the Strategic Aberdeen City Council Strategic Business Plan as critical enablers of the Council achieving its priorities for people, place and economy.

The Council's data governance standards and procedures forms part of the Council's wider Information Assurance framework, to ensure our information is fit to enable the Council to deliver outcomes for our people, place and economy.

### 7.2 People

As at section 7.1, above.

### 7.3 Place

As at section 7.1, above.

### 7.3 Technology

The General Data Protection Regulation requirements will need to be considered where technology is used by the Council to process personal data to ensure functionality meets our compliance requirements.

## 8. BACKGROUND PAPERS

Annual Governance Report & the General Data Protection Regulation 26 September 2017.

## 9. APPENDICES (if applicable)

**Appendix 1:** Overview of GDPR Readiness approach

**Appendix 2:** Corporate Data Protection Impact Assessment Procedure and Templates

**Appendix 3:** Record Retention and Disposal Procedure

**Appendix 4:** Information Asset Owner Handbook

## 10. REPORT AUTHOR DETAILS

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## **HEAD OF SERVICE DETAILS**

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## **Appendix 1: Overview of Readiness Approach**

The Council's readiness approach has been built around the requirements of the General Data Protection Regulation, in order to implement the necessary measures so the Council can proactively demonstrate compliance in accordance with GDPR's Accountability Principle. **Appendix 1** contains further information on the General Data Protection Regulation and the key changes.

The Council operates within a complex and interrelated landscape of statutory duties, statutory powers and discretionary services, provided in the public interest, and in accordance with our strategic priorities. In achieving these outcomes, we work with a wide range of partners in the public, private and third sector, which creates relationships where data needs to be shared to meet our objectives, and where data ownership can sometimes be difficult to tease out.

The Council's own information and data landscape is equally complex, with a wide range and number of IT and manual systems in use where personal information is processed.

All Council staff will process personal information at some point in the course of doing their jobs, which means that everyone needs to understand what their responsibilities are in relation to personal data, and how they fulfil them in practice. The diversity of roles and specialisms we have working for the Council means that business areas may have differing practical

In the light of this, and in accordance with the Council's framework for managing the appropriate use and governance of the Council's information and data, as approved at Audit, Risk & Scrutiny Committee in September 2016, the Council's readiness approach focusses on the following key areas:

- Information & Data
- Systems & Processes
- People & Behaviour

### **Information & Data**

The foundation to the Council's compliance with existing and future data protection law is knowing our data: we need to know what it is we hold, where it is, why we hold it, how we use it, who we share it with and how long we keep it.

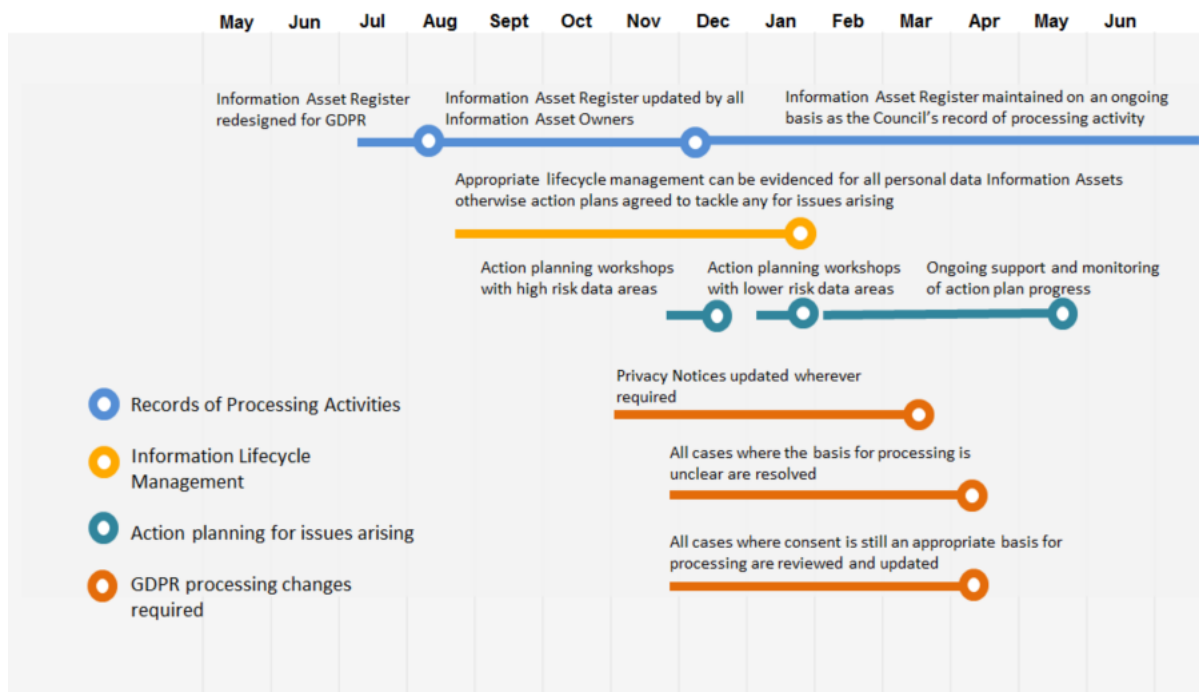
The Council must be able to evidence that all of our personal information and data is processed in compliance with the data protection principles, and the other requirements of data protection law, including the rights of data subjects.

Processing includes all activities undertaken with personal data including, creating, using, sharing and disposing of it. For the Council to have good assurance around the processing of all types of personal data, we need to ensure that all relevant information assets can evidence having the appropriate information lifecycle management arrangements in place.

This includes making sure compliant privacy notices, access and security arrangements, information sharing and appropriate contractual arrangements with third parties, including partners, and appropriate retention and disposal arrangements are in place around all information assets which contain personal data.

Because of the fundamental importance of this area and the complexity of the Council's existing information and data landscape, a significant amount of resource has been invested in training and supporting the Council's third tier managers (Information Asset Owners) to evidence that the information and data assets that they are responsible for are managed in accordance with the required standards.

**Figure 1: Information & Data Overview of key readiness activities**

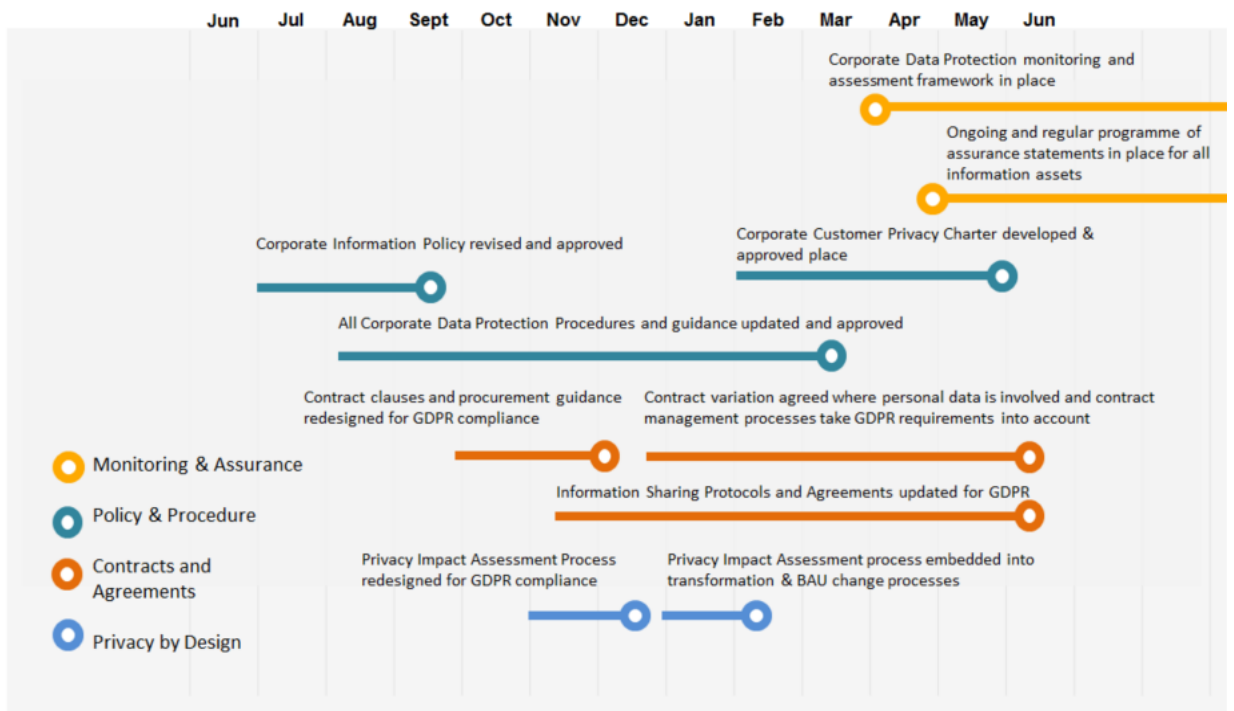


### Systems & Processes

In addition to the measures required at Information and data level, as outlined above, the Council requires to have the right systems and processes at a corporate level to ensure GDPR compliance. This includes policy and procedure, contractual and sharing arrangements, change management processes and an appropriate ongoing monitoring and assurance framework.

The chart below outlines the key activities being undertaken to ensure that the Council can evidence compliance with the GDPR requirements:

**Figure 3: Overview of key systems and processes key readiness activities**

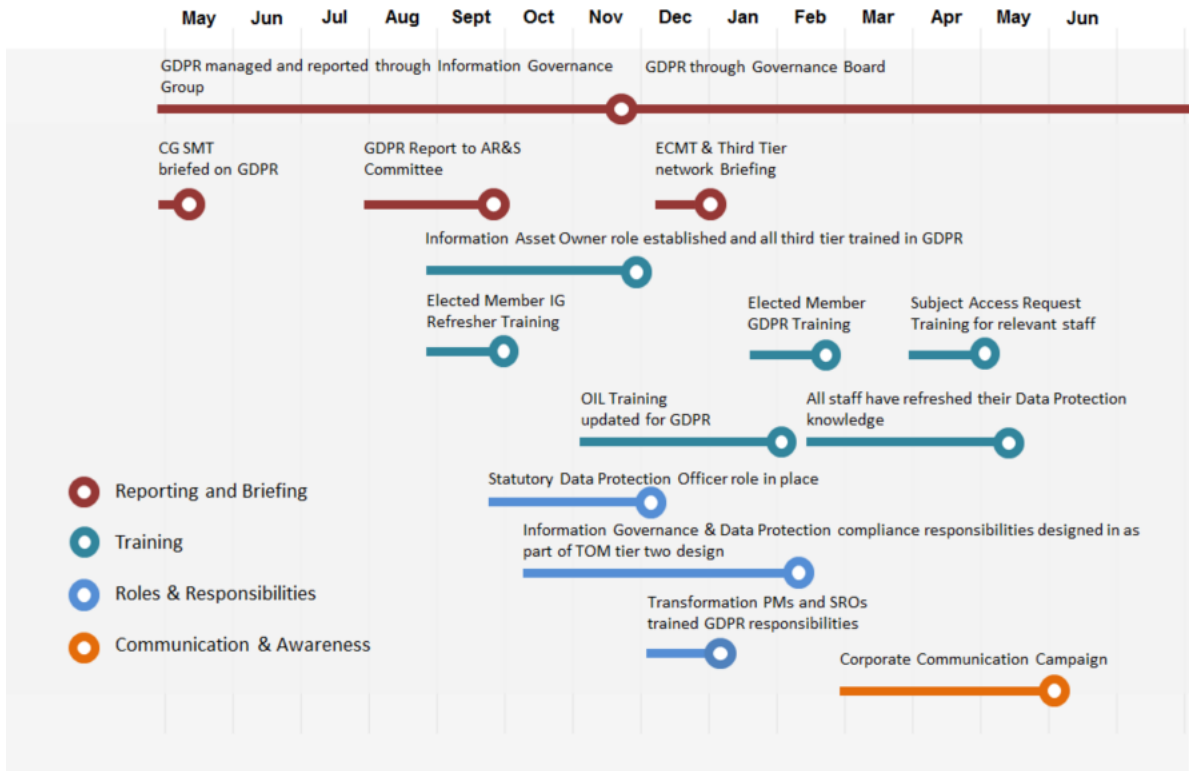


## People & Behaviour

Making sure that everyone who handles or making decisions about personal data understands what their part is, and how they play it is as important as having the right systems and processes in place.

The chart below outlines the key activities being undertaken to ensure that the Council can evidence compliance with the GDPR requirements:

**Figure 3: Overview of key people and behaviour readiness activities**





# Corporate Procedures

## Data Protection Impact Assessment

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<b>Changes:</b>	January 2018	Previous Privacy Impact Assessment templates have been superseded by this Data Protection Impact Assessment procedure and templates, which have been drafted to comply with the General Data Protection Regulation



# Information Matters

take your time and get it right



# Corporate Data Protection Procedures

## Data Protection Impact Assessment

1. About this procedure
2. Why is assessing Data Protection Impact important?
3. What is a Data Protection Impact Assessment?
4. What is a Data Protection Impact Assessment?
5. What sorts of projects or proposals will benefit from a Data Protection Impact Assessment?
6. What can a Data Protection Impact Assessment achieve?
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10. Full Data Protection Impact Assessment

**APPENDIX 1: Initial Data Protection Impact Assessment Screening Questions**

**APPENDIX 2: Brief Data Protection Impact Assessment Template**

**APPENDIX 3: Full Data Protection Impact Assessment Template**

## 1. About this procedure

This Procedure and associated templates set out the Council's process for assessing Data Protection Impact.

This procedure supports the Council's Corporate Information Policy, and is a key part of making sure that the way we govern and use our information fulfils our policy objectives to:

- respect privacy and foster trust
- demonstrate accountability through openness

## 2. Why is assessing Data Protection Impact important?

Our customers and staff care how their information is handled. They're more likely to engage with us if we can demonstrate openly and transparently that we think carefully when we make decisions where personal information or privacy is involved.

By managing privacy successfully, and showing that we take care of personal information, the Council will be better able to meet our customers and our staff's expectations. By contrast, our customers and staff are likely to quickly lose trust in us if we don't treat their information properly or make decisions where we are perceived to intrude on their privacy.

So, while protecting privacy is something that the Council is legally required to do, there are other good reasons for taking care with personal information. How can the Council know whether a new proposal or a new way of handling information will be likely to comply with data protection law, or otherwise affect its customers' or staff's privacy, for better or for worse?

The answer is to do a Data Protection Impact Assessment (DPIA). This way the Council will be able consider the potential data protection and privacy impacts of our decisions and to demonstrate that we have done so. This is a key part of making sure that the way we govern and use our information fulfils our policy objectives to:

- respect privacy and foster trust
- demonstrate accountability through openness

## 3. What is a Data Protection Impact Assessment?

A DPIA is a practical tool which allows us to:

- identify whether a proposal (e.g. project or initiative) is likely to impact on the privacy of people affected by it, whether positively or negatively;
- check whether a proposal is likely to comply with data protection law and other laws which relate to privacy; and
- make decisions about whether and how to adjust the proposal to manage any privacy and compliance risks identified; and
- it acts as a reference point for future action as the project or the business changes.

#### 4. What sorts of projects or proposals will benefit from a Data Protection Impact Assessment?

- Outsourcing a business or IT service where personal information is going to be held or processed off-site (even off-shore) or may be accessible to the host provider (e.g. storing or processing personal information in the 'cloud')
- Developing data analytics to analyse existing customer information so you can better target services or advertising
- A policy change, or new legislation, that requires sharing of personal information between different agencies, or collecting new information from individuals
- Developing a website or mobile app that collects names, contact information, or locations; or that allows the customer to share information with others
- A major change project to introduce a new business process and supporting IT tools (e.g. switching from requiring clients to fill in paper forms to enabling them to access services and information online)
- Installing a new CCTV camera system, or using other technology to oversee an area where individuals might be or to monitor activities

#### 5. What can a Data Protection Impact Assessment achieve?

A DPIA can identify problems and opportunities early, and make it easier and cheaper to address them. It's much simpler to build in good privacy management throughout the process, rather than trying to bolt it on at the end. It will not be possible to identify and eliminate every risk, or identify every opportunity, and a DPIA does not aim to do so. However, it gives you a good chance of identifying the most serious and the most likely problems.

A DPIA should generally not be a "once-and-for-all" exercise. If your project is long-running, has different phases, or changes over time, then it's worth going back to the DPIA to update it, or even doing a fresh version.

Although this procedure focuses on using a DPIA as part of assessing and managing change, you can also use a DPIA to assess how good existing systems are.

#### 6. Do I need to assess Data Protection Impact?

There are certain circumstances where it is **mandatory** for the Council to carry out a DPIA, and where failure to do so could result in enforcement action, which could lead to a penalty of up to €10 Million.

There's also a risk that not carrying out a Data Protection Impact Assessment will mean that we make decisions or take actions which do not comply with data protection law, and which do not appropriately respect the privacy of the people whose data we process. This may also expose us to significant financial penalty/loss, but more importantly, we risk losing the trust of our customers and staff.

All proposals involving personal information need to comply with data protection law. Data protection law is based around the Data Protection Principles and aims to give

individuals more control over the way their information is handled by organisations like the Council.

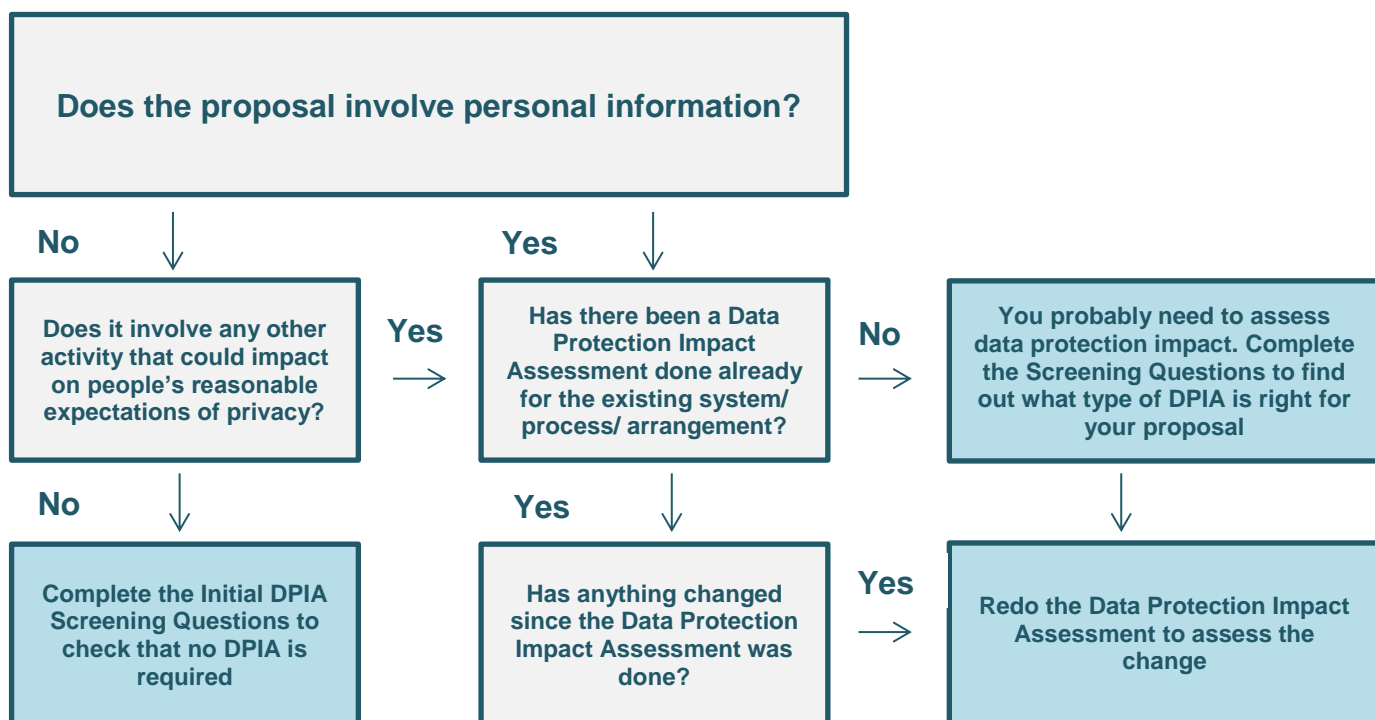
Some proposals or projects are likely to pose higher risks to the privacy of individuals or to the Council’s compliance with data protection law. In order to make sure that:

- all our activities comply with data protection law, and
- assessment of data protection impact is proportionate to the risks involved

The Council has adopted a three tier approach to assessing data protection impact:

- Initial DPIA Screening Questions
- A Brief DPIA
- A Full DPIA

The flowchart below sets out how to decide if your project or proposal needs to involve an assessment of data protection impact:



## 7. Initial Data Protection Impact Assessment Screening

Any proposals which involve personal information or any other activities that could have privacy implications require you to undertake, as a minimum, the Initial DPIA Screening at **Appendix 1** of this Procedure. There are 4 steps to the Initial DPIA Screening process:

## **STEP 1: Full Data Protection Impact Assessment Criteria**

Assess your proposal against the Full Data Protection Impact Assessment Criteria. If your proposal meets any one of the criteria in the Full DPIA Criteria Checklist, then you must undertake a full DPIA, and you should proceed to Step 3. If your proposal does not meet any one of these criteria, proceed to Step 2.

## **STEP 2: Brief Data Protection Impact Assessment Criteria**

Assess your proposal against the Brief Data Protection Impact Assessment Criteria. If your proposal meets any of the criteria in the Brief DPIA Criteria Checklist, then you must undertake a Brief DPIA. Proceed to Step 3.

## **STEP 3: Record your findings**

Use the box provided to record the result of the Initial DPIA Screening process

## **STEP 4: Sign Off and next steps**

Complete the sign off section of the Initial DPIA Screening process.

Where the Initial DPIA Screening Questions indicate that no further assessment of data protection impact is required, the completed screening questions should accompany your proposal through the approval process so decision makers can have assurance that no further DPIA was required.

## **8. Brief Data Protection Impact Assessment**

If the Initial DPIA screening has indicated that you should undertake a Brief DPIA, then you should use the template at [Appendix 2](#) to allow you to record your findings, conclusions and recommendations.

In most cases, a Brief Data DPIA will be adequate where there are no significant risks to privacy or data protection compliance, but the outcome and recommendations made in the Brief DPIA will inform whether a full DPIA is required.

There are 8 steps to a Brief DPIA:

### **STEP 1: Provide a Brief description of the proposal or project**

In this section give a brief overview of your proposal or project, including:

- Describe your existing systems and the main changes that are proposed
- Describe the purpose of the change, including any projected benefits to your organisation or to the individuals affected
- Identify the main stakeholders or entities involved, and their role in the project.

You may find it helpful to link to other relevant documents related to the project, for example, a project proposal.

### **STEP 2: Describe the Personal information that the project will involve**

Use the table provided in the template to record all the types of different types of personal data which are involved in the proposal or project.

### **STEP 3: Check how your proposal measures up against the data protection requirements**

This step is about assessing your proposal against the requirements of data protection law, and considering where your proposal may raise compliance risks. The checklist will help you to evidence that your proposal has considered and will be compliant with these requirements. For each requirement, consider:

- Is the requirement relevant to your project?
- If yes, identify what personal information is relevant to that requirement?
- Is the change consistent with that data protection requirement? Or will it enhance the Council's compliance?
- Does the change create more risks of harm to the individual? If so, how might it adversely affect the individual? Or does the change eliminate or reduce risk in the existing system

### **STEP 4: Initial risk assessment**

If you identified any risks in relation to compliance with any of the principles or requirements at STEP 3, use the Initial Risk Assessment table provided in the template to give a rating, either:

- Low (L)
- Medium (M)
- High (H)

For each of the aspects of the project set out in the first column: For risks that you've identified as Medium or High, indicate (in the right-hand column) how the project plans to lessen the risk (if this is known).

### **STEP 5: Summary of data protection impact**

Use the table provided in the template to give a summary of the data protection impact rating.

### **STEP 6: Reasons for the data protection impact rating**

Briefly explain here the reasons for the impact rating.

### **STEP 7: Recommendation**

Use the Brief DPIA template to record your decision.

### **STEP 8: Sign Off and next steps**

Whatever the outcome of the Brief Data Protection Impact Assessment, the recommendations **must** be signed off by:

#### **The relevant Information Asset Owner (Third Tier Manager)**

This is because the Council's Information Asset Owners are responsible and accountable for the way that their information assets are governed and used, and must be involved in decisions which involve the processing of information assets for which they are accountable.



## **The Council's Data Protection Officer**

The Council is required by law to involve our Data Protection Officer in **all decisions which involve the processing of personal data**, so this is an important element of demonstrating compliance in this area.

- **If a Full Data Protection Impact Assessment is not required**

The appropriately signed off Brief DPIA document **must** accompany your proposal through the relevant approval process, so decision makers can understand why a full DPIA is not needed in this case, and to have appropriate oversight and assurance around the proposal's impact on the Council's compliance with Data Protection law, and the privacy of our customers and staff more broadly.

Keeping a store of key information about data protection and privacy will make each new DPIA process you undertake easier. If questions arise later about whether and how you considered data protection and privacy as part of your process, you can also use this record to demonstrate that you took data protection and privacy seriously and to show the basis of the decision.

- **If a Full Data Protection Impact Assessment is required**

The information you record in the Brief DPIA process will form the basis for going on to do the full DPIA. The Brief DPIA provides a good platform to get further details and do more in-depth analysis.

## **9. Full Data Protection Impact Assessment**

The Council's **Data Protection Officer** must be involved throughout the process of undertaking a full Data Protection Impact Assessment to provide advice and support, on the process. There are 11 steps to a Full DPIA as follows:

### **STEP 1: Gather the information you need**

The information you put together when you were deciding whether to do the Data Protection Impact Assessment will be a good start for doing the full impact assessment. Now is the time to gather together all the details about what personal information the proposal involves and what is going to happen to it.

In this section of the Full DPIA template you should record here any documents which you have relied or referenced in undertaking the DPIA.

### **STEP 2: Describe the proposal or project**

A Data Protection Impact Assessment is a tool to help you achieve the aims of your project or proposal more generally while also protecting personal information and privacy. There is often more than one way of designing a project to accomplish what is intended: a Data Protection Impact Assessment will help to identify the least intrusive way of achieving that aim.

A major key to success is having a clear understanding of what the change is aiming to achieve, and how it will support the Council's work.

In this section you should describe the proposal or project and what it intends to achieve by addressing the following key points:

- Describe the project as a whole
- Where does the Data Protection Impact Assessment sit within the project?
- What is the purpose of doing a Data Protection Impact Assessment?
- What is the organisation trying to achieve with this project?
- Is the project a one-off initiative or part of ongoing business development?
- How does the Council currently manage data protection and privacy in relation to this process or activity? Show where the change that the project involves will fit with the current systems.

It's likely that much of this information required for this section can be collated from existing project documentation.

### **STEP 3: Who will be involved in the Data Protection Impact Assessment process?**

Many of the people with information you need for the Data Protection Impact Assessment are likely to already be involved in the project. However, there may be some external stakeholders you also need to talk to. Make sure you're aware of who has the information you need, and when they're going to be available.

The Council **Data Protection Officer** must be involved in the Data Protection Impact Assessment process; their advice and view must be documented as part of the Data Protection Impact Assessment.

Depending on the nature of your proposal, in addition, the following groups may need to be involved in the Data Protection Impact Assessment process:

#### **Data Processors (Third Parties)**

If your proposal involves processing of personal data carried out wholly or in part by a third party (a data processor) then the Data Processor should be involved in the Data Protection Impact Assessment Process.

#### **Individuals involved (Data Subjects or their representatives)**

The views of individuals involved could be sought through a variety of means, depending on the proposal and the individuals affected – e.g. for a proposal impacting on staff, it may be appropriate to include trade unions or staff groups in the process.

For a proposal which will impact on external customers it may be appropriate to use customer forums, focus groups or surveys to seek their views on the proposal.

If the Council's final decision on the proposal differs from the views of the data subjects, its reasons for going ahead or not should be documented.

The Data Protection Impact Assessment should also document its justification for not seeking the views of data subjects, if it is decided that this is not appropriate.

#### **Council ICT Security staff**

ICT staff will be able to provide information on the systems being used, how the personal information will flow through the system (including how it will be stored and processed), and whether there are any security implications arising which need to be addressed as part of the proposal.

#### **Council Risk and Assurance staff**

Council staff who specialise in risk and assurance will be able to provide help and support in identifying risk, controls and mitigations.

#### **Other specialist staff groups**

Specialist staff groups who are affected by any proposals for handling personal information, such as customer service or human resources staff, are likely to have invaluable information on how any proposed mitigations are likely to work in practice.

### **STEP 4: Outline the Scope of the Full DPIA**

This step is where you should outline the scope of the DPIA. Describe what the Data Protection Impact Assessment covers and what it doesn't cover. For example:

- What parts of the organisation, project, systems, or IT infrastructure are included?
- What are the information-management processes that the Data Protection Impact Assessment will consider (such as use, storage, access, retention and disposal)?
- What are the limitations of the Data Protection Impact Assessment? For example, it might not cover the use of personal information by a third party if there is no direct control or agreement in place to manage the relationship.

### **STEP 5: Map the Personal information flows**

Identify the personal information involved and document the flow of this information through your systems and processes. An information flow diagram is often the clearest way to do this.

- Describe both the **current** and **future** information flows so that the differences are visible at a glance. Show, for example:
- what personal information is collected and used, and how it flows through the system
- how the project will change the information flow
- all changes to personal information involved in the project – for instance: is new personal information being collected? Where is it coming from?
- Will information that the organisation already holds be used for a new purpose? Why and how?
- What is the nature of the information collected and the source?
- What measures are in place to ensure the information is accurate and up to date?
- Will the organisation tell the individuals what's happening to their information? How will it tell them?
- How is the information managed, handled or protected?

- Who will have access to the information (whether inside or outside the organisation)?
- How long will the information be retained and how will it be disposed of?

This is a critical part of the Data Protection Impact Assessment process. A good way to do this exercise can be to hold a workshop with all of the relevant stakeholders. Your information flows should directly map back to the purpose of your proposal or project and what it hopes to achieve.

### **STEP 6: Describe the wider organisational context**

It's important to consider data protection and privacy implications in the context of the project as a whole, and in light of how the Council operates: particularly the existing approach to handling personal information.

For example, you'll need to know whether any risk mitigation or other change that you recommend for the project is likely to be workable in the context of the Council as a whole. Considering the wider organisational context will also help you be aware of the likely downstream effect of the project on the Council as a whole and enable you to predict and address potential privacy risks.

For example, if your project involves one Council Directorate or business area collecting a new piece of personal information for a particular purpose, how long will it be before another Directorate decides they could use it too? Anticipating this kind of potential "scope creep" is an important part of any Data Protection Impact Assessment.

### **STEP 7: Check how your proposal measures up against the data protection requirements**

This step is about assessing your proposal against the requirements of data protection law, and considering where your proposal may raise compliance risks. The checklist will help you to evidence that your proposal has considered and will be compliant with these requirements. For each requirement, consider:

- Is the requirement relevant to your project?
- If yes, identify what personal information is relevant to that requirement?
- Is the change consistent with that data protection requirement? Or will it enhance the Council's compliance?
- Does the change create more risks of harm to the individual? If so, how might it adversely affect the individual? Or does the change eliminate or reduce risk in the existing system

If you have already undertaken a Brief Data Protection Impact Assessment, you can use the information collated to help you fill in this section.

### **STEP 8: Data Protection or Privacy Risk Assessment**

A privacy risk is the risk that a proposal will fail to meet individuals' reasonable expectations of privacy, for example, because it will mean the Council does not comply with Data Protection law, or because it unreasonably intrudes into an individual's personal space and personal affairs, or runs contrary to what the Council's relationship with our customers or staff would dictate should happen.

Calculating risk is not simply about assessing whether the project will be legally compliant. It's possible to comply with the law and for the behaviour still to affect whether our customers' reasonable privacy expectations are met.

The nature of the Council's relationship with them may suggest that you should give even better protection than the law requires.

The data protection principles and requirements provide a good framework for asking the right questions, both legal and non-legal, about the impact on the people involved.

Risks to an individual will often directly equate to risks to the Council. Data Protection breaches, as well as exposing the Council to significant adverse financial consequences, will have a direct impact on the Council's reputation, and the loss of trust will probably make it harder and more expensive to meet the aims of the proposal or project.

Consider not only the direct risks from the proposal, but also any knock-on effects. If you take too narrow a lens, you may miss an important, wider effect on the individuals you're dealing with.

### **How to identify a Privacy Risk**

Populate the risk table below with the risks you already know about from the previous steps and identify the likely impact on the individuals.

You can then use that as a basis for a more thorough analysis. Make sure you talk to other people involved in the project, or get a view from an external person who may be able to see risks that you have missed.

Other steps, depending on your project, could be:

- a workshop including the key people involved
- a further desk-top review of documentation
- interviews with key people involved

Common examples of mitigations include:

- minimizing the amount of personal information collected
- better and clearer communication with the individuals
- designing the system to provide better security
- providing training and support for staff to help them get it right

Try to ensure that your mitigation solution is practical and sustainable. Reviewing the project once it is operating will help to identify whether the mitigations are actually working as you've planned.

This section describes the privacy risks you've identified through the Data Protection Impact Assessment process and how you propose to mitigate and manage those risks. It can be useful to link this back to the data protection principles to show why these risks and the proposed actions are relevant.

Note: A Data Protection Impact Assessment doesn't set out to identify and eliminate every possible privacy risk: its role is to identify genuine risks that are not unreasonably small or remote.

### **STEP 9: Recommendations to minimise impact on privacy**

In this section you should outline the recommendations to minimise the impact on privacy based on your risk assessment carried out at STEP 9.

### **STEP 10: Action Plan**

This section of the assessment should describe what actions are being taken (whether short or long term) and how they'll be monitored. There may also be links to other processes in the organisation. For example, a proposed action might relate to security controls (such as restricting access to a system). This will then link in with the Council's security processes.

Reporting on the outcome of the mitigation may be necessary. If the DPIA is being performed as part of a project, then the project is likely to require some reporting on its implementation as part of governance arrangements. Once the project is completed, any on-going privacy monitoring should be incorporated into normal business operations.

In the case of a particularly long or complex programme of work, the DPIA may need to be reviewed a number of times to ensure that it continues to be relevant. This section should describe how this will be achieved.

### **STEP 12: Sign off and next steps**

The appropriately signed off full DPIA **must** accompany your proposal through the relevant approval process, so decision makers can understand the data protection and privacy implications of the proposal, and make an informed decision on that basis.

A DPIA should generally not be a "once-and-for-all" exercise. If your project is long-running, has different phases, or changes over time, then it's worth going back to the DPIA to update it, or even doing a fresh version.



## APPENDIX 1: Initial DPIA Screening Questions

### STEP 1

#### Full Data Protection Impact Assessment Criteria

Does the project involve any of the following?	Yes (tick)	No (tick)	If yes, explain your response
<b>Privacy Risk Areas</b>			
<p><b>Evaluation or scoring, profiling and predicting</b></p> <p>Especially from aspects concerning the data subject's performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements</p>			
<p><b>Automated-decision making</b></p> <p>Processing that aims at taking decisions on individuals which have a significant effect on them.</p>			
<p><b>Systematic monitoring</b></p> <p>Processing used to observe, monitor or control data subjects. This type of monitoring is a criterion because the personal data may be collected in circumstances where data subjects may not be aware of who is collecting their data and how they will be used. Additionally, it may be impossible for individuals to avoid being subject to such processing in frequenting public (or publicly accessible) space(s)</p>			
<p><b>Sensitive data</b></p> <p>This includes special categories of personal data (e.g. information about individuals' political opinions, criminal convictions or offences).</p>			
<p><b>Data processed on a large scale</b></p>			



Does the project involve any of the following?	Yes (tick)	No (tick)	If yes, explain your response
<p>The following factors should be considered when determining whether the processing is carried out on a large scale:</p> <p>a. the number of data subjects concerned, either as a specific number or as a proportion of the relevant population;</p> <p>b. the volume of data and/or the range of different data items being processed;</p> <p>c. the duration, or permanence, of the data processing activity;</p> <p>d. the geographical extent of the processing activity</p>			
<p><b>Datasets that have been matched or combined</b></p> <p>e.g. originating from two or more data processing operations performed for different purposes and/or by different data controllers.</p>			
<p><b>Data concerning vulnerable data subjects</b></p> <p>Because of the increased power imbalance between the data subject and the data controller, the individual may be unable to consent to, or oppose, the processing of his or her data.</p> <p>For example, employees would often meet serious difficulties to oppose the processing performed by their employer, when it is linked to human resources.</p> <p>Similarly, children can be considered as not able to knowingly and thoughtfully oppose or consent to the processing of their data. This also concerns more vulnerable segments of the population requiring special protection, such as, for example, the mentally ill, asylum seekers, or the elderly, a patient, or in any case where an imbalance in the relationship between the position of the data subject and the controller can be identified.</p>			
<p><b>Innovative use or applying technological or organisational solutions</b></p>			

Does the project involve any of the following?	Yes (tick)	No (tick)	If yes, explain your response
<p>For example, certain “Internet of Things” applications, use of facial recognition or biometric technology could have a significant impact on individuals’ daily lives and privacy.</p> <p>This is because the use of such technology can involve novel forms of data collection and usage, possibly with a high risk to individuals’ rights and freedoms. Indeed, the personal and social consequences of the deployment of a new technology may be unknown. A DPIA will help the Council to understand and to treat such risks.</p>			
<p><b>Data transfer across borders outside the European Union</b></p> <p>Processing outside the EU needs to be considered as in cases where software providers are based or have services in countries outside the EU. You also need to consider here whether the proposal involves enabling Council employees to have access to personal data whilst outside the EU (potentially relevant to Bring Your Own Device etc.)</p>			
<p><b>When the processing in itself prevents data subjects from exercising a right or using a service or a contract</b></p> <p>This includes processing performed in a public area that people passing by cannot avoid, or processing that aims at allowing, modifying or refusing data subjects’ access to a service or entry into a contract. An example of this is where a bank screens its customers against a credit reference database in order to decide whether to offer them a loan</p>			

If your proposal meets any one of these criteria (i.e. you ticked *any* boxes above) **you must undertake a full DPIA**. The process and template for this is included at [Appendix 3](#).

If your proposal **does not** meet any of these criteria, you should move on to STEP 2 and assess whether your proposal meets the criteria for a Brief DPIA.

## STEP 2

### Brief Data Protection Impact Assessment Criteria

Does the project involve any of the following?	Yes (tick)	No (tick)	If yes, explain your response
<p><b>A new collection of personal information</b></p> <p>For example, collecting information about individuals' locations</p>			
<p><b>A new way of collecting personal information</b></p> <p>For example, collecting information online rather than on paper forms</p>			
<p><b>A decision to keep personal information for longer than you have previously</b></p> <p>For example, changing IT backups to be kept for 10 years when you previously only stored them for 7</p>			
<p><b>A new use or disclosure of personal information that is already held</b></p> <p>For example, using information collected as part of the housing benefit assessment to verify eligibility for another entitlement</p>			
<p><b>A change in the way personal information is stored or secured</b></p> <p>For example, transferring the storage of personal information into the cloud, or the implementation of a policy which effects a change to the way personal information is stored or secured (e.g. Bring Your Own Device)</p>			
<p><b>Transferring personal information offshore or using a third-party contractor</b></p> <p>For example outsourcing the payroll function or storing information in the cloud</p>			

Does the project involve any of the following?	Yes (tick)	No (tick)	If yes, explain your response
<p><b>A change in policy that results in people having less access to information that you hold about them</b></p> <p>For example, archiving documents after 6 months into a facility from which they can't be easily retrieved</p>			

If your proposal meets any one of these criteria (i.e. you ticked *any* boxes above) **you must undertake a Brief DPIA**. The template for this is included at **Appendix 2**.

### STEP 3: Record your findings

Recommendation	Tick which applies
No further Data Protection Impact Assessment is required	
Do a Brief Data Protection Impact Assessment	
Do a full Data Protection Impact Assessment	

### STEP 4: Sign-off and Next Steps

Officer	Signature	Comments
Officer undertaking the Data Protection Impact Assessment Screening	<i>Signature:</i>	
	<i>Date:</i>	
Information Asset Owner (Third Tier Manager)	<i>Signature:</i>	
	<i>Date:</i>	

Where the recommendation is no assessment of Data Protection Impact Assessment is required, a copy of the completed Initial DPIA screening must accompany **must accompany your proposal through the relevant approval process.**

## APPENDIX 2: Brief Data Protection Impact Assessment Template

### STEP 1: Provide a Brief description of the proposal or project

- a) Describe your existing systems and the main changes that are proposed
- b) Describe the purpose of the change, including any projected benefits to your organisation or to the individuals affected
- c) Identify the main stakeholders or entities involved, and their role in the project.

You may find it helpful to link to other relevant documents related to the project, for example, a project proposal.

### STEP 2: Describe the Personal information that the project will involve

Type of personal Information	Source of Information	Purpose of information for the project

**STEP 3: Check how your proposal measures up against the data protection requirements**

Data Protection requirements			
Data Protection Requirement	Description of personal information, how it will be used, how will it be managed	Assessment of compliance	Compliance Risks Identified
<p><b>Principle 1</b></p> <p>Personal data shall be processed lawfully, fairly and transparently</p>	<p><i>Factors to consider:</i></p> <p><i>All processing of personal data requires a legal basis in data protection law... is there an appropriate legal basis in data protection law for processing the information?</i></p> <p><i>Are there any other laws which relate to the use or processing of this information? What are they? Is this proposal compliant with other laws? Is the processing fair?</i></p> <p><i>Could it seem unexpected or unfair to the individuals involved? How will you tell individuals about what their data is being used for and how it is managed?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		



<p><b>Principle 2</b></p> <p>Personal data shall be collected for specified, explicit and legitimate purposes and not further processed in a manner incompatible with those purposes</p>	<p><i>Does this proposal involve re-using personal information held by the Council for a different purpose? If so, have you identified an appropriate legal basis for the proposed processing of this information?</i></p> <p><i>Or is there an exemption justifying this use?</i></p> <p><i>Does this proposal involve processing personal information in a way which is different to what we have told data subjects? Is it fair? Would it be unexpected to individuals involved?</i></p> <p><i>How will you communicate this new use with individuals affected?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
<p><b>Principle 3</b></p> <p>adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed</p>	<p><i>Could the purpose of the proposal or project be achieved without using personal information?</i></p> <p><i>How will the proposal ensure that only information required to meet the purpose is processed?</i></p> <p><i>Will the information in scope be enough to achieve the stated purpose?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		

<p><b>Principle 4</b></p> <p>accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay;</p>	<p><i>How will this proposal make sure that any information collected, used, or otherwise processed is accurate? (Reasonable steps will vary depending on the information involved)</i></p> <p><i>Relevant factors include: what process is there to check that information is correct? Has the information been supplied by the individual directly? Has it been checked with the individual directly?</i></p> <p><i>How will the proposal ensure that the accuracy of any personal data is maintained over the time it is retained by the Council?</i></p> <p><i>How damaging will it be to the individual if information is wrong or misleading? (The more damaging it will be, the more extensive should the steps be for checking accuracy)</i></p> <p><i>If your proposal involves personal information which must be retained by the Council for a long period of time, how will this proposal ensure that the accuracy and integrity of the information is maintained across this period? Retention periods for some types of Council data can often be longer than the lifecycle of the system they are created in. How will your proposal maintain personal data of this type of manage any digital preservation risks?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
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<p><b>Principle 6</b></p> <p>kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes subject to implementation of the appropriate technical and organisational measures required by the GDPR in order to safeguard the rights and freedoms of individuals;</p>	<p><i>Are there any statutory obligations or business reasons to hold the information for a specific period of time, as set out in the Council's Retention &amp; Disposal Schedule?</i></p> <p><i>If no such obligations exist, how long do we need to keep the information? This should always be no longer than is necessary, and is linked to the purposes for which we collect it in the first place?</i></p> <p><i>Remember: we need to tell our customers how long we're keeping information about them when we collect the information, as part of the privacy notice, so you need to make sure that your proposal</i></p> <p><i>How will retention and disposal (or anonymization) work in practice? Who will do it? How will it be done? When and how frequently? Will it be an automated or a manual process? How will we ensure that personal information is securely destroyed?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
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<p><b>Principle 5</b></p> <p>processed in a manner that ensures appropriate security of the personal data, including protection against unauthorized or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures</p>	<p><i>What technical measures will need to be in place to secure the data involved?</i></p> <p><i>What measures need to be in place to make sure only those required to access the data are able to do so?</i></p> <p><i>Will the proposal require any policies, procedures or guidance to be updated or new ones put in place?</i></p> <p><i>Will the proposal mean that staff need training to ensure data is used or secured appropriately?</i></p> <p><i>Will an ICT security risk assessment be required to identify vulnerabilities? If not, why not? How will any controls and mitigations identified be implemented?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
<p><b>Principle 7</b></p> <p>The Council is responsible for, and able to demonstrate compliance with, the above data protection principles</p>	<p><i>The Council is required to be able to proactively demonstrate compliance with all principles above. How will this requirement be factored into the design and implementation of your system/ initiative/ project? What risk may arise around compliance with this principle?</i></p>		

<p><b>Third Parties</b></p> <p>The Council must be able to evidence robust arrangements with third parties who process data on our behalf, which set out our requirements in relation to compliance with data protection law.</p> <p>Without such arrangements the Council can be held liable for non-compliance of such third parties, which may result in enforcement action and monetary penalties.</p>	<p><i>Will this proposal or project involve third parties processing personal data on behalf of the Council?</i></p> <p><i>Third parties could include software providers, public sector partners, or other service providers where personal information is involved as part of providing the service on our behalf.</i></p> <p><i>Appropriate contractual arrangements or data sharing agreements will need to be in place which set out how the third parties will comply with the data protection principles. How will this requirement be met in practice? What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
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<p><b>People’s Rights</b></p> <p>Individuals have certain rights under data protection law.</p>	<p><i>Individuals have a range of legal rights in relation to their data. Will your proposal support or manage these rights? Are arrangements in place for recognizing and responding to requests for access to individuals’ personal data? What risks may arise as part of your proposal or project round compliance with this requirement?</i></p>		
<p><b>Other Privacy Risk Areas</b></p>	<p><i>Does the project involve you using new technology which might be perceived as being privacy intrusive? For example, the use of CCTV, Automatic number plate Recognition (ANPR), body worn cameras, biometrics or facial recognition?</i></p>		

## STEP 4: Initial risk assessment

Aspect of the Project	Rating (L, M or H)	Describe any medium and high risks and how to mitigate them
<p><b>Level of information handling</b></p> <p>L – Minimal personal information will be handled</p> <p>M – A moderate amount of personal information (or information that could become personal information) will be handled</p> <p>H – A significant amount of personal information (or information that could become personal information) will be handled</p>		
<p><b>Sensitivity of the information (e.g. health, financial, race)</b></p> <p>L – The information will not be sensitive</p> <p>M – The information may be considered to be sensitive</p> <p>H – The information will be highly sensitive</p>		
<p><b>Significance of the changes</b></p> <p>L – Only minor change to existing functions/activities</p> <p>M – Substantial change to existing functions/activities; or a new initiative</p> <p>H – Major overhaul of existing functions/activities; or a new initiative that's significantly different</p>		
<p><b>Interaction with others</b></p> <p>L – No interaction with other organisations</p> <p>M – Interaction with one or two other organisations</p> <p>H – Extensive cross-organisation interaction</p>		

<p><b>Public impact</b></p> <p>L – Minimal impact on individuals</p> <p>M – Some impact on individuals is likely due to changes to the handling of personal information; or the changes may raise public concern</p> <p>H – High impact on individuals, and concerns over aspects of project; or negative media publicity is likely</p>		
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## STEP 5: Summary of data protection impact

The privacy impact for this project has been assessed as:	Tick
<b>Low</b> – There is little or no personal information involved; or the use of personal information is uncontroversial; or the risk of harm is negligible; or the change is minor and something that the individuals concerned would expect; or risks are fully mitigated	
<b>Medium</b> – Some personal information is involved, but any risks can be mitigated satisfactorily	
<b>High</b> – Sensitive personal information, or large volumes of personal data, is involved, and several medium to high risks have been identified	
<b>Reduced risk</b> – The project will lessen existing privacy risks	
<b>Inadequate information</b> – More information and analysis is needed to fully assess the privacy impact of the project.	

## STEP 6: Reasons for the data protection impact rating

Briefly summarise the reasons for the ratings that you have given at STEP 5.

## STEP 7: Recommendation

Recommendation	Tick which applies
Do a full Data Protection Impact Assessment	
Data Protection compliance and privacy risk can be adequately managed through the Brief Data Protection Impact Assessment	

## STEP 8: Sign off

Whatever the outcome of the Brief Data Protection Impact Assessment, the recommendations **must** be signed off by:

- **The relevant Information Asset Owner (Third Tier Manager)**

This is because the Council's Information Asset Owners are responsible and accountable for the way that their information assets are governed and used, and must be involved in decisions which involve the processing of information assets for which they are accountable.

- **The Council's Data Protection Officer**

The Council is required by law to involve our Data Protection Officer in **all decisions which involve the processing of personal data**, so this is an important element of demonstrating compliance in this area.

Officer	Signature	Comments
Officer undertaking the Brief Data Protection Impact Assessment	<i>Signature:</i>	
	<i>Date:</i>	
Information Asset Owner (Third Tier Manager)	<i>Signature:</i>	
	<i>Date:</i>	
Data Protection Officer	<i>Signature:</i>	
	<i>Date:</i>	

The appropriately signed off Brief Data Protection Impact Assessment document **must accompany your proposal through the relevant approval process**, so decision makers can understand why a full Data Protection Impact Assessment is not needed in this case, and to have appropriate oversight and assurance around the proposal's impact on the Council's compliance with Data Protection law, and the privacy of our customers and staff more broadly.

## APPENDIX 3: Full Data Protection Impact Assessment Template

### STEP 1: Gather the Information you need

Record here any documents which you have relied on in undertaking this DPIA, or have referenced later in this DPIA.

### STEP 2: Describe the project or proposal – especially the purpose of changing what happens with personal information

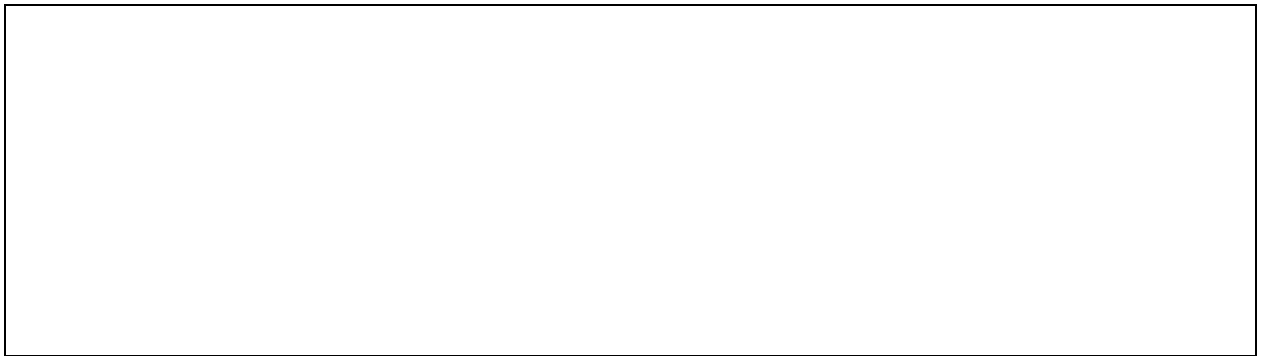
### STEP 3: Outline the scope of the Data Protection Impact Assessment

### STEP 4: Who will be involved in the Data Protection Impact Assessment process?

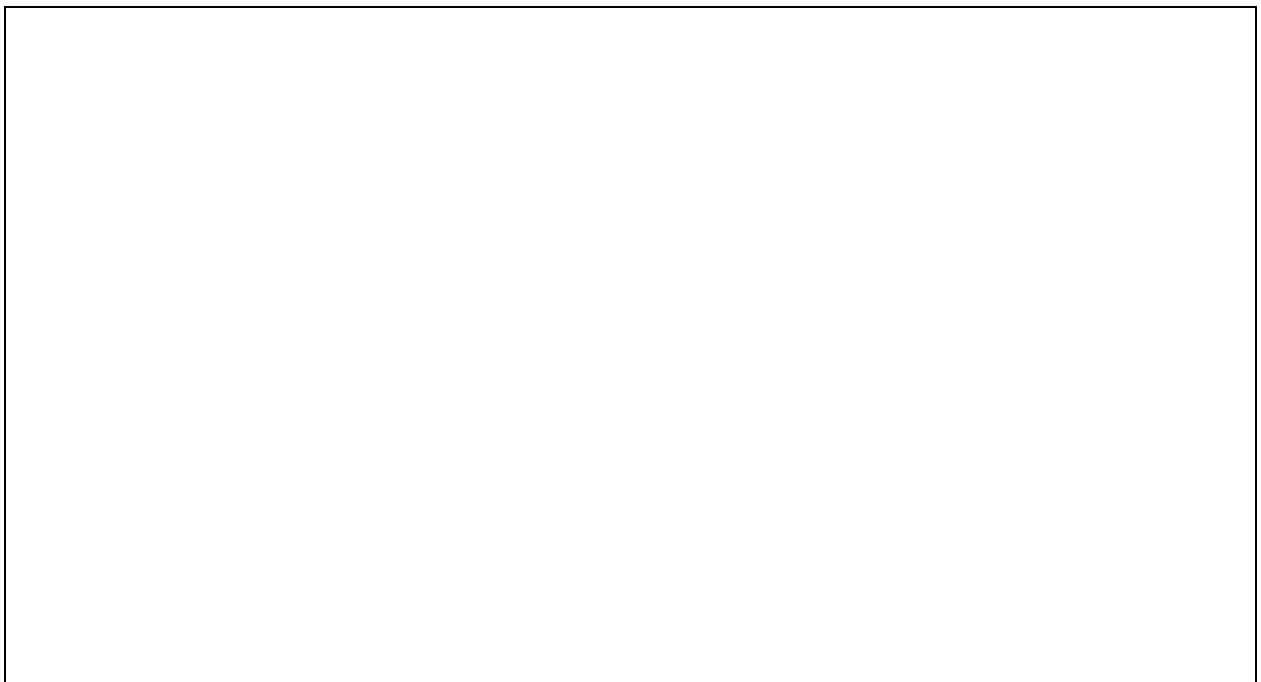
*Outline here who was consulted and why. Include justification for not consulting individuals affected or their representatives if relevant.*



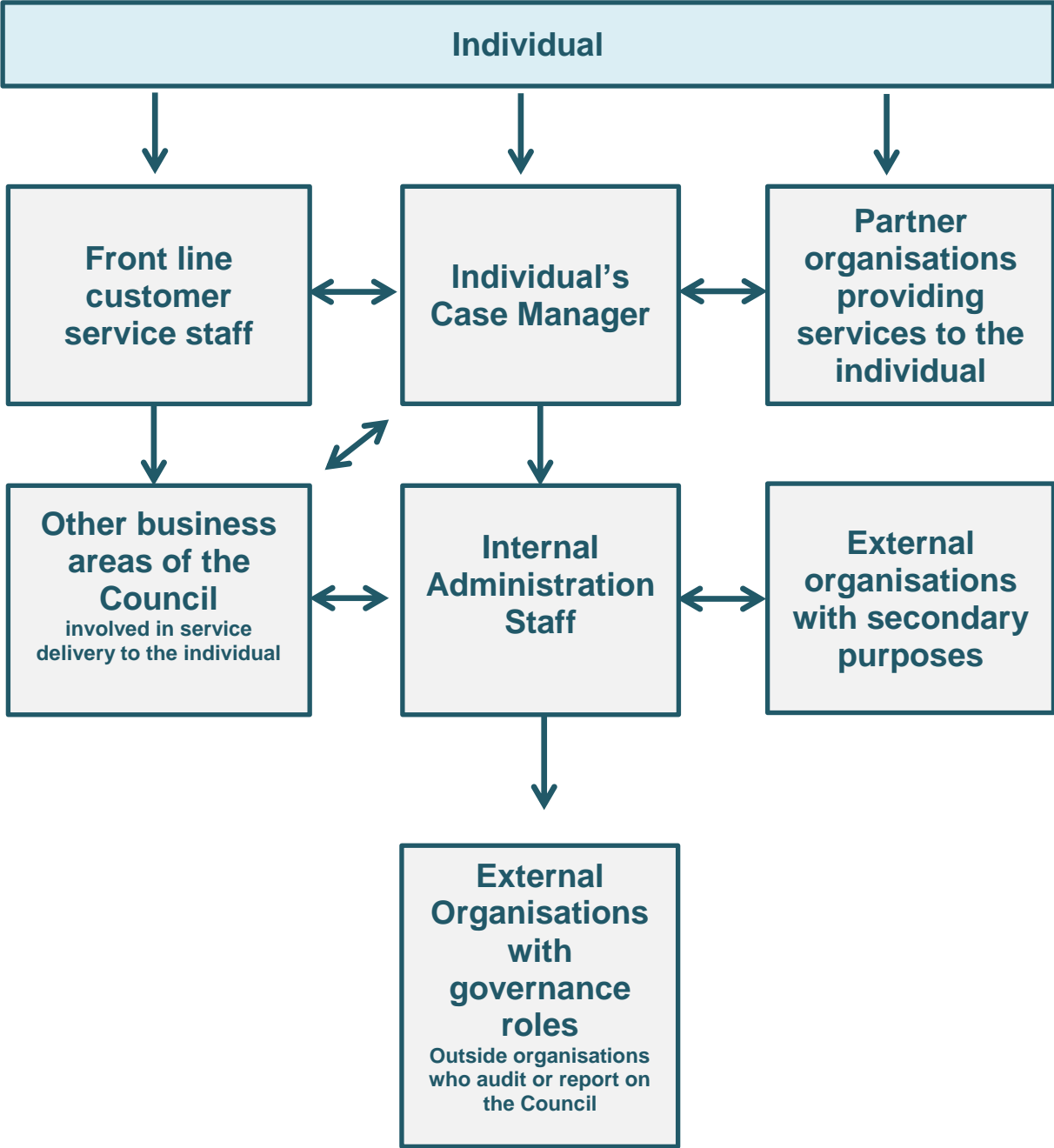
**STEP 5: Explain the scope and process**



**STEP 6: Explain and map the Personal information flows**



**Example Information Flow Diagram (to be customised)**



**STEP 7: Describe the organisational context**



**STEP 7: Check how your proposal measures up against the data protection requirements**

If you have already undertaken a Brief Data Protection Impact Assessment, you can use the information collated to help you fill in this section.

<b>Data Protection Requirement</b>	<b>Description of personal information, how it will be used, how will it be managed</b>	<b>Assessment of compliance</b>	<b>Compliance Risks Identified</b>
<p><b>Principle 1</b></p> <p>Personal data shall be processed lawfully, fairly and transparently</p>	<p><i>Factors to consider:</i></p> <p><i>All processing of personal data requires a legal basis in data protection law... is there an appropriate legal basis in data protection law for processing the information?</i></p> <p><i>Are there any other laws which relate to the use or processing of this information? What are they? Is this proposal compliant with other laws? Is the processing fair?</i></p> <p><i>Could it seem unexpected or unfair to the individuals involved? How will you tell individuals about what their data is being used for and how it is managed?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		



<p><b>Principle 2</b></p> <p>Personal data shall be collected for specified, explicit and legitimate purposes and not further processed in a manner incompatible with those purposes</p>	<p><i>Does this proposal involve re-using personal information held by the Council for a different purpose? If so, have you identified an appropriate legal basis for the proposed processing of this information?</i></p> <p><i>Or is there an exemption justifying this use?</i></p> <p><i>Does this proposal involve processing personal information in a way which is different to what we have told data subjects? Is it fair? Would it be unexpected to individuals involved?</i></p> <p><i>How will you communicate this new use with individuals affected?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		
<p><b>Principle 3</b></p> <p>adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed</p>	<p><i>Could the purpose of the proposal or project be achieved without using personal information?</i></p> <p><i>How will the proposal ensure that only information required to meet the purpose is processed?</i></p> <p><i>Will the information in scope be enough to achieve the stated purpose?</i></p> <p><i>What risks may arise as part of your proposal or project round compliance with this principle?</i></p>		

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<p><b>Principle 7</b></p> <p>The Council is responsible for, and able to demonstrate compliance with, the above data protection principles</p>	<p><i>The Council is required to be able to proactively demonstrate compliance with all principles above. How will this requirement be factored into the design and implementation of your system/ initiative/ project? What risk may arise around compliance with this principle?</i></p>		

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<p><b>Other Privacy Risk Areas</b></p>	<p><i>Does the project involve you using new technology which might be perceived as being privacy intrusive? For example, the use of CCTV, Automatic number plate Recognition (ANPR), body worn cameras, biometrics or facial recognition?</i></p>		

**STEP 8: Data Protection & Privacy Risk Assessment**

**Assessment of potential risks and possible mitigations to reduce or manage adverse effects**

**Principle 1:**

Ref. no.		Description of the risk(s)	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual current risk	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Principle 2:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual current risk	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Principle 3:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual current risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Principle 4:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Principle 5:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards



**Principle 6:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Principle 7:**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Individuals' Rights**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the Council or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Third Parties**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the agency or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

**Other Privacy Risks**

Ref. no.		Description of the risk(s) identified	Rationale and consequences for the agency or individual	Existing controls that contribute to manage risks identified	Assessment of residual (current) risk recognising current measures	Recommended additional actions to reduce or mitigate risk	Residual risk remaining despite new safeguards

### STEP 9: Recommendations to minimise impact on privacy

Ref	Recommendation	Agreed Y/N
R-001		

### STEP 10: Action Plan

Ref	Agreed action	Who is responsible	Completion Date
A-001			

## STEP 11: Sign Off

Officer	Signature	Comments
<b>Officer undertaking the Data Protection Assessment</b>	<i>Signature:</i>	
	<i>Date:</i>	
<b>Information Asset Owner (Third Tier Manager)</b>	<i>Signature:</i>	
	<i>Date:</i>	
<b>Data Protection Officer</b>	<i>Signature:</i>	
	<i>Date:</i>	

# Corporate Procedure:

## The Corporate Records Retention and Disposal Schedule

<b>Date Created:</b>	January 2018	
<b>Version:</b>	V1.0	
<b>Location:</b>	Governance	
<b>Author (s) of Document:</b>	Sophie-Elise Anker & Helen Cannings, Information Governance Office	
<b>Approval Authority</b>	Senior Information Risk Owner, in consultation with the Convenor and Vice Convenor of Finance, Policy & Resources	
<b>Scheduled Review:</b>	January 2018	
<b>Changes:</b>	January 2019	New Procedure



# Information Matters

take your time and get it right

# The Corporate Retention & Disposal Schedule

## 1 What is this procedure for?

This procedure outlines the process by which the retention and disposal periods outlined in the Corporate Records Retention & Disposal Schedule are set, reviewed, revised, and updated. For information about using the Corporate Retention & Disposal Schedule please refer to the Council's Managing Information Procedures.

This procedure supports the Council's Corporate Information Policy.

## 1.2 The Corporate Records Retention and Disposal Schedule

Corporately, the Council's recommended retention periods for its key information and record types are set out in the Council's [Records Retention & Disposal Schedule](#).

### 2.1 Setting Retention & Disposal Periods

The Corporate Retention & Disposal Schedule was developed in 2015 with reference to:

- national retention and disposal guidance outlined within the Scottish Council on Archives Retention Schedules
- pre-existing service or team level retention schedules already in use across the Council

Retention periods are derived from either:

- **Statutory requirement:** in cases where a law specifies how long a particular record or information type must be kept, or:
- **Business requirement:** this may be defined by a relevant legal requirement which impacts on retention but does not in itself specify a retention period. Examples of this maybe where a retention period for a record type which contains personal information is informed by data protection law, or where information about contracts or services provided is informed by the law around time limits for bringing legal proceedings. Where no relevant legal requirement impacts on retention, the agreed retention period will be based on the Council's business requirements for keeping that information or record. These will usually be based on national guidance unless there is a local business reason to vary from this.

### 2.2 Reviewing and revising Retention & Disposal Periods and Actions

Changes to the law and changes to the way the Council does its business may require us to review the retention and disposal periods set out in the Corporate Retention & Disposal Schedule.

This will usually happen in two ways:

- **Pro-active regular review of Retention & Disposal Periods**

The Information Governance Office will conduct an annual review of the Corporate Records Retention & Disposal Schedule with reference to the national retention and disposal guidance outlined within the Scottish Council on Archives Retention Schedules.

- **Ad-hoc review**

The Information Governance Office will review retention and disposal periods on an ad-hoc basis in response to queries raised by internal business areas, our customers, or changing legislative or business requirements.

The Information Governance Office will review the retention and disposal period and action in conjunction with the relevant Information Asset Owner(s) for the information or record type, as identified in the Council's Information Asset Register.

Any proposed revisions to existing retention periods or actions which result will be subject to review by the Information Governance Group to ensure that there are no wider legal or other implications which should be taken into account from revising the retention period or action.

The revision will then be approved by the Information Manager, who will ensure that the Corporate Records Retention & Disposal Schedule is appropriately updated, and reported up to the Governance Delivery Board.

### **3. Recordkeeping**

The Information Governance Office will be responsible for maintaining the Corporate Records Retention and Disposal Schedule and for maintaining an appropriate audit trail of any revisions to it.

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# Information Asset Owner Handbook

October 2017



## Information Matters

take your time and get it right

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## 1. Getting Started

### 1.1 Why does information matter?

Information and data are the key assets of the Council of the future. Becoming the Council we want to be: a Council where we can understand and anticipate our customer's needs; a Council where we can prevent, rather than treat harm, and a Council where we can use technology to achieve our priorities for our people and place, instead of simply using it to digitise existing customer and staff transactions. This will only be possible if our information and data is fit to support us.

Realising the value of our information and data to evolve as an organisation means we have to start managing it differently. We need a strong, consistent corporate approach to the management and governance of data and information, so that we have clear assurance around our information assets, and have information and data which is fit to enable our transformation. Because of who we are, a great deal of our information is about the people we serve. Being the custodian of this type of information about people's lives is a huge responsibility, so making sure we properly steward our people's information is critical in maintaining the trust between us and our customers we need to achieve our ambitions.

Our information and data is the cornerstone of us being open and transparent, because it allows us to explain and justify the decisions that we have made, evidence the processes we have followed, and comply with our legal and statutory responsibilities. This includes compliance with our data protection responsibilities: changes to data protection legislation place increased emphasis on the Council being able to proactively evidence how the way we use and govern our data complies with the law.

### 1.2 Who are Information Asset Owners and why do we need them?

Information Asset Owners are senior business managers who are responsible and accountable for the specific, defined information assets within their remit. Information Assets are identifiable collections of information or data which have value to the Council for its business. This could be a collection of physical case files, the data in a system or database, collection of files and folders on a shared drive, or the data produced and held within a CCTV system.

Because the Council serves the people and place of Aberdeen in such a diverse range of ways, the range and volume of information and data we create, receive and use to do this is huge. Because everyone who works here creates or uses information in some way, every day, to do our jobs, managing our information is everyone's business, and we all share responsibility for making sure we do it right.

**That said we need to make sure that the Council has the right leadership, accountability and ownership for the management of its information.**

**This is your role as one of the Council's Information Asset Owners.**

### **1.3 The Information Asset Owner role in brief**

As an Information Asset Owner, you have five key areas of responsibility, and are accountable to the Council's Senior Information Risk Owner (SIRO) for undertaking them in accordance with the guidance in this handbook:

- 1. Knowing your information asset(s)**
- 2. Managing your information asset(s) throughout their lifecycle**
- 3. Understanding risks and providing assurance**
- 4. Fostering a culture where information is valued, respected and protected**
- 5. Ensuring your information asset(s) are fully used for public good**

This handbook outlined the specific actions you need to take under each of these responsibilities, the tools available to support you, and where you can go for further advice and support.

## **1.4 Other Key Information & Data Roles**

### **The Information Management Team**

The Information Management Team are responsible for setting, owning and driving information and data governance standards and practice across the organisation. This team hold the corporate Information Asset Register on behalf of the Senior Information Risk Owner.

### **Senior Information Risk Owner**

The Senior Information Risk Owner (SIRO) is accountable to the Council's Chief Executive Officer for the management of the information risks across the Council. This role chairs the Information Governance Group.

### **Data Protection Officer**

The Council's statutory Data Protection Officer is responsible for monitoring the Council's compliance with Data Protection law, providing advice on data protection across the organisation and acting as the point of contact for the public and the Information Commissioner's Office. The Data Protection Officer is also responsible for fostering a culture throughout the organisation where customer's data is respected, valued and protected.

### **Information Governance Group**

The Information Governance Group brings together specialist roles across the organisation in Freedom of Information, Data Protection, Risk Management, Performance, Information Security, Information and Data Management, and Information Preservation, Business Support, Organisational Development, and Corporate Investigations. The group monitors the Council's information governance performance and implements measures to improve assurance in this area.

## **1.5 Appointing appropriate Information Asset/ Data Stewards**

As an Information Asset Owner, though you retain overall accountability for the information assets in your care, you can appoint one or more information asset or data stewards to help you carry out your role.

The best person to be appointed as an information asset/data steward is likely to vary depending on the information asset. For example, the right steward for data within a large line of business system which manages tenant data or social care case files is likely to be different from a steward for a collection of hard copy case files.

## 2. Information Asset Owner: Role and Responsibilities

As one of the Council’s Information Asset Owners, your 5 key responsibilities are outlined below. Each responsibility has specific tasks associated with it.

Because the Council not only needs to make sure its information assets are managed appropriately, we also have to evidence that this is the case, you’ll need to maintain certain records around the management of your information assets. For each responsibility below, there are actions you need to take, tools to support you, and the contact details of where you can go for further advice and support.

Working through the Information Assurance Checklist at Appendix 4 will ensure that you have the right evidence in place to demonstrate appropriate management of your assets.

### 2.1 Know Your Information Asset

Like any other thing of value that’s essential for us to do our business, the Council needs to know what information it’s got, where it’s stored, what business it supports and how, who’s using it and why, and what the risks around it are. We also need to know where the information comes from, where it goes, and who it’s shared with.

#### 2.1.1 What is an Information Asset?

An information asset is an identifiable collection of data stored in any manner, at any location, which is recognised as having value to the Council for the purposes of performing its business functions and activities. The collection should be managed as a single item. Further indications that a collection of information should be managed as an asset are:

- It is not easily replaced without cost, skill, time, resources or a combination.
- You should be able to see what the risks are to holding and using that information and it should be managed proportionately to the risk(s) it represents.
- The asset is the collection of information, and not the medium in which it is stored e.g. a collection of paper files, a database, a collection of documents on a shared drive etc.
- The inputs, outputs and stakeholders should be identifiable.

Information technology software and hardware are not in themselves information assets, it’s the information they contain which is important. So to identify your information assets, you should ask the following questions:

Does it have value to your business area/the organisation?
How much would it cost to replace the information?
Would there be legal, reputational or financial repercussions if it was lost?
Would it have an effect on operational efficiency if you could not access the information easily?
Is there a risk associated with the information?
Is there a risk of losing the information?

Is there a risk that the information is not accurate?
Is there a risk that someone may try to tamper with it?
Is there a risk arising from inappropriate disclosure?
Does the group of information have a specific content?
Does the information have a manageable lifecycle?
Were all the components created for a common purpose?

**All collections of information which contain personal information MUST be managed as information assets in accordance with this Handbook.**

## 2.1.2 The Information Asset Register

The Information Asset Register is the Council's central register, used to record all information of value held by the Council. It records the type and format of information held, which Information Asset Owner is responsible for it, its value to the organisation and who uses it, and what for. The Information Asset Register allows us to identify, from a single source, the information assets held by the Council for the purposes of performing its business functions and activities. As an Information Asset Owner, you're responsible for maintaining entries about your information assets in the Register.



### Action for Information Asset Owner

Register, and keep up to date your entries relating to your information asset(s) in the Council's Information Asset Register.



### Tools

Information Asset Register Guidance at **Appendix 1**.  
Information Asset Register return template



### Further help and support

**The Information Management Team**

## 2.2 Manage Your Asset Through its Lifecycle

### 2.2.1 Creating adequate information to meet business and statutory requirements

Good information management practice starts before information is created or captured. Making good decisions about what information we create and capture are critical for making sure that the Council has the right information in the right place at the right time.

The Council delivers its different services and activities for different reasons. For some services or activities, for example, child protection, it may be that we are obliged or empowered by law to undertake the activity, or achieve the outcome. For other activities, we may not have a clear legal basis but they may be undertaken in line with our organisational priorities because there is a clear public interest for us to do so.

It's really important that the Council understands and maintains a record of the reasons why we hold and process each of our information assets. Your entry in the information asset register will record the relevant basis on which the activity your information asset supports is undertaken.

In addition to this, there may also be laws which relate to how the Council is required to carry out particular activities, which affect the type of information we need to create, and the way we need to manage that information throughout its lifecycle.

Obviously, the Council needs to make sure that we comply with any such legal requirements, but we also need to make sure that the information we create, and the way we manage it is sufficient to robustly evidence the decisions we take and the processes we follow where there is no specific relevant law.

This is a critical foundation of the Council being able to demonstrate transparency, and being accountable, as a democratic organisation responsible for delivering for the people and place of Aberdeen, and for the stewardship of public money and assets.



#### **Action for Information Asset Owner**

Make sure that your information assets are fit to comply with any legal requirements which apply to your business area, and sufficient to robustly evidence the decisions and processes of your business.



#### **Further help and support**

**The Information Management Team**

### **2.2.2 Conducting Privacy Impact Assessments**

Where your information asset contains personal data, the Council needs to have a high level of assurance about the way we use and govern this type of data about people. The best way to ensure that data about people is governed and used properly is to make sure privacy issues are properly considered **BEFORE** starting to collect or use personal information.

A privacy impact assessment is a tool which can be used to identify and address any impacts on a person's privacy as a result of implementing a new policy, procedure, initiative or information system in relation to personal data. The privacy impact assessment process is best completed at a stage when it can genuinely affect the development of a project or initiative.

It may also be the case that you are considering using an existing information asset in a new way; it's important to remember that undertaking a privacy impact assessment **must** be considered when making any change to the way personal information within one of your information assets is collected, stored, used, managed or otherwise processed.

Undertaking the Privacy Impact Screening Questions will allow you to make an informed decision about whether a full assessment is required.



**Action for Information Asset Owner**

Conduct a Privacy Impact Assessment prior to taking decisions or making changes to the management of your information asset, where your asset contains personal information.

**Tools**

[Privacy Impact Assessment Guidance](#)

[Privacy Impact Assessment Templates](#) (includes Screening Questions)

**Further help and support**

**Governance Team**, Legal & Democratic Services

### 2.2.3 Collecting or capturing personal information: making sure it's lawful, fair and transparent

All collection, capture or creation of personal information must be fair, lawful and transparent by law.

If you are an Information Asset Owner who is processing personal information as part of your business then there are extra actions that you need to take, to make sure that the Council is able to robustly evidence to our customers and to regulators that we're handling their information lawfully, fairly and transparently.

Data protection law means that capturing, collecting, requesting, creating or otherwise gathering personal information can only be done where there the Council has what is called a 'condition for processing'. Relevant conditions for processing personal information are outlined in the Council's Corporate Data Protection Procedures.

As well as being lawful, the way the Council processes personal information also needs to be fair. An important element of fairness is transparency. The Council needs to make sure that the people who we are collecting or capturing personal information about know why we are doing this, what their information will be used for, how their information will be shared by us and how long we will keep it for.

This provision of this information to our customers is called a 'fair processing' or 'privacy notice'. The change of data protection law which will come into force in May 2018 means the information that the Council must provide in these notices has changed. This means that even if you have Fair Processing or Privacy Notices in place they will need to be updated to comply with changes in the law.

Information about how to put together an effective, up-to-date and compliant fair processing notice are outlined in the Council's Data Protection Procedures (Privacy Notices).

**Action for Information Asset Owner**

Make sure you're clear that where asset(s) contain personal information, information provided to customers about the way their information is

processed by the Council (privacy notices) are up-to-date and comply with new data protection requirements



#### **Tools**

[Corporate Data Protection Procedures](#) (Privacy Notices)



#### **Further help and support**

**The Governance Team, Legal & Democratic Services**

### **2.2.4 Contractual Arrangements**

The Council can't contract out its legal responsibilities for its data and information, so we have to make sure that wherever we have arrangements in place with third parties which involve our data and information, we have robust contractual arrangements in place which hold our contractors to the standards we require in relation to our legal responsibilities under information security, data protection, freedom of information and public records legislation.

Without a robust contract, the Council may be exposed to monetary penalties for the failure of a contractor. The entering into, for any contractual arrangements, on behalf of the Council should be done through the Council's Legal Team in Commercial and Procurement Services, who will ensure that contractual clauses are adequate to meet the council's requirements.



#### **Action for Information Asset Owner**

Ensure robust contractual arrangements are in place with all third parties who play any part in processing data or information on behalf of the Council.



#### **Further help and support**

**Legal Team, Commercial & Procurement Services**

### **2.5 Knowing who has access and why: ensuring the use of the asset is appropriately protected and monitored**

For each information asset you are responsible for, you'll need to understand and actively manage who has access to it and why, and maintain a record of this.

This means that if your information asset has different levels of access to it (for example, some users have read access, and others can edit data), you'll also need to maintain records of this.

It may be that your information asset is within a system which maintains appropriate records of users and their access rights, if not then you will need to make sure that a separate record is maintained of who has access to your asset and why.

Different information assets will require different levels of audit trails around access and use for example, for sensitive personal information assets like social care case files it is likely to be necessary to be able to have an audit trail which allows any access to the case file to be recorded. This may not be the case for all types of information assets. You will need to consider the level of access control and audit trail that is appropriate to your information asset(s).



#### **Action for Information Asset Owner**

Ensure that access to your information asset(s) is appropriately managed and you maintain records of who can access your information asset and for what purpose



#### **Further help and support**

**The Information Management Team**

## **2.6 Procedures, Training & Awareness**

One of the reasons that you need to keep records of who has access to your information assets and why, is to make sure that people with access have the right information, knowledge and skills to do so appropriately.

This means making sure everyone with access to your asset is familiar with the Council's Corporate Information Policy, Corporate ICT Acceptable Use Policy, and the corporate procedures that support them (listed below).

This also means making sure that you have the right local procedures in place to support staff with any specific information they need to access information assets appropriately. In most cases, it will be appropriate to include this type of information within existing local team or service handbooks, which set out how business is done in your area, rather than creating separate procedures.

As well as information, staff need to have appropriate training. As an Information Asset Owner, you're responsible for making sure staff accessing your asset have undertaken the right training for their role.



#### **Action for Information Asset Owner**

Ensure that anyone who accesses your information asset (and particularly personal data users) are familiar with the Council Corporate Information Policy, The Corporate ICT Acceptable Use Policy, the Corporate Managing Information Procedures, The Corporate Data Protection Procedures and the Corporate Freedom of Information Procedures



#### **Tools**

Corporate Information Policy  
 Corporate ICT Acceptable Use Policy  
 Corporate Managing Information Procedures  
 Corporate Data Protection Procedures  
 Corporate Freedom of Information Procedures

**Action for Information Asset Owner**

Where appropriate, ensure that local procedures and guidance for your staff include any information about any specific requirements around the creation, updating, modification, organisation, communication, protection and disposal of your information assets

**Action for Information Asset Owner**

Make sure staff accessing your asset have completed appropriate information and data related training for their role. This includes appropriate induction for new staff and undertaking of refresher training and awareness activities for existing users. Refresher training should be taken on an annual basis

**Tools**

Data Protection Essentials OIL Course  
For your Eyes Only OIL Training  
Face to face training on request

**Further help and support**

**The Information Management Team**

## 2.6 Personal Information Sharing

Where your information asset contains personal information and this information is shared, you'll need to make sure that appropriate agreements or protocols are in place to support these sharing arrangements.

Data or information sharing covers a range of situations, including the disclosure of data from the Council to a third party organisation or organisations, or, in certain circumstances, the sharing of data between different parts of the Council. Sharing of data or information can take different forms, including:

- a reciprocal exchange of data
- one or more organisations providing data to a third party or parties
- several organisations pooling information and making it available to each other
- several organisations pooling information and making it available to a third party or parties
- exceptional, one-off disclosures of data in unexpected or emergency situations
- different parts of the same organisation making data available to each other

More information on the routine and ad-hoc sharing of personal data is available in the Council's Corporate Data Protection Procedures.

It's important to be clear that the Council is the Data Controller for all the personal information that we hold, and it is always our decision and not the organisation requesting personal data whether or not we share or disclose it.

When making the decision whether or not to share or disclose data, it is ALWAYS our responsibility to ensure that we are satisfied there sufficient grounds for us to do so legally. For more information on information sharing and disclosure look at the Council's Corporate Data Protection Procedures.

Since sharing of personal information is a form of disclosure, you'll need to make sure that where personal information from your asset is shared or disclosed, you keep a record of the decision.

Police Scotland have developed their own form which is used to request personal information from external organisations like the Council. All requests for personal information from Police Scotland must be made using this form (ADM8/9).

Where you do not have a local system in place to evidence when and why personal information has been shared or disclosed, the Council's Personal Information Disclosure Form (Appendix 3) must be used to record the request and evidence the disclosure decision, and all instances must be reported quarterly to your Services' Information Management Liaison Officer.



#### **Actions for Information Asset Owner**

Making sure appropriate Information Sharing Agreements/Data Sharing Protocols are in place where data from your asset(s) is routinely shared with third parties.

Making sure any Information Sharing Agreements or Data Sharing Protocols are recorded in the Council's ISP Register, held by the Governance Team in Legal & Democratic Services.

Making sure ad-hoc instances of data sharing from your asset(s) are documented and records are maintained.



#### **Tools**

Corporate Data Protection Procedures  
Information Sharing Agreement Template  
Personal Information Disclosure Form (**Appendix 3**)



#### **Further help and support**

**The Governance Team, Legal & Democratic Services**

## 2.8 Business Continuity & Disaster Recovery

In many cases, our information assets are so essential to our business that we couldn't function without them. Where your information asset(s) are critical to your business, you need to make sure that you're satisfied with the arrangements in place in relation to business continuity and disaster recovery. These will vary, depending on the format of your asset (for example arrangements around physical records may be within your direct management, but those for assets within an IT system may be managed by whoever hosts the system).

If your business area would struggle to function without access to one or more of your information assets, you need to make sure that your Business Continuity Plan takes into account any information assets which are essential for your business.

It can be the case that a business area is able to function without access to an information asset in the short or medium term, but that the asset is vital for the Council being able to carry out its business or comply with its legal responsibilities in the longer term. For example, the Council requires to retain certain types of information, such as records relating to adoption for very long time periods, so we also need to be confident in the arrangements we have for protecting these types of information assets.



### Action for Information Asset Owner

Make sure that your Business Continuity Plan takes into account any information assets which are essential for your business.



### Tools

Identifying and Protecting Vital Information Assets Guidance (**Appendix 3**)



### Further help and support

**David McIntosh, Emergency Planning & Business Continuity Manager**

## 2.9 Securing & Protecting Information

Appropriate measures to secure and protect your information asset(s) are likely to vary depending on the format of your asset and the type of information contained within it (for example arrangements around physical records may be within your direct management, but those for assets within an IT system may be managed by whoever hosted the system). In either case, you should ensure that you are satisfied that measures in place are appropriate for your asset.

Regardless of the format of your information asset(s), securing and protecting information assets is as much about the 'human element' as any technical or physical measures in place, so it's important to make sure you're satisfied that anyone with access to your information asset(s) have the right knowledge,

awareness and training to mitigate this factor as much as possible, as outlined at Section 2.6, above.

**Action for Information Asset Owner**

Ensure that you're satisfied that the technical and physical measures in place to secure and protect your information asset(s) are adequate.

**Tools**

ICT System Risk Assessment

**Further help and support**

Information Management Team

## 2.10 Incidents and Breaches

As an Information Asset Owner, you should regard any data loss as a cause for concern, and take immediate action to improve matters for the future. When problems occur, our culture at the Council has to be one in which losses are identified and learned from. This should apply both to actual problems and “near misses”. This is vital if the Council is to avoid making the same mistakes, as well as allowing the Council to be open with individuals who may be affected by problems.

The Council's Data Protection Incident Management Procedure has been updated in line with changes in Data Protection law, so it's really important that you're familiar with it, and make sure that all users of your information asset(s) also understands what action they have to take in relation to Data & IT related incidents and breaches. Failure to take timely and appropriate action in the event of a data breach could expose the Council to serious monetary penalty.

**Action for Information Asset Owner**

Make sure that any incidents or breaches affecting your information assets are reported and managed in accordance with the Council's Incident & Breach Reporting Procedure and that you maintain a record of any such incidents.

**Tools**

[Corporate Data Protection Incident Reporting Procedure](#)

**Further help and support**

Governance Team, Legal & Democratic Services

## 2.11 Retaining & Disposing of Information

Council information should be kept for as long as it is required to carry out business, or to comply with the Council's statutory responsibilities and legislative requirements. It is really important we make sure that we don't keep any information longer than we should: holding on to information we no longer require can have as serious consequences as not keeping information long enough.

It makes it harder to find the information we do need and costs the Council money (whether the information is in hard or electronic copy). Keeping information containing personal data for too long, or not keeping information up to date, is likely to also mean that the Council is in breach of Data Protection.

Making sure your information asset(s) are retained and disposed of appropriately is a key part of your role as an Information Asset Owner, and that where records are destroyed this is recorded. The Council's Retention & Disposal Schedule sets out the retention periods for different types of Council information and data.

A small proportion of the Council's information is identified on the Council's Records Retention & Disposal Schedule for permanent retention in the Council's Archive Service.

Where any of your information from one of your information assets is scheduled for permanent preservation, you should arrange a regular schedule of transfers to the Council's Archive Service.



#### **Actions for Information Asset Owner**

Ensure that information and data within your information assets are retained and disposed of in accordance with the retention guidance set out in the Council's Retention & Disposal Schedule, and that disposal action is recorded using a disposal log.

Where any of your information from one of your information assets is scheduled for permanent preservation, arrange a regular schedule of transfers to the Council's Archive Service.



#### **Tools**

[Corporate Retention & Disposal Schedule](#)

Records Disposal Log



#### **Further help and support**

**Information Management Team**

**Archives Team** (for records scheduled for permanent preservation)

## **2 Understanding the Risks and Providing Assurance**

### **3.1 Managing Risks relating to your Information Asset**

Because we rely on our information assets we need to make sure that we're actively managing any risks in relation to them. The kinds of risk likely to apply to information



assets will depend on many factors, but some key areas which may be helpful to get you started in thinking about the risks which may apply to your information asset(s) are:

<b>Risk Category</b>	<b>Example of Risk</b>
Governance and culture	<ul style="list-style-type: none"> <li>• Lack of comprehensive oversight and control (e.g. inadequate training to fulfil the expectations put on staff to handle and protect sensitive data correctly)</li> <li>• When something goes wrong, handling it badly and not learning</li> <li>• Third parties letting you down</li> <li>• New business services do not take information risk into account</li> </ul>
Information management and information integrity	<ul style="list-style-type: none"> <li>• Critical information is wrongly destroyed, not kept or cannot be found when needed</li> <li>• Lack of basic records management disciplines</li> <li>• Inaccurate information</li> <li>• Information becomes unreadable due to technical obsolescence</li> <li>• Information is lost or exposed</li> </ul>
The human dimension	<ul style="list-style-type: none"> <li>• Despite having procedures and rules, staff, act in error, act incorrectly</li> <li>• Despite having procedures and rules, insiders, act incorrectly</li> <li>• External parties source your information illegally</li> </ul>
Information availability and use	<ul style="list-style-type: none"> <li>• Inappropriate disclosure of sensitive information</li> <li>• Failure to disclose critical information for case management/protection</li> <li>• Failure to utilise the value of the information asset</li> <li>• Failure to allow information to get to the right people at the right times</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• Denial of service due to systems failure</li> <li>• Corruption of data leading to delay in services</li> </ul>
Process disruption	<ul style="list-style-type: none"> <li>• Established processes disrupted by new regulation</li> </ul>
Proportionality	<ul style="list-style-type: none"> <li>• Providing more information than necessary for completion of a process leads to the risk of a breach being more critical than it need be</li> </ul>



#### **Action for Information Asset Owner**

Ensure that, wherever appropriate, risks to the business related to your information asset are included in service risk registers.



#### **Tools**

[Risk Management Manual and associated guidance](#)



#### **Further help and support**

**Neil Buck, Performance & Risk Manager**

### 3.2 Information Assurance Statements

The Council's Senior Information Risk Owner (SIRO) is responsible for providing assurance to the Chief Executive on the management of the Council's information risks. Your role in this is to provide the SIRO with regular assurance about the way your information asset is managed.

This is done using the Information Asset Assurance Statement.



#### Action for Information Asset Owner

Complete annual Information Asset Assurance return to the SIRO when requested



#### Tools

Information Asset Assurance Statement (**Appendix 4**)



#### Further help and support

**The Information Management Team**

## 4. Fostering a culture where information is valued, respected and protected

The Council relies on the trust of the people of Aberdeen to do its business effectively. The way we care for and protect the information we hold about our people and place is a key part of fostering this trust.

The Council must have visible and transparent measures in place to demonstrate that our people's data is treated with sensitivity, care and diligence. Everyone who works here must show by their actions as well as their words that they treat information with care and respect.

As an Information Asset Owner, you're responsible for managing your own information asset(s), but you're also responsible for fostering a culture that properly values, respects and protects information and data across the Council.

This means being seen to value, respect and protect the Council's information, taking part in corporate campaigns to improve information governance.



#### Action for Information Asset Owner

Foster a culture of where information is valued, respected and protected appropriately across the organisation, supporting corporate campaigns to improve information governance



#### Further help and support

**Information Management Team**

## 5. Using information assets for Public Good

Whilst you're accountable for the management of your information assets in accordance with this handbook, it's important to remember that all of our Information Asset Owners have a key role to play in making sure that the Council's information is fully used for the success of the Council as a whole and the good of the people and place we serve.



### **Action for Information Asset Owner**

Work with the Data Office and with other Information Asset Owners across the organisation on data and information related projects and programmes to improve information assurance and ensure our data and information is fit to enable the Council's strategic transformation objectives



### **Further help and support**

**Caroline Anderson, Information Manager**

## Appendix 1: Information Asset Register Guidance

### Appendix 1: Information Asset Register Guidance

Field No.	Field Name	Explanation of how to complete it	Worked Example	Explanation of worked example
<b>The Information Asset</b>				
1.1	Information Asset Name	This is a free text field where you should enter the name of your information asset.	Burial & Cremation Register and associated records	
1.2	Information Asset Description	This is a free text field where you should briefly describe your information asset.		
1.3	Information Asset Format	<p>There are three options to choose from in the drop-down for this field:</p> <ol style="list-style-type: none"> <li><b>1. Hard Copy</b> This should be used for information assets which are held in paper format.</li> <li><b>2. Unstructured</b> This should be used for information assets which are held files or folders on Council's network drives or within the Council's email system.</li> <li><b>3. Structured</b> This should be selected if your information asset is held in a database, line of business or case management system</li> </ol>	Structured	
1.4	Type	<p>This is where you should record the type of data contained within your information asset. You should select one option from the following drop-down:</p> <ol style="list-style-type: none"> <li><b>1. Sensitive Personal Data</b> Select this option if your information asset contains any personal information at all which reveal:</li> </ol>	Personal	

		<ul style="list-style-type: none"> <li>• a person's racial or ethnic origin</li> <li>• a person's political opinions</li> <li>• a person's religious or philosophical beliefs</li> <li>• a person's membership of a trade union</li> <li>• a person's health</li> <li>• a person's sex life or sexual orientation</li> <li>• genetic or biometric data which are processed for the purpose of uniquely identifying a person.</li> </ul> <p><b>2. Personal Data</b>                  Personal data is defined as any data relating to an identified or identifiable natural person. An identifiable natural person is one who can be identified, directly, or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.</p> <p><b>3. Other Sensitive</b>                  There may be rare instances where your information assets contain non-personal information which is sensitive for other reasons. This may include, information about corporate emergency planning information, cyber security measures or sensitive financial information. This category is not likely to apply to the majority of the Council's Information Assets.</p> <p><b>4. Non Personal or Sensitive Data</b>                  If your information asset does not contain any sensitive personal data, personal data or sensitive data, as defined above, please select this option.</p>		
<b>Personal &amp; Sensitive Personal Data (this section only needs to be completed if your information asset contains personal or personal sensitive data)</b>				
3.1	Data Sharing	Yes or No	Yes	
3.2	Data Shared with externally	Enter the organisation with whom data is shared.	Funeral Directors	

3.3	Data Shared with internally	Enter the team or service with who information is shared with internally		
3.4	Data Origin	<p>This field only needs to be completed if your asset contains personal or sensitive personal data. This is where you should record where the data within your information asset comes from. Select the most appropriate option from the drop down:</p> <p><b>1. Customer Directly</b> In most cases, it will be our customers themselves who provide us with the personal and sensitive personal data about themselves we need to undertake our activities. If this is the source of the personal information contained in your asset, select this option.</p> <p><b>2. Third Party</b> There may be times when we receive personal information about our customers from third parties.</p> <p>Because it may be the case that your information contains personal information which is received directly from our customers as well as personal information about our customers received from third parties, select both options if this is the case.</p>	Customer directly	Information is provided by the person applying for the burial or cremation
3.5	Country data processed in (Personal Data or Sensitive Only)	<p>If information from your asset is transferred outside the UK then you should enter the countries to which it is transferred here.</p> <p>For externally hosted (web or cloud based) systems enter the country where the third party stores the data. This information will be included in the Councils' contract with the third party. For web hosted systems, the location is the data is where the third party locates its servers.</p>	UK	
<b>Legal Basis &amp; Requirements</b>				
5.1	Statutory Requirement (have to)	If your information asset exists because it is necessary to support an activity or an outcome which the Council is required to undertake or achieve by law, put the piece of	Burial & Cremation (Scotland) Act 2016	The Council is required by this law to provide burial

		legislation from which the Council derives its obligation here.		grounds
5.2	Power (can do)	If your information asset exists because it is necessary to support an activity which we are empowered to undertake by law (rather than obliged to), put the piece of legislation from which the Council derives its powers in this field.	Burial & Cremation (Scotland) Act 2016 (empowered to provide crematorium)	The Council is empowered by this law to provide a crematorium.
5.3	Legislation which applies to the way we do this activity, if we do it	Enter here any legislation which relates to the way in which the Council carries out the activity which your information asset supports.	Burial & Cremation (Scotland) Act 2016	The piece of legislation specifies law In relation to how burials and cremations must be carried out in Scotland
5.4	Legislation relevant to information and record keeping (other than data protection)	Enter here any legislation which applies to your information asset which lays down specific requirements for the management of it. For example, the Adoption Agencies (Scotland) Regulations 2009 specified that Adoption Case Record must be retained for 100 years.	Burial & Cremation (Scotland) Act 2016	This legislation specifies the format that Burial & Cremation Registers need to be kept in (electronically) and the length of time they need to be retained.
<b>Business Functions &amp; Activities</b>				
2.1	Function	Our information Assets support the Council to carry out our functions as an organisation. Our organisational functions are defined in our business classification scheme is a 3 level hierarchical model which sets out our functions, activities, and sub-activities. Choose the most appropriate function using the <a href="#">Records Retention &amp; Disposal Schedule</a> .	Communities	
2.2	Activity	Choose the most appropriate activity using the <a href="#">Records Retention &amp; Disposal Schedule</a> .	Bereavement Services	

2.3	Sub-Activity (BCS)	Choose the most appropriate sub-activity using the <a href="#">Records Retention &amp; Disposal Schedule</a> .	Cremations and interments	
2.4	Value (Business Criticality)	<p>Select the most appropriate option for your information asset, from the options below:</p> <ol style="list-style-type: none"> <li><b>1. Business Critical</b> Only select this option if your information asset is essential to undertake one of the Council's identified critical functions.</li> <li><b>2. Service Critical</b> Only select this option is your option if your information asset is essential to undertake one of your service's identified critical functions.</li> <li><b>3. Non Critical</b> Select this option if your information asset doesn't fall into either of the categories above. Selecting this option does not mean that you asset is not important to the Council, or essential for your team's business.</li> </ol>	Business Critical	Providing burials and cremations is one of the Council's <a href="#">identified critical functions</a> .
2.5	Entity	<p>Select from the most appropriate option form the following drop down in terms of the entity (data word for 'thing') which your information asset most relates to:</p> <ol style="list-style-type: none"> <li><b>1. Customer</b> Examples, social work case management system, school clothing grants database or</li> <li><b>2. Employees</b> For example, personnel files, or HR system.</li> <li><b>3. Place</b> For example, asset management files about council properties, or deeds. This would also include GIS data.</li> </ol>	Customer	
<b>System or Location Information</b>				
4.1	System Name	If your information asset exists within case management	BACAS	



		system, line of business system or database, please enter the name of it here.		
4.2	System Location	<p>This field records where your information is stored. For hardcopy records, this will be a physical location, for example, Marischal College, or Tullos Depot.</p> <p>For information assets within files and on the Council's shared drives, or systems which are internally hosted within the Council, enter the location as Internally Hosted.</p> <p>For information assets which are stored on systems or locations which are externally hosted or hosted on web based systems (cloud), enter the locations where the third party stores the data. This information will be included in the Councils' contract with the third party. For web hosted systems, the location is the data is where the third party locates its servers.</p>	Council Private Cloud with Bright solid	
4.2	System Users	Enter here groups of staff who have access to your information asset.	Bereavement Services Staff	
4.6	System Provider	If your information asset is within a system provided by a third party company, enter the name of the company here.	Clearskies Scotland	
<b>Version Control</b>				
6.0	Register updated on	This field is so we can understand when entries in the register have been updated. Please enter the date of your entry in the format dd/mm/yyyy.	06/06/2017	

## Disclosure Form

Any third party request for personal data Aberdeen City Council must be recorded.  
This form must be used where no local arrangements are in place for recording third party personal data requests

### Section 1: Data Requester

Organisation	
Contact Name	
Address	
Contact Telephone	
Contact Email	

### Section 2: Data Requested

Data being requested	
Purpose data required for	
Potentially relevant Exemptions	

### Section 3: Decision and Authorisation (to be completed by IAO)

Will information be shared as per above request (please indicate)	YES	NO
Record basis for decision here		
Name of IAO/Authoriser		
Job Title		
Description of information shared		
Method by which information was shared		
Date information was shared		

Aberdeen City Council will process the personal information provided in this form in order to efficiently administer this request for information in accordance with our powers under the General Data Protection Regulation, and will be retained for three years regardless of whether we decide to disclose information or not, as part of our records of compliance with the General Data Protection Regulation.

This information will not be shared with any third parties unless we are required to do so by law. For your rights in relation to your information please see our Privacy Charter. If you'd like to find out more about the way the Council processes Personal Data please contact Fraser Bell, our Data Protection Officer.

## Appendix 3: Identifying & Protecting Vital Information Assets

This guidance is intended for Information Asset Owners responsible for producing and updating business continuity plans for their Service or Directorate.

### 1. What are vital information assets?

Vital information assets are either:

- **Information the Council needs to continue operating vital services in the event of a business continuity incident or a disaster.** For example, it may be impossible for the Council to continue to provide social care services to vulnerable clients without access to client records held on the CareFirst system.
- **Information that the council cannot afford to lose for longer term business or legal reasons.** For example, whilst it may not have an immediate impact on the Council's ability to provide Social Work services, the Council is required by law to keep records relating to adoptions for 100 years. If this information was lost, it would be a very serious failure of the Council's duty of care to adopted people, and would have a serious impact on the lives of the individuals involved.

Examples of **business continuity incidents** include: being unable to enter a building for several hours or days (in the event of, for example, a bomb scare) or being unable to access the Council network for several hours or days); **disasters** include fire, flood, and the loss of electronic data through malicious electronic intervention, which can lead to the loss of information forever.

Vital information enables the organisation to continue functioning in the event of a disaster or incident, and contain the information needed to re-establish the organisation in the event of a disaster that destroys all other information. In the case of the Council, vital information may apply to the Council as a whole, or to a specific service or directorate. Vital information can be held in any format, including paper and electronic formats.

### 2. Why do vital information assets matter?

Identifying your service's vital information, taking measures to protect it, and ensuring (so far as possible) that it is always available when needed, whenever its needed, will mean that you service's staff will be able to continue providing services to customers in times of crisis, and that you have the irreplaceable information you need in the medium and longer term. A clear understanding of vital information is part of good information management practice, and should tie in with your service's business continuity planning arrangements.

Your service's business continuity plan should consider what the consequences for your area of responsibility would be if you were unable to access your information for a few hours or days, or were to lose your information forever, and the vital information backup measures that you install should reflect how critical your information is, and how urgently you would need access to it.

### 3. Who is responsible for my service's vital information assets?

Information Asset Owners are responsible for making sure that a vital information asset is identified as such, and appropriate measures are put in place to protect it. Information Asset Owners should make sure that relevant Business Continuity Planning and Disaster Recovery arrangements include provision for vital information assets.

All staff are responsible for working sensibly with vital information and so it is necessary that all staff know what your service's vital information is, and what the service's business continuity and disaster recovery arrangements are.

### 4. How do I tell which information assets are vital?

What constitutes a vital information asset will vary from service to service. This guidance gives you a toolkit to help you identify your section's vital records.

When identifying your service's vital information, consider the following points:

1. What are the core functions and activities of your service? This may be protecting children, maintaining roads or processing benefits claims. For help, look at the Council's [Business Classification Scheme](#) which outlines all of our functions and activities.
2. What information do you need to enable you to perform these core functions, or to provide evidence that you have done so? This should be included in your service's file plan.
3. Identify which of this information is vital: can the functions or activities the information relates to be re-established in the event of the loss of this information? If so, the information is not vital (although in some cases you may still consider their importance to be sufficient that they are worth protecting). If not, the information is vital and measures should be put in place to protect it.

It's important to consider the following points, when you're identifying whether information is vital or not:

- **Not all information is vital:** around 2-10 % of any organisation's information is likely to be vital, although this will vary from case to case. Setting up

special protection measures can be expensive, so do not be tempted to include everything.

- **Vital information is vital for varying lengths of time:** information is not necessarily vital forever.
- **Information may not fall neatly into vital and non-vital categories.** It may be more helpful to divide your information into 4 different categories, as in the table below.

1. Vital Information Assets	
<p><b>Business Critical Information Assets</b></p> <p>An information asset which is vital to carry out one of the Council’s identified <a href="#">critical functions</a>. To meet this criterion the Council must be unable to carry out one of its business critical functions without access to this information asset.</p>	<p>Examples:</p> <ul style="list-style-type: none"> <li>• Children’s and adult social care case files held on the CareFirst system</li> <li>• Payroll information held on the PSe system, and associated databases</li> </ul>
<p><b>Service Critical Information Assets</b></p> <p>An information asset without which a service cannot function. These information assets are essential to the core business of the service.</p>	<p>Examples:</p> <ul style="list-style-type: none"> <li>• Any information vital for the delivery of a council function or activity, other than those which have been identified as Council <a href="#">critical functions</a></li> <li>• Information subject to a legal requirement to be kept for a certain amount of time</li> <li>• Historical records needed for evidential or other legal purposes</li> </ul>
<p><b>Information Assets vital in disaster situations</b></p> <p>These records are vital in case of a disaster because they are critical for emergency procedure and crisis management purposes.</p>	<p>Examples:</p> <ul style="list-style-type: none"> <li>• Key staff contact details</li> <li>• Staff records</li> <li>• Next of kin details</li> <li>• Business Continuity plans</li> </ul>
2. Important Information Assets	
<p>Information which is important to the continued operation of</p>	<p>Examples:</p> <ul style="list-style-type: none"> <li>• Procedures</li> </ul>

the organisation. It can be reproduced or recreated from original sources, but only at considerable time and expense.	<ul style="list-style-type: none"> <li>• Some policies</li> <li>• Minutes of some meetings</li> </ul>
<b>3. Useful Information Assets</b>	
Loss of this information would cause temporary inconvenience to the Council.	Examples: <ul style="list-style-type: none"> <li>• Most correspondence</li> </ul>
<b>4. Non-Essential Information Assets</b>	
This information has no value beyond the immediate purpose for which they were created	Examples: <ul style="list-style-type: none"> <li>• Staff circulars about one-off events which are now completed</li> <li>• Advertisements</li> </ul>

## 5. Protecting Vital Information Assets

Now you've identified your vital information assets, you should make sure that, where appropriate, they are included in your Business Continuity & Disaster Recovery arrangements, and make sure that adequate measures are in place to protect them:

### 5.1 Protecting vital information assets held electronically

Electronic vital information assets will usually fall into two broad categories:

- Information Asset held in specific business system or application

For an vital information assets held in a specific business system or application, ensure that an ICT Security Risk Assessment has been carried out for the system, and agree with the Council's IT & Transformation Service the appropriate level of protection required for the system.

- Information Asset held outwith business system (on network shared drives)

For vital information assets outwith business systems (on network shared drives), backup copies are regularly made and should the any of the information be accidentally deleted, it can be restored from the backup copies of the server. **No Council information, vital or otherwise, should be stored on local hard drives.** Backup regimes and procedures, including the length of time needed to restore lost

data, may vary, and so if you have identified vital records which are currently held on network drives, you should contact the Council's IT & Transformation Service, to make sure of what the procedures and timescales are for restoring the information asset in the event of an incident, and if these meet with the needs of your service.

## 5.2 Protecting vital information assets held in hard copy

For vital information assets which are held in hard copy (usually paper) there are a variety of backup options. Deciding which to adopt is about balancing what is practical, given your location, environment and resources, with what is desirable, given the nature of the information. You should aim to provide reasonable protection for most information and extreme protection in a small minority of cases: Adoption records, for example, require a high level of protection by law. Weigh up the costs of different levels of protection against the potential cost of the loss of the information. It may also be helpful to consider the volume of information that need to be protected now, and how that may change in the future; what the retrieval rate is likely to be; and whether any special environmental conditions are needed for storage. For hard copy information you should also consider the following points:

- **Check the environment for potential hazards**

There may be vital information that can only be retained in hard copy. In these cases you should look for different types of environmental threat to the area where they are stored, for example are they stored close to hazardous chemicals, or beneath water pipes likely to leak. Steps should be taken to protect the information from these potential hazards, or alternative accommodation should be found.

- **Consider duplicating and dispersing across two location**

This affords a fairly low level of protection, but is relatively cheap. It may be considered adequate especially if there is more than one building across which copies can be spread.

- **Keep records in boxes**

Stout cardboard boxes will offer some short-term protection from fire and water. Paper tightly packed in cardboard boxes is less likely to burn, and cardboard boxes offer a reasonable protection from water.

- **Prioritise what information should be saved in an emergency**

Your Business Continuity Planning and Disaster Recovery arrangements should record what information should be saved first in the event of a crisis. Think about the location of this information - can it be removed from the building quickly in the event of emergency?

## 5.3 What method should I adopt?

When deciding what reasonable methods you need to adopt to backup and protect your vital information, it is necessary to balance the financial cost, time and practical implications of the methods against the seriousness of the damage that would result if your vital information were unavailable for a period of time, or destroyed. Consider the following:

	High	Medium	Low	Very low
How serious would the consequences be if the records were destroyed or stolen?				
How serious would the consequences be if the records were unavailable for several hours?				
How serious would the consequences be if the records were unavailable for a few days?				
What is the cost of the backup and protection measures?				
What is the volume of records that need to be protected now?				
What is the volume of records likely to need protection liable to be in 10 years' time?				
How likely is it that another copy already exists elsewhere?				

This matrix will not provide you with a simple answer, but is intended to help you to consider the issues involved. For example, if the consequences of losing access to particular information for a few hours are very low, but the consequences of losing access to the same information permanently would be very high; this may inform the level of protection which is appropriate. If the consequences of theft or destruction would be extremely high, then you may need to adopt stringent security and protective measures.

If you'd like further help and support, contact the **Information Management Team**.



**Appendix 4: Information Asset Assurance Checklist template**

<b>Assurance Statement</b>	<b>Yes/ No</b>	<b>Remedial Action Required</b>	<b>Completion Date</b>	<b>Review Date</b>
<b>Know Your Asset</b>				
<b>The Information Asset Register</b>				
I know which Information Asset(s) I am responsible for				
My Information Asset(s) is up to date on the Council's Information Asset Register				
<b>Manage Your Asset Through its Lifecycle</b>				
<b>Conducting Privacy Impact Assessments</b>				
Where required, Privacy Impact Assessments have been conducted in relation to my information asset				
<b>Contractual Arrangements</b>				
Robust contractual arrangements are in place with all third parties who play any part in processing, hosting or supporting my Information Asset(s)				
<b>Creating Information</b>				
The data and information robustly evidence the decisions and processes of my business				
My Information Asset(s) meets any legal requirements specific to my business area				
<b>Collecting or capturing personal information</b>				
Where asset(s) contain personal information, information provided to customers about the way their information is processed by the Council (privacy notices) are up-to-date and comply with new data protection requirements				
<b>Knowing who has access and why</b>				
I know who accesses and uses my Information Asset(s) and why, and have records to evidence				

<b>Procedures, Training &amp; Awareness</b>				
I am satisfied that users of my Information Asset(s) are aware of and understand their responsibilities under the Council Corporate Information Policy, the ICT Acceptable Use Policy, and procedures which support them				
I am satisfied that there are appropriate local procedures or guidance in place around the creation, organisation, use, protection, communication and retention and disposal of data in relation to my Information Asset(s)				
I am satisfied that all users of my Information Asset(s) have undertaken the right level of training and awareness activity in relation to the proper use of my Information Asset(s)				
<b>Personal information Sharing</b>				
I know where my Information Asset(s) is shared and appropriate Information Sharing Protocols (ISPs) or agreements are in place to support this sharing				
All ISPs are recorded on the ISP Register held by Legal & Democratic Services				
Decision making about ad-hoc instances of sharing from my Information Asset(s) is appropriately recorded and reported				
<b>Business Continuity &amp; Disaster Recovery</b>				
I am satisfied that appropriate Business Continuity and Disaster Recovery arrangements are in place in relation to my Information Asset(s)				
<b>Securing &amp; Protecting Information</b>				
I am satisfied that the technical and physical measures in place to secure and protect my information asset are appropriate				
<b>Incidents &amp; Breaches</b>				
I manage all incidents, breaches and 'near				

misses' in relation to my Information Asset(s) in accordance with the Council's Data & IT Incident Reporting Procedure and maintain a record of any such incidents				
<b>Retaining &amp; Disposing of Information</b>				
I am satisfied that my Information Asset(s) is retained and disposed in accordance with the Council's Retention and Disposal Schedule, and are recorded in my disposal log				
<b>Understanding the Risk &amp; Providing Assurance</b>				
<b>Managing Risks relating to your Information Asset</b>				
I actively manage the risks in relation to my Information Asset(s) and make sure that these risks are included on Service Risk Registers wherever appropriate				
<b>Culture</b>				
<b>Leading and fostering a culture that values, protects and uses information for the public good</b>				
I am satisfied that users of my Information Asset(s) are aware of an understand the Council's Corporate Managing Information, Data Protection and Freedom of Information Procedures				
I am satisfied that there are appropriate local procedures or guidance in place around the creation, organisation, use, protection, communication and retention and disposal of data in relation to my Information Asset(s)				
<b>Ensuring that your information asset is fully used for Public Good</b>				
I play my part in corporate projects or programmes to improve information assurance and ensure our data and information is fit to enable the Council's strategic transformation objectives				
I ensure that Subject Access requests in relation				

to my Information Asset(s) are responded to in accordance with statutory requirements and timescales				
I ensure that FOI and Environmental requests in relation to my Information Asset(s) are responded to in accordance with statutory requirements and timescales				

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	22nd February 2018
REPORT TITLE	Service Review of the Planning and Sustainable Development – Wellington Brae Update
REPORT NUMBER	CHI/18/006
DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Bernadette Marjoram

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### **1. PURPOSE OF REPORT:-**

This report responds to the instruction for the Director of Communities, Housing and Infrastructure (Interim) to report back to the Audit, Risk and Scrutiny Committee to provide evidence of how the wider Service Review of the Planning and Sustainable Development Service is taking full account of the need to implement additional safeguards to ensure that any debatable land ownership and contract procurement issues are appropriately escalated, resolved and recorded.

### **2. RECOMMENDATIONS**

That the Committee notes:

- 2.1 The Planning Service Review has taken account of the requirement previously instructed by this Committee
- 2.2 Progress on the Investigation Report's Recommendations in respect of the project at Wellington Brae and
- 2.3 Audit Scotland will not be taking any further action in respect of the Wellington Brae project.

### **3. BACKGROUND**

- 3.1 A report into the Investigation of the project at Wellington Brae was presented to this Committee on 26<sup>th</sup> September 2017. At this meeting it was agreed:-

“To instruct the Director of Communities, Housing & infrastructure to report back to the Audit, Risk and Scrutiny Committee at a future date to provide evidence of how the wider Service Review of the Planning and Sustainable Development Service referred to in paragraph 3.8.5 is taking full account of the need to implement additional safeguards to ensure that any debatable land ownership and contract procurement issues are appropriately escalated, resolved and recorded.”

#### **4. THE PLANNING AND SUSTAINABLE DEVELOPMENT SERVICE REVIEW**

- 4.1 A service wide improvement review of the Planning and Sustainable Development (P&SD) Service commenced on 11th September 2017. This review is being undertaken by the Planning Advisory Service.
- 4.2 The Service Review has been split into phases, beginning with a strategic review and then progressing into detailed assessments. It is anticipated that the review will be completed during February/ March 2018.
- 4.3 The requirement of the Audit, Risk and Scrutiny Committee (see para 3.1, above) was contained within the scope of work agreed for this Review and in particular, is being addressed in the `deep dive` of the Transportation Service in P&SD. Additional resources have been provided to the service and delivery of the changes will be secured through the provision of a revised set of procedures, which will link into the wider Capital Programme Governance Review, agreed by this Committee on 27 June 2017. This has been supported by the requirements set by the Capital Programme Office, for the management of all capital projects and programmes.

#### **5 PROGRESS ON OTHER MATTERS**

- 5.1 The Director of Communities, Housing and Infrastructure (Interim), and the Head of Legal and Democratic Services, met with KPMG on 21 November 2017, following the referral of this matter to Audit Scotland. At the meeting, KPMG noted that there had been breaches of policy and procedure, which meant officers had not dealt with this matter in compliance with the Council’s Governance Framework.
- 5.2 Progress on taking forward the Management Response as set out in the report of 26<sup>th</sup> September 2017 to these failings, was discussed. In addition, the management action to respond to these matters was also set out in writing to KPMG.

5.3 At this meeting, some further technical information was requested by KPMG and this was provided on 1st December 2017. KPMG subsequently wrote to Audit Scotland, who later confirmed it did not intend to take any further action. The relevant letters from KPMG and Audit Scotland are attached at Appendix 1 .

5.4. Audit Scotland issued the following statement on 25<sup>th</sup> January 2018 :

*“We asked KPMG, our appointed external auditor for Aberdeen City Council, to review the council’s investigation into governance and procedural issues around the Wellington Brae cycling walkway project. The council has agreed a number of actions to address various failings. We conclude from our review that no further audit work is required on this matter. Like all councils, Aberdeen will still be the subject of an annual audit report.”*

5.5 In terms of progress on taking forward the Management Response, this is summarised below and set out in more detail at Appendix 2. As indicated, a number of the recommendations either have or are being implemented and some relate to corporate procedures.

5.6 To respond to the breaches in policy and procedures, it was agreed with KPMG that all staff involved with the Wellington Brae project and investigation would be required to undertake appropriate detailed training. This training will be overseen by the Council’s Monitoring Officer and Section 95 Officer, as the relevant Council’s Statutory Officers. This training will ensure that staff are aware of the Council’s Governance Framework and ensure compliance, in future. The training will cover the following and is scheduled to take place February/March 2018:

- Explaining what good governance is;
- Explaining the roles of elected members and the role of officers;
- Explaining what delegated powers are and what officers should consider when assessing if they have powers to act and what due process they should follow;
- Explaining what financial good governance is;
- Explaining financial good governance as applied to grant awards and partnership working; and
- Establishing and improving financial controls and procedures in collaboration with the Finance team.

## **6. FINANCIAL IMPLICATIONS**

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

- 6.2 However, the Management Response, alongside the training being provided, will provide assurance that the Council's procedures and practices are being complied with and the Councils Financial Regulations are being met.

## **7. LEGAL IMPLICATIONS**

- 7.1 Legal and Democratic Services has provided training to the Council's Extended Corporate Management Team and the Third Tier Network on attending committee and on the Council's Terms of Reference and Scheme of Delegation. In addition to this, the Council will consider a Scheme of Governance at its meeting on 5 March 2018 which aims to introduce a transparent and aligned governance framework for the Council. Should members approve the Scheme of Governance, a training programme will be implemented for staff and elected members to further develop understanding across the organisation of good governance. This will help ensure that decisions are made at the appropriate level as determined by Council.
- 7.2 In the meantime, Legal Services and Finance is currently developing training specifically for staff involved with the project at Wellington Brae. The training is scheduled to take place in February/March 2018

## **8. MANAGEMENT OF RISK**

- 8.1 The Investigation Report identified potential areas of risk arising from the findings. Progress on delivering the Management Response to the recommendations contained in the CIT report continue to address these risks.

## **9. IMPACT SECTION**

### **9.1 Economy**

9.1.1 Not applicable.

### **9.2 People**

9.2.1 The revision of procedures and practices will ensure their consistent application, to secure an equitable service to all customers in a transparent way.

9.2.2 The revision of procedures and practice, as well as the training and support available, will ensure that all staff are aware of the standards expected of them and the importance of compliance

### **9.3 Place**



9.3.1 Not applicable.

**9.4 Technology**

9.4.1 Not applicable.

**10. BACKGROUND PAPERS**

Wellington Brae Investigation Report: CHI/17/241

**11. APPENDICES (if applicable)**

Appendix 1: Letters from KPMG and Audit Scotland - attached

Appendix 2: Progress on Investigation Report Recommendation - attached

**10. REPORT AUTHOR DETAILS**

Name: Bernadette Marjoram  
Job title: Interim Director of CHI  
Email address: BMarjoram@aberdeencity.gov.uk  
Phone number: 3889

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Andy Shaw Esq  
Audit Director  
KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH12EG

12 January 2018

Your ref as/mw/wb

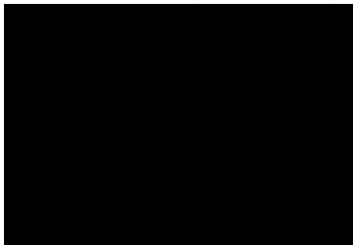
Dear Andy

**Referen-ce -Aberdeen City Council - Wellington Brae Corporate Investigation Team Report**

Thank you for your letter and email of 8 January 2018 regarding the above matter.

Thank you and your team for the work undertaken and sharing the proposed response with us for comment: I am satisfied with the response and agree with your conclusions that we do not need to undertake any further investigation of this issue.

Yours sincerely



**Fraser McKinley**  
**Controller of Audit**

I

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**KPMG LLP**  
**Audit**  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG  
United Kingdom



**Private & confidential**

Fraser McKinley  
Controller of Audit  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH 3 9DN

Your ref

our ref as/mw/wb

8 January 2018

Dear Fraser

**Aberdeen City Council - Wellington Brae Corporate Investigation Team Report**

As appointed external auditor, and as agreed with you, KPMG LLP ('KPMG') performed a focussed review of Aberdeen City Council's ('the Council's') investigation into the Wellington Brae governance and procedural failings. Specifically, Michael Wilkie and I:

- 1111 considered the scope of the investigation;
- a reviewed the unredacted Corporate Investigation Team ('CIT') report dated 18 September 2017;
- 11 attended the Audit, Risk and Scrutiny Committee meeting at which a partially redacted version of the CIT report was discussed by elected members;
- met with the Council's Director of Communities, Housing and Infrastructure and the Council's Head of Legal and Democratic Services to discuss the investigation, the CIT report and ask questions for clarification; and
- 111 received and considered supporting papers / explanations provided in response to our queries together with officers' summary of proposed actions following the investigation.

In response to the CIT report included in committee papers, a member of the public raised concerns with Audit Scotland's correspondence team regarding factual inaccuracies from her perspective. These were simultaneously raised with the Council via an elected member. As requested by the correspondence team, Michael Wilkie obtained details of the concerns directly from the member of public and, with her agreement, raised them with the Council's Director of Communities, Housing and Infrastructure and the Council's Head of Legal and Democratic Services. We received and considered a document prepared by the CIT which responded to each of those points.

8 January 2018

The CIT investigation scope and resultant report covered the circumstances of the Wellington Brae project: its timelines; establishment of related land ownership; repair approval; communication with the public; officer actions; funding; and potential data breach in respect of Council emails being in the public domain and reported within the press.

The CIT interviewed 28 "witnesses", internal to the Council and external. It also reviewed relevant emails, reports, minutes and procedures. The CIT report identifies a number of recommendations to address specific weaknesses. These recommendations are in respect of acceptance of funding, project management, project governance, data governance and the Council's elected member protocols.

The procedures undertaken by the CIT appear to be appropriate to establish the circumstances of the Wellington Brae project and to enable it to draw conclusions. The individuals interviewed appear to be those who have insight about what happened with the project and who could provide an external perspective. We queried a few matters where the basis for conclusions reached was not clear from the CIT report or where the 'factual inaccuracies' raised by the member of the public were directly relevant to the CIT report. We received satisfactory responses for each of our queries.

The urgent nature of the repairs required to the Wellington Brae footpath, as articulated by the funding body of the repairs, contributed to Council officers proceeding with the repairs at the funding body's request. However there were a number of weaknesses and procedural failings identified from the investigation.

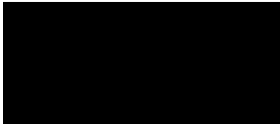
The Council has formed an action plan to remediate the weaknesses noted within the CIT report. In addition the Council has:

- D approved a review of Capital Programme Governance, which is already ongoing;
- ti commissioned internal audit to independently review capital governance arrangements;
- ci increased the resources within the Capital Programme team;
- ti agreed to undertake a series of training and development sessions for the staff involved to highlight the need for stronger governance and compliance with the Council's governance framework; and
- c been instructed by the Audit, Risk and Scrutiny Committee to report back to the Committee to provide evidence of how the wider Service Review of the Planning and Sustainable Development Service is taking full account of the need to implement additional safeguards to ensure that any debatable land ownership and contract procurement issues are appropriately escalated, resolved and recorded. This report will be presented to the 22 February 2018 Audit, Risk and Scrutiny Committee meeting.

Having considered the investigation and the actions underway in response to the findings, I do not consider that further investigative work is necessary from the Council, KPMG or Audit Scotland. The CIT investigation has been subject to scrutiny by elected members and a number of actions are proposed in response. These enable the Council to learn from the Wellington Brae project and enhance procedures.

Should you require any further information or would like to discuss the matter further, please let me know.

Yours sincerely



Andy Shaw  
Audit Director

About this letter

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

This letter is for the benefit of Audit Scotland and has not been designed to be of benefit to anyone except Audit Scotland. In preparing this letter we have not taken into account the interests, needs or circumstances of anyone apart from Audit Scotland, even though we may have been aware that others might read this letter.

Nothing in this letter 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 herein.

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<b>Finance/Funding</b>	
<b>Recommendation</b>	<b>Progress</b>
<p>The investigation highlighted issues with the way in which funding was recorded and tracked. Therefore work should continue in ensuring uniform standards and practices are in place across services, particularly with regard to financial matters. It is specifically recommended that financial and funding documents are easily retrievable, and are clearly attributable to a particular project or purpose. This would be facilitated by the introduction of forms to record the officers involved in requesting and approving funding; the conditions attached to the funding; the purpose of the funding; officers authorised to disburse those funds, and what authority they are empowered by.</p> <p>Funding agreements should follow a standard process across the Council for approval and governance. This includes gateway stages and sign-off of the relevant funding agreement requirements as specified by either the Council or the finding body.</p>	<p>The training to be delivered as set out in paragraph 5.6 in this report will include:</p> <ul style="list-style-type: none"> <li>• Explaining financial good governance as applied to grant awards and partnership working; and</li> <li>• Establishing and improving financial controls and procedures in collaboration with the Finance team.</li> </ul> <p>This will help ensure sound administration in processing funding agreements.</p> <p>The Scheme of Governance due to be considered by Full Council on 5 March 2018, will propose that officers may approve grant funding but only if the Head of Commercial and Procurement Services has approved the proposed terms and conditions. This will help ensure consistency in the handling of grants across the Council and ensure that the Council's interests are protected.</p>

<b>Project Management</b>	
<b>Recommendation</b>	<b>Progress</b>
<p>The investigation highlighted that project delivery across the TSAP and Structures teams was amorphous. The Council has an opportunity to implement a standard operating procedure which can be tailored to the various types of projects which it undertakes. A common operating model should ensure a uniformly acceptable methodology for project delivery. A common model also means that a large number of staff can be</p>	<p>This has been taken forward through the Capital Programme Governance Review.</p> <p>The Capital PMO Project Management Process has been reviewed and revised and has now been adopted for all capital projects. This provides standard project stages, documentation templates and guidance, and formal approvals gates.</p>

trained in project delivery, with less reliance on specialist training which would likely cost more per head.

This methodology should ensure that Project Managers are identified at the inception of a project, as well as a clear understanding of who is the project owner. Paperwork (or electronic versions thereof) should be an integral part of the project. Decisions need to be made by the most appropriate person and reviewed by a suitably senior and qualified manager. Officers joining an existing project need to be able to see that the actions taken thus far are complete and the authorisations for further work are in place.

It is recommended that the Council obtains a project management software solution which allows the scanning and retention of all documents connected to a project (plans, emails, minutes, letters, applications, etc.). These records can allow us to demonstrate that the various aspects of external funding agreements, e.g. land ownership checks, have been complied with. This mechanism should also allow an authorised person to easily retrieve

A suite of standard training courses in the Capital PMO Project Management process has been developed and has been rolled out to 33 project managers, 15 project sponsors and 5 programme managers in the capital programme.

This has been taken forward through the Capital Programme Review.

All capital projects must now have a designated project manager and these project managers must attend the corporate project management training at the earliest opportunity. 33 out of the 34 staff currently identified as capital project managers have attended the corporate project management training.

The PMO Project Management Process includes clear approval gates where key go/no go decisions are made. The capital programme is now governed by an agreed managed governance structure providing scrutiny, standard approval routes and also escalation procedures for all capital projects, with key decisions fully minuted in the Capital Boards, Programme Boards and Project Boards.

This has been taken forward and incorporated within the Capital Programme Governance Review and the requirements and funding for a project management system is being investigated.

<p>details of all funding, without the need to check trackers held by different teams.</p> <p>Project risk assessments should include consideration of political or public interest factors.</p> <p>Guidance and refresher material should be readily available to all project staff. It is suggested that this should be via the Council intranet pages.</p>	<p>This has been taken forward within the Capital Programme Governance Review.</p> <p>These categories are included in the current training for risk assessments in the project management training but will be stressed more strongly in future iterations of the course and associated workshops.</p> <p>This has been taken forward within the Capital Programme Governance Review.</p> <p>Refresher guidance is available on the intranet and is being further enhanced as part of the ongoing Review.</p>
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<b>Governance</b>	
<b>Recommendation</b>	<b>Progress</b>
<p>The investigation has shown there to be failures in governance, including insufficient supervision and record keeping. It is recommended that the Director of CHI should review processes and procedures, culture and practice within the Directorate and determine if any management action is required regarding the failure to report to Committee, instructing work without sufficient authorisation or the absence of documents or minutes connected to projects. It is further recommended that she ascertains whether any work is required to improve communication through the service hierarchy; whether there is a current satisfactory arrangement for staff to escalate concerns and ensure they are addressed; whether the Service is adequately staffed for the functions it delivers; whether the Service processes could benefit from greater involvement with staff of LDS, for instance with advice on when Committee reports are required, when a legal opinion should be sought, etc..</p> <p>The issue of data breaches raises wider questions on how the Council uses email, including whether staff/members should be prohibited from sending emails relating to official business to their private email addresses; and also whether it is necessary or desirable to have a framework or approval process which covers the disclosure of internal emails to a third party.</p>	<p>This has been taken forward through the Capital Programme Review, Transportation Review and Planning and Sustainable Development Service Review.</p> <p>The Capital process now in place has clear governance and approval gateways at key project stages. Critically, all projects must pass through business case approval at the Capital Board followed by Committee approval for funding.</p> <p>This has been included as a requirement within the Planning and Sustainable Development Service Review. Additional resources have also been provided through the Transportation Review to assist with identifying and linking procedures with the Capital Programme Review.</p> <p>The Council has an information Governance Framework and Board established and already has a number of policies in relation to information governance, including the use of you private emails for Council business, which is prohibited.</p> <p>The disclosure of internal emails to a third party is part of the day-to-day business of the Council. At this stage a framework or approval process is not considered necessary in respect of the disclosure of internal emails to a third party. However it should be noted that the existing codes on employees' conduct and councillors' conduct prohibit the disclosure of confidential information to third parties. Both officers and members are required to consider on a case by case basis whether the disclosure of internal mail to a third party is likely to breach the</p>

	<p>respective provisions on confidential information.</p> <p>This is being taken forward through the Council's Transformation Programme – discussions are underway to seek to prioritise this activity.</p>
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<b>Elected Members</b>	
<b>Recommendation</b>	<b>Progress</b>
<p>The Member-Officer Relations Protocol is due for revision before Full Council in March 2018. It is recommended that the Monitoring Officer provides guidance in the protocol on a number of issues raised in this report, such as escalation procedures when a response is needed from a member; and principles and procedures on how officers conduct business with a private citizen who happens to be a Councillor, particularly with regards to how the public and private roles are delineated.</p>	<p>The updated version of the Member-Officer Relations Protocol is programmed for consideration at the meeting of Full Council on 5 March 2018. This aims to provide further guidance to officers and members to address the issues raised in the investigation report.</p>

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Response to Grenfell Tower fire – building safety
REPORT NUMBER	CHI/18/007
INTERIM DIRECTOR	Bernadette Marjoram
REPORT AUTHORS	Neil Carnegie and Stephen Booth

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### 1. PURPOSE OF REPORT:-

The purpose of this report is to provide assurance on the Council's response to the Grenfell Tower fire and the approach being taken to maintain fire safety in high rise domestic buildings.

### 2. RECOMMENDATIONS

That the Committee notes:

- 2.1 The report and the actions taken by Aberdeen City Council and its partners to review fire safety in high rise domestic buildings;
- 2.2 The Council's work programme, which is aligned with the Scottish Government Programme, provided at appendix 6 of this report.

### 3. MAIN ISSUES

#### Grenfell Tower fire

- 3.1 The Grenfell Tower fire started on 14 June 2017. Grenfell Tower is a 24 storey building comprising social housing situated in the Kensington and Chelsea Council area of West London. The fire resulted in 71 named deaths and numerous injuries. 223 people escaped the fire. Police and fire services believe that the fire started accidentally in a fridge freezer on the fourth floor. The rapid growth of the fire is thought to have been accelerated by the building's exterior cladding, known as Aluminium Composite Material (ACM). The tragedy is subject to a Public Inquiry and Inquests will be held for all the victims.

#### High rise domestic buildings in Aberdeen

- 3.2 The Council owns or part owns 59 residential high rise domestic buildings in the City comprising 4425 individual flats (3853 flats remain in Housing Revenue Account (HRA) ownership). 22 buildings are fully owned by the Council and 37 buildings have properties sold under 'right to buy' legislation and therefore ownership of these buildings are shared between the Council and private owners.
- 3.3 Aberdeen City Council acts as Property Factor, under the Property Factoring (Scotland) Act 2011, to manage the 37 buildings with shared ownership. The Head of Communities and Housing is currently the named factor with the Registers of Scotland. Appendix 1 provides a listing of high rise domestic buildings in Aberdeen, which the Council owns or part owns and whether they have been fitted with over-cladding.

#### Over-cladding of high rise domestic buildings in Aberdeen

- 3.4 High rise domestic buildings are those classed as being over 18 metres tall (Scottish Building Standards Technical Handbook). Eighteen of Aberdeen's high rise domestic buildings have over-cladding and there are a further seven where over-cladding work is on-going. The over-cladding work on these buildings has been carried out by contractors commissioned by the Council – Lovell, Graham Construction, and Keepmoat. All over-cladding work has been commissioned to protect the buildings from the environment, and provide improved energy performance and increase the lifespans of the buildings.
- 3.5 All cladding work has been undertaken in compliance with the Building (Scotland) Act 2005 and associated regulations. It is important to note that this legislation demands a greater level of assurance on fire safety issues than similar English legislation. This means that the materials used in the over-cladding of ACC high rise domestic buildings are not the same as that reported to have been used at Grenfell Tower. Appendix 2 sets out detailed information on the cladding used on high rise domestic buildings in Aberdeen.

#### Aberdeen's response to the Grenfell Tower fire

- 3.6 From the day following the Grenfell Tower fire, ACC staff from Communities, Housing and Infrastructure, Education and Childrens Services, and Communications have worked alongside Scottish Fire and Rescue Services (SFRS) and Police Scotland to ensure resident safety, to communicate with all residents and to provide the Scottish Government with information required through the Ministerial Working Group.

This co-ordinated response included:

- 4425 letters being delivered to all residents in high rise domestic buildings
- 16 drop in sessions with SFRS, for residents in high rise domestic buildings to attend
- 29 Freedom of Information requests responded to
- In excess of 25 media enquiries responded to
- 6 MP / MSP letters responded to



- 59 high rise domestic building inspections
- Over 650 works orders raised to improve the condition of, and fire safety in, Aberdeen's high rise domestic buildings
- Reassurance and fire safety messages available on ACC website
- FAQ list were created and published on website until Autumn 2017
- Updates provided to COSLA and Scottish Government Civil Contingencies Directorate
- Meetings with Scottish Government Building Standards Division
- Fire safety advice and posters available on Aberdeen City Council's website: <https://www.aberdeencity.gov.uk/services/housing/multi-storey-fire-safety>

A review programme was established to provide assurance for residents in Aberdeen. Immediate steps included assurance work in the following areas:

### 3.7 Review of fire safety advice

Residents living in high rise domestic buildings routinely receive fire safety advice provided through the tenants' handbook, which is given to all Council tenants and from posters displayed on each floor of every building. The advice is that residents should only vacate their home in the event of a fire if the fire is within their home or on the instruction of the Fire Service. This advice was reviewed with the SFRS and confirmed that this remained the proper and appropriate approach and advice. This remains the case today, and has recently been reemphasised to all residents through a Scottish Government and SFRS campaign.

3.8 Following the Grenfell fire a full review and inspection of all high rise domestic buildings was undertaken to review fire testing regimes by ACC and the SFRS. A detailed list of all properties, inspection dates, whether any over-cladding was in place, confirmation of compliance with Building Regulations at the time of their construction and evacuation procedures was undertaken, with satisfactory results.

### 3.9 Communication and engagement

As shown above, communication and engagement activity was significant. By 25 June 2017, a letter had been delivered to each individual flat regarding cladding and fire safety, along with a SFRS leaflet providing guidance on how to respond to a fire. In total, 4425 letters were delivered by Council and SFRS colleagues. Copies of these letters are provided at Appendix 3. There were two letters produced: one version for residents living in high rise domestic buildings which had been over-clad and another version for non-clad high rise domestic buildings.

3.10 Council officers, supported by SFRS colleagues held drop in sessions for all high rise domestic buildings, in late June to July 2017, to provide further reassurance and advice to residents. These were publicised in advance through media release, ACC website and posters being displayed within the buildings. Council officers and SFRS also attended the scheduled City-wide Tenant and Resident Group meeting in late June, with a cladding panel

brought to the meeting to talk through how it was assembled and fitted to the building.

### 3.11 Scottish Government engagement

Council staff were in immediate contact with the Scottish Government's (SG) Building Standards Division, from the day following the Grenfell Tower fire. Staff were involved in a number of meetings, discussions and teleconferences with SG colleagues to ensure an understanding of their response to the Grenfell Tower fire and to achieve a complementary approach. The SG response has included the establishment of a Ministerial Working Group on Building Safety. The SG programme is at appendix 4. Officers remain in contact with SG officials to ensure we are aware of any developments in this area.

### 3.12 Aberdeen Governance Board

A Citywide Board was established to oversee the Council and its partners' response to the Grenfell Tower fire. The Board is chaired by the Interim Director for Communities, Housing and Infrastructure. The SFRS and Rescue Service and Police Scotland are Board members. Terms of reference for this Board are included at Appendix 5.

### 3.13 The Board has developed a work programme to complement the Scottish Government's Ministerial Working Group on Building Safety. The Board continues to ensure co-ordination internally and with partners. The work programme is attached at Appendix 6.

## **4 HIGH RISE DOMESTIC BUILDING FIRE SAFETY IN ABERDEEN**

4.1 ACC owns a total of 3853 flats within high rise domestic buildings and all, apart from 47, have been fitted with mains powered smoke detectors. These 47 have previously been offered mains powered smoke detectors but the residents have refused the works to date. Officers will continue to re-visit these addresses every three years to try to complete upgrades, and are investigating whether we have the right to gain entry within the lease agreements. Upgrades are also done when properties are void. These mains powered smoke detectors have a life of 10 years and, at the time of installation, residents are given a leaflet stipulating the maintenance regime, i.e. regularly check that the green mains light is lit and to test the alarm weekly, by depressing the test button. ACC carries out checks on the smoke detectors when a property becomes void. The smoke detectors are replaced as part of a rolling maintenance programme.

4.2 When Aberdeen's high rise domestic buildings were constructed, there was no requirement to have fire suppression systems, meaning that the 59 high rise domestic buildings do not have such systems. The Scottish Government Working Group is currently considering the installation of such systems and a

consultation on a Private Member's Bill on sprinkler systems in new build social housing, has recently been launched.

- 4.3 Immediately following the Grenfell Tower fire, technical officers in partnership with the SFRS and Scottish Government, undertook a comprehensive review of the specification of materials used in all the multi-storey buildings and can confirm that the over cladding has been subject to building warrant approval.
- 4.4 All high rise domestic buildings in Aberdeen benefit from emergency lighting in all communal landings and exit staircases. The fire safety regime for high rise domestic buildings in Aberdeen includes:
- annual testing of the dry riser outlet on each floor
  - regular testing of fire alarm panels and smoke detection systems within high rise domestic buildings
  - SFRS will undertake a fire safety inspection of each high rise domestic building every three months, with a report submitted to the Council setting out findings including any remedial actions required
  - the Property Factor completes a visual inspection of all mainstream high rise domestic building every 6 months.
- 4.5 In addition to these cyclic inspections, officers from a range of Council services, including Housing Officers, City Wardens, Cleaning staff and Building Services are in these buildings frequently and are observant for any fire risks. Residents are also asked to take steps to maintain safety and report any issues requiring attention. Certain conditions of tenancy for Council residents prohibit the use of communal areas in high rise domestic buildings or storage of goods. This can present a risk of fire and also a potential blockage in the event of a fire.
- 4.6 ACC's proposed capital programme for 2018/19 commits funding for upgrading mains powered smoke detectors in 19 high rise domestic buildings, with 515 units having been completed since the Grenfell Tower fire at a cost of around £219,000. It is important to note that this work was planned cyclical maintenance and is not reactive to the Grenfell Tower fire. The 'failure' rate in relation to tenants providing access is around 20% which is much lower than experience of other cyclical works.
- 4.7 Following the Grenfell Tower fire, ACC's Health and Safety team undertook a Fire Risk Assessment (FRA) of each high rise domestic building. The actions arising from the FRAs are incorporated into the work programme.
- 4.8 On 17 August 2017, a defective cavity barrier was identified at a kitchen ventilation duct in Morven Court. This would have potentially allowed fire to spread through to the next cavity, 1 storey above, in the event of a fire. A meeting was convened with all relevant stakeholders, however the risk was assessed as being low. Staff worked with the contractor and an action plan to install cavity barriers was developed. Residents in Morven, Brimmond and Grampian Courts were contacted by letter to advise of this issue, due to the similarity in construction design at all 3 buildings, advising of the defective cavity barriers and requesting access to improve the installation. Local

Councillors, Co-Leaders and Conveners of Communities, Housing and Infrastructure Committee were made aware of this issue at the time.

- 4.9 Additional cavity barriers have been installed to all flats that access was permitted to. 60% access and works was achieved prior to Christmas 2017. Since then access and works has been achieved to a further 30% of flats. No further defective cavity barrier has been found. A further round of targeted visits is planned prior to 22<sup>nd</sup> February. Following this, enforcement action could be taken, where access continues to be refused, so as to provide certainty that this potential risk has been eliminated.

## **5 OTHER CATEGORIES OF BUILDING**

- 5.1 In August 2017 all Local Authorities were contacted by the SG regarding the possible presence of ACM in school buildings. Following this request, all schools within the Council's portfolio were inspected as a precaution. ACM panels were known to have been used in 2 educational buildings, Woodlands School (which was being re-located to Orchard Brae) and within Aberdeen Grammar Schools games hall extension, completed around 2006. Due to the low level of the ACM (below 10 metres; the existing school evacuation plans, and the distance from any ignitable source) this presented a low risk. This position was agreed with local SFRS colleagues. This information was provided to the SG.
- 5.2 The Scottish Government is currently consulting on new and revised Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation. The consultation will run until 5 February 2018 and is applicable to fire safety in existing residential premises in which there is sleeping accommodation including:
- hotels, tourism hostels, refuges
  - holiday lets and holiday complexes, camping and caravan sites (other than privately used individual units)
  - bunkhouses, bunk barns
  - sleeping accommodation for pupils, students or employees
  - all types of houses in multiple occupation (HMO)
  - boarding houses, guest houses, bed and breakfast accommodation

## **6 CIVIL CONTINGENCIES**

- 6.1 Members will be aware that the Council operates a Duty Emergency Response Coordinator (DERC) rota for senior managers, to ensure Category 1 responder duties under the Civil Contingencies Act 2011 are discharged. The Council is also a key partner in the North, Regional and Local Resilience Partnerships. Subgroups of these partnerships include the Rescue subgroup, which brings Category 1 responders together to review and assure plans for responding to major events with large numbers of people potentially affected.
- 6.2 On 17 January 2018, a resilience exercise was held at the Beach Ballroom, involving SFRS, Police Scotland and Scottish Ambulance Service colleagues. This exercise proposed the evacuation of a high rise building in the event of an emergency incident and allowed Duty Emergency Response Co-ordinators

to role play the management of such an incident. While SFRS fire safety advice remains that residents should remain in their property in the event of a fire, this exercise provides further assurance to ACC and community planning partners about assurance and continuity in the event of a major civil contingencies event.

## **7 FINANCIAL IMPLICATIONS**

- 7.1 There are no direct financial implications arising from the recommendations of this report. Current activities are contained within existing Council budgets. In the event that the Scottish Government propose that all high rise domestic buildings be fitted with fire suppression systems, a report would be brought to the appropriate Committee with options on how this would be funded. An estimated cost to fit such systems is £5,000 per property, which would translate as potential cost of around £20 million across the Housing Account. This is an estimate only and in the event that such work was required a more detailed cost analysis would be undertaken.

## **8 LEGAL IMPLICATIONS**

- 8.1 There are no direct legal implications arising from the recommendations of this report. Work undertaken by officers since June 2017 has established that no ACM cladding is present on any Council operated or owned buildings in the City, excepting Woodlands and Grammar which have been risk assessed as satisfactory. It has also been established that the current regime of fire safety assessment and checks in both high rise domestic buildings and schools has identified no major fire safety risks.
- 8.2 In the event that fire suppression systems require to be fitted, there is a potential for powers to be required to ensure such systems can also be fitted to private owners of properties in high rise residential accommodation.

## **9 MANAGEMENT OF RISK**

### **9.1 Financial**

Financial risk relates to the possibility of legislation being introduced requiring the fitting of fire suppression systems in ACC owned and operated buildings. As stated above, this could potentially be in the region of £20m. There may also be a cost associated with fitting such systems to private residences, as mentioned in Section 8.2 above.

Likelihood – low. There is no information to suggest that this is currently likely to be proposed.

### **10 Employee**

It is not considered that there is currently any employee risk.

### **11 Customer / citizen**

Risk to customers and citizens is currently considered low due to the design and build of high rise domestic buildings; the fire risk assessment regime; the scrutiny of officers since June 2017, and the focus on response to fires in high rise domestic buildings by the SFRS.

## **12 Environmental**

It is not considered that there is any environmental risk.

## **13 Technological**

Technological risk would relate to the potential for installation of fire suppression systems in ACC owned and operated high rise domestic buildings. As stated above, it is believed there is a low likelihood of this being required.

Likelihood – low.

## **14 Legal**

If there is a future requirement to install fire suppression systems, or otherwise alter the communal fabric, gaining owner consent may prove challenging under current legislation, in relation to those buildings that have properties privately owned. Experience has shown that gaining access to privately owned or tenanted properties is also a significant challenge.

## **15 Reputational**

It is believed that the reputational risk is low, due to the efforts of ACC and partners to scrutinise legal compliance; work with SG, and communicate with residents.

## **16 IMPACT SECTION**

This section demonstrates how the proposals within this report impact on the strategic themes of Aberdeen City Council and Community Planning Aberdeen, as set out in the [Aberdeen City Local Outcome Improvement Plan 2016-26](#) and the [Aberdeen City Council Strategic Business Plan](#).

### **Economy**

High rise domestic buildings make a significant contribution to housing supply within the city.

### **People**

Maintaining safety in high rise domestic buildings supports our objective within the Local Outcome Improvement Plan that all people in Aberdeen are entitled to live within our community in a manner in which they feel safe and protected from harm.

### **Place**

The continuing improvements to high rise domestic building fire safety supports our aspirations that Aberdeen is a place where people are safe from harm.

If fire suppression systems were to be required in high rise residential domestic accommodation, an appraisal would be undertaken to more fully understand the impact on Place.

## **Technology**

High rise domestic buildings use modern and efficient systems to support fire safety. We will assess the use of new technological innovations as appropriate to further enhance fire safety.

## **17 BACKGROUND PAPERS**

None.

## **18 APPENDICES**

Appendix 1 – High rise domestic buildings in Aberdeen

Appendix 2 – Cladding design and specification

Appendix 3 – Letters sent to all high rise domestic building residents, June 2017

Appendix 4 – Ministerial Working Group work programme

Appendix 5 – Terms of reference for Review Board in response to the Grenfell Tower Fire

Appendix 6 – Work programme for Review Board in response to the Grenfell Tower Fire

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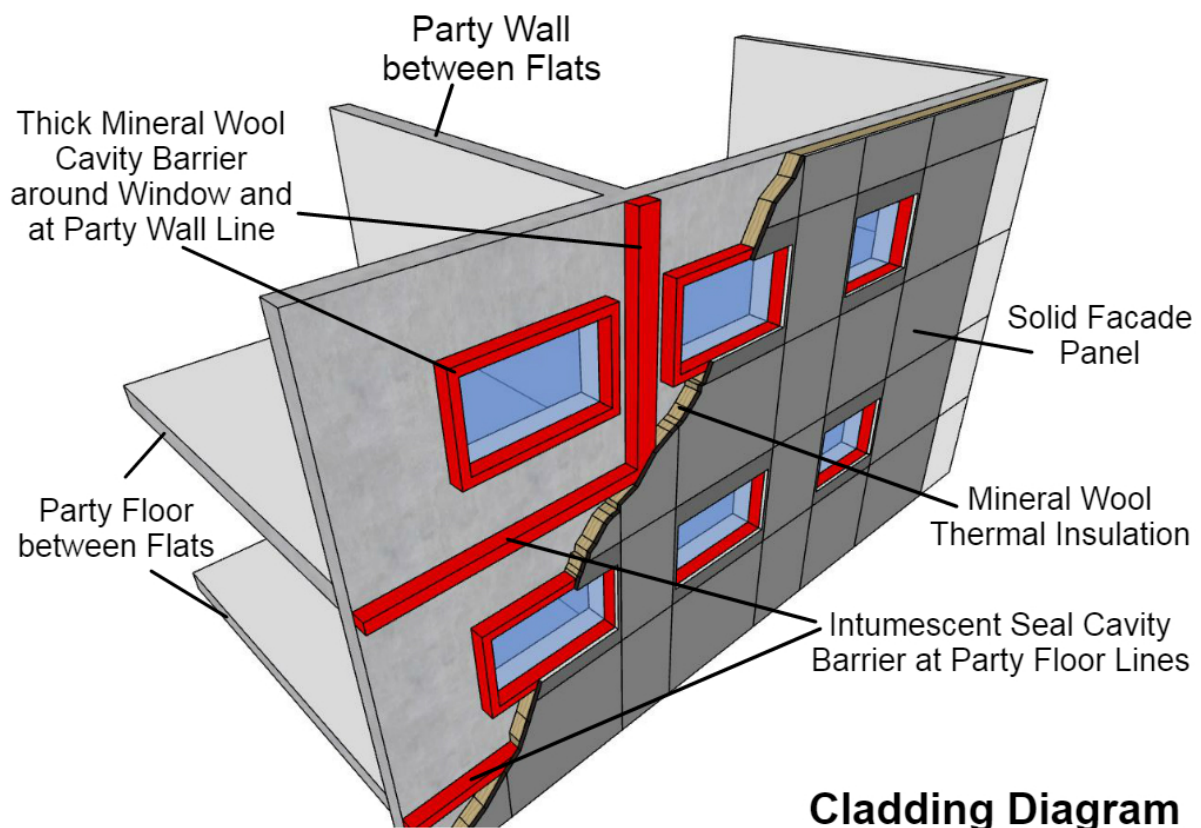


## Appendix 2

### Cladding design and specification for completed overcladding of high rise residential accommodation

All of the ACC over-cladding is made of the following materials:

1. Insulation made of stone fibres which is non-flammable and is hard-up against the concrete wall. It is 125mm thick and is a rigid material;
2. Solid façade sheets made of a fibreglass reinforced polymer which is resistant to the spread of fire and hinders smoke development;
3. Cavity barriers at each party floor and party wall, and around each window. These barriers enclose any fire so as to prevent the risk of it spreading from flat to flat, and prevent it spreading within the over-cladding. These cavity barriers are made of both the previously-mentioned stone fibre insulation (around the windows and at the party walls) and also intumescent seals and steel at the party floors. The intumescent steel fire stop which, when it heats up, expands to block any fire.



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## Appendix 3 – Letters to residents

Dear Tenant/Resident

I am writing to you following the terrible fire and events at Grenfell Tower in London last week, recognising that as tenants or residents living in a multi-storey block you will naturally have questions over the safety of your property. This letter is aimed to provide information and reassurance to you.

As you will appreciate, the investigation into the cause of the fire remains at the early stage and so the causes of the fire will not be known for some time. However, the Council wanted to write to you now, to provide information that we believe will be helpful to you. In writing to you, I can also express that the Council's thoughts are with all those people affected, their families and friends. Our thoughts are also with the emergency services, who responded to the event and continue to deal with the situation.

We continue to work closely with the Scottish Fire and Rescue Service (SFRS) colleagues and the Scottish Government throughout the investigation into the Grenfell Tower fire, and we shall continue to review multi-storey block fire safety, on an ongoing basis.

As part of our partnership working with the SFRS, I attach a leaflet which contains fire safety information and advice on what do in the event of a fire.

The Multi-storey Block Tenants and Residents' Committee meets next week and we shall be discussing the matter further at the meeting.

I would like to offer reassurance on some specific points:

Firstly, I can confirm that your block **does not have over-cladding**.

With regard to fire safety, all Aberdeen City Council multi-storey blocks benefit from a number of systems including fire alarms and smoke detectors that are linked to a fire alarm panel, emergency lighting in all communal landings, and exit staircases. Each multi-storey block is also equipped with a dry riser with an outlet on each floor.

Fire alarm panels and other fire safety equipment are checked on a regular basis. In addition, SFRS will undertake a fire safety inspection of each multi-storey blocks every two months.

We are committed to working with tenants and residents to ensure multi-storey block safety and we are planning a series of drop in meetings, where you will be able to come and speak to the Council and fire service staff. Once the dates and venues have been confirmed the information will be posted on our website, social media pages and in every multi-storey block.

In the meantime, if you would like any more information please contact us on 03000 200 292 or to arrange a home fire safety visit from Scottish Fire and Rescue Service officers please call 0800 0731 999.

I hope this letter has addressed some of the concerns, you may have and if you have any further concerns please do not hesitate to follow up through the contact details above.

Yours Sincerely

Derek McGowan  
Head of Communities and Housing

Dear Tenant/Resident

I am writing to you following the terrible fire and events at Grenfell Tower in London last week, recognising that as tenants or residents living in a multi-storey block you will naturally have questions over the safety of your property. This letter is aimed to provide information and reassurance to you.

As you will appreciate, the investigation into the cause of the fire remains at the early stage and so the causes of the fire will not be known for some time. However, the Council wanted to write to you now, to provide information that we believe will be helpful to you. In writing to you, I can also express that the Council's thoughts are with all those people affected, their families and friends. Our thoughts are also with the emergency services, who responded to the event and continue to deal with the situation.

We continue to work closely with the Scottish Fire and Rescue Service (SFRS) colleagues and the Scottish Government throughout the investigation into the Grenfell Tower fire, and we shall continue to review multi-storey block fire safety, on an ongoing basis.

As part of our partnership working with the SFRS, I attach a leaflet which contains fire safety information and advice on what do in the event of a fire.

The Multi-storey Block Tenants and Residents' Committee meets next week and we shall be discussing the matter further at the meeting.

I would like to offer reassurance on some specific points:

Firstly, I can confirm that your block **does have over-cladding**.

I am aware that following the Grenfell Tower fire concerns have been raised about use of cladding on multi-storey buildings. I would like to continue to assure tenants and householders the over-cladding fitted on our multi-storey buildings is of a very high standard and is designed to be resistant to the spread of fire. While we await the result of the fire investigation in London, it should be stressed the materials used in the over-cladding of ACC multi-storey buildings is not the same as the cladding which looks to have been used at Grenfell Tower.

Over the past week Council technical officers, in partnership with the Scottish Fire and Rescue Service, have been checking the specification of materials used in Aberdeen blocks and can confirm that the materials and design used fully comply with all relevant building regulations and standards.

All of our over-cladding is made of the following materials:

1. Insulation made of stone fibres which is non-flammable and is hard-up against the concrete wall. It is 125mm thick and is a rigid material;
2. Solid façade sheets made of a fibreglass reinforced polymer which is resistant to the spread of fire and hinders smoke development;
3. Cavity barriers at each party floor and party wall, and around each window. These barriers enclose any fire so as to prevent the risk of it spreading from flat to flat, and prevent it spreading within the over-cladding. These cavity barriers are made of both the previously-mentioned stone fibre insulation (around the windows and at the party walls) and also intumescent seals and

steel at the party floors. The intumescent steel fire stop which, when it heats up, expands to block any fire.

With regard to fire safety, all Aberdeen City Council multi-storey blocks benefit from a number of systems including fire alarms and smoke detectors that are linked to a fire alarm panel, emergency lighting in all communal landings, and exit staircases. Each multi-storey block is also equipped with a dry riser with an outlet on each floor.

Fire alarm panels and other fire safety equipment are checked on a regular basis. In addition, SFRS will undertake a fire safety inspection of each multi-storey blocks every two months.

We are committed to working with tenants and residents to ensure multi-storey block safety and we are planning a series of drop in meetings, where you will be able to come and speak to the Council and fire service staff. Once the dates and venues have been confirmed the information will be posted on our website, social media pages and in every multi-storey block.

In the meantime, if you would like any more information please contact us on 03000 200 292 or to arrange a home fire safety visit from Scottish Fire and Rescue Service officers please call 0800 0731 999.

I hope this letter has addressed some of the concerns, you may have and if you have any further concerns please do not hesitate to follow up through the contact details above.

Yours Sincerely

Derek McGowan  
Head of Communities and Housing



MINISTERIAL WORKING GROUP ON BUILDING AND FIRE SAFETY: WORK PROGRAMME

What	Why	How
<p>Information and intelligence gathering on use of ACM in a) high rise domestic buildings and high rise non-domestic buildings with sleeping accommodation b) schools and hospitals c) other priority buildings identified by MWG</p>	<ul style="list-style-type: none"> <li>To establish whether material used in Grenfell Tower has been used in cladding in similar high rise buildings to establish whether any remedial action is required</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with local authorities, NHS Boards and other bodies</li> <li>Analysis of returns from these bodies</li> <li>Commission contractors to compile detailed inventory of high rise domestic properties in Scotland</li> </ul>
<p>Review of building regulations for high rise domestic buildings and high rise non-domestic buildings with sleeping accommodation to include:</p> <ul style="list-style-type: none"> <li>comparison of regulations in Scotland vis a vis England, Wales and NI</li> <li>clarity of regulations regarding non-combustible material</li> </ul>	<ul style="list-style-type: none"> <li>To ensure Scottish building standards and regulations) are robust and sufficiently clear</li> </ul>	<ul style="list-style-type: none"> <li>Desk-based review</li> <li>Consultation with external experts</li> <li>Engagement with stakeholders</li> </ul>
<p>Review of approval and enforcement of building regulations</p>	<ul style="list-style-type: none"> <li>To ensure building standards are being adhered to and enforced</li> <li>To ensure regulations are sufficiently clear</li> </ul>	<ul style="list-style-type: none"> <li>Desk-based review</li> <li>Engagement with stakeholders</li> <li>Consultation with external experts</li> <li>Property check</li> </ul>
<p>Review of fire safety regime and regulatory framework for high rise domestic buildings</p>	<ul style="list-style-type: none"> <li>To ensure the regime provides comprehensive protection to residents</li> </ul>	<ul style="list-style-type: none"> <li>Desk top review</li> <li>Consultation with external experts</li> <li>Engagement with stakeholders</li> </ul>
<p>Consultation on revised and consolidated guidance on Fire Safety Risk Assessment of (non-domestic) premises which provide sleeping accommodation (e.g. hospitals)</p>	<ul style="list-style-type: none"> <li>To ensure fire safety guidance is robust, consistent, appropriate and meaningful</li> <li>To respond to a recommendation of 2016 from the Regulatory Review Group on fire safety enforcement legislation</li> </ul>	<ul style="list-style-type: none"> <li>Desk based review</li> <li>Consultation on fire safety in premises which provide sleeping accommodation (consultation on business premises concluded in April)</li> </ul>

<p><b>Overview by SFRS of their operational assurance visits regarding fire safety in domestic high-rises, and prioritise Home Fire Safety Visits to residents of high-rise flats</b></p>	<ul style="list-style-type: none"> <li>• To ensure operational visits are ongoing and effective</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly visits by local fire crews for operational assurance visits</li> <li>• SFRS to review standard procedures for these operational visits Scheduled visits by SFRS crews, as needed, to residents requesting Home Fire Safety Visits</li> </ul>
<p><b>Review of evidence on automatic fire suppression systems</b></p>	<ul style="list-style-type: none"> <li>• To ensure appropriate and effective use of automatic fire suppression systems</li> </ul>	<ul style="list-style-type: none"> <li>• Desk based evidence review to identify gaps</li> </ul>
<p><b>Consultation on smoke and fire detection standards</b></p>	<ul style="list-style-type: none"> <li>• To ensure standards sufficient and consistent across different tenures</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation</li> <li>• Targeted engagement with key stakeholders</li> <li>• Development and analysis of options (including costs)</li> </ul>
<p><b>Targeted fire safety campaign for high rise domestic properties</b></p>	<ul style="list-style-type: none"> <li>• To ensure landlords/owners understand their responsibilities</li> <li>• To ensure tenants understand how to stay safe in the event of a fire</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant engagement</li> <li>• Landlord/owner engagement</li> <li>• Social media campaign</li> </ul>

 <p><b>ABERDEEN</b> CITY COUNCIL</p>	<h1>TERMS OF REFERENCE</h1>	<p><b>Governance Arrangements</b></p>
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<b>Title</b>	Review Board in response to the Grenfell Tower Fire		
<b>Lead</b>	Director of Communities, Housing and Infrastructure (Interim)		
<b>Date</b>	10 October 2017	<b>Version</b>	V0.5

<b>Purpose</b>
<p>This Review Board is established to co-ordinate services across Aberdeen City Council (ACC) in response to the Grenfell Tower Fire in London on 14<sup>th</sup> June 2017 – its continued operation will be reviewed in 6 months.</p> <p>The purpose of the Board is to ensure ACC:</p> <ul style="list-style-type: none"> <li>• Is co-ordinated across services and operates on an evidenced – led basis and risk based approach and thereby able to provide assurances to residents and communities</li> <li>• Full co-operation with key agencies inc Scottish Government , SFRS and Police</li> <li>• Is well placed to be able to respond in the event of a major incident, along with relevant partner agencies</li> <li>• That requests for information from Scottish Government and other agencies are responded to in a timely way</li> </ul>

<b>Meeting Frequency</b>	<b>Quorum</b>
Weekly for first 4 meetings, then fortnightly and subsequently monthly or as needed, to respond to events in a timely way	n/a but must have representation from key service areas inc technical input to support any recommendations made

<b>Remit and Responsibilities</b>
<p>The key responsibility of the Board is to agree a work programme that will be :</p> <ul style="list-style-type: none"> <li>• Kept informed and updated by advice for the Scottish Government and developments from the Grenfell Tower Enquiry (and make recommendations, as necessary )</li> <li>• Review and confirm all Tower Blocks and any other buildings identified meet the relevant regulations</li> <li>• Ensure co-ordination of partner safety inspection programmes and sharing of risk information to ensure and improve safety</li> <li>• Review the processes available to support the outcomes of safety inspections</li> <li>• Review gas and photovoltaic safety</li> <li>• Ensure relevant H&amp;S issues raised via the corporate H&amp;S reporting arrangements are escalated and considered and acted upon as appropriate</li> <li>• Ensure close links with Disaster Emergency Response Co-ordinator arrangements, emergency planning and resilience preparation for emergency responses to large scale events inc links with the Local Resilience Partnership Working Group</li> </ul>

- Ensure lessons learnt from relevant events are acted upon
- To have oversight on press enquiries, media releases, public information ,FOI requests etc

### Membership

Membership of the Board will comprise of:

- Bernadette Marjoram – Interim Director of Communities, Housing and Infrastructure (Chair)
- Derek McGowan – Head of Communities and Housing
- Eric Owens – Head of Planning and Sustainable Development
- John Quinn – Head of Land and Property Assets
- Paul Smith – Internal and External Communications Manager
- Named technical colleagues as members (TBC)
- Other internal colleagues as required (ie legal, finance and internal audit, education TBC)
- External partners (ie SFRS and Police TBC)
- Substitutes permitted as required

### Support Arrangements

TBC

### Governance and Reporting Arrangements

- This Board will review its continued operation in 6 months
- The Board will report directly into the Corporate Management Team
- There will be appropriate reporting to Members
- The Terms of Reference will be reviewed on a monthly basis, for the next 6 months (or as necessary) to ensure they continue to meet the prevailing circumstances

Appendix – to follow

Owner – Eric Owens

1. Review of building approvals signed off since 2005 date when new building regs came into force (confirm legislation and date)
  - a. Head of Planning and Sustainable Development to review all approvals and divide into subsets where cladding - outer skin and insulation - has been used for:
    - i. approvals for modification to existing buildings over 18 metres
    - ii. approvals for new builds over 18 metres
    - iii. approvals for modification to existing buildings under 18 metres
    - iv. approvals for new build under 18 metres
  - b. by subset, look at approvals / certification on cladding and recommend either testing or not testing of panel / construction to satisfy building standards requirements
  - c. look at 'right to buy' properties and potential issues with properties sold on by ACC
  - d. comms plan to be updated and reflective of emerging issues

Owner – Derek McGowan

2. ACC Housing
  - a. Fire Safety in multi-storey towers
    - i. Head of Communities and Housing to chair multi-agency group on fire safety in blocks – not limited to but including emergency service access and response to any identified issues ; testing and maintenance of all equipment within each block; smoke and heat detection installation, maintenance and testing; emergency lighting installation and testing; consideration closing drying rooms and bin stores in each block; keeping landings clear; consideration of evacuation plans
  - b. Review of tenancy management arrangements re: terms of let
  - c. Ongoing dialogue with residents and tenants re: Fire and fabric issues in accordance with workstream 1 above
  - d. Ongoing dialogue with Scottish Government re: emerging issues and agenda
  - e. Reflection on outcomes of workstream 1 above on this workstream
  - f. Head of Communities and Housing to ensure close link between this work and emergency planning through role as Chair of Local Resilience Partnership Working Group

Owner – Derek McGowan

3. Ensuring appropriate ACC Emergency response to large scale issues
  - a. Head of Communities and Housing to review arrangements for emergency response, including comms agreement
  - b. Link to workstream 2(e) above

- c. Debrief to be held
- d. Recommendations on update to Disaster Emergency Response Co-ordinator and organisation structure / training for response based on best practice and lessons learned
- e. Update to risk registers as appropriate

Owner – Derek McGowan / Paul Smith

#### 4. Communication

- a. Head of Communities and Housing to be final approver for comms on this work prior to agreement with Interim Director of Communities, Housing and Infrastructure
- b. To include press enquiries, public releases / information and FOI requests

Owner – John Quinn

#### 5. Statutory compliance - Gas and Photovoltaic safety; electrical wiring etc

- a. Review of all PV installations and assurance work on current status as per Mary Agnew's paper to CMT 29/6/17, focussing on
  - i. Sheltered Housing
  - ii. Children's Homes
  - iii. Schools
  - iv. Leisure and Sport facilities
  - v. Offices
  - vi. Stores
  - vii. Depots
- b. Consideration of any impact on ACC energy strategy in consultation with Head of Planning and Sustainable Development
- c. Recommendations made based on this review to include need for remedial work, training etc (tbc)
- d. Links to workstreams 2 and 4 above

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<b>ABERDEEN CITY COUNCIL</b>	<b>Colour</b>	<b>Status</b>	<b>Count</b>
<b>MASTER REGISTER REVISION A1</b>		Overdue	0
		Open	14
		Complete	12
<b>ACC PROGRAMME OF WORK: Response to Grenfell Tower Fire</b>	TODAYS Date: <b>13/02/2018</b>		
<b>CC : Derek McGowan</b>	<b>Complete</b>	<b>Open</b>	<b>Overdue</b>



ITEM	DATE RAISED	PROJECT	Ministerial working Group ISSUE/RISK	Aberdeen City Council response MITIGATION ACTION	OWNER	Due	Status	COMMENT
1	28-Nov-17	ACC response to Grenfell Tower	Information and intelligence gathering on use of ACM in <b>A)</b> High rise domestic buildings and high rise non-domestic building with sleeping accommodation. <b>B)</b> Schools and hospitals. <b>C)</b> Other priority buildings identified by MWG. To establish whether material used in Grenfell tower has been used in cladding in similar high rise buildings to establish whether any remedial action required	A review has been undertaken with local authorities, NHS boards and other administrative bodies and the commission contractors have compiled detailed inventory of high rise domestic properties and the analysis of those findings reported back to Scottish government Aug 2017	Gordon Spence & Steve Booth	Aug-17	Complete	Scope of work completed and responded to Scottish Government.
2	28-Nov-17	ACC response to Grenfell Tower	Review of building regulations for high rise domestic buildings and high rise non-domestic buildings with sleeping accommodations to include <b>A)</b> Comparison of regulations Scotland Vs England and Wales & NI <b>B)</b> Clarity of regulations regarding non-combustible material, to ensure Scottish building standards and regulation are robust and sufficiently clear.	Scottish Government appoint Fire Review Working Group to review building regulations. Consultation to be released around June 2018. ACC to participate in consultation, desk base review, consultation with external experts and engagement with stakeholders.	Gordon Spence	Jun-18	Open	Scope of work correlate's with ministerial working group on building and fire safety work programme
3	28-Nov-17	ACC response to Grenfell Tower	Review of approval and enforcement of building regulations to ensure building standards are being adhered and enforced to ensure regulations are sufficiently clear	Scottish Government appointed Compliance & Enforcement Working group to review building regulations and legislation. Consultation to be released around June 2018. ACC to participate in consultation. Desk base review, consultation with external experts and engagement with stakeholders, also property check	Gordon Spence	Jun-18	Open	Scope of work correlate's with ministerial working group on building and fire safety work programme
4	28-Nov-17	ACC response to Grenfell Tower	Review of fire safety regime and regulatory framework for high rise domestic buildings to ensure the regime provides protection to residents	A desk-base review has been undertaken and consultation with external experts and stakeholders, with Fire Risk Assessment completed on all high rise flats, The Property Factor undertakes a 6 monthly inspection of all mainstream high rises. Follow up actions are implemented following those inspections.	Mary Agnew & Neil Carnegie	rolling programme	Open	Fire Risk Assessments undertaken on routines cycles. SFRS undertake quarterly inspections. The Property Factor undertakes visual inspections every six months.
5	28-Nov-17	ACC response to Grenfell Tower	Consultation on revised and consolidated guidance on Fire Safety Risk Assessment of non-domestic premises which provide sleeping accommodation (e.g. hospitals) <b>A)</b> to ensure the safety guidance is robust, consistent, appropriate and meaningful. <b>B)</b> To respond to a recommendation of 2016 from the Regulatory Review Group on fire safety enforcement legislation	Scottish Government appoint Fire Review Working Group to review building regulations. Consultation to be released around June 2018. ACC to participate in consultation. Desk base review, consultation on fire safety in premises which provide sleeping accommodation (Consultation on business premises concluded in April.	Gordon Spence	TBC	Complete	Covered under Item 2
6	28-Nov-17	ACC response to Grenfell Tower	Overview by SFRS of their operational assurance visits regarding fire safety in domestic high-rises and prioritise home fire safety visits to residents of high rise flats to ensure operational visits are ongoing and effective	Quarterly visits by local fire crews for operational assurance visits. SFRS to review standard procedures for these operational visits, scheduled visits by SFRS crews, as needed, to residents requesting home fire safety visits	Neil Carnegie	rolling programme	Open	SFRS undertake quarterly visits and reports actions required to ACC.

ITEM	DATE RAISED	PROJECT	Ministerial working Group ISSUE/RISK	Aberdeen City Council response MITIGATION ACTION	OWNER	Due	Status	COMMENT
7	28-Nov-17	ACC response to Grenfell Tower	Review of evidence on automatic fire suppression systems and consultation on smoke and fire diction standards to ensure appropriate and effective use of automatic systems and to ensure standards sufficient and consistent across different tenures	Scottish Government to issue timescales to conduct review & site surveys - desk based evidence review to identify gaps, consultation and target engagement with key stakeholders and development and analysis of options, including costs	Gordon Spence	TBC	Open	Await confirmation from Scottish Government regarding timescales
8	28-Nov-17	ACC response to Grenfell Tower	Target fire safety campaign for high rise domestic properties to ensure landlords/owners understand their responsibilities and to ensure tenants understand how to stay safe in the event of a fire	All new tenants in Council high rises receive a handbook which provides home safety advice. A letter was delivered to all residents in high rise providing fire safety information. Council and SFRS officers held drop in sessions during June and July 2017 for all high rise building residents. Fire safety posters have been revised post-Grenfell fire and these are displayed on each floor in each high rise.	Neil Carnegie	rolling programme	Open	Tenant engagement and landlord/owner engagement, social media campaign under taken
9	28-Nov-17	ACC response to Grenfell Tower	Confirmation that ACC installed smoke and fire detection are in compliance with national standards	Programme of works to assess and install systems in all ACC buildings.	Ian Perry	rolling programme	Open	Individual hard wired smoke detector upgrades are offered every 10 years. Communal fire alarm systems are upgraded every 12 years. All multi storey blocks have communal fire alarm systems which are up to current standards.
10	28-Nov-17	ACC response to Grenfell Tower	New and existing tenants to be issued with fire safety information within tenants handbook	All tenants now in receipt of new tenants fire safety hand book	Neil Carnegie	20-Dec-17	Complete	
11	28-Nov-17	ACC response to Grenfell Tower	Prohibited smoking within communal area	Fire safety posters revised and displayed on all floor in each multi-storey building and premises with updated with fire safety instruction	Neil Carnegie	31-Dec-17	Complete	
12	28-Nov-17	ACC response to Grenfell Tower	Develop a programme of visual fire inspections of buildings, that includes ensuring fire escape routes are kept clear, fire doors, final fire exits, fire-fighting equipment, etc. are maintained in a good working condition and that there is a good standard of housekeeping.	Scottish Fire and Rescue Service undertake quarterly inspections of all multi-storey buildings and provide a report to the Council which identifies any present fire safety risks and property factors undertake 6 monthly fire inspections.	Neil Carnegie	30-Jun-18	Open	Linked to rows 4 & 6.
13	28-Nov-17	ACC response to Grenfell Tower	Strengthening community empowerment	A test of change will be applied involving cyclic resident led inspections of a building/s. The results from this will determine scaling up of this approach.	Neil Carnegie	31-Mar-19	Open	
14	28-Nov-17	ACC response to Grenfell Tower	All risks relating to storage/dumping of items in any communal areas including landings, drying rooms and stairwells	Fire Safety Posters displayed 31.10.17 throughout all building with instructs that items should not be stored in communal areas and advises on disposal of items.	Neil Carnegie	31-Dec-17	Complete	
15	28-Nov-17	ACC response to Grenfell Tower	All risks relating to storage/dumping of items in any communal areas including landings, drying rooms and stairwells	Housing officers vigilant at all times for combustible items stored/dumped in communal areas and instruct removal/uplift.	Neil Carnegie	31-Dec-17	Complete	
16	28-Nov-17	ACC response to Grenfell Tower	All risks relating to storage/dumping of items in any communal areas including landings, drying rooms and stairwells	Residents informed not to store or dump items in communal areas, a schedule is prepared whereby all residents in all multi-storey buildings will be written to requesting removal of all items from drying rooms and informed that items remaining within communal areas will be disposed of instruction	Neil Carnegie	31-Mar-18	Open	Schedule implemented to be complete by 31 March 2018. Items presenting high risk are removed immediately.
17	28-Nov-17	ACC response to Grenfell Tower	All risks relating to storage/dumping of items in any communal areas including landings, drying rooms and stairwells	The procedure for dealing with items dumped in a communal areas reviewed, agreed and implemented.	Neil Carnegie	30-Apr-18	Complete	



ITEM	DATE RAISED	PROJECT	Ministerial working Group ISSUE/RISK	Aberdeen City Council response MITIGATION ACTION	OWNER	Due	Status	COMMENT
18	28-Nov-17	ACC response to Grenfell Tower	All risks relating to storage/dumping of items in any communal areas including landings, drying rooms and stairwells	Fire safety article in Multi Matters newsletter to all multi-storey residents	Derek McGowan	30-May-18	Open	
19	28-Nov-17	ACC response to Grenfell Tower	All Housing Officers should be made aware of and understand the procedure for the fire alarm/detection system installed in the property.	Information to be provided to all Housing Officers.	Neil Carnegie	31-Dec-17	Complete	

ITEM	DATE RAISED	PROJECT	Ministerial working Group ISSUE/RISK	Aberdeen City Council response MITIGATION ACTION	OWNER	Due	Status	COMMENT
20	28-Nov-17	ACC response to Grenfell Tower	All risks relating to statutory compliance in buildings.	statutory compliance contracts are in place for all buildings which includes; Fire fighting equipment servicing, emergency lighting inspection, sprinkler systems maintenance, rising main inspections, Lifts maintenance, electrical systems testing, PAT testing in common areas, lightning protection system maintenance, building inspection etc.	Stephen Booth	31-Jan-18	Complete	
21	28-Nov-17	ACC response to Grenfell Tower	All risks around the storage and access to information around statutory compliance.	Statutory compliance is currently being undertaken in all properties through a variety of term maintenance contract. There is an ongoing requirement to consolidate all data information on one master register or system. This is currently being explored with ICT colleagues	Stephen Booth	31-Jan-18	Open	under review as part of wider system issue
22	28-Nov-17	ACC response to Grenfell Tower	Fire alarm testing regime.	Fire alarm regime to be reviewed around weekly testing based on advice from Corporate Health and Safety Colleagues	Stephen Booth	30-Nov-17	Complete	
23	28-Nov-17	ACC response to Grenfell Tower	Review of repair and maintenance works arising from FRAs	Review of all works identified in reviews with action plan to close out works which have not already been completed. Around 650 work order for repairs and maintenance have been raised and completed.	Stephen Booth	28-Feb-18	Open	Assurance checks on-going to confirm status and action plan to be prepared for outstanding works actions.
24	28-Nov-17	ACC response to Grenfell Tower	Review of all appropriate signage	Review of escape route signage/ signage on electrical cupboards/ service ducts, fire doors etc was reviewed as part of FRA's and ongoing programme to upgrade as part of normal inspection regime.	Stephen Booth Andy Pitblado	31-Mar-18	Open	
25	28-Nov-17	ACC response to Grenfell Tower	All risk around external contracts undertaking work should be considered and appropriate method statement made available and monitored.	Contract monitoring regime in place,	John Quinn	30-Nov-17	Complete	
26	28-Nov-17	ACC response to Grenfell Tower	Review of non-Council owned building regulation for high rise domestic buildings and high rise non-domestic buildings with sleeping accommodation	ACC have respond to Scottish Government request to establish whether materials used in Grenfell Tower has been used in the cladding of similar buildings	Gordon Spence	12-Jan-18	Complete	

MINISTERIAL WORKING GROUP ON BUILDING AND FIRE SAFETY: WORK PROGRAMME

What	Why	How
Information and intelligence gathering on use of ACM in a) high rise domestic buildings and high rise non-domestic buildings with sleeping accommodation b) schools and hospitals c) other priority buildings identified by MWG	<ul style="list-style-type: none"> <li>To establish whether material used in Grenfell Tower has been used in cladding in similar high rise buildings to establish whether any remedial action is required</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with local authorities, NHS Boards and other bodies</li> <li>Analysis of returns from these bodies</li> <li>Commission contractors to compile detailed inventory of high rise domestic properties in Scotland</li> </ul>
Review of building regulations for high rise domestic buildings and high rise non-domestic buildings with sleeping accommodation to include: <ul style="list-style-type: none"> <li>comparison of regulations in Scotland vis a vis England, Wales and NI</li> <li>clarity of regulations regarding non-combustible material</li> </ul>	<ul style="list-style-type: none"> <li>To ensure Scottish building standards and regulations) are robust and sufficiently clear</li> </ul>	<ul style="list-style-type: none"> <li>Desk-based review</li> <li>Consultation with external experts</li> <li>Engagement with stakeholders</li> </ul>
Review of approval and enforcement of building regulations	<ul style="list-style-type: none"> <li>To ensure building standards are being adhered to and enforced</li> <li>To ensure regulations are sufficiently clear</li> </ul>	<ul style="list-style-type: none"> <li>Desk-based review</li> <li>Engagement with stakeholders</li> <li>Consultation with external experts</li> <li>Property check</li> </ul>
Review of fire safety regime and regulatory framework for high rise domestic buildings	<ul style="list-style-type: none"> <li>To ensure the regime provides comprehensive protection to residents</li> </ul>	<ul style="list-style-type: none"> <li>Desk top review</li> <li>Consultation with external experts</li> <li>Engagement with stakeholders</li> </ul>
Consultation on revised and consolidated guidance on Fire Safety Risk Assessment of (non-domestic) premises which provide sleeping accommodation (e.g. hospitals)	<ul style="list-style-type: none"> <li>To ensure fire safety guidance is robust, consistent, appropriate and meaningful</li> <li>To respond to a recommendation of 2016 from the Regulatory Review Group on fire safety enforcement legislation</li> </ul>	<ul style="list-style-type: none"> <li>Desk based review</li> <li>Consultation on fire safety in premises which provide sleeping accommodation (consultation on business premises concluded in April)</li> </ul>

Overview by SFRS of their operational assurance visits regarding fire safety in domestic high-rises, and prioritise Home Fire Safety Visits to residents of high-rise flats	<ul style="list-style-type: none"> <li>To ensure operational visits are ongoing and effective</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly visits by local fire crews for operational assurance visits</li> <li>SFRS to review standard procedures for these operational visits Scheduled visits by SFRS crews, as needed, to residents requesting Home Fire Safety Visits</li> </ul>
Review of evidence on automatic fire suppression systems	<ul style="list-style-type: none"> <li>To ensure appropriate and effective use of automatic fire suppression systems</li> </ul>	<ul style="list-style-type: none"> <li>Desk based evidence review to identify gaps</li> </ul>

<p>Consultation on smoke and fire detection standards</p>	<ul style="list-style-type: none"> <li>• To ensure standards sufficient and consistent across different tenures</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation</li> <li>• Targeted engagement with key stakeholders</li> <li>• Development and analysis of options (including costs)</li> </ul>
<p>Targeted fire safety campaign for high rise domestic properties</p>	<ul style="list-style-type: none"> <li>• To ensure landlords/owners understand their responsibilities</li> <li>• To ensure tenants understand how to stay safe in the event of a fire</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant engagement</li> <li>• Landlord/owner engagement</li> <li>• Social media campaign</li> </ul>

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Scottish Public Services Ombudsman Decisions, Inspector of Crematoria Complaint Decisions and Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) authorisations
REPORT NUMBER	CG/18/003
LEAD OFFICER	Fraser Bell
REPORT AUTHOR	Lucy McKenzie

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## 1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO), Inspector of Crematoria decisions and Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) authorisations made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that the handling of complaints, Scottish Welfare Fund applications and surveillance is being undertaken appropriately.

## 2. RECOMMENDATION(S)

- 2.1 It is recommended that Committee notes the details of the report.

## 3. BACKGROUND / MAIN ISSUES

- 3.1 A report detailing all Scottish Public Services Ombudsman (SPSO) and/or Inspector of Crematoria decisions relating to Aberdeen City Council is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints and Scottish Welfare Fund decisions are being handled appropriately. The last report on this matter was submitted to the 23 November 2017 Committee.
- 3.2 Further to the Surveillance Commissioner's inspection in 2017 and in accordance with the Scottish Government's Code of Practice on covert surveillance, this report will now also include information about RIPSA related activities. This is to ensure that elected members are aware of and review the Council's use of RIPSA and set the Policy.

### **Scottish Public Services Ombudsman (SPSO) Complaint Decisions**

- 3.3 The Scottish Complaints Handling Procedure (CHP) followed by Aberdeen City Council is outlined by the SPSO. Details of the CHP can be accessed at [www.aberdeencity.gov.uk/complaints](http://www.aberdeencity.gov.uk/complaints)

- 3.4 There are 2 SPSO decisions relating to Aberdeen City Council complaints to notify the Committee of. Both complaints were not upheld by the SPSO. Please refer to Appendix A for further information.

### **Scottish Public Services Ombudsman (SPSO) Scottish Welfare Fund Review Decisions**

- 3.5 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers 2 types of grants – Crisis Grants and Community Care Grants. Further information is available at [http://www.aberdeencity.gov.uk/council\\_tax\\_benefits/crisis\\_community\\_care\\_grants.asp](http://www.aberdeencity.gov.uk/council_tax_benefits/crisis_community_care_grants.asp)
- 3.6 Since the last reporting period, the SPSO have not carried out any Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions.

### **Inspector of Crematoria Decisions**

- 3.7 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.

### **Regulation of Investigatory Powers (Scotland) Act (RIPSA) Authorisations**

- 3.8 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) regulates the use by public authorities of covert surveillance; directed surveillance, and the use and conduct of covert human intelligence sources.
- 3.9 There have been no authorisations in relation to RIPSA in quarter 2 of 2017/18.
- 3.10 There have also been no further updates since September 2017 when this Committee considered a report on the Office of the Surveillance Commissioner's Inspection of the Council's RIPSA activities.
- 3.11 Within the next coming weeks, a bulletin will be sent out to all those who have been on RIPSA training, advising them of any changes in case law and procedure where this is considered relevant. Further, a meeting with Authorising Officers will also be set as this required to be rescheduled from December 2017 due to annual leave commitments.

## **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 No risks have been identified in this report.

## **7. IMPACT SECTION**

### **Economy**

7.1 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**

7.2 Aberdeen City Council complaint and review procedures 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**

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

### **Technology**

7.4 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 SPSO 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
6 February 2017	6 October 2017	<ol style="list-style-type: none"> <li>1. The council failed to reasonably respond to your request to repair issues with damp in your property in line with their obligations.</li> <li>2. The council did not respond reasonably to your complaint, in line with their obligations.</li> </ol>	Communities, Housing and Infrastructure	Complaint Not Upheld	None	Not applicable
19 December 2016	24 November 2017	<ol style="list-style-type: none"> <li>3. Aberdeen City Council unreasonably refused to accept an application under the high hedges act 2013 because they do not consider the vegetation on question to constitute a hedge.</li> <li>4. The Council unreasonably failed to handle the complaint in line with their obligations.</li> </ol>	Communities, Housing and Infrastructure	Complaint Not Upheld	None	Not applicable

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Audit of Aberdeen Crematorium by the Federation of Burial and Cremation Authorities
REPORT NUMBER	CHI/18/001
LEAD OFFICER	Fraser Bell
REPORT AUTHOR	Graham Keith

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### **1. PURPOSE OF REPORT:-**

- 1.1 At its meeting on 1 November 2016, the Communities, Housing and Infrastructure Committee resolved to commission a 'Critical Friend' Audit by an external crematoria industry body and to present the resulting report to the Audit, Risk and Scrutiny Committee.
- 1.2 This report provides the Committee with the attached 'critical friend' audit report carried out by the Federation of Burial and Cremation Authorities (FBCA) on 27 November 2017.

### **2. RECOMMENDATION(S)**

- 2.1 It is recommended that Committee notes the audit report.

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

- 3.1 On 1 November 2016, the Communities, Housing and Infrastructure Committee approved a suite of compliance measures with the aim of improving arrangements at the Aberdeen Crematorium. One of these assurance measures was the commissioning of a 'Critical Friend' Audit every 2 years or as instructed by the Communities, Housing and Infrastructure Committee. The audit is to be conducted by an external industry body e.g. Federation of Burial and Cremation Authorities (FBCA) to ensure all processes and procedures meet current best practice, codes of practice and legislation. The audit report should then be presented to the Audit, Risk and Scrutiny Committee.
- 3.2 The FBCA Audit report is attached as Appendix 1.

#### **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 No risks have been identified in this report.

#### **7. IMPACT SECTION**

##### **7.1 Economy**

- 7.1.1 There is no economical impact arising from this report.

##### **7.2 People**

- 7.2.1 The auditor's observations are that the Council "is delivering an excellent service to the bereaved".

##### **7.3 Place**

- 7.3.1 There are no direct implications on 'Place' arising from this report.

##### **7.4 Technology**

- 7.4.1 There is no direct implications on 'Technology' arising from the this report.

#### **8. BACKGROUND PAPERS**

- 8.1 Aberdeen City Council Report to Communities, Housing and Infrastructure Committee Aberdeen Crematorium Performance Indicators (CHI/16/251)  
<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=503&MId=3877&Ver=4>

#### **9. APPENDICES (if applicable)**

- 9.1 Appendix 1 - BJD/FBCA Report – Aberdeen Crematorium 28-11-2017

## **10. REPORT AUTHOR DETAILS**

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Technical Coordinator: Brendan J Day

28<sup>th</sup> November 2017

## **ABERDEEN CREMATORIUM**

### **1.0 INTRODUCTION**

**1.1** The author of this report is Brendan J Day, Technical Coordinator of the Federation of Burial and Cremation Authorities. My career in local authority Bereavement Services lasted from 1980 to 2017, with responsibilities including crematoria, cemeteries, Registrar of Births, Deaths and Marriages, Coroners and responsibility for commercial transformation in Legal, Governance, Bereavement and Procurement services. I am a Fellow of the Institute of Cemetery and Crematorium Management and hold an MBA in Public Services Management.

**1.2** Mr Graham Keith who is the Performance and Development Manager for the City Council, contacted the FBCA and requested an independent audit of the procedures in place at Aberdeen Crematorium. I agreed to carry out the audit.

**1.4** Prior to my visit I had sight of the report carried out by Mr Rick Powell, Secretary and Executive Officer of the FBCA, dated the 12<sup>th</sup> October 2015, Operational Procedures at Aberdeen Crematorium and a completed Critical Friend Audit Report.

**1.5** On the 27<sup>th</sup> November 2017 I visited Aberdeen Crematorium and spent time with Graham Keith and Angus Beacom, the Crematorium Manager. I was also provided with a guided tour of the facility by David Stevenson, during which time I took the opportunity to speak with a number of members of staff.

### **2.0 THE CODE OF CREMATION PRACTICE AND OTHER RELEVANT GUIDANCE**

**2.1** The Code of Cremation Practice issued by the Federation of Burial and Cremation Authorities is recognised as setting the industry ethical standard for cremation. It provides the bereaved with reassurance that the cremation of their loved one is being conducted in an entirely appropriate manner. Adherence to the Code of Cremation Practice also gives the Cremation Authority the assurance that it is providing the best possible service to the bereaved within nationally agreed guidelines.

The Code of Cremation Practice first issued in 1946 by the Federation is periodically updated and revised. It is essential for the maintenance of standards at crematoria and the observance of the Code is an obligation of membership of the Federation.

The Code is a clear and concise statement of policy. Since its inception there have been a number of minor amendments to the Code and it has remained the principal ethical standard for crematoria operation, supplementing legislative requirements, providing practical guidance and reflecting the public's expectations of sensitivity and commitment to the needs of the bereaved. It is a truly corporate document serving the needs of the bereaved and the Cremation Authority at the same time.

### **3.0 OPERATIONAL DETAILS**

**The following information relates to observations made whilst with staff at Aberdeen Crematorium and carrying out inspections of operational equipment and documentation.**

#### **3.1 Staffing**

The crematorium manual staffing levels at Aberdeen Crematorium are sufficient to provide a satisfactory level of service delivery to the bereaved and to satisfy health and safety and ethical requirements.

All staff operating the cremation equipment on site are certificated in accordance with the requirements of the crematorium's Environmental Permit issued by the Scottish Environmental Protection Agency (SEPA). The staff duties carried out by the team include those of chapel attendant and cremator technician and there is sufficient support and relief cover to maintain flexibility of service delivery. These duties are carried out on a rotational basis by the team to ensure service continuity.

#### **3.2 Cremation Equipment**

The crematory is equipped with four cremators manufactured by Facultatieve Technologies Ltd, with all four cremators operating through purpose designed mercury abatement and filtration plant. The high speed cremulator used on site is designed to reduce the calcinated bone remains to a fine consistency considered suitable for either release to a family or for dispersal in the crematorium grounds, whilst separating any metals that may still be present within the remains.

#### **3.3 Cremation Paperwork**

The cremation paperwork, as per the previous audit, is received, checked and processed by Bereavement Service's staff based at Marischal College, a confirmation sheet is produced each afternoon by Bereavement Service's staff and faxed to the Crematorium. This sheet lists the next day's cremations and confirms that all paperwork has been received and checked and that the cremations can proceed in accordance with the list. A senior member of crematorium staff will access the Burial and Cremation Administration System (BACAS) and print the following documentation:

- Yellow Instruction (Identification) Cards
- Floral Tribute Cards
- Daily Operator Detail Sheets
- Certificates of Cremation
- 2 sets of Identification Labels
- Chapel Lists

The paperwork is then processed as per the previous audit.

#### **4.0 Observations**

**4.1 Staff:** The Cremation Technicians and Chapel Attendants at Aberdeen Crematorium appeared to be well trained, to have a caring demeanour and an awareness of the sensitivity of the service that is being provided by the Cremation Authority. During the day in which the observations were carried out at Aberdeen Crematorium there was close attention paid to the staff behaviour and performance in the crematory. During this time in depth conversations were also held with Graham Keith, Angus Beacom and David Stevenson to ensure that the observations were meaningful and to avoid misinterpretation.

**4.2 Code of Cremation Practice:** During the period of the review there were no perceived breaches of the Code of Cremation Practice and the team displayed a good understanding of the ethical requirements for providing this most sensitive of services. The version of the Code of Cremation Practice displayed was the most up to date issued in 2017.

**4.3 Effective Use of Equipment:** The operating technician was observed to work within ethical guidelines and appeared to have a good understanding of the need to exercise economic control of the cremators to avoid significant financial implications for the cremation authority when machines were pre-heated and then not used, or kept on standby “just in case”.

**4.4 Cremation of Foetal Remains:** During the period of the observations, there were no cremations of foetal remains. However, I was given a detailed explanation of the process by David Stevenson including the use the specifically designed fetal programme available within the software package on the Facultatieve machines, the purpose designed baby cremation trays, lid, ashes recovery tray/funnel and containers. The health and safety precautions taken during the charging of the cremations and the processes were explained to me and I was shown the personal protective equipment (PPE) supplied to the staff, for use during the process.

**4.5 Cremation And Ancillary Equipment:** During the period of the observations the cremators and filtration equipment were in proper working order. It is important that the staff are encouraged to report faults and malfunctions to their manager and it is equally important for the manager to understand the importance of these failures, some of which can create emissions to air, either inside or outside of the building.



**4.6 Operational Instructions:** During conversations with the Cremator Technician, it became clear that he has a good understanding of the operational requirements of the equipment in use and was aware of the various software settings available within the computer programme to facilitate the proper use of the equipment under various circumstances.

**4.7 Risk Assessments, COSHH Assessments and Safe Working Practices:** As part of the observation process, the Crematorium Manager was asked for the most up to date copies of any Risk Assessments that had been carried out and copies of any Safe Working Practices that had been produced. Risk Assessments and copies of other relevant documents were made available to the author in hard copy during the observations.

**4.8 Disposal of Cremated Remains/Ashes:** The practices currently in place at Aberdeen Crematorium regarding the methodology and recording of the disposal or dispersal of cremated remains/ashes appeared to be in accordance with accepted UK standards.

**4.9 Cremation Paperwork:** During the observations the examples of cremation paperwork were chosen at random and inspected. The documentation was in accordance with the process notes and accurately completed in all respects.

In conclusion, from my observations and the documentary evidence provided I am satisfied that Aberdeen City Council is delivering an excellent service to the bereaved. The current proposals to modernise the building and transfer the cremation administration to the crematorium demonstrates the ongoing commitment of the authority to local bereaved families.

**Brendan J. Day**  
Technical Coordinator

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Bond Governance Protocol
REPORT NUMBER	CG/18/004
DIRECTOR	Fraser Bell
REPORT AUTHOR	Deirdre Nicolson

**1. PURPOSE OF REPORT:-**

To advise Members of a Protocol that has been developed to provide guidance on how Aberdeen City Council complies with the legislative and regulatory requirements resulting from the Council having issued Bonds on the London Stock Exchange.

**2. RECOMMENDATION(S)**

2.1 Note the Bond Governance Insider Protocol appended to this report.

**3. BACKGROUND/MAIN ISSUES**

3.1 Aberdeen City Council issued Bonds on the London Stock Exchange in 2016. There are a number of legislative and regulatory requirements which flow from having issued the Bonds.

3.2 A Protocol has been written in order to ensure that Members and staff are aware of these requirements and their responsibilities as well as the processes in place to support compliance.

3.3 The Protocol will be made available on the Council's Zone.

**4. FINANCIAL IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

5.1 While there are no direct legal implications arising from the report, the Protocol highlights the regulatory and legislative requirements with which Aberdeen City Council has to comply as a result of issuing the Bonds. It also narrates the consequences for non-compliance and identifies the processes and people responsible for ensuring compliance.

## **6. MANAGEMENT OF RISK**

6.1 There are financial, legal and reputational risks if the Council does not comply with the regulatory and legislative requirements stemming from the issue of the Bonds which would consequently impact employees and customers. Having a Protocol which articulates the risks, requirements and identifies responsibilities goes some way to reduce those risks.

6.1.1 There are no technological or environmental risks.

## **7. IMPACT SECTION**

7.1 The Protocol has no direct impact on the economy or the citizens of Aberdeen. There is no direct or indirect impact on the environment or technology.

## **8. BACKGROUND PAPERS**

None

## **9. APPENDICES (if applicable)**

Appendix 1                      Bond Governance Insider Protocol

## **10. REPORT AUTHOR DETAILS**

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# Aberdeen City Council

Bond Governance  
Insider Protocol - December 2017



# Aberdeen City Council

## Bond Governance Insider Protocol - December 2017

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Version	1.0
Effective From	1 December 2017
To be Reviewed	30 November 2018
Application of Protocol	Council-wide
Protocol Author	Deirdre Nicolson, Solicitor

## 1. INTRODUCTION

- 1.1 Aberdeen City Council (ACC) obtained a credit rating and issued Bonds on the London Stock Exchange in 2016 as part of a strategy to finance its capital investment programme.
- 1.2 The purpose of this protocol is to highlight the legislative and regulatory requirements which flow from the issue of the credit rating and Bonds and identify the systems, processes and people responsible for compliance.
- 1.3 Staff and Councillors are encouraged to familiarise themselves with the content of this document and their individual accountabilities and responsibilities.
- 1.4 The legislative and regulatory requirements are listed in Appendix 1.

## 2. INSIDE INFORMATION

- 2.1 The Market Abuse Regulations oblige ACC to maintain and keep up to date a list of individuals who have access to Inside Information.
- 2.2 Inside Information is information which
  - relates directly or indirectly to ACC or any of its group entities;
  - has not been made public;
  - is precise<sup>1</sup>; and
  - if it were made public, would be likely to have a significant effect on the prices of one or more of the Council's Bonds or could have an impact on the Council's credit rating.
- 2.3 It is information which would also be considered confidential and would likely influence a reasonable investor's decision<sup>2</sup> in relation to one or more of the Bonds.
- 2.4 A decision tree has been created (Appendix 2) to assist in ascertaining whether the information would be considered as Inside Information.
- 2.5 Inside Information is not
  - research and estimates based on publicly available data<sup>3</sup>; or
  - information disclosed in the normal course of a person's employment, profession or duties<sup>4</sup>. This provision is designed to ensure that ACC can effectively continue operating and that it is not prohibited from disclosing Inside Information (for example a significant write-down of an asset in the accounts) to those employees who require that information in order to perform their functions. Another example is members of the financial control team who may be assisting in the preparation of the accounts. This exemption also enables ACC to disclose Inside Information to its external legal advisers and accountants, who may be assisting in certain transactions or involved in auditing the accounts.

<sup>1</sup> Market Abuse Regulations 596/2014 Article 7 (2)

<sup>2</sup> Market Abuse Regulations 596/2014 Article 7 (4)

<sup>3</sup> Market Abuse Regulations 596/2014 para 28

<sup>4</sup> Market Abuse Regulations 596/2014 para 35 and Article 10

### 3. INSIDER LIST

- 3.1** ACC is obliged to create a list of those individuals who have access to Inside Information.
- 3.2** ACC must provide the Financial Conduct Authority with the list as soon as possible upon request<sup>5</sup>. The Financial Conduct Authority will use the list as a tool when investigating possible market abuse.
- 3.3** The list has to include<sup>6</sup> the identity of the person having access to the information including:
- the reason the person is on the list;
  - the date and time at which the person obtained access to the inside information<sup>7</sup>; and
  - the date on which the insider list was drawn up.
- 3.4** The regulations also prescribe the format of the lists<sup>8</sup>. See Appendix 3 for the precise format.
- 3.5** The HoLDS is responsible for the creation and maintenance of the list.
- 3.6** The list is spilt into two sections:
- a Permanent section; and
  - a Deal Specific or Event Driven section.
- 3.7** The Permanent Section of the list shall comprise of all persons who, due to their nature or function, have access at all times to all inside information. From an ACC perspective this will include:
- all Councillors<sup>9</sup>;
  - all Directors;
  - all Heads of Service;
  - all PAs to Directors and Heads of Service;
  - Communication Team; and
  - additional employees identified by Heads of Service.
- 3.8** The Deal Specific or Event Driven section shall comprise of Persons
- who have access to Inside Information at a certain point in time. This may be due to the fact that they are involved in contract negotiations for a specific capital project;
  - who are involved in setting the Council's long term strategy;
- 3.9** Information which relates to an event or set of circumstances which is an intermediate step in a protracted process, for example terms provisionally agreed in contract negotiations may also require a list to be created.



- 3.10** It will be the responsibility of all Heads of Service, having consulted with the Strategic Asset and Capital Board, to recommend to the HoLDS that a Deal Specific or Event Driven list be created.
- 3.11** In making the recommendation, Heads of Service should bear in mind the test, set out in Section Two above, is the likelihood that a reasonable investor would have used the information to make his or her decision to invest in ACC's bonds and take into consideration:
- whether or not the project is listed on ACC's Strategic Business Plan;
  - the total amount of capital (including any capital grants to ALEOs) to be spent on a project;
  - the projected revenue arising from the project; and/or
  - major reputational impact.
- 3.12** Following the recommendation by the Head of Service, it will be the HoLDS' responsibility to decide if it is appropriate for a Deal Specific or Event Driven list to be created.
- 3.13** In the event the HoLDS confirms to the Head of Service that it is appropriate for a Deal Specific or Event Driven list, the Head of Service shall provide a list of names and other details as requested by the HoLDS in order from him to create an appropriate list. This may include members of other authorities, Board members and Chief Officers of ALEOs and Board Members and Chief Officers of the Integrated Joint Board.
- 3.14** The following table should be used by Heads to Service in deciding which individuals should be included in a Deal Specific or Event Driven list:

<sup>5</sup> Market Abuse Regulations 596/2014 Article 18

<sup>6</sup> Market Abuse Regulations 596/2014 Article 18 (3)

<sup>7</sup> This only applies to Deal Specific or Event Based lists

<sup>8</sup> Implementing Technical Standards Regulations 347/2016

<sup>9</sup> By virtue of their ability to request information

Role	Should they be on a Deal Specific or Event Driven List?
Budget Holders	<ul style="list-style-type: none"> <li>• Depends on the scope and size of the budget</li> </ul>
Third Tier	<ul style="list-style-type: none"> <li>• Major role in strategic Project Team</li> </ul>
Project Team Members	<ul style="list-style-type: none"> <li>• Strategic Projects only</li> <li>• Project Director, Project Manager and Project Accountant</li> </ul>
Legal Services Team	<ul style="list-style-type: none"> <li>• Major role in strategic Project Team</li> </ul>
Finance Team	<ul style="list-style-type: none"> <li>• Major role in strategic Project Team</li> </ul>
Commercial & Procurement Services	<ul style="list-style-type: none"> <li>• Only if part of strategic Project Team</li> </ul>
Arms Length External Organisations Organisation Employees	<ul style="list-style-type: none"> <li>• Chief Officers if receiving significant capital funding</li> </ul>
Directors of "Group Entities" including ALEOS	<ul style="list-style-type: none"> <li>• If receiving significant capital funding</li> </ul>
Advisors	<ul style="list-style-type: none"> <li>• Major role in Strategic Project Team</li> </ul>
Consultants	<ul style="list-style-type: none"> <li>• Major role in Strategic Project Team</li> </ul>
Trade Union Representatives	<ul style="list-style-type: none"> <li>• Unlikely</li> </ul>
Internal Auditors	<ul style="list-style-type: none"> <li>• If scope of audit is strategic capital projects</li> </ul>
External Auditors	<ul style="list-style-type: none"> <li>• If scope of audit is strategic capital projects</li> </ul>

**3.14** If an individual is on the Permanent list, he/she does not need to be included on a Deal Specific or Event Driven list.

**3.15** There are many instances when Trade Union representatives have access to confidential information. However, as they do not have access at all times to all confidential information the test to include them on the permanent section of the Insider List has not been met. Whether or not the individual representative would require to be included on an event driven list would need to be decided on a case by case basis. It is unlikely that an event driven list would need to be drawn up when Trade Unions represent individual employees on disciplinary matters as the outcome of such a case would be unlikely to have an impact on an investor's decision. An exception may be if the individual were the Chief Executive or Chief Financial Officer.

**3.16** Trade Union representatives are consulted on staff re-organisations and budget setting. Whether there would be a requirement to set up a specific event driven list which would necessitate the inclusion of Trade Union representatives will be monitored. Any negotiations resulting from a significant long term industrial action may also be classified as Inside Information and as such would likely require a specific event driven list.

## 4. MAINTENANCE OF THE INSIDER LIST

- 4.1** Legal and Democratic Services shall regularly update the list<sup>10</sup> to include the following changes in the reason for including a person on the Insider List:
- change of post;
  - new persons who have access to Inside Information and need to be included on either section of the list; and
  - persons ceasing to have access to Inside Information.
- 4.2** Each update shall specify the date and time of the event that triggered the update.
- 4.3** In order to facilitate the update of the list, the Payroll Section, Human Resources provide, on a monthly basis, a report based on job numbers provided.
- 4.4** As the lists are confidential, they shall be securely stored. They are required to be kept for a period of five years<sup>11</sup> from the date they have been drawn up or updated and shall be destroyed in accordance with Legal Services Records Retention and Disposal Schedule.
- 4.5** The process is shown in Appendix 4.

## 5. ACKNOWLEDGEMENT OF MARKET ABUSE OBLIGATIONS AND RETENTION PERIODS

- 5.1** The HoLDS is responsible for issuing a letter to all persons on the Insider List advising them of the legal and regulatory duties of being on the Insider List and making them aware of the sanctions involved. A copy of the letter is included in Appendix 5.
- 5.2** The Members Support team provides support and assistance in issuing the letter to members
- 5.3** The HR Service Centre team may provide support and assistance in issuing the letter to employees.
- 5.4** A copy of the letter and acknowledgement by employees will be maintained on the individuals HR files and retained for a period of seven years<sup>12</sup> once the employee has left the employment of the Council.
- 5.5** The HoLDS will keep all letters issued and acknowledgments for a minimum of five years not otherwise retained by HR after the individual's last entry on the Insider List.

<sup>12</sup> HR files maintained for a minimum of seven years for tax purposes.

<sup>10</sup> Market Abuse Regulations 596/2014 Article 18 (4)

<sup>11</sup> Market Abuse Regulations 596/2014 Article 18 (5)

## 6. RISK

- 6.1** The HoLDS is responsible for monitoring the governance risks associated with the credit rating and bond issue.
- 6.2** The Head of Finance is responsible for monitoring the financial risks associated with the credit rating and bond issue.
- 6.3** The responsible Head of Service shall ensure that any projects listed on the Strategic Plan for which he/she has overall accountability shall include a risk to Bond and Credit Rating and appropriate mitigations in the project risk register.

## 7. DISCLOSURE OF INSIDE INFORMATION

- 7.1** The Market Abuse Regulations and the Financial Conduct Authority regulate the disclosure of Inside Information.
- 7.2** Inside Information will generally be announced at the point in time the Council or one of its committee has made a decision relating to the information. Examples include approval of the quarterly or annual accounts or award of a major capital project to a specific contractor or consortium.
- 7.3** In addition, the following will also be announced through the London Stock Exchange:
- results of Council Elections;
  - changes in Administration; and
  - changes in the Chief Executive, Directors, the Monitoring Officer or Section 95 Officer.
- 7.4** The decision to make an announcement will be taken by Head of Finance or his/her delegate following consultation with the HoLDS.
- 7.5** Where there has been a delay in disclosing Inside Information, the Head of Finance must notify the Financial Conduct Authority of the delay immediately<sup>13</sup>. Any decision to delay disclosure will be taken by the Head of Finance.
- 7.6** The External and Internal Communications Manager will be responsible for making the announcement to the London Stock Exchange following the Head of Finance's instructions.
- 7.7** All announcements will be made using "RNS Submit" or such other regulatory news service for financial news or announcement as maybe decided upon from time to time.

<sup>13</sup> Market Abuse Regulation Article 17

## 8. UNAUTHORISED DISCLOSURE OF INSIDE INFORMATION

- 8.1** The Market Abuse Regulations prohibit the unauthorised disclosure of Inside Information.
- 8.2** ACC's Managing Discipline Policy & Procedure applies to all employees. Breaches of confidentiality, non-disclosure of an interest (conflict of interest), whether direct or indirect and serious breaches of Standing Orders, Procurement Regulations or Financial Regulations are all considered types of gross misconduct. Gross misconduct can result in dismissal.<sup>14</sup> Unauthorised disclosure of Inside Information is also a breach of confidentiality and would also be considered as gross misconduct.
- 8.3** Contractors and Agency staff are subject to the terms and conditions of their individual contracts. Breaches of confidentiality, including unauthorised disclosure of Inside Information will constitute grounds for termination of the contract.
- 8.4** Councillors are subject to the Councillor's Code of Conduct and are obliged to observe, respect and comply with all confidentiality requirements. Sanctions for breaches of the Code are censuring, suspension and disqualification. Unauthorised disclosure of Inside Information is also a breach of confidentiality and may be reported to the Commissioner for Ethical Standards.
- 8.5** In the event of a breach, the matter may be referred to the Police.
- 8.6** Breaches may also be referred to London Stock Exchange and Financial Conduct Authority.

## 9. TRAINING

- 9.1** Training is available to provide guidance on:
- what Bonds are;
  - why ACC has issued them;
  - what a credit rating is;
  - the implications of the Bonds and credit rating on how ACC operates;
  - who should be on the Insider List;
  - the implications of being on the Insider List; and
  - where to go for further help and guidance.
- 9.2** Training is mandatory for all individuals identified as being on the Permanent Insider List or on the Deal or Event Specific List. Records will be maintained in relation to employees and members who have undergone training in the Bonds and Credit Rating.
- 9.3** Informational sessions can be provided to trade union representatives, ALEOs and the IJB in order to enhance understanding of the statutory requirements resulting from the issue of the bonds.
- 9.4** An OIL module will be available to induct new employees on the Bonds and Credit Rating.

<sup>14</sup> Aberdeen City Council Managing Discipline Policy and Procedure

## 10. COMMITTEE REPORTS

- 10.1** ACC's Report Author Guidance stipulates that Officers have to include Financial and Legal Implications when authoring reports for consideration by the Council and its various Committees and Sub-Committees. This would include whether the report topic has any implications or impact on the issue or valuation of the Bonds and/or the Council's credit rating. The report author would also need to consider whether the report was disclosing Inside Information which would require an announcement on the London Stock Exchange.
- 10.2** In addition to reports which set and report on the Council's budgets there are a number of other reports which may have an impact. Examples of these are reports approving major capital investments, or reports advising of significant delays of major capital projects especially those that would have an impact on future revenue streams. When drafting reports, Officers should also consider the cumulative impact of delays/project over-spends.

## 11. PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES AND PERSONS CLOSELY ASSOCIATED

- 11.1** The Market Abuse Regulations are designed to provide valuable information for financial market participants and constitute additional means for authorities, including the Financial Conduct Authority, to supervise the market.
- 11.2** Regulation 15 requires that notification is provided to the Financial Conduct Authority<sup>15</sup> by issuers (i.e. ACC), Persons Discharging Managerial Responsibilities (PDMRs) and Persons Closely Associated (PCAs) in respect of transactions conducted in their own account in shares or debt instruments of the issuer, or derivatives or any other financial instruments relating to these shares or debt instruments. The regulations
- require ACC to make all PDMRs aware of their responsibilities;
  - require ACC to draw up a list of all PDMRs;
  - prescribe content for notifications;
  - set a limit of EUR 5000 per calendar year, above which an obligation to disclose PDMR transactions is triggered; and
  - set a closed period of PDMR transactions in the 30 day period prior to the publication of an interim financial report or year-end report that the issuer must publish.

Regulations lay down the format and template for notification and public disclosure of Managers' transactions<sup>16</sup>. These regulations have been translated into a form<sup>17</sup> by the FCA in the event a PDMR transaction has to be notified.

- 11.3** As Aberdeen City Council has issued Bonds ("debt instrument"), the provisions mentioned above apply. However, the Bonds have been initially sold to large investment institutions who invest for the long term and not individuals. Index-linked bonds are notoriously illiquid and it is anticipated there will be limited prospects to trade/buy. A PDMR list will be maintained by the HoLDS.

- 11.4** It should also be noted that in terms of the Regulations, in addition to the obligation to notify the Financial Conduct Authority of transactions over 5000 Euros in a calendar year, there is an obligation to notify if a PDMR transacts in “Financial instruments linked to the Bond”.
- 11.5** The Head of Finance will advise all PDMRs of their obligations prior to the Committee approving quarterly and annual financial results.
- 12.6** The Head of Finance will announce any PDMR transactions within three business days of the transaction to the London Stock Exchange using RNS Submit. (add footnote - see paragraph 7)

## 12. FREEDOM OF INFORMATION REQUESTS AND DATA PROTECTION

**12.1** Requests for information which relate to the Insider List and Inside Information will be considered in the same way as any other Freedom of Information (FOI) request. This includes the FOI team identifying requests and consulting with the External and Internal Communications team on requests which are:

- from a Journalist;
- political; or
- sensitive.

It is anticipated that the following exemptions would apply and would in turn prevent information classified as Inside Information being disclosed:

- Prohibition on Disclosure<sup>18</sup>;
  - The Market Abuse legislation<sup>19</sup> obliges the Council to ensure the confidentiality of the information included in the Insider List at all times and limits access to the List to those that need access due to their function or position. As such requests may be refused under s26 (2) of the Freedom of Information (Scotland) Act 2002 as release of the information would be incompatible with an EU obligation.
- Information intended for Future Publication<sup>20</sup>;
- Prejudice to the Effective Conduct of Public Affairs<sup>21</sup>;
- Commercial Interests and the Economy<sup>22</sup>; and
- Confidentiality<sup>23</sup>.

**12.2** In the unlikely event that Inside Information has to be released through the FOI process which has not yet been publically disclosed, then the Inside Information will also require to be disclosed through the Stock Exchange in terms of Section 7 above.

**12.3** As the Insider Lists contain sensitive personal data, processing of the data is covered by Data Protection Act 1998.

<sup>15</sup> Article 19 of Regulation (EU) 596/2014

<sup>16</sup> Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers’ transactions in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council

<sup>17</sup> [https://www.fca.org.uk/search-results?search\\_term=pdmr](https://www.fca.org.uk/search-results?search_term=pdmr)

<sup>18</sup> Freedom of Information (Scotland) Act 2002 s.26

<sup>19</sup> Commission Implementing Regulation (EU) 2016/347

<sup>20</sup> Freedom of Information (Scotland) Act 2002 s.27

<sup>21</sup> Freedom of Information (Scotland) Act 2002 s.30

<sup>22</sup> Freedom of Information (Scotland) Act 2002 s.33

<sup>23</sup> Freedom of Information (Scotland) Act 2002 s.33

## 13. REGISTER OF INTERESTS

- 13.1** In terms of The Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003 and the Councillor's Code of Conduct, Councillors must register their interest in shares and securities "where the value of the shares" is greater than 1% of the share capital of a company or is greater than £25,000.
- 13.2** The Standards Commission have confirmed that the intent of the Regulations is to include Bonds and accordingly Members are advised to register their Interests in any Bonds over £25,000 excluding National Savings & Investments Premium Bonds.
- 13.3** The Members Support team regularly remind Councillors of their duties viz a viz the Council's Register of Interests.
- 13.4** HR maintain a Register of Interests for Chief Officers in which they are required to register, inter alia, interests in shares and Bonds.

## 14. NORTH EAST PENSION FUND

- 14.1** The Pensions Act 1995 and Occupational Pension Schemes (Investment) Regulations 2005/3378 restrict the investment powers of pension trustees<sup>24</sup>.
- 14.2** Pension trustees are prohibited from investing in "employer-related loans".
- 14.3** The North East Pension Fund trustees and managers could be acting Ultra Vires in investing in a Bond issued by Aberdeen City Council when Aberdeen City Council is also the Pension Fund Administrator as this would effectively amount to a Employer Related Loan under section 40 of the 1995 Act.
- 14.4** As the trustees may be guilty of an offence (section 40(5) of the 1995 Act) and be subject to fines and/or conviction it has been recommended that the North East Pension fund should not invest in Bonds issued by ACC.

## 15. LONDON STOCK EXCHANGE CONTACT

- 15.1** The London Stock Exchange Admission and Disclosure Standards<sup>25</sup> require Aberdeen City Council to identify a person responsible for communications with the Exchange.
- 15.2** The Head of Finance is responsible for Communications with the London Stock Exchange.

## 16. TABLE SUMMARISING ROLES AND RESPONSIBILITIES

A table summarising roles and responsibilities is included in Appendix 6.

<sup>24</sup> Pensions Act 1995 s40(5)

<sup>25</sup> Paragraph 1.6



## 17. DEFINITIONS

<b>ALEO</b>	<p><b>Arm's Length External Organisation</b></p> <p>ACC has six ALEOs which provide a variety of services on behalf of the Council.</p>
<b>FCA</b>	<p><b>Financial Conduct Authority</b></p>
<b>HoLDS</b>	<p><b>Head of Legal and Democratic Services and his/her nominee</b></p>
<b>PDMR</b>	<p><b>Person Discharging Managerial Responsibility 25</b></p> <p>Members of the administrative, management or supervisory body of that entity or a senior executive who is not a member of the administrative, management or supervisory body but has access to Inside Information.</p> <p>From an ACC perspective, this would mean all Councillors, Directors and Heads of Service along with those employees who have regular access to Inside Information. In other words, the majority of the individuals who are on the permanent section of the Insider List.</p>
<b>PCA</b>	<p><b>Person Closely Associated 26 (with a PDMR)<sup>26</sup></b></p> <ul style="list-style-type: none"> <li>• PDMR's spouse or equivalent to a spouse under national law</li> <li>• A depends child of the PDMR</li> <li>• A relative of the PDMR who has shared the same household for at least one year on the date of the transaction concerned</li> <li>• A legal person, trust or partnership, the managerial responsibilities of which are discharged by the PDMR or by any person in any of the three bullets above, or which is directly or indirectly controlled by such a person, or which is set up for the benefit of such a person or whose economic interests are substantially equivalent to those of such a person</li> </ul>
<b>Inside Information</b>	<p>Inside Information is information which</p> <ul style="list-style-type: none"> <li>• Relates directly or indirectly to ACC or any of its group entities</li> <li>• Has not been made public</li> <li>• Is precise</li> <li>• If it were made public, would be likely to have a significant effect on the prices of one or more of the Council's Bonds or could have an impact on the Council's credit rating</li> </ul> <p>It is information which would also be considered confidential and would likely influence a reasonable investor's decision in relation to one or more of the Bonds</p>
<b>Market Abuse Regulations</b>	<p>The Market Abuse Regulations are the</p> <ul style="list-style-type: none"> <li>• Regulation (EU) No 596/2014<sup>27</sup> of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation) 596/2014 and</li> <li>• Commission Implementing Regulation (EU) 2016/347<sup>28</sup> laying down implementing technical standards with regard to the precise format of Insider Lists and for updating Insider Lists</li> </ul>

<sup>26</sup> Person Closely Associated 26 (with a PDMR)

<sup>27</sup> Article 3 (25) – Regulation (EU) No 596/2014

<sup>28</sup> Article 3 (26) – Regulation (EU) No 596/2014

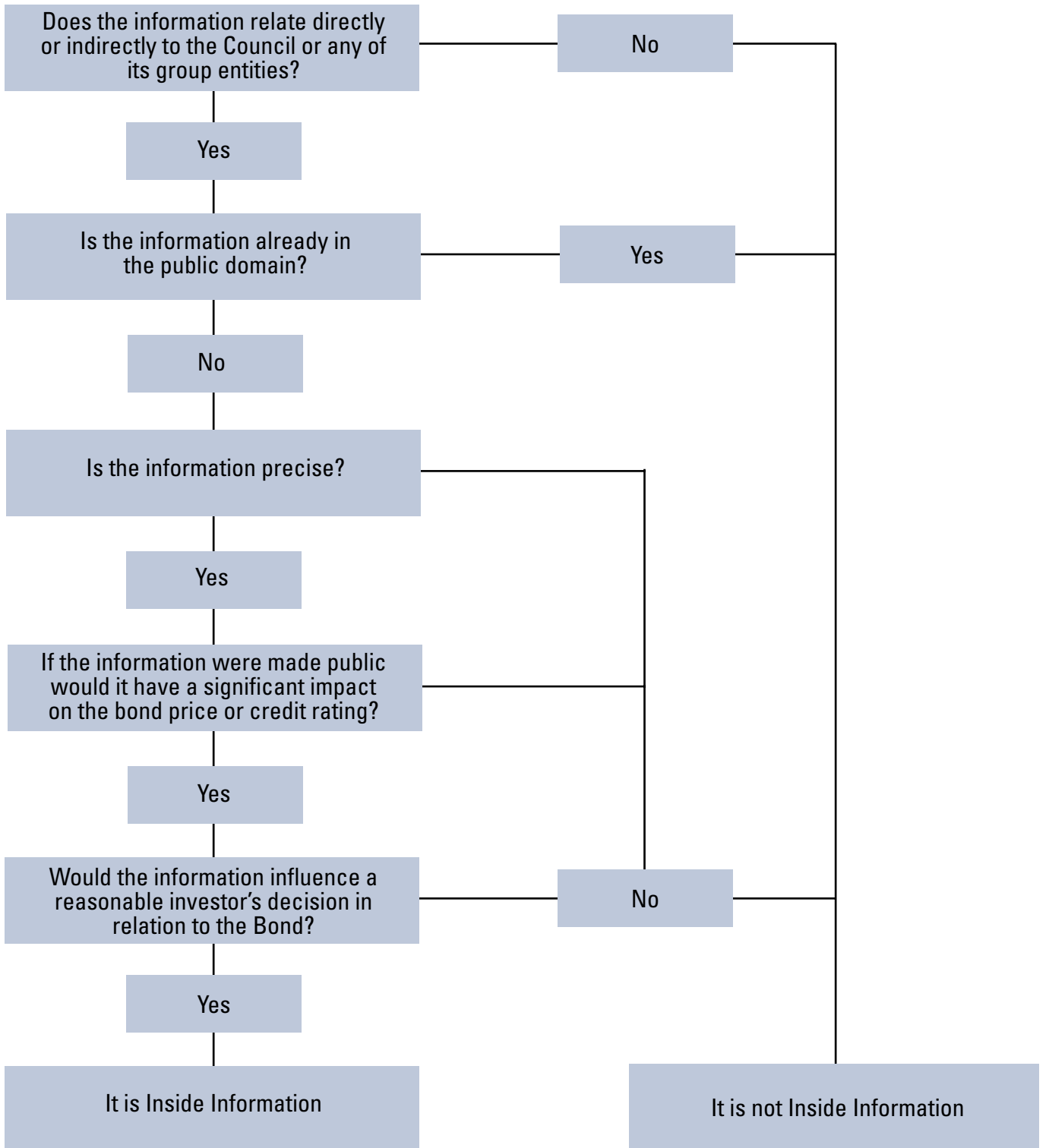
## APPENDIX 1

### List of Regulations

1. Regulation (EU) No 596/2014 of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation) 596/2014
2. Commission Implementing Regulation (EU) 2016/347 laying down implementing technical standards with regard to the precise format of Insider Lists and for updating Insider Lists
3. Criminal Justice Act 1993
4. Fraud Act 2006
5. Financial Services Act 2012
6. Financial Services and Markets Act 2000 (Market Abuse) Regulations 2016 No. 680
7. London Stock Exchange Regulations

**APPENDIX 2:**

Inside Information Decision Tree



**APPENDIX 3:**

**Format of Insider Lists: Deal-specific or Event-based**

**ANNEX 1  
TEMPLATE 1**

**Insider list: section related to (Name of the deal-specific or event-based inside information)**

Date and time (of creation of this section of the insider list, i.e. when this inside information was identified): (yyyy-mm-dd; hh:mm UTC  
(Co-ordinated Universal Time)

Date and Time (last update): (yyyy-mm-dd, hh:mm UTC (Co-ordinated Universal Time)

Date of transmission to the competent authority: (yyyy-mm-dd)

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct line and work mobile numbers)	Company name and address	Function and reason for being insider	Obtained (the date and time at which a person obtained access to inside information)	Obtained (the date and time at which a person obtained access to inside information)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address: street name, street number, city, post/zip code, country)
(Text)	(Text)	(Text)	(Numbers (no space))	(Address of issuer/emission allowance participant/auction platform/auctioneer/auction monitor or third party of insider)	(Text describing role, function and reason for being on this list)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd)	(Number and/or text)	(Numbers (no space))	(Text: detailed personal address of the insider - Street name and street number - City - Post/zip code - Country)

**APPENDIX 3 (Continued):**

**Format of Insider Lists: Permanent Section**

**TEMPLATE 2**

**Permanent insiders section of the insider list**

Date and time (of creation of the permanent insiders section) (yyyy-mm-dd; hh:mm UTC (Co-ordinated Universal Time))

Date and Time (last update): (yyyy-mm-dd, hh:mm UTC (Co-ordinated Universal Time))

Date of transmission to the competent authority: (yyyy-mm-dd)

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct telephone line and work mobile numbers)	Company name and address	Function and reason for being insider	Included (the date and time at which a person was included in the permanent insider section)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address: street name, street number, city, post/zip code, country)
(Text)	(Text)	(Text)	(Numbers (no space))	(Address of issuer/emission allowance market participant/auction platform/auction tioneer/auction monitor or third party of insider)	(Text describing role, function and reason for being on this list)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd)	(Number and/or text)	(Numbers (no space))	(Text: detailed personal address of the insider - Street name and street number - City - Post/zip code - Country)

**APPENDIX 4:**  
**Process Map To Follow**

**APPENDIX 5:****Letter Acknowledging Market Abuse Responsibilities as at 16 October 2017**

Our Ref. P010743  
 Your Ref.  
 Contact Fraser Bell  
 Email FrBell@aberdeencity.gov.uk  
 Direct Dial 01224 522084  
 Direct Fax



Legal and Democratic  
 Services  
 Corporate Governance  
 Aberdeen City Council  
 Level 1 South  
 Marischal College  
 Broad Street  
 Aberdeen AB10 1AB

Tel 03000 200 291  
 Minicom 01224 522381  
 DX 529450, Aberdeen 9  
[www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

Dear

**INSIDER LIST**

As you are aware, Aberdeen City Council (ACC) has issued Bonds on the London Stock Exchange in order to finance its Capital Programme. This means that ACC must comply with the Market Abuse Regulations which were introduced to increase financial market integrity and protect investors. In terms of these regulations, ACC is obliged to keep a list of those individuals who have access to Inside Information.

You have received this letter as you have been identified as having access to Inside Information relating to ACC. This letter explains below what Inside Information is and the consequences of making unauthorised disclosures of such information as well as the implications should you wish to deal in ACC Bonds. Please note that you already have access to this information and already have a duty of confidentiality in respect of it, as outlined below. The difference now is that there are further statutory rules and regulations which bind ACC and in turn its employees and elected members in the way that some confidential information is now handled.

**You must read this letter carefully and sign and return the acknowledgement slip on its last page to me within 14 days of the date of this letter.**

**1. DUTY OF CONFIDENTIALITY**

In terms of your current contract of employment, the Employee Code of Conduct and ACC's policies and procedures, you are already under a duty of confidentiality in respect of any confidential information you receive (whether about ACC or a third party) and you must not use or disclose such information without authorisation.

ACC already have the right to take disciplinary action, including dismissal against you if you breach this duty of confidence.

The Market Abuse Regulations make reference to "Inside Information." This is information which:

- is of a precise nature;
- has not been made public;
- relates, directly or indirectly, to ACC (including its group entities) or to the Bonds that ACC has issued; and
- if it were made public, would likely have a significant effect on the price or value of those Bonds or on ACC's credit rating.

Information is likely to have a significant effect in this way if it is information that a reasonable investor would be likely to use as part of the basis of his/her investment decisions.

## 2. INSIDE INFORMATION AND INSIDER DEALING

It is a criminal offence for an individual who has Inside Information to deal in securities, normally shares, but this includes bonds, whose price would be likely to be significantly affected by that Information if made public. It is also a criminal offence to disclose Inside Information other than in the proper performance of the functions of your employment or to encourage others to deal.

Insider Dealing arises when a person who is in possession of Inside Information takes advantage of a benefit gained from having that information.

An individual guilty of Insider Dealing may be liable to a fine and/or to imprisonment.

## 3. MARKET ABUSE PROVISIONS

The market abuse regime prohibits the following types of behaviour:

- Engaging, or attempting to engage, in Insider Dealing.
- Recommending that another person engage in Insider Dealing or inducing another person to engage in Insider Dealing.
- Unlawfully disclosing Inside Information.
- Market manipulation and attempted market manipulation, which comprises the following activities:
  - Entering into a transaction, placing an order to trade or any other behaviour which gives or is likely to give, false or misleading signals as to the supply or demand for, or price of, one of ACC's Bonds securities, or is likely to secure, the price of one or several of ACC's Bonds at an abnormal or artificial level;
  - Entering into a transaction, placing an order to trade or any other behaviour or activity which involves any form of deception; and
  - Disseminating information by any means which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, ACC's Bonds, or is likely to secure the price of one or several of ACC's Bonds at an abnormal or artificial level, including the dissemination of rumours where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Market abuse is not a criminal offence and therefore it is not punishable with imprisonment. However, the Financial Conduct Authority may impose:

- unlimited financial penalties;
- publicly censure a person; and/or
- make an order to compensate to affected persons.

Interdicts to prevent market abuse (and to freeze assets) may also be available. An interdict is a court order to stop someone from breaching rights. In other words it could be used to prevent unauthorised disclosure of Inside Information.

If the abusive behaviour falls within the scope of the Insider Dealing provisions of the Criminal Justice Act 1993, it will also be a criminal offence and will be punishable with imprisonment.

## 4. INSIDER LIST OBLIGATIONS

ACC must draw up, and promptly update, a list of all persons who have access to Inside information (Insider list). Insider lists must be provided to the Financial Conduct Authority as soon as possible on request. The Insider list will consist of two parts:

- a list of those who have access to Inside Information on a permanent basis; and
- lists of those that have access to Inside Information on a Deal Specific or Event driven basis.

A Protocol which narrates the purpose of the Insider List and supporting processes is being developed which will give further guidance and information on how to handle Insider Information. This will include an instruction to contact the Head of Legal and Democratic Services to decide whether a Deal Specific or Event driven list would be required and, if so, who should be on it.



## 5. COMMUNICATION REQUIREMENTS

You should take steps to ensure that Inside Information you have is kept confidential by restricting access to it and only communicating it on a “need to know” basis. The number of people aware of Inside Information should be kept to the minimum reasonably practicable. Incidental access to Inside Information needs to be eliminated so far as possible.

Going forward, external advisers or other third parties should only be made aware of Inside Information with the prior authority of the Head of Legal and Democratic Services. Individuals should only be made Insiders if they are clearly made aware of and acknowledge the need for confidentiality and the information disclosed, even to an Insider, should be limited to what he/she needs to know at any particular time (rather than allowing access to all information that is available).

In addition, ACC requires that you comply with the following:

- Documents containing Inside Information should not be read or worked on where they can be read by others and should only be taken off-site when absolutely necessary.
- Sealed non-transparent envelopes should be used for internal circulation of hard copy documents containing Inside Information.
- There should be no discussions of Inside Information in public areas.
- Wherever practical, documents containing Inside Information should be kept in locked cabinets and IT access to emails/documents should be restricted only to those to whom access should be granted.
- Documents containing Inside Information should be password protected and/or access to those documents should be restricted to a limited number of persons.
- Code names should be used where possible in all documents, correspondence (including emails) and discussions that relate to individual projects that constitute Inside Information.
- Access to computers and other electronic devices used by those with access to Inside Information should be restricted through the use of passwords.
- Thought should be given to which persons need to see particular emails: access to Inside Information should be limited to only those who need to see it.

## 6. FURTHER INFORMATION

In order to address these issues more fully, a number of training events have been arranged. Please sign up via Eventbrite. The proposed dates are listed on page 4.

Please remember that this letter is a summary and is not exhaustive. It should therefore not be used as a substitute for specific legal advice on your own specific circumstances and so you may wish to seek your own independent legal advice on this matter.

If you would like further information in respect of the above, please do not hesitate to contact me in the first instance.

Yours Sincerely,

Fraser Bell  
Head of Legal and Democratic Services

Dates of Training:

### Acknowledgement slip

Please complete this form and return it to Fraser Bell, Head of Legal and Democratic Services by ..... 2017

I hereby acknowledge receipt of the letter dated ..... on Inside Information and confirm that:

- a. I have read the Letter;
- b. I am aware of the legal and regulatory duties entailed in having access to Inside Information (including dealing restrictions in relation to the ACC's Bonds);
- c. I am aware of the sanctions applicable to the unlawful disclosure of Inside Information and Insider Dealing;
- d. I consent to the disclosure of the Insider List to the Financial Conduct Authority upon its request.

I understand that I will appear on an Insider List maintained by ACC and that I should inform the Head of Legal and Democratic Services of the matters referred to in section 5 of the Letter as required.

I also understand that this additional duty of confidentiality will be considered an express term within my contract of employment and that this acknowledgement will be kept on my HR file.

Name:

Position:

Service:

Date:

Style - Members Our Ref. P010743  
 Your Ref.  
 Contact Fraser Bell  
 Email FrBell@aberdeencity.gov.uk  
 Direct Dial 01224 522084  
 Direct Fax



Legal and Democratic  
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 Level 1 South  
 Marischal College  
 Broad Street  
 Aberdeen AB10 1AB

Tel 03000 200 291  
 Minicom 01224 522381  
 DX 529450, Aberdeen 9  
 www.aberdeencity.gov.uk

Dear

### **INSIDER LIST**

As you are aware, Aberdeen City Council (ACC) has issued Bonds on the London Stock Exchange in order to finance its Capital Programme. This means that ACC must comply with the Market Abuse Regulations which were introduced to increase financial market integrity and protect investors. In terms of these regulations, ACC is obliged to keep a list of those individuals who have access to Inside Information.

You have received this letter as you have been identified as having access to Inside Information relating to ACC. This letter explains below what Inside Information is and the consequences of making unauthorised disclosures of such information as well as the implications should you wish to deal in ACC Bonds. Please note that you already have access to this information and already have a duty of confidentiality in respect of it, as outlined below. The difference now is that there are further statutory rules and regulations which bind ACC and in turn its elected members and employees in the way that some confidential information is now handled.

**You are asked to read this letter carefully and sign and return the acknowledgement slip to me within 14 days of the date of this letter.**

#### **1. DUTY OF CONFIDENTIALITY**

In terms of the Councillors' Code of Conduct, you are already under a duty of confidentiality in respect of any confidential information you receive (whether about ACC or a third party) and you must not use or disclose such information without authorisation.

As you will appreciate, members who breach this duty of confidence are subject to potential censure, suspension and/or disqualification by the Standards Commission.

The Market Abuse Regulations make reference to "Inside Information." This is information which:

- is of a precise nature;
- has not been made public;
- relates, directly or indirectly, to ACC (including its group entities) or to the Bonds that ACC has issued; and
- if it were made public, would likely have a significant effect on the price or value of those Bonds or on ACC's credit rating.

Information is likely to have a significant effect in this way if it is information that a reasonable investor would be likely to use as part of the basis of his/her investment decisions.

Inside Information would always be considered confidential. The converse is not necessarily the case. If you are in any doubt, please feel free to contact me.

## 2. INSIDE INFORMATION AND INSIDER DEALING

It is a criminal offence for an individual who has Inside Information to deal in securities, normally shares, but this includes bonds, whose price would be likely to be significantly affected by that Information if made public. It is also a criminal offence to disclose Inside Information other than in the proper performance of the functions of your office or to encourage others to deal.

Insider Dealing arises when a person who is in possession of Inside Information takes advantage of a benefit gained from having that information.

An individual guilty of Insider Dealing may be liable to a fine and/or to imprisonment.

## 3. MARKET ABUSE PROVISIONS

The market abuse regime prohibits the following types of behaviour:

- Engaging or attempting to engage in Insider Dealing.
- Recommending that another person engage in Insider Dealing or inducing another person to engage in Insider Dealing.
- Unlawfully disclosing Inside Information.
- Market manipulation and attempted market manipulation, which comprises the following activities:
  - Entering into a transaction, placing an order to trade or any other behaviour which gives or is likely to give, false or misleading signals as to the supply or demand for, or price of, one of ACC's Bonds, which secures, or is likely to secure, the price of one or several of ACC's Bonds at an abnormal or artificial level;
  - Entering into a transaction, placing an order to trade or any other behaviour or activity which in each case involves any form of deception; and
  - Disseminating information by any means which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, ACC's bonds, or is likely to secure the price of one or several of ACC's bonds at an abnormal or artificial level, including the dissemination of rumours where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Market abuse is not a criminal offence and therefore it is not punishable with imprisonment. However, the Financial Conduct Authority may impose:

- unlimited financial penalties;
- publicly censure a person; and/or
- make an order to compensate affected persons.
- Interdicts to prevent market abuse (and to freeze assets) may also be available. An interdict is a court order to stop someone from breaching rights. In other words it could be used to prevent unauthorised disclosure of Inside Information.

If the abusive behaviour falls within the scope of the Insider Dealing provisions of the Criminal Justice Act 1993, however, it will also be a criminal offence and will be punishable with imprisonment.

## 4. INSIDER LIST OBLIGATIONS

ACC must draw up, and promptly update, a list of all persons who have access to Inside information (Insider list). Insider lists must be provided to the Financial Conduct Authority as soon as possible on request.

## 5. COMMUNICATION REQUIREMENTS

You should take steps to ensure that Inside Information you have is kept confidential by restricting access to it and only communicating it on a "need to know" basis. The number of people aware of Inside Information should be kept to the minimum reasonably practicable. Incidental access to Inside Information needs to be eliminated so far as possible.

Going forward, external advisers or other third parties should only be made aware of Inside Information with the prior authority of the Head of Legal and Democratic Services. Individuals should only be made Insiders if they are clearly made aware of and acknowledge the need for confidentiality and the information disclosed, even to an Insider, should be limited to what he/she needs to know at any particular time (rather than allowing access to all information that is available).

In addition, ACC requires that you comply with the following:

- Documents containing Inside Information should not be read or worked on where they can be read by others and should only be taken off-site when absolutely necessary.
- Sealed non-transparent envelopes should be used for internal circulation of hard copy documents containing Inside Information.
- There should be no discussions of Inside Information in public areas.
- Wherever practical, documents containing Inside Information should be kept in locked cabinets and IT access to emails/documents should be restricted only to those to whom access should be granted.
- Documents containing Inside Information should be password protected and/or access to those documents should be restricted to a limited number of persons.
- Code names should be used where possible in all documents, correspondence (including emails) and discussions that relate to individual projects that constitute Inside Information.
- Access to computers and other electronic devices used by those with access to Inside Information should be restricted through the use of passwords.
- Thought should be given to which persons need to see particular emails: access to Inside Information should be limited to only those who need to see it.

#### **6. FURTHER INFORMATION**

Please remember that this letter is a summary and is not exhaustive. It should therefore not be used as a substitute for specific legal advice on your own specific circumstances and so you may wish to seek your own independent legal advice in this matter.

If you would like further information in respect of the above, please do not hesitate to contact me in the first instance.

Yours Sincerely,

Fraser Bell  
Head of Legal and Democratic Services

## Acknowledgement slip

Please complete this form and return it to Fraser Bell, Head of Legal and Democratic Services by 28 July 2017

I hereby acknowledge receipt of the letter dated ..... on Inside Information and confirm that:

- a. I have read the Letter;
- b. I am aware of the legal and regulatory duties entailed in having access to Inside Information (including dealing restrictions in relation to the ACC's Bonds);
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Name:

Position:

Service:

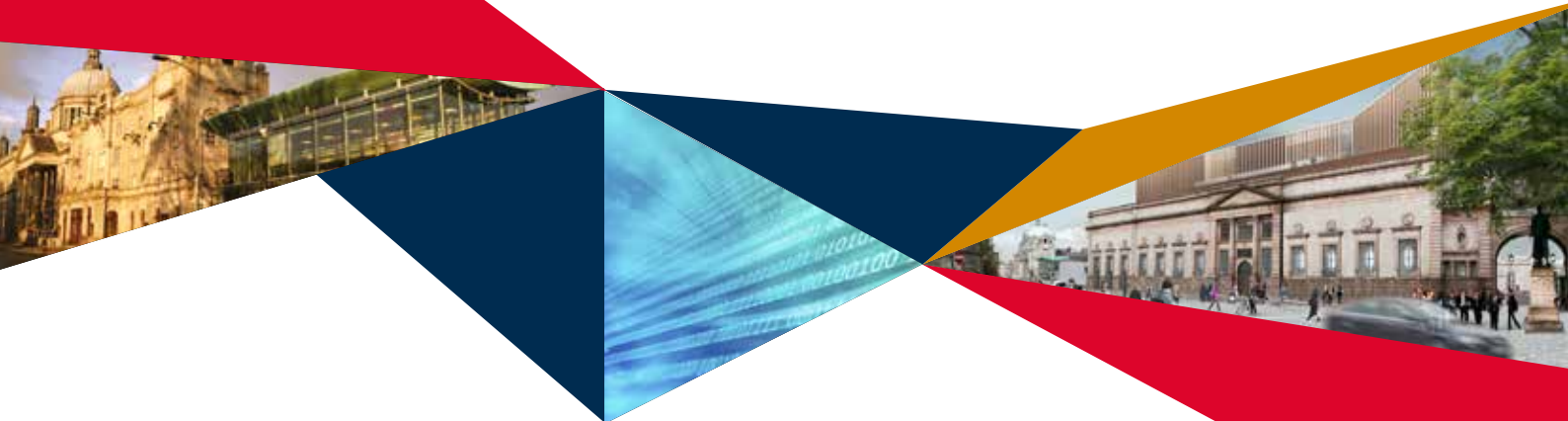
Date:

**APPENDIX 6:****Table Summarising Roles and Responsibilities**

	Responsible	Frequency
Update Risk Register	Heads of Service	Ad hoc - depending on project
Advise Insider List requires to be Created	Heads of Service	Ad hoc - depending on project
Create Insider Lists	HoLDS	Ad hoc depending on number of event driven lists which need to be created
Issue Insider Letter advising Members of being on Insider List	HoLDS	Ad hoc - to be issued post election/by-election
Issue Insider Letter advising Employees and ALEOs of obligations of being on Insider List	HoLDS	Ad hoc
Retain Acknowledgement Letter by Employees as per Section 5	HR	Ongoing
Retain Acknowledgement Letter by Members as per Section 5	HoLDS	Ongoing
Update Insider Lists	HoLDS	Monthly
Maintain PDMR List	HoLDS	Monthly
Include any interest in Bonds in Member's Register of Interests	Members	Ad hoc
Include any interest in Bonds in Employees's Register of Interests	Employees	Ad hoc
Induct new Employees on Bond and Credit Rating Awareness and responsibilities if applicable	Line manager	Ad hoc
Approve RNS Announcements	Head of Finance	Ad hoc
Draft RNS Announcements	External and Internal Communications Team	Ad hoc

**Version Control**

	Date of Issue	Update
Rev 0		
Rev 1	3 Oct 2017	Comments from Comms, Finance and HoLDS added





## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	22 February 2018
REPORT TITLE	Risk Management Framework
REPORT NUMBER	CG/18/006
LEAD OFFICER	Fraser Bell
REPORT AUTHOR	Neil Buck

---

### **1. PURPOSE OF REPORT:-**

- 1.1 The report presents the Committee with the Risk Management Framework.

### **2. RECOMMENDATION(S)**

That the Committee:

- 2.1 approve the Risk Management Framework; and
- 2.2 agree that the appropriate Chief Officer report back to the Committee in February 2019 with an updated Framework reflecting the Target Operating Model.

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

- 3.1 During 2016/17, the Council carried out a review of our risk management and assurance arrangements. One important task arising from that review was to prepare a new strategic document setting out the Council's approach to the management of risk and the means by which assurances might be provided on the effectiveness of those arrangements.
- 3.2 The Risk Management Framework is a document which provides a single point of reference for those seeking guidance on the purpose, objectives and methodologies underpinning risk management. Central to meeting the objectives of risk management, is the strength of our risk culture as a council. The Framework therefore defines our arrangements within the context of a 'risk aware council.'
- 3.3 The Risk Management Framework provides a tool for both officers and members in their decision making capacity. It will therefore support the Scheme of Governance being reported to Council on 5<sup>th</sup> March, which in turn will support implementation of the Target Operating Model

### **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 Framework document appended to the report provides information on the Council's system of risk management.

## **7. IMPACT SECTION Economy**

7.1 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 Outcome Improvement Plan, which support our commitment to a prosperous economy.

### **People**

7.2 Some of our 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, ensures that all such risks are effectively managed.

### **Place**

7.3 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 Outcome Improvement Plan. The Risk Management Framework sets out the methodologies employed to address the risks to that vision, in order to maximise delivery of outcomes.

### **Technology**

7.4 Horizon scanning mechanisms are essential to effective risk management and the Framework defines our approach to positive risk. That is, seizing risk assessed opportunities in order to maximise the achievement of benefit to our commitment to digital place and enabling technology.

## **8. BACKGROUND PAPERS**

None

## **9. APPENDICES**

Appendix 1 (Risk Management Framework)

## **10. REPORT AUTHOR DETAILS**

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Performance and Risk Manager  
nebuck@aberdeencity.gov.uk  
01224 522408

## **HEAD OF SERVICE DETAILS**

Fraser Bell  
Head of Legal and Democratic Services  
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# Aberdeen City Council

## Risk Management Framework



# Aberdeen City Council

## Risk Management Framework

Policy Name:	Risk Management Framework
Document No & Review No.	V.1
Policy Type:	Framework Document
Policy Level:	Corporate
Scope:	The Framework applies to all employees and elected members of the Council.
Document Owner	Function: Governance Designation: Chief Officer - Governance
Why do we need this document:	Our Local Code of Corporate Governance (effective 30 April 2017) refers to six principles including: 'Managing risk and performance through robust internal control and strong financial management.' This document sets out the context within which risk is managed at Aberdeen City Council.
Content:	
Appendices:	
Related Policies:	
Date Approved:	
Approved By:	
Review Date:	

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# 1. Introduction

- 1.1 Aberdeen City Council is committed to delivering improved outcomes for our citizens and communities through evidenced achievement of our Strategic Priorities. These Priorities are set out in the Local Outcome Improvement Plan 2016-26 and the Strategic Business Plan 2017-18. Our priorities will be achieved through completion of targeted change and improvement activity across the breadth of the Council’s functions and services.
- 1.2 All change and improvement activity comes with some degree of risk. Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Once risks have been identified, the Council must respond to them in a way which maximises the Council’s chances of achieving our corporate objectives.
- 1.3 Risk management is a tool through which threats to those objectives may be identified, assessed and controlled. This is often referred to as downside risk management. At the same time, we operate in an environment of reducing revenue streams and simultaneously changing demographics and increasing customer-led demand for services. In order to meet these challenges, it may be necessary to take calculated risks and to seize properly risk-assessed opportunities as they arise. Risk management in this context requires actions which maximise benefits whilst simultaneously minimising threats to success. This is referred to as upside risk management.
- 1.4 The Council’s approach to risk management is illustrated by the diagram below:



## Risk Appetite

- 1.5 The appetite for risk is something that people and organisations share. Risk appetite can be seen as a spectrum. At one end, an organisation may be risk averse, that is, they avoid as much risk as possible. Some people and organisations may be found at the other extreme of the spectrum – risk aggressive, actively taking risks in pursuit of benefit. It is the aim of Aberdeen City Council to promote a ‘risk aware’ culture. The Council should not avoid all risk, nor should it take ill-advised, badly assessed risk. Being risk aware, means that the Council is mindful of both threats and opportunities and by applying risk management methodology, is best placed to deliver the improved outcomes we seek. The Council will consider the development and adoption of a risk appetite statement to support that approach.



## 2. Risk Management Approach

### Risk Management Objectives

2.1 Our framework is based on the following risk management objectives:

- We will promote a risk aware culture throughout the Council which has at its heart, the goal of delivering improved outcomes for communities;
- We will seek to identify, assess and respond to all risks with the potential to undermine the achievement of our Strategic Priorities;
- We will actively identify opportunities with the potential to maximise benefit and ensure that risk management techniques are applied to reduce threat so that opportunities may be managed successfully.

### Risk Management Culture

2.2 To promote an effective risk management culture:

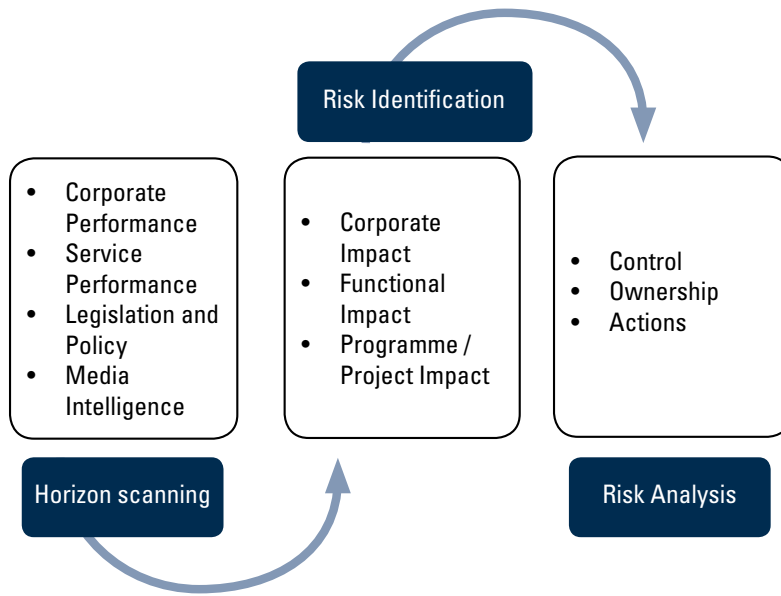
- We will review our Strategic Business Plan annually and ensure it is aligned with the management of corporate risk;
- We will ensure that our corporate risk register is reviewed monthly by the Corporate Management Team, takes account of new and emerging risk through horizon-scanning, the discussion of issues and provides for de-escalation of risks to functional tiers.
- All risk registers will be aligned with business and improvement planning;
- We will ensure risk ownership is assigned to the correct officers to ensure the most effective risk management practices are in place;
- We will provide suitable training to officers to ensure that the necessary skills are in place to facilitate effective risk management;
- We will welcome independent review of our risk management system either by internal or external auditors.

### Risk Management Structure

2.3 The risk management structure reflects the tiers of strategic and operational activity where risk may manifest:

- **Corporate** – risks at this level hold the maximum impact on our ability to deliver our Strategic Priorities and to meet our statutory obligations, with the potential to result in significantly punitive responses by Government and its agencies;
- **Functional** – risks at this tier affect our ability to deliver efficient and effective services and to meet the expectations of internal and external regulators;
- **Programme / Project** – risks which if they occur could hamper or terminate the delivery of a one of our major programmes or projects, potentially impacting on the functional or corporate tiers of risk.

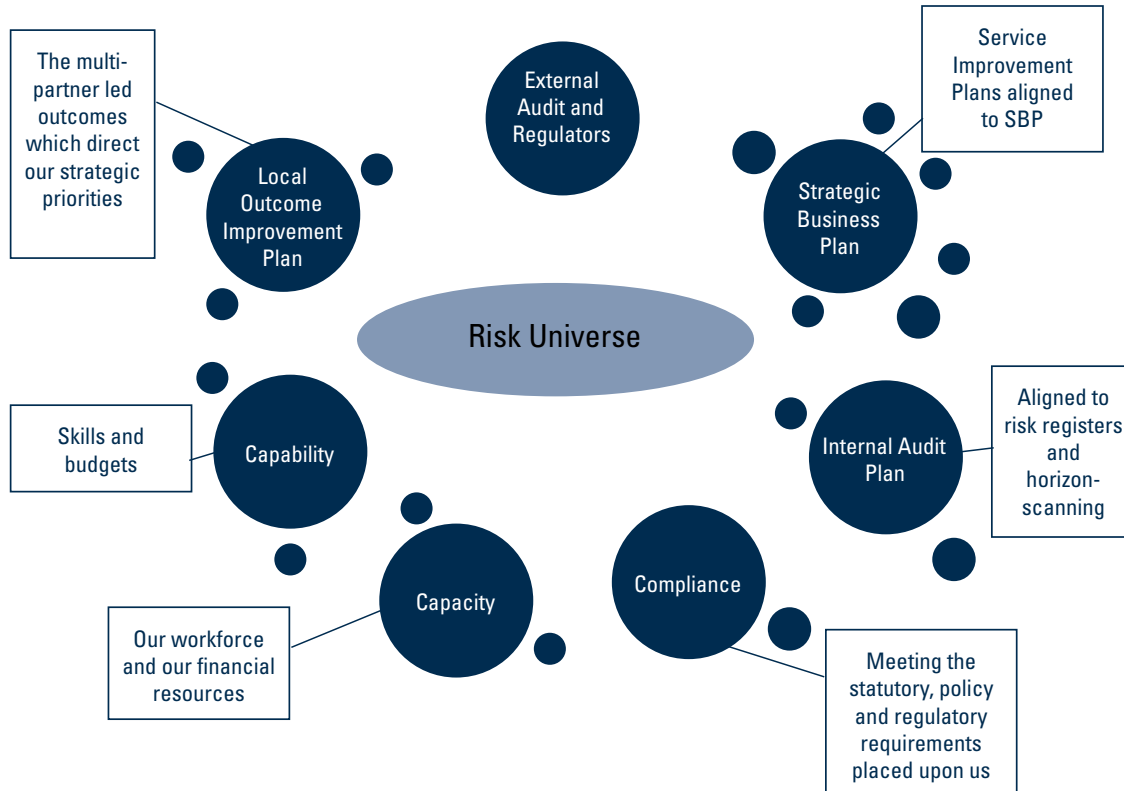
2.4 At a general level, risk will be identified and analysed according to the diagram below:



### 3. Risk Registers

#### The Risk Universe

- 3.1 Risk registers are a valuable management tool. A well-constructed register provides for the identification, assessment, monitoring and reporting of risks. They provide managers with key information to support decision-making and the allocation of resources, as well as providing a picture of 'direction of travel' as risks are brought to a tolerable level of control. The risks which are contained within our risk registers are drawn from the Council's 'risk universe.'
- 3.2 The diagram below summarises the risk universe and the business dependencies which support an effective risk identification process.



**3.3** The business dependencies identified in the larger circles illustrate the main themes which underpin our risk management methodology. The smaller circles are aligned to these dependencies and will reflect specific issues. For example, capacity will include workforce and resources as its key supporting dependencies, the Strategic Business Plan will be dependent on the Service Improvement Plans and the LOIP draws on Locality Plans.

**Risk Registers**

**Corporate Risk Register**

**3.4** The Corporate Risk Register (CRR) is owned by the Corporate Management Team (CMT) and reviewed monthly at the CMT (Stewardship) meetings. The risks contained within the CRR reflect the most serious potential impacts facing the Council and these risks are owned and managed by Chief Officers and in some cases, third tier managers.

**Functional Risk Registers**

**3.5** All functions below the corporate tier will require a risk register. Chief Officers will be accountable for risk registers falling within their remit.

**Programme / Project Risk Registers**

**3.6** Programme and Project Managers are responsible for maintaining registers of risks with the potential to impact delivery.

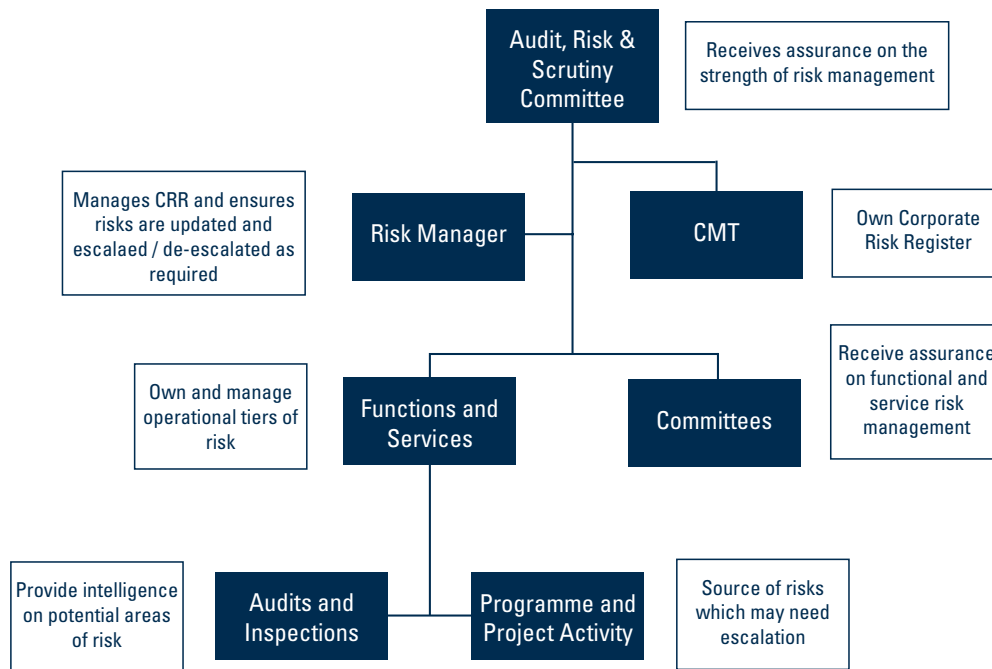
Appendix A provides the format of risk registers.

## Responsibilities

### 3.7 Risk management responsibilities are allocated as follows:

- The **Audit, Risk and Scrutiny Committee** is responsible for overseeing risk management on behalf of the Council and for receiving assurance that the Corporate Management Team (CMT) are effectively identifying and managing risks with the potential to impact Aberdeen City Council.
- **CMT** has responsibility for the Council's systems of internal control, which includes the Risk Management Framework and they own the Corporate Risk Register.
- The **Risk Manager** currently has responsibility for day-to-day management of the Corporate Risk Register, for coordinating risk identification activity and for providing functional and service tiers of operations with training, advice and guidance on risk management matters.
- **Committees** are currently responsible for receiving assurance on the effectiveness of risk management arrangements in the risk registers falling within their Terms of Reference.
- **Management Teams** have responsibility for identifying and managing risk in their respective spheres and for alerting the Risk Manager to risks which may need escalation to the corporate tier.
- **Programme and Project Managers** have responsibility to ensure risks are properly identified and assessed and that risks which are no longer manageable at the programme or project tier, are notified to managers who can determine where escalation is required.
- **All members of staff** have a responsibility to alert managers to risks with the potential to impact the Council's reputation, finances, infrastructure or the safety and wellbeing of people.

## Risk Register Relationships and Responsibilities



## 4. Risk Management Process

### Risk Identification

- 4.1 Risks are identified by various methods. For example, the output of activities by external audit, inspectorates and regulatory bodies may reveal areas of risk exposure for the Council in specific functions or in the planning and delivery of essential services.
- 4.2 Monitoring of performance is another potential source of risk. Spikes in poor performance when properly analysed, may serve to highlight changes to the operating environment or areas where controls are presently inadequate to prevent a risk occurrence. Effective horizon-scanning will serve to further identify impending risks.
- 4.3 All management teams should periodically conduct an evaluation of threats to the achievement of organisational goals as well as exposure to legal challenge. It is important therefore, that risk is a standing item on the meeting agendas of management, offering not only the opportunity to review the existing risk portfolio but for managers to raise issues which may become risks.

Appendix B details a range of risk identification techniques.

### Risk Assessment

- 4.4 The next stage in the risk management process involves the assessment of risk. This establishes the precise nature of the potential impacts (consequences) of a risk as well as the likelihood of occurrence. Together, these two multipliers provide us with the assessed level of risk. Only when this has been completed can we respond appropriately to a risk. For example, a risk assessed as almost impossible to occur and having negligible impact would in all probability require no action on behalf of the Council and the targeting of resources to a risk such as this would be wasteful and inappropriate. On the other hand, a risk assessed as having a very serious impact and very likely to occur, will require a lot of attention.
- 4.5 We use a risk matrix to help illustrate the assessment of our risks. This is constructed on a 4 x 6 basis where the 1 - 4 axis reflects impact and the 1 - 6 axis reflects likelihood.

### RISK MATRIX

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

- 4.6 It is important to reflect on the status of existing controls when assessing risk. Controls serve, when effective, to bring a risk to a tolerable level, usually by reducing the likelihood of a risk occurrence. There are four categories of control:
  - Preventive
  - Detective
  - Directive
  - Corrective

4.7 Once controls have been identified, we need to establish their effectiveness. For example, a **detective control** for a risk around system security, may require frequent analysis of exception and error reports, in order to detect anomalies in the access to our secure systems. If these reports are not routinely analysed, the control is not fully effective. The effectiveness of controls informs the process of risk assessment so that we arrive at a current level of risk and so we can then target resources at actions designed to make all identified controls effective.

[Appendix C details more information on risk assessment.](#)

## Business Continuity Plans

- 4.8 Business Continuity Plans (BCPs) are required for all business critical functions carried out by the Council. BCPs are therefore a key control for corporate and functional risks which relate to the Council's ability to maintain or restore effective operations in these areas following disruption. Corporate and functional risk register reviews should therefore undertake to ensure that emergent risks requiring mitigation by BCPs, are properly identified and recorded. The effectiveness of BCPs as risk controls, is dependent on the frequency of their review and the testing arrangements to which they are subject.

## Risk Response

- 4.9 We categorise our response to risk according to the four 'T's':
- **Tolerate.** Typically, these would include risks falling within the smallest numerical assessment on the matrix.
  - **Treat.** Most risks which are recorded will be subject to treatment. This will involve the identification and monitoring of actions to increase control effectiveness.
  - **Transfer.** This response typically refers to those risks which carry the highest impact, yet the lowest likelihood of occurrence. Transfer occurs when a third party bears the risk rather than the Council. This is usually through seeking insurance for our assets or when a risk is contractually devolved to a separate body.
  - **Terminate.** This response refers to risks where the impact and likelihood are both at their highest. The causes of the risk, i.e. a project, may be terminated altogether, thereby removing the risk. Alternatively, the project may be re-designed and delivered differently so that the risk becomes less severe and therefore manageable.

More can be found on risk response at [Appendix D](#).

## Key Risk Indicators (KRIs)

- 4.10 All identified controls that are considered to be 'Not Effective' or 'Partially Effective' must have corresponding actions to ensure that the control becomes 'Effective.' Where actions are established to improve control effectiveness, these should be SMART actions. That is:
- Specific
  - Measurable
  - Assignable
  - Realistic
  - Time-bound
- 4.11 By establishing actions on this basis, we can provide an overall assessment of the success of our risk management process against each documented risk. Each action is given a percentage of its completion at each review, normally monthly. The totality of this will provide managers with an indicator showing the success, or otherwise, of activity to control the risk, with a trend chart over time.
- 4.12 Where KRIs provide intelligence of failing risk management activity, managers may then make informed decisions on where resources should be directed.

## Risk Escalation / De-escalation

- 4.13 Risks need to be managed by the right people, at the right level of management within the Council. Actions required to increase risk control are dependent on the ability of managers to direct resources accordingly. It is the responsibility of risk owners and managers to identify risks which need to be managed at a higher tier, so that a decision can be made whether to propose escalation to a functional or corporate tier.
- 4.14 Discussions on risk escalation should include:
- New or emerging issues and risks
  - Evaluation of new issues and risks
  - Decision on the proposed tier where any new risk should lie
  - Proposed ownership of the risk
  - Any existing controls and mitigation in place
- 4.15 De-escalation will normally take place from the corporate to functional tiers of risk management. This will be determined by CMT during monthly review of the Corporate Risk Register and will reflect changes in the status of a risk from strategic to operational dependencies.

# 5. Monitoring, Assurance and Reporting

## Risk Monitoring

- 5.1 Risk management is an ongoing process that needs to be embedded in everyday activity. The process must be reviewed on a regular basis to remain effective. This framework will be subject to annual review to ensure continued effectiveness and that it takes account of the wider operating environment.
- 5.2 It is the responsibility of each risk owner and manager to review risks on a regular basis and identify whether any revisions are required. The revision may involve a re-assessment of the risk by impact and likelihood or planned mitigating actions, or simply an update in the notes column.
- 5.3 On a quarterly basis, each Chief Officer will seek assurance from functional tiers within their remit, that risks are being adequately monitored and actions are being completed as agreed in formal action plans.

## Control Action Plans

- 5.4 Risks identified for 'treatment' will require action plans to bring identified controls to full effectiveness. Each action detailed in the control action plan should:
- Provide a title for the action;
  - Describe the nature of the action and the impact its completion will have;
  - Indicate by a percentage, the extent of the action's progress toward completion;
  - Detail the due date for completion and any revised due date, should slippage occur;
  - Provide an update giving context around the status of the action; and
  - Identify the action's owner.

Appendix A provides information on the style of control action plans.



## Reporting and Assurance

- 5.5 Risk assurance is an essential component of the risk management framework. Assurance is required so that managers and elected members can have confidence that the approach to managing risk is successful.
- 5.6 Risk assurance maps for our medium and long term risks detail the sources of internal and external assurance for each specific risk and grade the quality of the assurance source as red, amber or green. For example, a recent audit report or intelligence received from an external regulatory body would be graded as green, reflecting the quality of the assurance we may take from it. Older sources of assurance may be less valuable and in cases where an assurance source is known but no or little activity has taken place for some time, the status would be red. In this way, assurance 'gaps' may be identified and resources targeted accordingly.
- 5.7 Assurance maps are a valuable tool for medium and longer term risks where a continual 'watching brief' needs to be maintained. Assurance maps are not usually relevant to short-term risks reflecting specific programmes or projects.

*Appendix E details an example assurance map.*

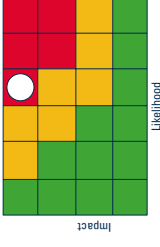
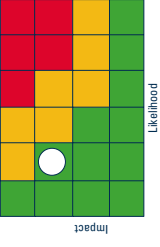
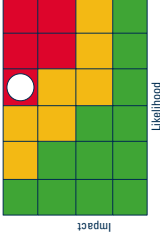
- 5.8 Other methods of providing assurance are in place through the design of risk registers. These allow decisions to be made whether:
- The risk is properly identified through its title and definition;
  - The controls are correct and their relative effectiveness is properly established;
  - The current risk assessment properly reflects the status of controls;
  - The correct risk owner and day-to-day risk manager have been identified;
  - Control actions are in place to support control effectiveness.

## Risk Reporting Structure

- 5.9 The Corporate Risk Register and Action Plan will be reviewed by the Corporate Management Team (Stewardship) monthly and will be presented as part of an annual risk management assurance report, to the Audit, Risk and Scrutiny Committee.
- 5.10 Other risk registers and their associated action plans will be subject to review by directors and their management teams at least quarterly. Committees will oversee registers reflecting risks falling within their Terms of Reference, as well as receiving an annual report on effectiveness and forward plan scheduling.
- 5.11 The Audit, Risk and Scrutiny Committee will receive all risk registers annually.

# Appendices

## Appendix A Risk Register Template

Code	Risk that .....				
Definition					
Potential Impact	Causes	Control Effectiveness	Control Assessment	Current Risk Assessment	
		Control			
					
Risk Owner		Risk Manager		Very serious Significant Residual Risk Assessment	
Latest Note					

### Control Actions

Action	Progress	Original Due Date	Amended Due Date
	0%		
Description			
Update			
Assigned To			

## Appendix B

### Risk Identification Techniques – Advantages and Disadvantages

Technique	Advantages	Disadvantages
<p><b>Questionnaires and checklists</b></p> <p>Structured questionnaires and checklists aimed at deep diving into priorities, processes and dependencies to identify areas of risk.</p>	<p>Consistency of approach and consistency of output. Involvement of a broad range of management tiers possible.</p>	<p>May be too rigid and inhibit dynamism. No opportunity for interaction with peers. Questions posed will tend to be based on history alone.</p>
<p><b>Workshops and Brainstorming</b></p> <p>Sharing ideas to discuss the events which could impact priorities, processes and dependencies. (Often use a PESTLE or SWOT approach)</p>	<p>Consolidated opinions from parties leading to a consensus driven output. Face to face debate and interaction is a dynamic approach.</p>	<p>Senior managers tend to dominate. Right people may not be invited or may not attend.</p>
<p><b>Inspections and Audits</b></p> <p>Inspections of premises and activities and compliance and control audits of established systems and procedures.</p>	<p>Physical evidence drives opinions. Audit approach usually well-structured.</p>	<p>Audits tend to focus on historical events (reactive) and miss emerging risks in the wider environment.</p> <p>Inspections may be narrowly focused.</p>
<p><b>Dependency Analysis</b></p> <p>Analysis of the processes and operations within the organisation to identify critical components and their exposure to risk.</p>	<p>Leads to improved understanding of processes with a greater likelihood that no critical functions will be missed.</p>	<p>May not be suitable for strategic level risk identification. Can be time-consuming and resource intensive.</p>
<p><b>Delphi Technique</b></p> <p>Consulting a range of experts with expertise in various aspects of the project for their views on risk.</p> <p>Questionnaires are designed by a 'staff group' and issued to experts. Results are collated and analysed in an attempt to achieve consensus.</p>	<p>Experts will have the required level of knowledge and understanding of key dependencies and processes.</p>	<p>Can be time-consuming and expensive. Experts may overstate risks in their own areas of expertise.</p>

<p><b>Scenario Analysis</b></p> <p>Process of analysing possible future events by considering alternative possible outcomes so instead of one exact picture of the future, typically, 3 alternative scenarios are presented: an optimistic, pessimistic and most likely scenario.</p>	<p>Avoids reliance on the past and knowledge of historic events. Provokes discussion with the aim of reaching consensus.</p>	<p>Can rely on significant degree of subjectivity and may ignore some factual data.</p>
<p><b>Systems Dynamics</b></p> <p>Often used in change management situations. Focuses on interrelationships between component parts of the business and their influence on the effectiveness of the total process.</p>	<p>Useful in organisations where there are strongly differentiated functions such as HR, IT, Finance etc. but which are at the same time interdependent.</p>	<p>Requires significant expertise in understanding the interrelationships between planned activities or potential risk events.</p>

## Appendix C

### Risk Assessment

The following details the steps to be taken when applying an assessment rating (score) to an identified risk. The Council implements a 4 x 6 risk matrix to reflect assessed level of risk, where the 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

#### Impact

The first step is to examine the potential impacts which have been identified. The severity of these impacts will determine where the risk will sit on the 1-4 scale. The potential impacts of the risk will be determined by applying criteria, as in the example below:

Negligible	1	Managed incident, almost no people, economic (financial), social, technological, legal, environmental impact.
Material	2	Local media interest, customer complaints, significant disruption
Serious	3	National media interest, negative reputational impact, serious loss of confidence and Government censure, prosecution / litigation
Very Serious	4	Major national media interest, death or injury, prosecution / litigation, public outcry, special measures

#### Likelihood

The likelihood of a risk event occurring determines where the risk is placed on the 1-6 scale. The table below provides examples of how to apply this placing.

Almost Impossible	1	Once in 50 years
Very Low	2	Once in 20 years
Low	3	Once in 10 years
Significant	4	Once in 5 years
High	5	Once in 1 year
Very High	6	Once in 3 months

Using this methodology will lead to a baseline risk assessment.

#### Control Effectiveness

The risk assessment arrived at using the approach detailed above will now need to take account of the controls which must be identified for every risk. Controls will broadly fall within one of the following four categories:

Category	Control Examples
Preventive	Segregation of duties (e.g. authorisers and requisitioners under the Procurement Regulations); access controls to confidential systems
Detective	Exception reports; reconciliation processes; error reports
Directive	Accounting manuals; documented procedures (e.g. Following the Public Pound); Scheme of Governance (including delegated powers, Financial and Procurement Regulations); training; management supervision and oversight
Corrective	Complaint handling; virus isolation; incident resolution

Once controls have been identified, an analysis of their effectiveness has to be made. Controls may be 'Not Effective', 'Partially Effective' or 'Fully Effective.' The ultimate goal of risk management is to ensure all identified controls reach a state of Full Effectiveness.

For example, we have identified a risk around health and safety. One of the controls is that all managers at a particular level have received appropriate training in managing health and safety incidents. The Organisational Development Team have advised that currently, 50% of the managers requiring the training have received it. This control is therefore partially effective.

For all controls which are not effective or partially effective, there should be a corresponding action to improve effectiveness. In the case of the example above, the action would be to ensure all appropriate managers receive the training. The current progress status of the action would state '50%.' As further training is delivered, the progress would increase until eventually the action is complete. The control would then become fully effective.

In most cases, controls reduce the likelihood of a risk event occurring. The control that managers will be trained in health and safety incidents reduces the likelihood of a risk that an incident is not properly handled. It does not reduce the impact of the incident on the individual or individuals caught up in the incident. So the effect of the control is to move the likelihood down the 1-6 scale.

In a minority of cases, controls may serve to reduce the impact of a risk event. For example, we have identified a risk that the Council loses access to part of the core office accommodation through fire, flood or structural damage. We reduce the likelihood of a risk event as far as possible through implementing controls such as fire risk assessments, structural surveys, regular testing of safety systems etc. The impact of a risk event of this kind would be very serious. Essential services may not be delivered, vulnerable groups may be placed at risk. We apply key controls which include Emergency Planning and Business Continuity Plans. These ensure that staff may be alerted to work from home where possible; that alternative premises are rapidly made available; that we seek support from partner organisations. These controls can mitigate the impact of the risk event on the community.

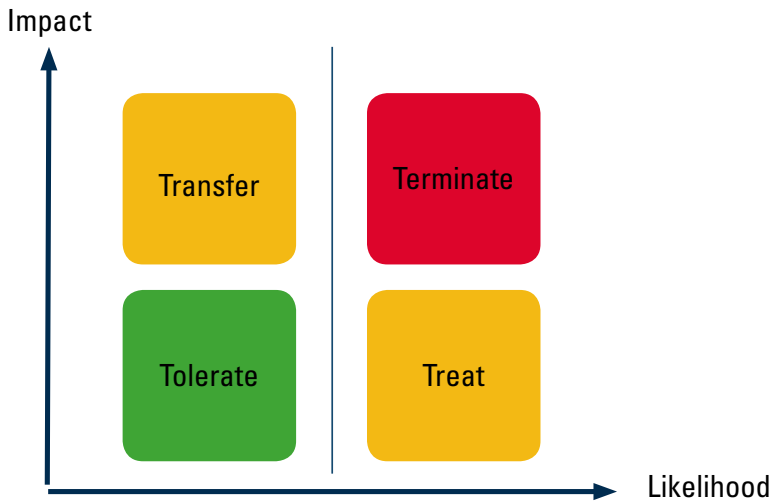
The relative effectiveness of the controls will determine the current risk assessment. Where the majority of the controls are not effective, the risk assessment will be at or close to the baseline assessment and will fall within the red area of the matrix. Where most of the controls are partially effective, the risk will probably fall within the amber area of the matrix. Where controls are mostly fully effective, the risk will be expected to fall within the green area.

The movement of a risk through the matrix over time, as control effectiveness improves, is an important management tool providing assurance that risk management approaches are successful.

## Appendix D

### Responding to Risk

Risk Response reflects how we approach the risks we have identified and assessed. The 4 'Ts' describe this approach. The diagram provides a simple illustration of the nature of response typically required for assessed risks.



#### Tolerate

Risks which have reached a level where it is considered acceptable for the Council to bear and where further efforts to mitigate the risk would not be cost effective in terms of achieving additional benefit to the business, will fall into this approach. Where risks are assessed as tolerable, they may be removed from risk registers. For project level risk, it is beneficial however to retain all identified risks regardless of their level in the project risk register. Typically, tolerable risks will be assessed as low likelihood and low impact and occur in the 'green' area of the heat map.

#### Treat

In this response, active measures to control and mitigate the risk have to be taken. These measures may be to reduce the likelihood of a risk event, or to reduce the impact on the Council and its business if an event were to occur.

It is important to actively monitor risks identified for treatment and ensure a regular re-assessment regime is in place so that progress towards an acceptable level of control or 'tolerability' is evidenced. The level of assessed risk in the heat map will determine the frequency of review.

## Transfer

Sometimes, it is not cost-effective or practical for the Council to manage all known risks. Transfer has traditionally meant insurance in the public sector. By obtaining insurance cover for a service or function such as motor liability, employer liability or public liability, we transfer the burden of risk control to a third party. In more recent times, the growth of arms-length external organisations (ALEOS) has meant that some risks are transferred to third parties through contractual arrangements. These include service level agreements (SLAs) with providers. It is worth bearing in mind that a risk can never be wholly transferred, there will always be some residual risk to the Council. For example, an increase in motor liability claims could lead to media coverage and reputational damage to the Council. The increase in partnership working, for example the integration of health and social care, also has implications for risk management with some risk transferred to a partner organisation, and other risk transferred to the Council.

## Terminate

Where a risk is high impact and high likelihood in our assessment, the model above suggests we should terminate it. This means in effect, terminating the causes of the risk. This is commonly adopted in the commercial sector where for example, negative customer feedback about a new product or higher than anticipated production costs and lower than predicted market share, may prompt the termination of the production and therefore the risk.

In the public sector this is less straightforward. Often, there are statutory responsibilities in service provision to fulfil and termination of the source of a risk may not be an option. Where, however, we have developed innovative methods of service delivery and these prove to be riskier than first predicted as projects unroll, there may come a point where termination to reduce loss, harm to individuals and communities or reputational damage becomes imperative and the project or work stream is ended. In the model above, these risks are identified as red, the riskiest area of the matrix.

## Positive or 'Up-side' Risk

Risk management is not solely concerned with reducing the level of threats to an organisation's business. The commercial sector has always taken calculated risks in order to further their business objectives. Increasingly, the public sector is looking at innovative methods of service delivery in order to meet the challenges of increasing demand, demographic change and decreasing revenue.

In positive risk management, or opportunity risk, instead of implementing measures to reduce the likelihood and impact of risk materialising, measures are required to increase likelihood and to enhance impacts. In this sense, there is a fifth 'T' – 'Take the Opportunity.'



**Appendix E**  
**Assurance Maps**

Assurance mapping is a tool which serves to identify the full range of sources of assurance to an identified risk in order to provide managers with a picture of the relative strength of those assurances. In the template below, the categories of assurance in the top row do not change, regardless of the risk concerned. The assurance sources however, will vary from risk to risk. These may include reports of audits or inspections, documented procedures and policies and regular management consideration of controls.

Applying red, amber or green to the assurance source details its relative strength.

Assurance Source	Frequency	Internal sources of assurance				External sources of assurance				Assurance conclusion	Lead Officer	
		Policy & procedural Notes	Compliance	Management Control and Review	Risk Management	Third Party Report	Legal	Internal Audit	External Audit			

Inadequate Assurance	Moderate Assurance	Strong Assurance
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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	22 February 2018
REPORT TITLE	Fraud, Bribery & Corruption Policy
REPORT NUMBER	CG/17/154
CG LEAD OFFICER	Steve Whyte, Head of Finance
REPORT AUTHOR	Brian Muldoon

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### 1. PURPOSE OF REPORT:-

To request the committee approve an amended and updated Fraud, Bribery and Corruption policy.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

i) Approve the updated Fraud, Bribery & Corruption Policy as appended to this report.

### 3. BACKGROUND/MAIN ISSUES

- 3.1 Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 3.2 Creating an anti-fraud culture is part of good governance and should start with a clear commitment to tackling fraud and corruption led by the Council's Management Team and Elected Members. Zero tolerance to fraud ideally forms part of an organisation's 'ethical mission statement' or strategy document, reinforcing expected standards in public service
- 3.3 On 15 September 2015 the Finance, Resources and Policy committee approved the first Strategic Response to Fraud, Bribery and Corruption policy.
- 3.4 Responsibility for ensuring compliance with the policy rests with services as the council is self-regulating in respect of its counter fraud activities. Service may refer suspected cases to the Corporate Investigation Team who can either offer advice or take ownership of the investigation.
- 3.5 This policy has been updated to include:
- Good practices identified by the Corporate Investigation Team
  - Updated links to other Council Policies

- Address risks identified in the Fraud, Bribery & Corruption risk register
- Authority for CIT officers to access and obtain information
- Joint working with other Local Authorities, Police Scotland and other Government Departments.

By approving this policy, we will continue to provide a proportionate and measured response to allegations of fraud, bribery and corruption. All reported allegations will be reviewed irrespective of the source of the information e.g. confidential reporting hotline, proactive data analysis, employees, elected members etc.

- 3.6 This policy will allow the council to continue to integrate with our partner organisations such as police Scotland, Department for Work and Pensions and our counterparts in other local authorities.
- 3.7 In addition to criminal action we will take civil proceedings to recover losses to the council. This recovery will act as a deterrent and sends a clear message for anyone contemplating fraud that they will not benefit from their act.
- 3.8 As the Council progresses with moving more services on line this policy will allow the Corporate Investigation Team to work with services to ensure that terms and conditions for receiving a council service encompass the correct wording to allow sanctions action to be taken in the event the person(s) fail to adhere to the rules.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Acts of fraud, bribery and corruption are by their nature covert activities and cannot be accurately measured. In addition, no crime has a 100% detection rate which further compounds our ability to accurately measure the costs of frauds.
- 4.2 The University of Portsmouth's Centre for Counter Fraud Studies estimates that losses to fraud within the public sector are £37.5 billion per year.
- 4.3 The investigation of acts of fraud, bribery and corruption take place after the losses have been reported – after resources have been diverted from where they were intended and after the financial damage has occurred.

The long-term costs associated with investigations, reviewing internal controls and adopting recommendations from investigations are difficult to quantify. This should not however stop the Council from investigating allegations of abuse against public resources.

#### **5. LEGAL IMPLICATIONS**

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

#### **6. MANAGEMENT OF RISK**

- 6.1 Financial

A fraud response plan forms part of the policy and is designed to manage risks. It emphasizes measures to effectively prevent, detect, report and investigate fraud. The policy is integrated into the Council's overall risk management plan.

## 6.2 Employee

This policy provides employees with detailed information on how to report incidents of fraud, bribery and corruption and what they can expect from the Council in response.

## 6.3 Customer / citizen

Having a Fraud, Bribery and Corruption policy in place demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

## 6.4 Environmental, Technological and Legal

Consideration has also been given to Environmental, Technological and Legal, and no risks were identified.

## 6.5 Reputational

There is a risk of reputational damage to the Council if we do not have a policy to demonstrate that we are addressing the issues of Fraud, Bribery & Corruption.

## 7. IMPACT SECTION

7.1 Economy – The proposals in this report are designed to minimise the risk of public resources being the subject of fraud, bribery or corruption. Any losses impact on the Council's ability to provide services to local communities.

7.2 People – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.

7.3 Place – This policy supports the Councils' Local Transport Strategy (2016-2021) which states

*It is recognised that misuse of blue badges is relatively commonplace and initial assessments in Aberdeen demonstrates that this is an issue that requires action. Blue badge fraud has various negative implications: causing unnecessary congestion and denying disabled people from accessible parking. This LTS supports the continuation of the investigation service to reduce fraudulent use of Blue Badges.*

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**

Cross-Government Fraud Landscape Annual Report.

Available at: <https://www.gov.uk/government/publications/cross-government-fraud-landscape-annual-report-2017>

Fraud Landscape Review

Available at: <https://www.nao.org.uk/report/fraud-landscape-review/>

Aberdeen City Council Local Transport Strategy

Available at: <https://www.aberdeencity.gov.uk/sites/aberdeen-cms/files/Local%20Transport%20Strategy%20%282016-2021%29.pdf>

## **9. APPENDICES (if applicable)**

Appendix 1 Fraud, Bribery & Corruption Policy

## **10. REPORT AUTHOR DETAILS**

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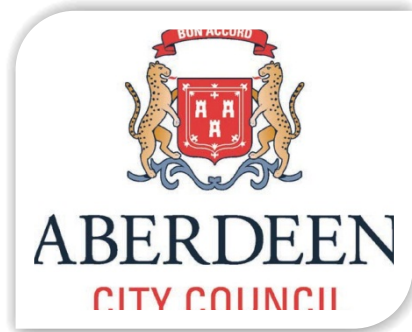
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# Fraud, Bribery & Corruption Policy

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Version 2  
Updated February 2018

# Fraud, Bribery & Corruption Policy

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# A STRATEGIC APPROACH

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“Every pound lost through fraud cannot be spent on providing services”

(Audit Commission – Protecting the Public Purse 2013)

As with all public authorities, we are facing an unprecedented challenge to the way in which we deliver our services. We have already demonstrated that we are ready to face these challenges by introducing new corporate practices and changing the way we operate. We will continue with our innovative development in all service areas to ensure we deliver value for money and to protect the public purse from criminality. Being innovative also means we have to work with our partner agencies and engage with the citizens of Aberdeen.

To allow us to focus on our service delivery and invest in our infrastructure we must ensure that our internal governance is strong and above reproach.

HM Government published a report in September 2017, *Cross-Government Fraud Landscape Annual Report*, which states

*“Traditionally there have been limited incentives to find fraud, as the main consequence of finding it was criticism and scrutiny. Fraud is a hidden crime as those who commit fraud are actively trying to hide what they are doing. This means one has to pro-actively look for it. Hence only by considering finding fraud a good thing and detecting more will we be able to identify and deal with the problem, ultimately saving taxpayers money.”*

This policy demonstrates the Council’s commitment to tackling fraud by informing our stakeholders of our intention and aligns itself with the Scottish Governments’ “Protecting Public Resources in Scotland”

In an ideal world we should be able to trust everyone we deal with, however, the threat of fraud, corruption and bribery is real and we must be prepared to protect our services and assets. This policy will ensure that we have a consistent approach throughout the Council.

# 1 DEFINITIONS

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## **Fraud**

The Accounts Commission for Scotland describes fraud as the use of deception with the intention of obtaining private gain, avoiding an obligation or causing loss to another party. Fraud can be used to describe a wide variety of dishonest behaviour such as forgery, false representation and the concealment of material facts. The fraudulent use of Information & Communication technology (ICT) resources is included in this definition, where its use is a material factor in carrying out a fraud

**Examples of fraud include, but are not exclusive to:**

- **Distorting or concealing both financial and non-financial information;**
- **Knowingly and intentionally obtaining or attempting to obtain benefits to which there is no entitlement through;**
- **Falsification or alteration of accounting records or other documents;**
- **Misappropriation of assets or theft;**
- **Suppression or omission of the effects of transactions from records or documents;**
- **Recording transactions that have no substance e.g., time recording records that do not reflect actual hours worked.**
- **Wilful misrepresentations of transactions or of the Council's state of affairs, which may involve the misuse of funds or other resources, or the supply of false information.**

## **Bribery**

A bribe, as defined in the Bribery Act 2010, is a financial or other type of advantage that is offered or requested with the intention of inducing or rewarding improper performance of a function or activity. Acts of bribery are designed to influence an individual in the performance of their duty and incline them to act dishonestly.

**Examples of bribery include, but are not exclusive to:**

- **A direct or indirect promise;**
- **Offering or authorisation of anything of value;**
- **The offering or receipt of a payment including a loan or fee or reward or any other advantage;**
- **The offer of aid or a donation.**

In accordance with the Bribery Act 2010, the Council will conduct its activities honestly and will apply high ethical standards without the use of acts of bribery. The Bribery Act makes it illegal to offer or receive bribes and to fail to prevent bribery. The Act makes provision for both individual and organisational responsibility for bribery and creates offences that carry prison terms of up to 10 years and unlimited fines.

### **Corruption**

Corruption is the unlawful offering, giving, soliciting or acceptance of an inducement or reward, which could influence the actions taken by the Council, its Elected Members or its employees. This also applies to business partners where a relationship is in place for them to undertake duties on behalf of the Council. Corruption can also include bribery which is not entirely removed from fraud either as offences may overlap between them.

**Examples of Corruption include, but are not exclusive to:**

- **Disclosure of information;**
- **Using a position of authority inappropriately;**
- **Altering contracts or official forms;**
- **Misuse of IT systems;**
- **Falsifying records;**
- **Making purchases of goods or services that are unnecessary or excessive.**

The law associated with Bribery & Corruption is complex and thus this policy cannot provide a full and authoritative account of the relevant legislation. Any enforcement action being undertaken must take recognition of current legislation and associated case law.

### **Monitoring Officer**

The Council's Monitoring Officer will have responsibility for overseeing the organisation's compliance with the provisions of this policy.

## 2 COUNCIL VALUES

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- 2.1 Council employees are expected to be above reproach in all areas of work. The council has a series of policies, linked to employee's conditions of employment which can be found in the HR pages within the zone. Staff who do not have access to the Zone should ask their line manager for a copy. It is the responsibility of employees to ensure they are aware of the content of these policies.
- 2.2 The Council has a zero tolerance stance on fraud, bribery and corruption in any form.
- 2.3 The following would be regarded as unacceptable behaviour by employees, elected members, workers, agents and any associated persons performing services on behalf of the Council and must not occur:-
- Accepting, requesting a bribe, whether financial, or other reward, from any person or organisation in return for providing some favour.
  - Offering a bribe, whether financial or other reward, to any person or organisation in return for providing some favour.
  - The making or accepting of any facilitation payments, which are unofficial payments made to government officials (including Council officials) for carrying out or speeding up routine procedures.
  - Dishonesty, theft, fraud or the deliberate falsification of records and / or benefit / or other claims administered by the Council.
- 2.4 The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud, bribery and corruption.
- 2.5 In aiming to deliver a modern, effective, efficient and accessible range of services to the people of Aberdeen it is important that we provide a facility for members of the public to report any concerns they have relating to actual or attempted fraud, bribery and corruption.
- 2.6 As part of the Council's responsibilities to protect public funds, the Council is required to investigate allegations of activities of fraud, bribery and corruption.
- 2.7 The Council will share data, in accordance with the Corporate Data Protection Act Policy, with other agencies in matters relating to fraud, bribery and corruption.

2.8 Fraudsters do not recognise organisational or geographic boundaries, therefore to assist local government and smaller government agencies it is important that data is shared to track both individuals and organised criminals. The Council participates in the National Fraud Initiative (NFI) which is a counter-fraud exercise led by Audit Scotland. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

2.9 There are three tiers of users involved in managing an NFI Project:

The **Senior Responsible Officer (SRO)** has overall responsibility for the Council's participation. The SRO is responsible for ensuring compliance with the data protection requirements of the NFI.

The **Key Contact (KC)** has responsibility for nominating appropriate users, to conduct application searches and interpreting or escalating the results. The KC ensures that technical guidance is adhered to and that outcomes from the data matches are recorded accurately and quickly after a decision has been made.

**Users** have responsibility for completing, interpreting, escalating and recording the outcomes of the application searches.

2.10 A report of NFI activities and outcomes will be reported to the Audit, Risk and Scrutiny committee as part of the Corporate Investigation Team annual report.

2.11 Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities to have adequate systems and controls in place to ensure the proper administration of their financial affairs.

2.12 For the avoidance of doubt this policy applies to all Elected Members, employees, including temporary staff, contractors, suppliers, secondees from other organisations, arm's length external organisations e.g., Bon Accord Care, Sport Aberdeen etc. and any organisation which receives funding or grants from the Council.

2.13 The Council has a local code of practice in relation to its governance arrangements for funding external organisations. This code can be accessed here.

# 3 REPORTING AND CONTROL ENVIRONMENT

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- 3.1 The Council has a zero tolerance approach to any attempts at bribery, fraud and corruption by, or of, its employees, elected members, or anyone performing services on behalf of the Council. All employees have a duty to report fraud, bribery and corruption in any form.
- 3.2 Council employees, elected members, workers, agents and associated persons performing services on behalf of the Council are required to assist and to remain vigilant in preventing, detecting and reporting acts of fraud, bribery and corruption.
- 3.3 In the case of employees and workers, they are expected to report any concerns of actual or suspected incidents to their line manager as soon as possible. Associated persons would report any concerns to an appropriate Council senior manager (in the case of elected members, this should be the monitoring officer).
- 3.4 Any person making a report of actual or suspected bribery in good faith will be given appropriate support and a prompt and thorough investigation will be carried out into the matter. An alternative route for employees and workers to report an act of bribery, fraud or corruption is through the use of the Whistleblowing policy. This policy can be accessed [here](#) or via your line manager.
- 3.5 Heads of Service are responsible for ensuring that risk management arrangements are in place in their service area to prevent, detect and prohibit fraud, bribery and corruption. Risk assessments will be undertaken for each of the Council's key business activities with individuals identified who may be at most risk of being exposed to bribery. This includes those involved in high value projects, purchasing products and services, making recommendations to committees and in overseas activities etc.
- 3.6 Heads of Service are responsible for communicating this policy to employees across the workforce and also to associated persons undertaking work on behalf of the Council. Training will be provided to appropriate employees who have been identified through risk assessment as being at potential risk of exposure to bribery, through an On-line Interactive Learning (OIL) course.



# 4 FRAUD, BRIBERY & CORRUPTION RESPONSE PLAN

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- 4.1 In creating a fraud, bribery and corruption policy the Council must also create a response plan. This will ensure action is taken quickly in order to prevent further losses and help to maximise recovery of any losses sustained.
- 4.2 In the event of an allegation of fraud, bribery or corruption activity being reported an investigation will be carried out to establish the facts. In respect of employees, the investigation will be undertaken in accordance with the Managing Discipline / Employee Investigation procedure. If allegations of fraud, bribery or corruption are brought against an employee and are upheld this would most likely result in a finding of gross misconduct and immediate dismissal. Where an allegation is made about an elected member, council officers, under the direction of the Monitoring Officer, will undertake initial enquiries and report the findings to the Monitoring Officer. Where appropriate the Monitoring Officer will arrange for the matter to be referred to Police Scotland and/or the Commissioner for Ethical Standards in Public Life in Scotland.
- 4.3 The Council may terminate the contract of any associated person or organisation, including consultants, who act on behalf of or perform services for the Council, who are found to have breached this policy.
- 4.4 The Council will, where appropriate:
- Instigate legal action against individuals or companies or organisations where evidence of fraud, bribery or corruption is established.
  - Review any working arrangements / contracts that are in place with any external organisations or persons, who act on the council's behalf.
  - Report matters to Police Scotland or other agencies as appropriate and co-operate fully in any investigation.
  - Identify lessons that can be used for future prevention programmes.
  - Actively pursue the perpetrator(s) for recovery of any losses, including taking legal action. In criminal cases, the Council will make full use of the Proceeds of Crime legislation.
  - Continually assess our exposure to fraud risks to effectively target resources where they will produce most benefit.

- Provide an annual report to the Audit, Risk and Scrutiny committee of all allegations of fraud, bribery and corruption at the appropriate time, relative to the investigatory and reporting processes.

4.5 Allegation of fraud, bribery and corruption may be made by:

- Reporting to a line manager
- Reporting it at <https://www.report-fraud.co.uk/aberdeency>
- Contacting a member of the Corporate Investigation Team

#### 4.6 Key Officer Roles

Key Officer	Responsible for
Chief Officer / Head of Service	<ul style="list-style-type: none"> <li>• Ensuring a Fraud, Bribery &amp; Corruption risk assessment is held for each service</li> <li>• Considering recommendations from investigation reports and, where requested, will provide comment on whether the recommendation have been accepted.</li> </ul>
Monitoring Officer	<ul style="list-style-type: none"> <li>• Fraud, Bribery &amp; Corruption Corporate Risk Assessment</li> <li>• Authorising information or allegations relating to fraud, bribery or corruption to be referred to external agencies such as the, Police or the Crown Office and Procurator Fiscal Service.</li> <li>• Appointing a suitable Investigating Officer for adhoc investigations (eg. Whistle blowing, internal investigations)</li> <li>• Authorising the submission of CIT cases to the Crown Office and Procurator Fiscal Service</li> </ul>
Corporate Investigation Manager	<ul style="list-style-type: none"> <li>• Management of investigations within the remit of Corporate Investigation Team.</li> <li>• Managing adhoc investigations as directed by the Chief Executive, Director, Monitoring Officer or Chief Officer as relevant.</li> <li>• Council's response to National Fraud Initiative.</li> </ul>
Chief Internal Auditor	<ul style="list-style-type: none"> <li>• Provide independent and objective assurance on the Council's control environment.</li> <li>• Provide advice on internal control measures</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>• Assessing the councils financial risks and to provide management and/or external stakeholders with assurances.</li> </ul>

# 5 PREVENTION

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- 5.1 In writing new policies and procedures, council staff must take into account and build suitable safeguards to minimise the risk of fraud, bribery and corruption. It is important that report authors provide assurances that perceived weaknesses have been analysed and appropriate measures put in place to minimise the risk.
- 5.2 There must be an effective process to monitor the efficiency of new policies. Ineffective monitoring can lead to complacency, which in turn leads to opportunities for abuse. It is the responsibility of line managers to play their part in ensuring that policies are adhered to and to maintain systems of internal control.
- 5.3 It is important that when designing policies, they are clear and can be understood by end users.
- 5.4 Where a Council employee is offered a gift or hospitality they must ensure that the correct procedure is followed. Advice can be obtained from your line manager or in the Council's Financial Regulations.

All employees, elected members and workers should familiarise themselves with the rules on gifts and hospitality and strictly adhere to these rules and procedure. Elected members are responsible for registering gifts and hospitality, which they receive under the Code of Conduct for Councillors.

- 5.5 Council employees must declare any possible conflict of interest they have to their line manager. Employees are required to comply with the provisions of Section 68 of the Local Government (Scotland) Act 1973 e.g. running a private sector business in competition with the Council.
- 5.6 Organisations to which public funding has been provided in any form will be subject to review. This is to confirm that the recipient body is achieving lawful policy objectives and is not circumventing statutory controls; that there is reasonable certainty that the assistance provided is used to carry out the objectives intended; that public money is not at undue risk and that the internal controls are operating to an acceptable standard. The council has published a local code of practice relating to providing funding to external bodies. The policy can be accessed [here](#).
- 5.7 Internal and External Auditors have an important role to play in the prevention of fraud, bribery and corruption and staff must ensure they provide auditors with all requested documentation and assistance within the requested time scale.

- 5.8 All new employees with a permanent or fixed term contract of 6 months or more are required to attend a corporate induction session, which explains the expected behaviour of staff.
- 5.9 Upon commencement of employment line managers are issued with an induction checklist, which includes ensuring new staff are aware of corporate policies including Anti-Bribery. The Council also has various e-learning courses and line managers are responsible for ensuring the mandatory courses are completed. This should form a clear requirement in relation to the employee's Performance, Review and Development (PR&D) objectives with suitable deadlines set for completion.
- 5.10 Council employees are not permitted to accept employment out with the Council without an application being made, in the first instance, to their line manager for assessment. The HR section of the Zone gives procedural guidance.
- 5.11 The Corporate Investigation Team (CIT) will assist services in improving controls and preventative measures following fraud investigations in order to minimise the risk of future occurrences.
- 5.12 Where weaknesses in internal controls have been exploited Internal Audit should be advised.
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# 6 DETECTION

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- 6.1 One of the most effective tools to deter people from committing acts of fraud, bribery and corruption is to ensure that the Council has effective prevention and detection procedures.
- 6.2 Acts of abuse may be detected in a number of different ways, such as staff who have carried out checks or who have become suspicious.
- 6.3 Other potential indicators of internal fraud may include, but are not limited to:
- Lifestyle does not match with income;
  - Refusal or reluctance to apply for promotion;
  - Resists new procedures which involve internal controls;
  - Service users are told that they can only ever speak to one named member of staff; and
  - Reluctance to take leave.
- 6.4 Data matching, such as the National Fraud Initiative, is an effective method to detect irregularities. The Council participates in this Initiative and regularly provides information for data matching purposes with the data of other public bodies. Services are also encouraged to undertake proactive data matching exercises. Periodically testing for anomalies can highlight irregular transactions before other methods such as a routine audit. As well as acting as a deterrent, it also allows frauds to be stopped sooner.
- 6.5 Once an irregularity has been identified the matter should be brought, in the first instance, to the attention of the member of staff's line manager.
- 6.6 Line managers should report the matter, if appropriate to their manager, and seek guidance from the service's HR business partner or via the HR service centre.
- 6.7 If an allegation relates to a member of staff's line manager, then the matter should be escalated to the next most senior person who is not involved. If the matter is considered particularly serious then consideration should be given to using the whistleblowing procedure.
- 6.8 Regardless of the reporting method, the Council will ensure that the information received will be treated confidentially.
- 6.9 All employees are required to report any circumstances which may suggest an irregularity affecting the finances, property, services or policy of the Council.

6.10 Internal and External audit can assist services in detecting irregularities.

6.11 This policy and contact information will be publicised on the council's website. Regular information relating to anti-fraud initiatives will be published on social media.

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# 7 INVESTIGATION

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- 7.1 Aberdeen City Council will take immediate and robust action in accordance with the Managing Discipline/Employee Investigation policy against any staff who are suspected of breaching any part of this policy.
- 7.2 Investigations fall into two categories: Civil and Criminal with each having its own definition of guilt. Each allegation will be assessed on its own merits and the most appropriate person will be allocated to investigate. Investigations can be time consuming and complex therefore it is important that investigators be given support and that consideration be given to re-allocating their own work where appropriate.
- 7.3 The nature of the allegation will often dictate who is responsible for the investigation. Where a member of staff has been implicated, it will be up to the individual service to determine, in consultation with HR, the initial action.
- 7.4 Investigation officers must ensure that the Head of Finance and the Monitoring Officer has been notified upon commencement and completion of an investigation, which involves fraud, bribery or corruption.
- 7.5 It should be borne in mind that whilst making enquiries investigators may uncover additional evidence, which may in turn implicate other staff.
- 7.6 In the event that an investigation uncovers evidence that suggests that there has been a breach of criminal law, the investigation officer will discuss the findings with HR and a senior manager from the service involved. The final decision on whether the case is pursued criminally will rest with the Monitoring Officer.
- 7.7 Where it has been established that an employee who, is or has been, in receipt of a state benefit or allowance or discount, and has failed to adhere to the terms of receiving the benefit, allowance or discount then consideration should be given as to whether there has been a breach in their terms and conditions of employment. Any breaches will be investigated under the provisions of the Managing Discipline Policy.
- 7.8 Any allegations relating to the conduct of Elected Members will be referred to the Monitoring Officer for consideration of referring the matter to the Commissioner for Ethical Standards in Scotland or any other relevant agency.
- 7.9 The Council's Corporate Investigation Team are responsible for managing and investigating a wide range of abuses against Council Services e.g. Blue Badge Fraud, Housing Tenancy Fraud, Council Tax Fraud, Non Domestic Rate Fraud etc. Details of how to make a referral, contact the team and current areas of responsibility are available on the Zone.



- 7.10 The Corporate Investigation Team may undertake employee investigations, in association with HR and / or the employing service. The team may also undertake intelligence led proactive investigations relating to employees.
- 7.11 All allegations relating to benefit fraud should be made to <https://www.report-benefit-fraud.service.gov.uk/details>
- 7.12 Where information is received via the whistleblowing procedure it will be the responsibility of the Monitoring Officer to decide who will be responsible for any investigation.
- 7.13 Corporate Investigation Officers (CIO) are authorised under the provisions of Aberdeen City Council Financial Procedures and Regulations 2016 sections 4.7, 5.16.2 and 5.20.2 of to:
- Enter freely and at all reasonable times any Council operated premises or land.
  - Have access to all records (electronic or manual), documents and correspondence relating to any financial or other transaction of the Council.
  - Require and receive such explanations as are necessary concerning any matter under examination.
  - Require any employee to produce cash, stores, or any other Council property under his or her control.
  - Examine financial records or assets of organisations in receipt of grant aid from the Council.
  - They may concern themselves with any activity, function or operation of the Council.
  - In the discharging of these duties, the CIO will present, upon request, a duly authorised certificate confirming the above provisions.
- 7.14 To allow the timely investigation of allegations of fraud requests for information from CIO's must be managed within the timescales advised. Any failure to respond or provide information will be escalated to Head of Service, and copied to the Section 95 Officer, to identify the reasons for delay
- 7.15 Investigations by CIO's will be undertaken in accordance with the Corporate Investigations Procedures Guide.
- 7.16 Where permitted by law, the Corporate Investigation Team will share information and intelligence with internal and external partners and agencies for the purposes of crime prevention and detection, as well as tax and rates collection.
- 7.17 Fraud is a crime and we will investigate and report our findings to the Crown Office Procurator Fiscal Service for consideration of prosecution.
- 7.18 Civil proceedings to recover losses to the council will be considered in all cases where there has been a loss to public funds.

# POLICY ADMINISTRATION

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Person responsible for policy:	Fraser Bell (Head of Legal & Democratic Services)
Enquiries regarding policy:	Brian Muldoon (Corporate Investigation Manager)
Policy implementation date:	15 September 2015
Policy updated:	22 February 2018
Latest version:	2
Updates:	This policy will be reviewed every two years or where there has been a change in legislation relating to fraud, bribery or corruption.

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit & Risk
DATE	22 February 2018
REPORT TITLE	Vehicle Maintenance Audit AC/1808 - Update
REPORT NUMBER	CHI/18/008
INTERIM DIRECTOR	Bernadette Marjoram (Interim)
REPORT AUTHOR	William Whyte

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### **1. PURPOSE OF REPORT:-**

- 1.1 This report is in response to the Audit and Risk committee, held on 23<sup>rd</sup> November 2017, asking the Fleet Manager to provide an update to committee on recommendation 2.7 Expenditure in the audit report on Vehicle Maintenance AC1808.

### **2. RECOMMENDATION(S)**

It is recommended that the Committee: -

- (i) notes the progress made in advancing compliance with recommendation 2.7 Expenditure in the audit report on Vehicle Maintenance AC1808.

### **3 BACKGROUND/MAIN ISSUES**

- 3.1 Following an Internal Audit AC1808 it was noted that there were regulatory issues related to Fleet Services' procurement of goods and services. The audit report recommended that the "The Service should ensure that Procurement Standing Orders are adhered to".
- 3.2 This is a historical situation which the current Fleet Services management team have inherited and are currently working on to improve.
- 3.3 Prior to this audit, Fleet Services had started to review the current supplier list and populate the services contract register.

- 3.4 Since the audit, meetings with Commercial and Procurement Services have taken place to take advice on ensuring that the contract register is correctly populated and to ensure compliance with procurement standing orders.
- 3.5 At the time of writing this report further meetings have been arranged with Commercial and Procurement Services to build on the work already carried out and to move further towards compliance.
- 3.6 These meetings will review the current service spend to identify outstanding gaps. This will take into account identified spend and where it is going; identify gaps in frame work provision; and identify the work plan elements to fill these gaps.
- 3.7 Commercial and Procurement Services are working closely with the Fleet Services team to ensure that they are fully conversant with the procedures and process as specified by the council's procurement standing orders.
- 3.8 It will be a challenge to complete the process with Commercial and Procurement Services within the target timeframe. However Fleet Services are prioritising this work within existing resources and progress will be reported back to committee as part of the normal audit reporting process.
- 3.9 The service has been processing all new suppliers in accordance with Procurement Regulations and will continue to do so in liaison with Commercial and Procurement services.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 To accelerate this task additional labour resource would be required of 1- 2 persons. The service is currently exploring opportunities to recruit to existing vacancies within the service.

#### **5. LEGAL IMPLICATIONS**

- 5.1 The Council's Procurement Regulations help to ensure that the Council meets its statutory requirements. The full implementation of the recommendation will help the Council to fully meet its legal obligations and mitigate the risk of any challenge to the Council

## **6. MANAGEMENT OF RISK**

- 6.1 Financial – Additional budget to provide labour resources. Increased downtime and increased hire costs. Potential costs associated with challenge to decision making process.
- 6.2 Employee – additional demand on existing staff.
- 6.3 Customer / citizen – There is a risk to Service delivery as above at 3.1.
- 6.4 Environmental – Potential cost increases to waste collection as result of vehicle availability.
- 6.5 Technological - No significant risk.
- 6.6 Legal – risk as above at 5.
- 6.7 Reputational – Failure to observe Procurement Regulations could risk reputational damage to the Council. This in turn could lead to allegations of unfair procurement practices and associated external scrutiny by regulators.

## **7. IMPACT SECTION**

### **Economy**

- 7.1 None.

### **People**

- 7.2 None.

### **Place**

- 7.3 None.

### **Technology**

- 7.4 None.

## **8. BACKGROUND PAPERS**

Internal Audit Report Audit report AC1808 – Audit and Risk Committee  
23<sup>RD</sup> November 2017

**9. APPENDICES (if applicable)**

None

**10. REPORT AUTHOR DETAILS**

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01224 489312

**HEAD OF SERVICE DETAILS**

Mark Reilly  
Head of Service  
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01224-523910

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1810 – Major IT Business Systems
REPORT NUMBER	IA/AC1810
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Major IT Business Systems.

### **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 Major IT Business Systems.

### **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.

## **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 AC1810 – Major IT Business Systems.

## **9. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861





# ABERDEEN

## CITY COUNCIL

### **Internal Audit Report**

### **IT & Transformation**

### **Major IT Business Systems**

**Issued to:**

Simon Haston, Head of IT & Transformation  
Fraser Bell, Head of Legal and Democratic Services  
Steven Whyte, Head of Finance  
Caroline Anderson, Information Manager  
External Audit

## **EXECUTIVE SUMMARY**

The Council relies on its major IT business systems to deliver front-line services, pay and manage employees, manage contracts, pay suppliers, raise charges to customers and carry out statutory functions. The objective of this audit was to ensure that the risk of major IT business systems failure is adequately managed.

Whilst the process of classifying and risk assessing systems is under way, there have been delays in this process, presenting risks to business continuity. Business critical system disaster recovery testing is taking place, however it has yet to be scheduled for some.

The Council's cyber security is managed through the use of a next generation firewall and intrusion prevention system, email filtering software, and anti-virus software, which are being kept current through automatic updates. Arrangements are in place with the Council's data centre provider for scheduled updates to business critical systems. IT staff are being made aware of new threats to cyber security through membership of relevant groups and use of live online security feeds. Business critical systems are backed-up in full on a regular basis, with back up files held appropriately.

Recommendations have been made to enhance written procedures; formalise deadlines for the risk assessment of systems; re-assess system risk assessments where overdue; reflect business critical systems in business continuity plans and risk registers; and finalise the schedule of business critical system disaster recovery testing.

# 1. INTRODUCTION

- 1.1 The Council relies on its major IT business systems to deliver front-line services, pay and manage employees, manage contracts, pay suppliers, raise charges to customers and carry out statutory functions. Failure of these systems would disrupt critical functions, potentially cause financial loss or suffering, and potentially lead to reputational damage for the Council. IT and Transformation is responsible for monitoring the ICT Infrastructure and systems to prevent or minimise system unavailability.
- 1.2 The objective of this audit was to ensure that the risk of major IT business systems failure is adequately managed.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Simon Haston, Head of IT & Transformation, Norman Hogg, Security Architect and Steven Robertson, Infrastructure Architect.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Ownership and Reporting**

- 2.1.1 The IT and Transformation Business Continuity Plan, last prepared in May 2017, states that proactively monitoring the ICT infrastructure and systems, to prevent or minimise system failure, is a critical function of the Service. In doing so, the Service diagnoses and resolves ICT faults for live systems, computers, networks, telecommunications, and other associated ICT infrastructure services. The Service also monitors and maintains the Council's ICT Security Systems, ICT Asset Management system, and software licences.
- 2.1.2 Whilst IT & Transformation is responsible for the corporate IT infrastructure and core Council-wide systems, there are a number of IT systems which are maintained by Service systems teams. As part of a wider review of the Council's structure under the Target Operating Model, IT functions and systems teams are to be consolidated.
- 2.1.3 In September 2016, the Audit, Risk and Scrutiny Committee (AR&SC) approved changes to the Council's Information Governance oversight and reporting arrangements, which included the formation of the Information Governance Group (IGG). The purpose of the IGG is to support and drive the broader information governance agenda, provide the Corporate Management Team (CMT) with assurance that effective control mechanisms are in place, and manage and mitigate the Council's information risks. The Group previously provided a quarterly report to CMT on Information Governance Management and an annual report to AR&SC. From November 2017, these reports will go to the Governance Delivery Board on a monthly basis and thereafter reported through the Transformation Portfolio Framework. These reports include a section on cyber security risks, covering the number of incidents and attempts threatening the Council's information, software, infrastructure or computer network, that originate from inside and outside the organisation.
- 2.1.4 The 2017/18 quarter 1 performance report was reported to the IGG on 28 August 2017 and the annual report for July 2016 to June 2017 was discussed and noted by the AR&SC on 26 September 2017.
- 2.1.5 The IT Security Architect prepares a monthly ICT security report for IT&T senior management. This includes various statistics including: web risks prevented; email traffic; events prevented by the intrusion prevention system; telephone activity; IT risk register status; and an update on the operational risks of high importance. A sample of reports covering 3 months was selected to establish if they had been issued on a monthly basis. A report was not produced for one of the months selected (July 2017) however reports were produced for June and August 2017, indicating a frequent update on IT activity and risks is being circulated to the senior IT&T management team.

### **2.2 Business Impact and Risk Assessment**

- 2.2.1 Directorate risk registers are reported to the Audit, Risk and Scrutiny Committee on a rolling basis. The CH&I Risk Register was last reported in June 2017, the E&CS Risk Register in September 2016, and the Corporate Governance Risk Register in April 2016. They all included the risk of major IT Business Systems failure and identified potential impact (see below), causes, control effectiveness, and mitigating actions. The Corporate Risk Register was reported to AR&SC in September 2017. This includes risk Corp007 'Risk of poor information management and security', covering impacts, causes and controls at a Council level. Controls include critical systems being risk assessed and protected appropriately. The Corporate Risk Register has been amended since it was reported to AR&SC in September 2017 and will be reported to CMT on 21 December 2017 with cyber security separated from Corp007 as a Corporate risk in its own right.

- 2.2.2 The risk registers identify the potential impacts of business system failure as: failure to deliver essential services; harm to vulnerable members of the public; harm to the local economy; inability to pay employees; inability to pay suppliers or raise revenue from customers; contracts not managed; workforce not managed; statutory requirements not met and reputational damage. Whilst Directorate risk registers identify the risk of major IT Business System failure, all major 'business critical' systems are not included in the Directorate risk registers.

<b><u>Recommendation</u></b>		
Consideration should be given to identifying business critical systems in the Directorate risk registers.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
January 2018	Performance and Risk Manager	Significant within audited area

- 2.2.3 In November 2014, IT & Transformation (IT&T), began undertaking risk assessments of IT systems across the Council. Stage 1 is ongoing and involves categorising systems as either "critical", "considered", or "nominal", based on the time following a system failure that there would be a severe business impact. This process is now overseen by the IGG. These risk assessments were forwarded to system owners within Services for final categorisation to be agreed. Critical systems are further classified by ICT as "business critical" or "department critical" depending on how widespread the impact of failure would be. There are currently 301 systems across the Council; risk assessments have been completed and issued to Services for 250 of them, 222 responses have been received.
- 2.2.4 The final stage is to review the governance of the 20 business critical systems, but this has not yet commenced. It will involve discussions with technical staff and system owners and reviewing completed Internal Audits / requesting Internal Audits be carried out on the systems concerned. The IT Security Architect has advised that the final stage can be run concurrently with the completion of the initial classification stage.
- 2.2.5 Target completion dates have not been set for the various stages of the system criticality review. This increases the risk that threats to major IT business systems will not be identified and controlled where necessary in a timely manner.
- 2.2.6 System criticality is assessed based on the impact (severe, moderate, minimal) of the system being unavailable across a number of areas including: financial; reputational; contractual; customer; inter-connections; number of users affected; and ability of the Council to continue business operations without the system. Reasons are provided for the system criticality identified across each of these areas on initial assessment by System Owners, the IT Security Architect and the system Account Manager. Previously the IT Manager reviewed and approved the risk assessments. This is now the responsibility of the Senior Information Risk Officer.
- 2.2.7 The risk assessments relating to eight business critical and two department critical systems were reviewed. One was not dated as approved for use whilst the others were approved in or before April 2015. Three of the assessments did not identify the system owners and two were not assessed across all impact areas.

**Recommendation**

Target deadlines should be formalised for the various stages of the IT system risk assessment review.

Risk assessments should be reassessed, updated and approved where necessary.

**Service Response / Action**

Part 1: Agreed.

Part 2: Agreed. Risk assessments for business critical systems will be scheduled for every 3 years and any risk assessments last carried out over 3 years ago will be prioritised for reassessment.

**Implementation Date**

March 2018

**Responsible Officer**

IT Security Architect

**Grading**

Significant within audited area

- 2.2.8 As part of the above review, since July 2017 Business Continuity Plans are being checked by the Emergency Planning Strategist to ensure they include reference to business critical systems and the Performance and Risk Manager is ensuring that relevant Services have assessed the risk associated with the systems. The Emergency Planning Strategist has confirmed a request has been issued to Plan owners to update Plans by 31 December 2017. This will include the requirement to include all critical systems in Plans as appropriate. A recommendation is included for tracking purposes.

**Recommendation**

Business Continuity Plans should be updated to include business critical systems where appropriate.

**Service Response / Action**

Agreed.

**Implementation Date**

December 2017

**Responsible Officer**

Emergency Planning Strategist

**Grading**

Significant within audited area

- 2.2.9 The IT Customer Service Manager is also required to reference the relevant systems as critical within Service Now, the Council's IT Service Management Tool, to facilitate management of the critical systems identified. Progress to date is recorded on a separate spreadsheet of critical systems maintained by the IT Security Architect. This indicates that eighteen of the 20 business critical systems have been updated on Service Now as critical.

- 2.2.10 A monthly update on the progress with the risk assessment process is required to be provided to the Information Governance Group. The 2016/17 quarter 4 Information Governance Management performance report included a deadline of 31 July 2017 to complete the first stage of IT investigations, identifying all systems and system owners and obtaining their interpretation of system criticality based on set criteria. The IT Security Architect is managing this process and maintains a 'Combined list' spreadsheet of all systems to track progress. The system owner has been identified for 250 systems and has yet to be identified for 51 systems. The spreadsheet identifies the classification of the business system and the progress preparing and agreeing the risk assessment with the Service (form created; form first populated; form repopulated and form agreed). 79 systems have not been classified to date.

- 2.2.11 Whilst the ‘Combined list’ spreadsheet identifies the business critical systems, it does not indicate if the risk assessments for these systems have been considered when preparing the Directorate risk registers.

<b><u>Recommendation</u></b> Consideration should be given to using the list of risk assessments maintained by IT and updating this to capture when Directorate risk registers have been updated with business critical systems.		
<b><u>Service Response / Action</u></b> Agreed.		
<b><u>Implementation Date</u></b> January 2018	<b><u>Responsible Officer</u></b> Performance and Risk Manager	<b><u>Grading</u></b> Important within audited area

- 2.2.12 Guidance is not available on the process undertaken when preparing, reviewing and agreeing risk assessments. It was also noted that the definition of “critical”; “considered” and “nominal” is not included on the risk assessment form. The lack of written procedures and definitions of system classifications increases the risk that a system will be wrongly classified, resulting in risk and business continuity not being adequately considered for all business critical systems.

<b><u>Recommendation</u></b> Written procedures should be prepared on how to carry out risk assessments.		
<b><u>Service Response / Action</u></b> Agreed		
<b><u>Implementation Date</u></b> April 2018	<b><u>Responsible Officer</u></b> IT Security Architect	<b><u>Grading</u></b> Significant within audited area

## 2.3 Business Continuity Planning

- 2.3.1 The Council’s Business Continuity Policy requires Business Continuity Plans to be reviewed and tested annually. The IT&T Business Continuity Plan (BCP) was last updated in August 2017 to include details of recent incidents (website and power disruption) and was last tested in January 2017. It was noted that the Plan was incomplete, with appendix C: documentary requirements, being blank. This increases the risk that the necessary written procedures will be unavailable in the event of an incident that disrupts delivery of critical ICT functions.

<b><u>Recommendation</u></b> The IT and Transformation Business Continuity Plan appendix C should be completed.		
<b><u>Service Response / Action</u></b> Agreed.		
<b><u>Implementation Date</u></b> January 2018	<b><u>Responsible Officer</u></b> Incident & Problem Co- ordinator	<b><u>Grading</u></b> Important within audited area

- 2.3.2 Within the IT&T BCP, the Service has detailed 17 suppliers that are heavily relied on to deliver support, which includes the data centre hosting provider, telephony and internet

service providers, and cyber security software suppliers. The Business Continuity Policy requires external suppliers to complete the Key Supplier Business Continuity Planning Assessment Questionnaire or confirm with Commercial and Procurement Services that they have checked the Business Continuity arrangements of the supplier and / or are content that alternative suppliers are available. A recommendation covering this issue was made and agreed in Internal Audit report AC1804 (Business Continuity Planning).

- 2.3.3 None of the suppliers had been requested to submit a Key Supplier Business Continuity Planning Assessment Questionnaire. The IT Security Architect has advised that this is mitigated by the fact that alternative suppliers are available for 14 of the suppliers and 1 key supplier is no longer required. A tender response from one key supplier confirmed business continuity arrangements. The lack of supplier business continuity arrangements for telephone system and support supplier is higher risk, since there are few readily available alternatives. In the event that the supplier were to cease trading, the IT Security Architect has advised that the subsidiary company would continue delivery of service. A draft business case has been prepared for a converged communication strategy which would reduce dependency on this system.
- 2.3.4 The IT Security Architect provided a copy of the tender questionnaire for providers of new IT systems. Included within the Information Security section were the requirements for suppliers to provide a Business Continuity Policy and evidence of disaster recovery built into the system.

## **2.4 Prevention**

- 2.4.1 Data breaches and cyber-attacks can be prevented by keeping firewall, antivirus, application and operating software current. The majority of the Council's security products are managed under a single contract by a security partner. Patches are issued by product providers to keep software current.
- 2.4.2 The Council uses a next generation firewall. This is designed to provide threat prevention, visibility of network traffic based on applications, users, content and devices. Security rules are set to prevent access to known malicious websites or in line with Council policy e.g. in relation to use of social media sites.
- 2.4.3 The Council's email filtering software enables rules to be set on quarantining emails (such as in response to reports of a ransomware threat) and also removes known viruses from email attachments.
- 2.4.4 The IT Security Architect advised that the firewall automatically checks and applies updates for threat prevention once per day however high security updates are applied as soon as they are available. New anti-virus definitions are applied to the Council's anti-virus software automatically every 15 minutes. The Trend Manager console tracks deployment of anti-virus software. The Council's email filtering software is updated automatically to block new threats also. Email filtering updates occur every 30 or 60 minutes, depending on the nature of the antivirus or antispam filter being updated. Evidence of recent patches successfully applied in October was obtained.
- 2.4.5 The Incident and Problem Co-ordinator arranges with the Council's Data Centre provider for patches to be applied to business critical systems on an agreed schedule. Agreement with system owners is sought where appropriate.
- 2.4.6 The IT Security Architect monitors the status of Microsoft patching on a weekly basis. Microsoft patches are released on a Tuesday and are applied by the Council on Thursday in the same week. The System Centre Configuration Manager application is used to roll



out and monitor patches. Evidence of the 12 October 2017 patch being successfully applied was obtained.

- 2.4.7 The ransomware attack that affected the NHS in May 2017 did not affect the Council. This ransomware can be avoided by applying a patch. On checking the Council's PC estate on 15 May 2017, following the announcement of the incident in the NHS, the IT Security Architect established that 97% of Council PCs were found to have been updated for this patch.
- 2.4.8 The IT Security Architect and Infrastructure Architect are members of the Local Authorities Information Security Group, the Cyber Security Information Sharing Partnership and subscribes to a number of live feeds, providing updates every 15 minutes, that will detail any new cyber threats requiring action. The IT Security Architect is also updated of new security threats by the firewall provider. Application and Threat Content Release Notes and System Alerts.
- 2.4.9 The IT Infrastructure Architect advised that the Council employs a security scanning appliance, that has been set to scan the external and internal network environment on a monthly basis, and alert IT staff to potential vulnerabilities, as part of the contract with the ITHC partner.
- 2.4.10 Business critical systems are backed up in full on a weekly basis and incrementally on a daily basis by the Council's Data Centre provider, with 30 days of back up files held locally in Aberdeen and a 90 day offsite retention held in the disaster recovery datacentre in Dundee.
- 2.4.11 Five business critical systems were selected and the back-up schedule requested from the Infrastructure Architect. Back-ups were scheduled daily for each of these business critical systems. ICT receive daily emails detailing the status of the back-ups for all systems other than Benefits, which go directly to the Benefits team.

## **2.5 PSN Compliance**

- 2.5.1 The Public Services Network (PSN) compliance is a means of demonstrating the Council's IT security arrangements, policies and controls are sufficiently rigorous to enable interaction with the Network and those connected to it. The PSN offers a secure means for the Council to access shared services with other PSN compliant organisations such as the DWP, for the purposes of accessing benefits data.
- 2.5.2 In order to obtain the necessary PSN compliance certificate from the Cabinet Office, the Council must demonstrate it can comply with PSN requirements, by undertaking an annual IT Health Check (ITHC). This involves carrying out external penetration testing on the Council's perimeter network infrastructure, to check for security misconfiguration and other weaknesses that could lead to system compromise. Internal vulnerability assessment is also carried out to ensure security is not affected by internal system interactions.
- 2.5.3 The Council's ITHC partner is a National Cyber Security Centre approved CHECK company as required by the Cabinet Office. An external IT health check was carried out in August 2017. This involved an assessment of externally available infrastructure to check for security misconfiguration and other vulnerabilities; remote access solution testing; and a review of the Outlook webmail application. The Council was commended for their attitude towards IT security, found to have many best practice controls in place to prevent malicious attack and there were few services directly exposed to the internet, with those that were providing no direct means of compromise. One high vulnerability

weakness was identified (and this is being addressed). The Council had not been advised of the outcome of the assessment by the Cabinet Office as at 27 November 2017.

2.5.4 The ITHC partner also carried out an internal IT health check, as required by the Cabinet Office, in July 2017. This involved: internal network penetration testing; build reviews of workstations / servers; a mobile device review; a wireless network assessment; a firewall ruleset review; and a remote access configuration review. The overall security of the Council internal network was found to be good, with adherence to a number of best practices evident. However a number of vulnerabilities were identified, including user password policies.

2.5.5 The recommendations made by the ITHC partner are tracked in the Remedial Action Plan maintained by the IT Security Architect, reported to the Cabinet Office. The IT Infrastructure Architect advised the recommendations are also managed within the onsite security reporting appliance that feeds into the ITHC partners reporting portal.

## **2.6 PCI DSS Compliance**

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

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

2.6.3 Of the twelve PCI DSS Requirements, eight relate to network and computer system security and monitoring.

2.6.4 The Technology Team run scans of the external facing systems on a quarterly basis, for submission to the acquirer, to demonstrate compliance with PCI standards. The results are held in the Council's hosted portal, a platform that is provided by the ITHC partner. The Council was PCI DSS compliant for the quarter ending 17 November 2017 and has until the 17 February 2018 to run and submit a vulnerability scan to the acquirer, to demonstrate compliance for the current quarter.

## **2.7 Disaster Recovery**

2.7.1 Business critical systems are backed up in full on a weekly basis and incrementally on a daily basis by the Council's Data Centre provider, with 30 days of back up files held locally in Aberdeen and a 90 day offsite retention held in the disaster recovery datacentre in Dundee.

2.7.2 Five business critical systems were selected and the back-up schedule requested from the Infrastructure Architect. Back-ups were scheduled daily for each of these business critical systems. ICT receive daily emails detailing the status of the back-ups for all systems other than Benefits, which go directly to the Benefits team.

- 2.7.3 The Incident and Problem Co-ordinator carries out disaster recovery testing in conjunction with the Council's data centre provider on agreed dates. A schedule of systems to be tested in the next 4 years has been set up with testing dates included where known. There are presently 11 business critical systems absent from the disaster recovery schedule.
- 2.7.4 Written procedures are not currently in place describing the disaster recovery testing process managed by ICT, including how systems are selected for testing, the frequency of testing and how resulting actions are monitored.

<b><u>Recommendation</u></b>		
Arrangements should be made to schedule disaster recovery testing for all business critical systems.		
Written procedures should be prepared describing the disaster recovery process, including the basis of system selection for testing, the frequency with which systems are tested and the monitoring of resulting actions.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
January 2018	Incident & Problem Co-ordinator	Significant within audited area

- 2.7.5 Three business critical systems had dates for disaster recovery testing in 2017 and only the case management system for Social Work had been scheduled for completion as at 30 September 2017. Testing took place on 6 April 2017 and the Council's Data Centre provider have prepared a first draft report dated 11 May 2017 showing the results of testing. The report provided to Internal Audit was redacted by the IT Security Architect due to it containing sensitive information and was not signed and dated as approved by the Council's Data Centre provider. The lack of approval increases the risk that the report is incomplete and disaster recovery failings have yet to be highlighted and resolved. The Child Protection Register was tested on 4 October 2017 by the Council's Data Centre provider. There were no remedial actions resulting from the test. The remaining business critical systems to be tested in 2017, the schedule of which has been agreed with the service, are Total Mobile (28/11/2017) and Tranman (12/12/2017). Approval for the remaining systems is still out for consultation with the service.

<b><u>Recommendation</u></b>		
A final approved disaster recovery report should be obtained for CareFirst.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
January 2018	Incident & Problem Co-ordinator	Significant within audited area

- 2.7.6 The Council in conjunction with the data centre provider, is working towards implementation of yearly disaster recovery exercises to simulate the loss of the primary data centre in Aberdeen. This would be with a view to ensuring all critical systems are made available in the event of a major data centre disaster through use of the alternative data centre in Dundee. The final pre-test to conclude the ability to conduct this exercise on an annual basis was carried out on the 12 November 2017. Results are yet to be provided to the Council by the data centre provider.

- 2.7.7 A number of critical systems, such the Housing Rents system; the Benefits System and the Case Management System for Social Work, use Oracle based platforms. Aberdeen City council is refreshing its oracle platforms with new hardware. This will involve replacing physical servers which will be consolidated to virtual 'unix zones'. The disaster recovery test schedule captures the details of the current and replacement servers, including whether the current server has been cloned for monitoring purposes. It does not however include the planned and actual replacement dates.

**Recommendation**

The Service should consider updating the disaster recovery test schedule to include planned and actual server replacement dates for monitoring purposes.

**Service Response / Action**

Agreed

**Implementation Date**

January 2018

**Responsible Officer**

Incident & Problem Co-ordinator

**Grading**

Important within audited area

**2.8 Incident Management**

- 2.8.1 In the event of an incident, which requires activation of the Business Continuity Plan, a Post Incident Report should be prepared, as required by the Business Continuity Policy. This should be shared appropriately and will be used to update the existing Business Continuity Plan as required.
- 2.8.2 On the evening of Saturday 28 January 2017, the homepage of the Council's website was replaced with an external image. The monitoring systems in place notified IT staff within 8 minutes of the incident, an incident response team was established and normal web services were resumed to the public within 3 hours. Investigations into the incident found the root cause was a vulnerability within the file upload feature which was previously used by members of the public to upload photos of events across Aberdeen. This feature has since been disabled. No customer data is held within the website infrastructure, and according to the incident report, there is no evidence to suggest that the hackers managed to gain access to the internal network where customer data is held, therefore no customer data was compromised.
- 2.8.3 A report was presented to the Audit, Risk and Scrutiny Committee in February 2017 which informed elected members of the incident and included the full incident report with high level actions to be addressed. The incident highlighted that the call-out procedure required to be reviewed, as there was no formal escalation process for the on-call person to respond to a major incident such as this. The incident process has been reviewed to take account of potential cybercrimes and an escalation process to Police Scotland is now in place.
- 2.8.4 As required by the Business Continuity, the incident details reported included: an event timeline; effect on Council functions; an assessment of the response; lessons learned; recommendations and action plan.
- 2.8.5 On 22 July 2017 the Uninterrupted Power Supplies (UPS) failed in the Marischal College Comms room, causing disruption to the Marischal core switch infrastructure. A copy of the draft incident report was obtained. There was no access to any IT Services, including telephony from Marischal College. Data Centre Services automatically rerouted via the disaster recovery resilient link. No data was lost as a result of the incident. The Council's security perimeter systems are hosted in other core locations that were not impacted by the power outage.

2.8.6 The IT&T Plan has been updated to document both these incidents in line with the Business Continuity Policy.

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

## Appendix 1 – Grading of Recommendations

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

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1816 – Training for Councillors
REPORT NUMBER	IA/AC1816
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Training for Councillors.

### **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 Training for Councillors.

### **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.

## **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 AC1816 – Training for Councillors.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN CITY COUNCIL

## **Internal Audit Report Corporate Governance Training for Councillors**

**Issued to:**

Morven Spalding, Head of HR (Interim)  
Fraser Bell, Head of Legal and Democratic Services  
Steven Whyte, Head of Finance  
External Audit

## **EXECUTIVE SUMMARY**

Councillors' induction and training has been a topic of interest for a number of years with the Scottish Local Authorities Remuneration Committee bringing the issue to the fore in 2006. It formed the view that it was important that Councillors actively engage with training and development opportunities on an ongoing basis and recommended that all Councillors, whether new to the role or long-serving, participate in a training needs analysis and agree a personal development plan.

Subsequent reviews by Audit Scotland have shown that progress was being made, across Scotland, but that Councillors' take-up of training was "at best variable". Reports stated that Councils must provide appropriate induction and training to support Councillors in their roles and that Councillors must make better use of training provided, ensure that they provide feedback on that training and explain their training needs to officers.

The objective of this audit was to ensure that appropriate arrangements were made for induction and training of Councillors following the May 2017 Local Government Elections, that training was delivered and was effective.

Whilst a comprehensive training programme was put in place, attendance was generally low with Councillors not attending sessions, including those that were considered mandatory. Responses to feedback surveys have also been low meaning that it is difficult to measure the effectiveness of the programmes and opportunities to make improvements to future training programmes and developing continuing training programmes may be missed.

# 1. INTRODUCTION

- 1.1 The Scottish Local Authorities Remuneration Committee reported, in January 2006 that it felt that the public were entitled to have high expectations of their Councillors and to feel confident that they are carrying out their role effectively and efficiently. It formed the view that it was important that Councillors actively engage with training and development opportunities on an ongoing basis and recommended that all Councillors, whether new to the role or long-serving, should participate in a training needs analysis and agree a personal development plan as soon as possible after election. The plan should be based around the core competencies determined as being important to the effectiveness of Councillors.
- 1.2 In August 2010, Audit Scotland produced their publication “Roles and working relationships: are you getting it right?” as part of their How Councils work: an improvement series for Councillors and Officers. This provided guidance and recommendations relating to Councillor training and development. It stated that “Good governance requires those involved with leadership, management and decision-making are clear about their roles and responsibilities, and those of others. Training for Councillors and Officers, as well tailored guidance, can help them understand roles and responsibilities.” Such training can be supplemented with activities to develop the confidence and skills of Councillors to help support improvement.
- 1.3 The Audit Scotland report found that most Councils were making good progress with developing training needs analysis and personal development plans, monitoring attendance at training events and reviewing / assessing training delivered.
- 1.4 In conclusion, the above report stated that Councils must, amongst other things:
- Ensure all newly elected councillors are provided with training and support to help them understand their role and responsibilities;
  - Provide guidance, training and advice to councillors serving on external boards and highlight the specific responsibilities attached to these roles;
  - Provide regular training and support to councillors to help them fulfil their roles; and
  - Review induction training and consider introducing practical guidance to provide new councillors with a more detailed understanding of what their roles and responsibilities mean on a day-to-day basis.
- 1.5 The report also concluded that Councillors must, amongst other things:
- Ensure they are aware of expected behaviour and conduct set out in the Councillors’ Code of Conduct;
  - Communicate with officers and explain their training and development needs;
  - Provide feedback on training courses to help ensure their needs are met; and
  - Make better use of training and development opportunities to help them fulfil their roles.
- 1.6 A further 2016 report by Audit Scotland entitled “How councils work - Roles and working relationships in councils: are you still getting it right?” identified several issues and matters for future consideration by councils for the training of councillors. These include, but are not limited to, the following:
- Evidence from Best Value audits highlighted that Councillors’ take up of training is at best variable and sometimes they have poor perceptions of the training they receive;
  - Councils should consider the role of their training and development programmes in advising members and officers on their responsibilities in relation to ALEOs, in particular the Following the Public Pound code and declarations of interest;

- Involving councillors (both incumbents and newly elected) can help tailor training programmes to be more effective and wide-ranging, covering all issues and help prevent knowledge gaps developing once new councillors begin their duties; and
- Training and development should be an ongoing process, not just a one-off induction.
- Ensure councillors receive training in the essential areas of scrutiny, audit and financial decision making.

1.7 The objective of this audit was to ensure that appropriate arrangements were made for training Councillors following the May 2017 Local Government Elections, that training was delivered and was effective.

1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Morven Spalding, Head of HR (Interim), Dorothy Morrison (HR and Customer Service Team Leader) and Lucy Mackay (Organisational Development Advisor).

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Comprehensive written policies and procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed. Desired training outcomes are more likely to be achieved if the training planning, delivery and evaluation process is well documented.
- 2.1.2 A Member Development Framework was drafted in 2014 following the previous induction training programme and this included feedback from Councillors regarding that programme. The framework was not finalised or approved by management hence there are no complete and approved written procedures in place. The training co-ordinator has stated that a pack is under development, and will be completed once all feedback from the 2017 training programme has been collated, and the training development plans and training needs analyses have been produced (see Section 2.6 below). A recommendation has been included for tracking purposes.

#### **Recommendation**

The Service should develop comprehensive written procedures for the planning, delivery and evaluation of Councillor training.

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

Agreed. A pack is being created to follow for Election purposes, this will provide advice and guidance for Officers to follow when planning an induction process. In addition, the Elected Member Development Framework drawn up in 2014 will be reviewed and updated to reflect current requirements.

#### **Implementation Date**

March 2018

#### **Responsible Officer**

Training Co-ordinator /  
Members Support

#### **Grading**

Important within audited  
area

### 2.2 Planning

- 2.2.1 Planning should be performed and concluded prior to the commencement of a task to ensure risks are managed and intended goals are achieved in a timely manner. The training coordinator developed an induction programme prior to the May 2017 elections in collaboration with Heads of Service, Service Managers and Councillors. This included a detailed induction timetable, clearly showing dates and times of training events, the content to be covered and whether the session was mandatory or recommended.
- 2.2.2 The Elected Member Development Timetable was presented to the Governance Review Programme Board on 22 March 2017. The Board discussed the importance of role profiles; 360 degree assessments for elected members; and personal development plans to record training and development. The group noted and thanked officers for the work done.
- 2.2.3 Input was sought from officers and Councillors when developing the training programme, however the training plan was not approved by the Corporate Management Team or Group Leaders. This increases the risk that required training will be omitted.

**Recommendation**

The Service should document the approval of training plans and training content as appropriate.

**Service Response / Action**

Agreed. CMT involvement in the approval of the programme is detailed in the dashboard previously submitted to Audit. The intention would be to ensure this involvement is maintained as each year’s development programme is prepared.

**Implementation Date**

December 2018

**Responsible Officer**

Training Co-ordinator /  
CMT

**Grading**

Important within audited  
area

2.2.4 An induction programme was provided to all prospective and incumbent Councillors prior to the May 2017 election showing the dates of courses, the content and whether the courses were mandatory or discretionary. This allowed Councillors the opportunity to ensure they could make arrangements to attend their required and desired training sessions.

**2.3 Training Delivery**

2.3.1 In total 33 different training events were delivered across 55 sessions between the months of May and October 2017. The attendance at these sessions were either determined to be:

- Mandatory/Required;
- Strongly Recommended; or
- Recommended.

2.3.2 The percentage of Councillors having completed the training was as follows:

Classification	% Completion
Mandatory/Required	52%
Strongly Recommended	29%
Recommended	21%

2.3.3 The overall uptake of mandatory training was poor. Newly elected members completed, on average, 73% of the required mandatory training compared to 33% of incumbent members. Mandatory training events included Councillor Networking; Bond Training; Inside Information; Corporate Change Programme; Planning; Media Awareness; School Placings and Exclusions Appeal Committee; Licensing Board (session 1 and 2), Finance (session 1); Signing Duty; Audit, Risk and Scrutiny Committee; Appeals Committee; Pensions Committee; and Recruitment..

2.3.4 Discretionary courses were less well attended than mandatory courses. Discretionary sessions included: How Committees Work; Standing Orders; Councillors Code of Conduct; various Finance sessions; and the Licensing Committee. 19 different discretionary training courses were offered to Councillors in total with varying uptake (0% to 71%). 8 training sessions had to be cancelled, including Education and Children’s Services and various Finance courses, due to no Councillors attending or, in one case, due to low numbers.

**Recommendation**

The Service should consider how to improve Councillor training attendance. This might include making courses available on-line.

**Service Response / Action**

Agreed. Surveys have been carried out to establish reasons for low attendance and identify preferences for method of delivery and responses have been taken into account when planning training. Benchmarking has also been carried out with other councils for lessons learned – all are experiencing similar issues with attendance.

**Implementation Date**

Implemented and Ongoing

**Responsible Officer**

Training Co-ordinator

**Grading**

Significant within audited area

- 2.3.5 The Licensing Act (Scotland) 2005 makes provision for regulating the sale of alcohol and for regulating premises on which alcohol is sold. The Act requires Councillors sitting on the Licensing Board to be adequately trained. Councillors must produce to the clerk of the board evidence that they have complied with the training requirements within 4 months of the day they are elected / re-elected.
- 2.3.6 Licensing Board training was delivered in two stages. Part One is mandatory under statute, and was delivered by Alcohol Focus Scotland on 22 May 2017 and was attended by 7 Councillors. One Councillor attended the training from Alcohol Focus at Moray Council on 5 June 2017. One Councillor attended the training from Alcohol Focus at Aberdeenshire Council on 26 May 2017. Part Two was provided by the Gambling Commission on 16 June 2017 and was attended by 3 Councillors. Session two was mandatory under the Governance Review Programming Board. Licensing objectives under the Act include preventing crime and disorder; securing public safety; preventing public nuisance; protecting and improving public health and protecting children and young people from harm. It is a statutory requirement for Councillors to be adequately trained in Part One above in order for the Licencing Board to meet these objectives.
- 2.3.7 Audit, Risk and Scrutiny Committee training was mandatory for Councillors appointed to that Committee. The training is deemed necessary for Councillors to participate fully in sittings of the Committee and covered: the role of the Audit, Risk and Scrutiny Committee; an overview of the system of risk management; an overview of the work of internal audit on the internal control environment; and the Committee's responsibilities in terms of the financial reporting statements of the Council. Training was provided on 30 May and 22 June 2017. 8 Councillors attended in total, representing 47% of those whose attendance was required.
- 2.3.8 Nine Councillors attended the first Licensing Board meeting immediately following the elections, whilst 16 attended the first Audit, Risk and Scrutiny Committee meeting. This means that, whilst the training was considered mandatory, Councillors who had not attended the training, participated in the meetings.

**Recommendation**

The Service should consider the risk involved in Councillors participating in meetings having not attended mandatory training and then take appropriate action to mitigate the risk.

**Service Response / Action**

Agreed. A process will be included in the updated Elected Member Development Framework whereby the Training Co-ordinator advises Committee Services of who has attended mandatory training associated with specific committees so that appropriate action can be taken to address non-attendance.

**Implementation Date**

March 2018

**Responsible Officer**

Training Co-ordinator

**Grading**

Significant within audited area

2.3.9 Councillors are required to sit on the recruitment panel for appointment of Chief Officers, Head Teachers and Depute Head Teachers. Recruitment training was scheduled to take place on 5 October 2017 however this was postponed until 23 November 2017. In order to maintain the integrity of the recruitment process and ensure effective recruitment decisions are made, all Councillors who sit on recruitment panels are required to undertake this training. In this regard, training was provided to Councillors sitting on a recruitment panel in December 2017.

**Recommendation**

Recruitment training (refresher or induction) should be delivered to Councillors who will participate on future recruitment panels.

**Service Response / Action**

Agreed. Training will be provided in the first quarter of 2018 to those involved in upcoming recruitment panels.

**Implementation Date**

March 2018

**Responsible Officer**

Training Co-ordinator / HR Adviser

**Grading**

Significant within audited area

2.3.10 The Council's Corporate Data Protection Policy states that all Elected Members, who as part of their role, undertake the processing of personal information, will be required to undertake specified Data Protection Training at the commencement of their office and to undertake specified Refresher Training at appropriate intervals thereafter. The Information Commissioner's Office (ICO) states that Councillors have three roles as far as Data Protection is concerned:

- Where they process Council personal data e.g. when serving on Committees, etc. (Council is Data Controller)
- Where they process personal data on behalf of their constituents; (Councillor is Data Controller)
- Where they process personal data on behalf of their political party; (Political Party is Data Controller)

2.3.11 As far as processing personal data on behalf of the Council is concerned, the ICO considers Councillors to be "effectively the same as staff". If a Councillor were to lose Council personal data, the Council could face a fine similar to that if a member of staff were to lose the personal data. With General Data Protection Regulations coming into force in May 2018, the maximum fine for the Council for a breach of data protection regulations will rise from £500,000 to €20,000,000.

2.3.12 The training co-ordinator has advised that the Managing Information training sessions delivered on 4 and 20 September 2017, included data protection content. 3 Councillors attended these training sessions. Further training sessions are planned for Councillors in 2018, which will cover the new General Data Protection Regulations effective from 25 May 2018. Online data protection training is provided to employees through the Online Interactive Learning (OIL) service however this has not been accessed by Councillors.

**Recommendation**

The Service should determine the most appropriate way of managing the risk relating to Data Protection.

**Service Response / Action**

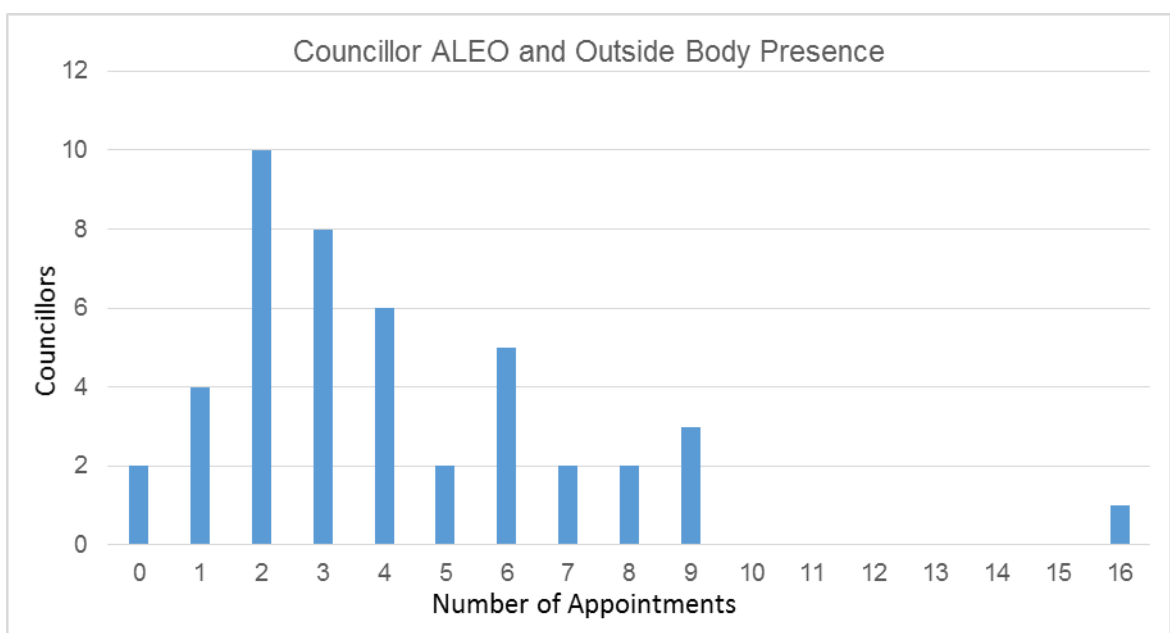
Agreed. The Data Protection (OIL) course is available to employees and Councillors – Councillors have not accessed this to date. In-depth sessions for Councillors on the changes to the Data Protection Law (GDPR) will be conducted as part of the Council's wider GDPR readiness programme.



<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2018	IT&T Team Leader	Significant within audited area

2.3.13 In June 2011, Audit Scotland produced their publication “Arm’s-length external organisations (ALEOs): are you getting it right?” as part of their How Councils work: an improvement series for Councillors and Officers. This highlighted the need for ongoing training and guidance to be provided to Councillors involved in any capacity with ALEOs and other outside bodies, to ensure they have the necessary skills to undertake their duties, with Following the Public Pound principles continuing to provide the basis for sound governance of ALEOs and outside bodies.

2.3.14 ‘Guidance on appointments to outside bodies and on ALEOs’ training was strongly recommended for all Councillors. The following chart shows the membership of Councillors on ALEOs and outside bodies (as both sitting members and reserve members) per the Council website as at 20 November 2017.



2.3.15 The training was attended by 18 Councillors (40%), compared to 96% of Councillors being on ALEOs and outside bodies. Only 53% of newly elected Councillors attended the training despite 95% having a presence on ALEOs and outside bodies. Whilst incumbent Councillors may have undertaken training during prior years, this was the first opportunity for those newly elected to undertake the training session and gain an in-depth understanding of their roles on ALEOs and outside bodies.

2.3.16 The Councillors Code of Conduct (The Code) prescribes the expected behaviours and rules by which Councillors must adhere in the performance of their duties. Training on The Code was provided through two discretionary training sessions, of which a total of 22 Councillors (49%) attended. The course covered the Code; general conduct; registration and declaration of interests; lobbying; and the Bribery Act. Given the overarching prominence of The Code covering all aspects of a Councillors role, this training could be viewed as vital to a Councillor understanding their statutory responsibilities.

2.3.17 The Standards Commission for Scotland has statutory powers under which it can levy punishment on Councillors if found by the Commissioner for Ethical Standards in Public Life in Scotland to be in breach of the Councillors Code of Conduct. Such reprimands range from censure (a formal warning) to disqualification for up to 5 years.

**Recommendation**

The Service should consider making ALEO and Councillors' Code of Conduct training mandatory for all Councillors and consider how attendance can be improved.

**Service Response / Action**

Agreed. Committee Services will be asked to identify what training is mandatory for the forthcoming development programme. This will be included in the revised Elected Member Development Framework. The route for approval of the EMDF will be confirmed with the Head of Legal and Democratic Services.

**Implementation Date**

March 2018

**Responsible Officer**

Training Co-ordinator /  
Committee Services

**Grading**

Significant within audited  
area

2.3.18 A sample of 8 Councillor training logs was selected for testing and this confirmed that they were up-to-date and consistent with attendance registers.

**2.4 Training Material**

2.4.1 A sample of 5 mandatory and 3 discretionary training session materials was obtained and examined. This confirmed that the training addressed the subject matter adequately and, where applicable, referred to the relevant statutory requirements, to allow Councillors to effectively discharge their duties. The sample selected covered the following courses (percentage attendance relates to the percentage of Councillors required to attend):

**Mandatory**

- Bond Training: Inside Information (71% attendance);
- School Placings and Exclusions Appeal Committee Training (29%);
- Appeals Committee Training (100%);
- Audit, Risk and Scrutiny Training (47%); and
- Corporate Change Briefing (22%)

**Discretionary**

- Licensing Committee training (41%);
- Integration Joint Board training (75%); and
- Councillors Code of Conduct training (49%).

**2.5 Evaluation**

2.5.1 Audit Scotland has stated that Councillors must provide feedback on training courses to help ensure their needs are met. Failing to do so means that Officers will not be able to improve on areas where there may be perceived gaps. In view of the investment of Officer time in preparing and delivering training, and the importance of having a well-trained cohort of Councillors, all views are important in this respect.

2.5.2 Feedback was sought from all 45 Councillors through an online survey with opinions sought on: overall rating of induction programme; training programme issued prior to delivery (planned training); the networking day; improvements which could be made; the timing of sessions; whether training has been helpful in role so far; and any gaps in training provided. 16 Councillors responded to this survey (36%). From these responses, an average score of 7 out of 10 was given by Councillors for the overall induction training programme.

2.5.3 To gain more in-depth feedback, the Service is inviting Councillors to attend one-to-one meetings to discuss their opinions on the training programme. As at 30 November 2017 2 Councillors have participated in these optional meetings. A group session will also be

held in January 2018 to discuss the training and Councillors will again be invited to attend one-to-one sessions. Obtaining feedback through multiple channels enables the Service to gain both qualitative and quantitative information which can aid in producing more in-depth and focused training programmes in the future.

## 2.6 Training Needs and Personal Development Plans

2.6.1 Whilst newly elected Councillors need training as detailed in the Induction Programme, to enhance their knowledge of the Council and its operations, it is important that future CPD is relevant and that training is targeted at needs, enhancing the recipient's knowledge, and generally adding value. In order to ensure this it is important to undertake a Training Needs Analysis and develop Personal Development Plans.

2.6.2 The Training Co-ordinator has stated that Member Support meet regularly with Councillors to discuss individual training needs. In addition Councillors are offered a 1-2-1 development discussion with the Training Co-ordinator at least annually to draw up their Personal Development Plans (PDPs), although not all take up this option. As a result, Training Needs Analysis or Personal Development Plans do not exist for all Councillors. Data obtained during this exercise may help inform future training and induction programmes. A recommendation is included for tracking purposes.

### **Recommendation**

The Service should develop a CPD training scheme and should take steps to improve Councillor engagement in completing Personal Development Plans.

### **Service Response / Action**

Agreed. The CPD training scheme will be added to the development programme, in future.

### **Implementation Date**

March 2018

### **Responsible Officer**

Training Co-ordinator /  
Member Support

### **Grading**

Important within audited  
area

**AUDITORS:** D Hughes  
A Johnston  
J Grigor

**Appendix 1 – Grading of Recommendations**

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

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1815 – Pre-School Places
REPORT NUMBER	IA/AC1815
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Pre-School Places.

### **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 Pre-School Places.

### **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.

## **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 AC1815 – Pre-School Places.

## **9. REPORT AUTHOR DETAILS**

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(01467) 537861



# ABERDEEN

## CITY COUNCIL

### **Internal Audit Report**

### **Education and Children's Services**

### **Pre-School Places**

**Issued to:**

Helen Shanks, Head of Education and Inclusion  
Fraser Bell, Head of Legal and Democratic Services  
Steven Whyte, Head of Finance  
Sacha Will, Service Manager (Early Years) - Acting  
External Audit

## **EXECUTIVE SUMMARY**

During 2016/17, the Council made payments totalling £2.6 million to partner providers in fulfilling obligations under the Children and Young People (Scotland) Act 2014 to provide 600 hours of pre-school education to all three and four-year olds, and eligible two-year olds per annum.

The objective of this audit was to consider whether these statutory obligations are being delivered and that adequate control is exercised over expenditure, and to consider if plans are in place to deliver the Scottish Government's expansion of early learning and childcare (ELC), which comes into force in August 2020.

The results of testing were generally satisfactory with recommendations being made to enhance written procedures, ensuring that partner providers submit required documentation, reviewing the timing of funding payments, and evidencing attendance by pupils. The Council has plans to deliver the required expansion of ELC on a phased basis up to 2020.



# 1. INTRODUCTION

- 1.1 The Council has a statutory obligation under the Children and Young People (Scotland) Act 2014 to provide 600 hours of pre-school education to all three and four-year olds, and eligible two-year olds per annum.
- 1.2 During 2016/17, the Council made payments totalling £2.6 million to partner providers in respect of this.
- 1.3 The objective of this audit was to consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure, and to consider if plans are in place to deliver the Scottish Government's expansion of early learning and childcare (ELC), which comes into force in August 2020.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Helen Shanks, Head of Education and Inclusion, and Sacha Will, Service Manager (Early Years) – Acting.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Statutory Obligations**

- 2.1.1 The Children and Young People (Scotland) Act 2014 is the driver for early learning and childcare provision. The Council has an obligation to provide 600 hours of pre-school education per annum for eligible children for at least 38 weeks a year for sessions which must be no less than 2.5 hours. To be eligible, a child should be under school age (i.e. 3 or 4-year olds) or a two-year old who is looked after by a local authority, subject of a kinship care order or where parents are in receipt of certain benefits. The Council's internal providers offer 5 daily sessions of 3.17 hours per day over a 38 week period, which equates to 602.30 hours per annum. A review of funded hours provided by a sample of partner providers confirmed that the minimum 600 hours per annum is being provided.
- 2.1.2 According to the Aberdeen City Early Learning and Childcare Delivery Plan, explained further in section 2.6, below, 27% of eligible 2 year olds, 82% of 3 year olds and 91% of 4 year olds within Aberdeen City are accessing 600 hours of Early Learning and Childcare, and the Council is in a position to meet its statutory obligations in relation to availability of free Early Learning and Childcare hours, based on demand.
- 2.1.3 The National Care Standards Committee was set up by Scottish Ministers to develop national standards, including those for Early Education and Childcare. Early education and childcare providers are expected to register with the Care Inspectorate and meet standards with regards to quality of care and support, environment, staffing and management. Providers should ensure that adult / child ratios (1:3 – 1:10) are achieved, that staff are appropriately qualified, and that space standards (2.3 m<sup>2</sup> - 3.7 m<sup>2</sup>) are met.
- 2.1.4 The Care Inspectorate carries out inspections of each registered provider to ensure ongoing compliance with standards. A report, including gradings for standards, is issued and is available on the Care Inspectorate website. Inspections are carried out on a 36 month cycle for providers with a "Good" or better rating (ratings range from Unsatisfactory to Excellent.) For any providers not meeting a "Good" rating or better, inspections are carried out annually.
- 2.1.5 The Council has engaged with 40 partner provider nurseries, in addition to 48 internal providers, to provide early education and childcare places. A review of all partner providers was undertaken to ensure that all were registered with the Care Inspectorate, and had an inspection carried out within the timescales noted in 2.1.4 above. All were registered, and have had a report carried out within the last 36 months. All but one partner provider evidenced adequate or better for all areas graded. In the one exception, the provider has not been utilised to provide childcare facilities.
- 2.1.6 A review of internal providers evidenced Care Inspectorate registration for all, and generally good reports for all but one, where "weak" grades were given for the standard of care and management, with adequate grades being given for environment and staffing. The Quality Improvement Team have implemented an improvement plan in collaboration with the appropriate Head Teacher.

### **2.2 Partner Providers**

- 2.2.1 Responsibility for ensuring the Council meets its current statutory obligations regarding early years and childcare provision lies with the Early Years Team within Education and Children's Services. Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of error and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an

experienced employee being absent or leaving. The Service have written procedures in place covering the registration of partner providers, but not for the maintenance of Service records, and the payment of partner providers.

**Recommendation**

The Service should draft written procedures for records maintenance and the payment of partner providers.

**Service Response / Action**

Agreed. Written procedures for records maintenance and payment of partner providers will be developed.

**Implementation Date**

March 2018

**Responsible Officer**

Early Learning &  
Childcare Administrator

**Grading**

Important within audited  
area

- 2.2.2 The Council engages a number of private and third sector childcare providers to ensure that statutory obligations with regards to pre-school provision is met. Any provider wishing to enter into a partnership with the Council must be registered with the Care Inspectorate, and should submit an application for partnership, as well as evidence that it is a going concern, and has relevant insurance in place.
- 2.2.3 To ensure that a partner provider is able to fulfil its obligation to provide childcare places on an ongoing basis, upon application to register as a partner provider, they should provide the Service with a 3-year cash flow statement, and a Profile of Education Provision, which should demonstrate how the provider plans to deliver and improve its pre-school education provision.
- 2.2.4 Three new partner providers have been engaged in 2017. A walkthrough test was carried out for one of these partner providers to ensure all relevant documentation was on file, and that site visits were evidenced. Evidence of the Profile of Education Provision, insurance cover, partnership agreement, cash flow statement, and a chronology of site visits carried out were all on file. The Service advised that as the partner provider had previously been in partnership with the Council, the application was processed over the telephone by the Education Support Officer, and as such there is no evidence that the partner provider has confirmed that the details they have provided are accurate.

**Recommendation**

All partner providers should submit a written application form as part of the registration process.

**Service Response / Action**

Agreed. All partner providers will submit a written application form as part of the registration process.

**Implementation Date**

January 2018

**Responsible Officer**

Early Learning &  
Childcare Administrator

**Grading**

Significant within audited  
area

- 2.2.5 To clearly define the responsibility of all parties involved, a partnership agreement should be agreed with all partner providers. A review of the Service files confirmed that there is a current partnership agreement on file for all.
- 2.2.6 It is a requirement of the partnership agreement that the provider should maintain public liability insurance of not less than £5 million, and employer's liability insurance, and that

documentary evidence of insurance be made available to the Council. Evidence of current insurance was evidenced for all partner providers.

- 2.2.7 Although Partner Providers are required to provide evidence that they are a going concern by submitting a 3-year cash flow statement, this is not required at the renewal of the partnership agreement. However, the Service has advised that it is the intention to request a cash flow statement prior to the renewal of a partnership agreement. A recommendation has been made for tracking purposes.

**Recommendation**

The Service should request cash flow statements from Partner Providers prior to the renewal of a partnership agreement.

**Service Response / Action**

Agreed. The Service will request cash flow statements from Partner Providers prior to the renewal of a partnership agreement.

**Implementation Date**

September 2018

**Responsible Officer**

Early Learning &  
Childcare Administrator

**Grading**

Significant within audited  
area

**2.3 Funding of Pre-School Places**

- 2.3.1 The Council is obliged to fund a maximum of 600 hours per annum of pre-school places. For 3 and 4 year olds, this is spread over a 38 week period, equating to 15.78 hours per week. The hourly rate payable for 3 and 4 year olds is £4.10 per hour (£2,460 per annum maximum) and £5.50 per hour for eligible 2 year olds (£3,300 per annum maximum.) To secure a place, parents should complete an application form, which is countersigned by the partner provider, and submit it to the Early Learning Team. Details of the application are input to a database, which calculates payments due to providers, based on the weekly hours for each child, on a termly basis. Following this, a payment voucher is created based on a database funding report, and payment is processed through eFinancials.

- 2.3.2 Payments made to partner providers are made in advance of service provision, with one payment being made for each term (3 terms in total). Although payment in advance is beneficial for partner providers, it increases the Council's exposure to the failure of a partner provider, and the risk of payment being made for a child who vacates their place part way through a term. Payment of funding in arrears and/or part payment being made at the start of term, and at the end of term would alleviate these risks.

**Recommendation**

The Service should review the method and timings of funding payments to partner providers.

**Service Response / Action**

Agreed. The Service will review the method and timing of funding payments to partner providers. A risk assessment will be completed which will take into account the number of children who take up their funded entitlement in Partner Provider provision. It will use historical data to understand the level of risk and will also consider the impact on Partner Providers including the level of risk this provides to their ability to remain in partnership. Any changes to the method and timing of funding payments will be included in the new partnership agreement for 2018-19 and will be implemented thereafter.

**Implementation Date**

September 2018

**Responsible Officer**

Service Manager (Early  
Years) – Acting

**Grading**

Significant within audited  
area

- 2.3.3 The database records for a sample of 30 places were reviewed to ensure all were supported by a completed application form, that the form details matched the database in terms of weekly hours, and that the funding calculation for each place was correct. All place records reviewed on the database were matched by fully completed and checked application forms. However, one error was noted where the incorrect funding rate had been applied upon input of the application, resulting in an overpayment. The Service had identified the error, have corrected the database and recovered the overpayment. One other error was noted where the Service had not updated the database to indicate payment had been made. This increases the risk of overpayment due to payment being made again, where it was not previously noted in the database. This was raised with the Service, and has been corrected.

**Recommendation**

The Service should ensure that the database is accurately updated.

**Service Response / Action**

Agreed. The Service has already identified risks in relation to the current processing system which relies on manual inputting of data therefore increasing the risk of human error. A project proposal has been submitted seeking resources to enable the development of an automated system. In the meantime officers will remain vigilant.

**Implementation Date**

Implemented

**Responsible Officer**

Service Manager (Early Years) – Acting

**Grading**

Important within audited area

- 2.3.4 The total payments to 20 partner providers calculated by the Early Years Team for term one of the 2017/18 session were reviewed to ensure that the payment was correctly calculated, appropriately authorised, and was made to the correct supplier. This was found to be the case.
- 2.3.5 A sample of 10 partner provider placeholder leavers communicated to the Council by Partner Providers was reviewed, to ensure that they were processed timeously, and that any refunds due to the Council were accurately calculated and had been received from Partner Providers. All records had been timeously processed, and all refunds were correct and had been received by the Council. However, the Service is reliant on Partner Providers advising of leavers on a timeous basis to determine if all pupils are still attending their funded partner provider places.

**Recommendation**

The Service should review all Partner Provider class registers on a termly basis to ensure funded places remain attended by pupils.

**Service Response / Action**

Agreed. The Service will review the method and timing of gathering register data from partner providers. A risk assessment will be completed which will take into account the number of children who take up their funded entitlement in Partner Provider provision. It will use historical data to understand the level of risk. The risk assessment will also consider the impact on our Partner Providers and costs associated with gathering this data in our current manual system.

The Service has already identified risks in relation to the current system which relies on manual collation of data therefore increasing the risk of human error. A project proposal has been submitted seeking resources to enable the development of an automated system which would improve accuracy of data in relation to the uptake of places.

Any changes to the method and timing of the collation of this data will be included in the new partnership agreement for 2018-19 and will be implemented thereafter.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2018	Service Manager (Early Years) – Acting	Significant within audited area

## 2.4 Budget Monitoring / Benchmarking

2.4.1 The revised budget for Partner Providers (staff costs, administration costs, transport costs, supplies and services and payments to partner providers) for 2016/17 was £3.348m, with an actual outturn of £3.121m. Monitoring is carried out on a monthly basis, and as at 31 August 2017, the revised budget was £3.384m, with a forecast outturn of £3.364m, a forecast underspend of £20,000.

2.4.2 Benchmarking data provided by the Service shows that the following rates were being paid per hour to partner providers by Scottish Councils as at April 2017:

Rates per Hour of Provision	Aberdeen City	Lowest	Highest	Number of Councils
2 Year Olds	£5.50	£3.50	£6.63	24
3 and 4 Year Olds	£4.10	£3.17	£4.58	32

The Aberdeen City Early Learning and Childcare Delivery Plan shows that, in 2016, the Council's average unit cost of provision for 3 and 4 year olds was £6.63.

## 2.5 Quality Assurance

2.5.1 To ensure that levels of funding paid are accurate, the Service carries out an audit of the registers of a minimum of 10% of Partner Providers. An audit was carried out of the registers of 5 partner providers in June 2017, relating to 2016/17. This identified a number of issues, which have been resolved with the Partner Provider, resulting in 2 refunds covering six childcare places. All refunds have been received. A recommendation has already been made at paragraph 2.3.5 in relation to reviewing class registers on a termly basis for the purposes of avoiding overpayments.

## 2.6 Childcare Expansion

2.6.1 In October 2016, the Scottish Government set out plans to expand early learning and childcare from the current 600 hours per annum to 1140 hour per annum for all three and four-year olds, and eligible two-year olds, by 2020. An action plan for 2017/18 was published by the Scottish Government in March 2017, and a Quality Action Plan was published in October 2017 to identify further actions required. The Scottish Government will work with Local Authorities and service providers to address issues of infrastructure and capacity. All Local Authorities were asked to develop a statutory Early Learning & Childcare Delivery Plan to guide the proposed expansion plans.

2.6.2 The Service submitted a report to Education and Children's Services Committee on 14 September 2017 seeking approval to submit a Draft Early Learning and Child Care Delivery Plan to the Scottish Government by 29 September 2017, and to approve presentation of the Early Learning and Childcare Financial Plan to Education and Children's Services Committee on 16 November 2017. The Financial Plan was reported to Committee, and approval to proceed was granted.

2.6.3 The Service has estimated that if no changes are made to service delivery, the Council will experience a shortfall of 2,920,650 hours by 2020. In addition, current provision is not

well positioned geographically, creating barriers to accessing childcare for a number of parents. Three priority areas of poverty currently have the highest proportion of pre-school children, leaving these areas short of available local places. These areas will therefore be targeted in phase 1 of the roll out of the increase in ELC hours between September 2017 and August 2018. Phase 2, between September 2018 and August 2019, will focus on increasing ELC hours in other areas of deprivation and where provision is not geographically well placed, with phase 3 before the August 2020 deadline, expanding provision in the remaining areas.

- 2.6.4 The Delivery Plan was drafted following consultation with key stakeholders (parents / carers, partner providers and Services across the Council). The Plan identifies proposed delivery models, phasing and prioritisation as described above, implications for the Council's Early Learning and Childcare estate, staffing and partner provider implications, project management and a detailed implementation plan, including risk management and a financial plan. In addition to meeting the requirements of the Scottish Government, the Delivery Plan will also engage local communities for the provision of childcare giving greater opportunities for parents and carers. The Plan was approved by Education and Children's Services Committee in September 2017, and was submitted to the Scottish Government, and is aligned to the Scottish Government's proposals.

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

## Appendix 1 – Grading of Recommendations

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



## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1724 – Aberdeen City Health and Social Care Partnership – Post Integration Review
REPORT NUMBER	IA/AC1724
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the outcome of an audit that was included in the Aberdeen City Health and Social Care Partnership Internal Audit plan for 2016/17.

### **2. RECOMMENDATION**

- 2.1 It is recommended that the Committee notes this report.

### **3. BACKGROUND / MAIN ISSUES**

- 3.1 The Aberdeen City Health and Social Care Partnership Audit and Performance Systems Committee agreed on 11 August 2016 that outputs from audits relating to the Partnership would be reported, for information, to the Audit Risk and Scrutiny Committee.
- 3.2 The attached report relates to a Post Integration Review of the Partnership which was reported to the Audit and Performance Systems Committee on 21 November 2017.
- 3.3 That Committee resolved to request that the Chief Officer review the Service Response in relation to Internal Audit's recommendation at paragraph 2.1.11 of the Internal Audit report and advise the Committee of the outcome. The Audit, Risk and Scrutiny Committee will be advised of the outcome when a decision is taken.

### **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.

## **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 AC1724 – Aberdeen City Health and Social Care Partnership – Post Integration Review.

## **9. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861



Aberdeen City Health & Social Care Partnership  
*A caring partnership*



# **Internal Audit Report**

## **Aberdeen City Health & Social Care Partnership**

### **Post Integration Review**

**Issued to:**

Judith Proctor, Chief Officer  
Alex Stephen, Chief Finance Officer  
Sally Shaw, Head of Strategy and Transformation  
Tom Cowan, Head of Operations  
External Audit

## **EXECUTIVE SUMMARY**

The objective of this audit was to provide assurance over whether integration objectives are on line to be achieved including: that there has been evaluation of actual risk and financial performance against pre-integration assumptions, performance on relevant integration milestones, lessons learned, and that the Partnership is on course to deliver the planned long term benefits.

A review of performance against the pre-integration assumptions will be included within the Partnership's annual performance report, which will be shared with the Partners.

Data to demonstrate delivery of some local and national outcomes is still being sourced internally and by the Scottish Government, and officers are developing both a benefits realisation framework and improvement plan. Performance is considered more regularly by the Integration Joint Board and the individual Partners at Chief Officer level, but is not considered to be required by Partners' Committees or Boards.

Appropriate governance arrangements are in place, however a scheme of delegation, protocol for Directions, service delivery and commissioning plans, and a change management process, are still under development. Dates have now been set for their delivery.

# 1. INTRODUCTION

- 1.1 Aberdeen City Health and Social Care Partnership formed in February 2016, following approval of its Integration Scheme. Publication of its Strategic Plan, and delegation of service delivery by its Partners: NHS Grampian and Aberdeen City Council, was completed to allow the Partnership to commence operations in April 2016.
- 1.2 The Partnership manages its strategy and operations via an Integration Joint Board (IJB), supported by Committees, an Executive Team, and officers within the Partners reporting to the Chief Officer. Resources and budgets have been delegated to the Partnership, which directs services from the Partners via official Directions in order to fulfil the requirements of its Strategic Plan.
- 1.3 The objective of this audit was to provide assurance over whether integration objectives are on line to be achieved including: that there has been evaluation of actual risk and financial performance against pre-integration assumptions, performance on relevant integration milestones, lessons learned, and that the Partnership is on course to deliver the planned long term benefits.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Judith Proctor, Chief Officer to the IJB.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Governance Arrangements

- 2.1.1 The IJB was established as a legal entity in its own right, created by Parliamentary Order which came into force on 6 February 2016. This followed setting of its Integration Scheme and agreement of its Strategic Commissioning Plan (Strategic Plan). These two key documents formed the basis of the Partnership and set out its vision for the future. The main focus up to 1 April 2016, when services were formally delegated by Aberdeen City Council and NHS Grampian, was on the production and approval of these documents, and preparing the Board to take ownership of the Plan.
- 2.1.2 Committee papers show the development of the IJB itself and the wider policy landscape. There are effective structures in place to monitor and report progress and lessons learned, and to report exceptions to the appropriate Committee or Board as relevant.
- 2.1.3 The IJB has appropriate governance arrangements in place to support its operations and delivery of its strategy, including the Integration Scheme and Strategic Plan, Financial Regulations and a Risk Management Strategy. These key documents are in place and are being developed and further reviewed as necessary.
- 2.1.4 A Scheme of Delegation has been drafted but the IJB is awaiting the conclusion of a review of Aberdeen City Council's governance arrangements in order to align it with Partners. Although this reduces the risk of having to revisit the Scheme pending conclusion of other changes, it means an element of the Partnership's governance arrangements is not yet in place.

#### **Recommendation**

The IJB should progress development of its Scheme of Delegation.

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

Agreed. Delegation from the IJB is set out in the Board Assurance and Escalation Framework and Standing Orders. Work still needs to be progressed to update the Council's scheme of delegation to reflect the Chief Officer's role as a proper officer of the Council. Revisions to the Council's scheme of delegation are still being worked through.

#### **Implementation Date**

December 2017

#### **Responsible Officer**

Chief Finance Officer

#### **Grading**

Significant within audited area

- 2.1.5 Service delivery and Commissioning plans have not yet been developed or costed, and reliance is largely being placed on Partners' existing service delivery mechanisms: service delivery largely continues in line with Partners' prior arrangements, though these have not been set out in specific plans for approval by either Partners or the IJB in 2016/17. Changes are being managed under transformation programmes, or would be subject to separate Directions.
- 2.1.6 A draft Commissioning Plan has been drafted and was agreed by the IJB in August as ready for consultation. It will come back to the IJB in December for sign off. Further delays in its production could affect the Partnership's ability to deliver the Strategic Plan. The Partnership has noted that delays in recruitment of the Head of Strategy and Transformation (now concluded), and in progressing consultancy work due to sickness absence, have impacted on development of the Plan.

**Recommendation**

The IJB should ensure service delivery and commissioning plans are developed and costed.

**Service Response / Action**

Agreed. A report was provided to the IJB in August 2017 with an implementation plan for consultation. This will be further developed for formal agreement in 2018.

**Implementation Date**

March 2018

**Responsible Officer**

Head of Strategy and Transformation

**Grading**

Significant within audited area

- 2.1.7 The Integration Scheme sets out that the IJB will, through the Chief Officer, have an appropriate role in the operational delivery of services by the Parties in the carrying out of integration functions. However it also states that NHS Grampian and the Council will be responsible for the operational delivery of delegated services in implementation of Directions of the IJB.
- 2.1.8 The Chief Officer is responsible for the operational management of delegated services, and is a member of the Partners' senior management teams. The Chief Officer is line managed by and reports to the Chief Executives of both NHS Grampian and Aberdeen City Council, and provides regular updates on operational and financial performance and progress towards achieving the Partnership's objectives. However, these are not regularly reported to the Partners' respective Boards or Committees. Therefore, except through the Chief Officer to their senior management teams, the Partners have limited oversight of operational delivery of delegated services. Officers have however highlighted that voting membership of the IJB comprises both Elected Members of the Council and Non-Executive (and 1 Executive) Directors of NHS Grampian and the make-up of the IJB's committees also reflects this in relation to operational and performance reporting.
- 2.1.9 The Council receives a quarterly report from its Chief Executive regarding the IJB's governance arrangements, which includes some financial information. However this does not currently demonstrate performance against the Partnership's strategic or operational objectives. These are, as required by the legislation however reported to the IJB and performance reports are publically available.
- 2.1.10 Although the Strategy is owned and controlled by the IJB, Partners will still need oversight of progress with transformation, in order to demonstrate that the planned outcomes for their investment in the Partnership are being realised. Officers consider that this is provided in the Annual report which is shared with Partner organisations as required by the legislation and via the regular public reporting undertaken through the IJB.
- 2.1.11 The Scottish Government's Guidance for Integration Financial Assurance recommended that Boards document their evaluation of actual risk and financial performance against pre-integration assumptions. Although no separate report was prepared to document this, Officers consider that this requirement was met through the 2017/18 budget setting process, during which the Board considered the risks and assumptions, and set out its plans for the following financial year. In addition the IJB was required to publish an Annual Performance Report within four months of the year end. However, these are annual exercises, and more regular reporting would provide additional assurance.

**Recommendation**

The IJB should ensure that operational and financial performance, and details of progress with achieving the Partnership’s objectives are provided to partners regularly for reporting to a relevant Board or Committee.

**Service Response / Action**

Not Agreed. Partners have delegated activities to the IJB and place assurance on the IJB to monitor regular and in-year performance. Voting membership of the IJB comprises both Elected Members of ACC and Non-Executive and Executive Directors of NHS Grampian from whom assurance can be obtained, and the Chief Executives have line of sight for accountability. Annual reporting, and the reports presented by Aberdeen City Council’s Chief Executive, is considered sufficient and appropriate in reducing the risk of multiple lines of reporting and oversight.

**Internal Audit Comment**

Service position noted

**Grading**

Important within audited area

- 2.1.12 A process for issuing directions has developed, and decisions made on these are transparent and appropriately evidenced. However, development of a protocol or procedure would provide more assurance over consistency of the approach to developing and issuing directions. A protocol is being drafted for agreement by the Partners’ Chief Executives.

**Recommendation**

The IJB should agree a protocol or procedure for development and issue of Directions.

**Service Response / Action**

Agreed. A procedure has now been put in place.

**Implementation Date**

Implemented

**Responsible Officer**

Chief Finance Officer

**Grading**

Important within audited area

**2.2 Risk Management**

- 2.2.1 Risk management has been well integrated into the IJB’s reporting arrangements, and Committee agendas. Each report presented to the Board and Committees identifies key risks and mitigations. The Audit and Performance Systems Committee (APSC) receives updates to the strategic and operational risk registers as a standing item at every meeting.

- 2.2.2 However, some risk areas may not be updated for each Committee cycle, which could impact on the assurance provided over mitigations. Recent changes to presentation of the strategic risk register show changes more clearly. However, whilst the operational register now includes ‘last updated’ dates, this is not always being completed, and some areas do not appear to have been recently reviewed.

**Recommendation**

The IJB should ensure risk registers are kept up to date.

**Service Response / Action**

Agreed. Audit & Performance Systems (APS) Committee considered a report which recommended the operational risk be reported to the Clinical & Care Governance Committee and that both risk registers will be reported quarterly, with the strategic risk register quarterly update being reported two times a year to the IJB and APS committee. The IJB received an update in August 2017.



<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Head of Strategy & Transformation	Important within audited area

- 2.2.3 The Risk Management Framework agreed in March 2016 has not been reviewed within 1 year as originally planned. The Partnership anticipates reviewing this in June 2017.

<b><u>Recommendation</u></b> The IJB should review its Risk Management Framework as planned.		
<b><u>Service Response / Action</u></b> Agreed. This was included in the review of the Board Assurance and Escalation Framework reported to APS Committee in June 2017. A further review is being undertaken by the Good Governance Institute		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Head of Strategy & Transformation	Important within audited area

## 2.3 Financial Governance

- 2.3.1 The Integration Scheme sets out that in order to give assurance to the Parties that the delegated budgets are being used for their intended purposes, financial monitoring reports will be produced for the Parties in accordance with timetables to be agreed at the start of each financial year. The format of such reports was to be agreed by the Director of Finance of NHS Grampian and the Section 95 Officer of the Council, in conjunction with the Chief Finance Officer of the IJB.
- 2.3.2 Regular financial performance monitoring has developed and is well presented, including detail of anticipated variances in outturn, and mitigating actions being taken. The Partnership is also considering improvements to the monitoring format following the 2016/17 year end process. However, a budget monitoring protocol or procedure, agreed between the Chief Finance Officer and the Partners' Finance Teams would provide more assurance over consistency going forward.

<b><u>Recommendation</u></b> The CFO, in conjunction with the Partners' Finance Teams, should develop a budget monitoring procedure.		
<b><u>Service Response / Action</u></b> Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2017	Chief Finance Officer	Important within audited area

- 2.3.3 Performance monitoring is still under development, within a defined Framework. There are currently only limited financial metrics – only the achievement of the IJB budget and associated savings.
- 2.3.4 Further financial measures could provide more assurance, however as there are separate reports to the APSC and IJB in respect of budget monitoring and transformation programme progress and expenditure it may not be necessary to provide these in the form of a performance indicator.

- 2.3.5 There appears to have been limited attempts so far to combine financial and non-financial performance. Doing so could better demonstrate the Partnership's achievement of Best Value, and the impact of its resource allocation decisions.

<b><u>Recommendation</u></b>		
The IJB should consider combining financial and operational performance indicators.		
<b><u>Service Response / Action</u></b>		
Agreed – consideration will be given to including financial performance indicators in the performance management framework. However, it needs to be established whether these would add any value to the performance management framework. It is anticipated that either APSC or the IJB will receive quarterly updates on the finances, risk and performance management at the same meeting.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2017	Chief Finance Officer/Head of Strategy and Transformation	Important within audited area

- 2.3.6 The 2017/18 budget has been set and a budget protocol agreed between the Partners and IJB.

- 2.3.7 There is no capital plan for the IJB at present: input is instead provided to the Partners' capital planning processes. The IJB needs to determine the asset requirements to support the Strategic Plan, and will need to identify and seek to incorporate any major changes to existing programmes at an early stage, as lead times for delivery could be significant.

<b><u>Recommendation</u></b>		
The IJB should develop an asset management strategy.		
<b><u>Service Response / Action</u></b>		
Agreed – an officer in the IJB is already working on this, however, resourcing issues means that the priority to date has been on the projects already approved.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
June 2018	Chief Finance Officer	Significant within audited area

## 2.4 Transformation

- 2.4.1 Localities are key to supporting and delivering many of the planned changes to service delivery arrangements. A timetable for Locality Planning has only recently (March 2017) been developed and shared with the IJB (June 2017), as there had been delays in recruitment of Heads of Locality and other elements of the management structure. Locality Leadership Groups have been set up and engagement is ongoing with regard to the Localities, and the intention is for each to support the development of the Plans, which are anticipated to be in place by December 2017.

- 2.4.2 Locality budgets are also still to be developed. It will be difficult to demonstrate financial performance at a locality level until the budgets have been devolved. It is also a requirement to include the proportion of the budget spent on each locality in the annual performance report.

**Recommendation**

The IJB should set a timetable for development of its Locality Budgets.

**Service Response / Action**

Agreed.

**Implementation Date**

March 2018

**Responsible Officer**

Chief Finance Officer

**Grading**

Significant within audited area

- 2.4.3 For Transformation Programmes, a “Programme Management approach” is being taken, and the IJB receives regular updates. A new reporting style (Highlight Report) introduced in February 2017 improved the presentation of progress with the various programmes. It also more clearly links the programmes with the relevant elements of the Strategic Plan.
- 2.4.4 The report recognised that much of the programme is at the ‘define’ (or design) stage, rather than implementation, and this is slower than desired due to gaps in programme management capacity which Officers have attributed to the length of time recruitment processes take across partner organisations. Work is still ongoing to progress recruitment to fill these posts, many of which were originally identified and agreed in April 2016. This includes Heads of Locality posts, which impacts on locality planning and budgeting, as well as Programme Management posts.
- 2.4.5 Some elements of the programmes are still to be defined in detail, or have end dates specified. Others show end dates towards the end of the current Strategic Plan, suggesting outcomes and benefits may take some time to achieve. In some cases only short term milestones have been listed and future actions have not yet been timetabled.
- 2.4.6 Whilst there is an understandable desire to co-produce the outcomes, and wait for posts to be filled before progressing further elements of the programmes, and these new posts are required to provide sufficient capacity to facilitate the level of engagement required, it will take time to engage and plan with the relevant communities. It is important that the programme is updated to provide assurance over progress with meeting the ambitions set out in the Strategic Plan, within the period for which it was set.
- 2.4.7 Progress with the development of a Framework for Performance, Governance and Improvement was reported to the IJB in January 2017. Thereafter, summary performance data has been provided, including performance against a number of key areas, including a baseline or national benchmark where available. Although indicators have been identified to demonstrate achievement of Local and National Outcomes, in many cases reports indicate there is currently no data to support them. The Scottish Government has instigated a review of national indicators, and officers are working to determine whether all of the identified local indicators remain relevant, or if further data can be obtained. Forecasts and thresholds have still to be developed.
- 2.4.8 In order to determine whether benefits have been achieved from the transformational programmes, there needs to be a way of identifying the planned and actual impact on outcomes. Success criteria need to be defined in advance in order to demonstrate that resources are being planned and used effectively.
- 2.4.9 Officers are working on benefits planning and realisation. This includes a move to a new business case approach which requires anticipated benefits for each project to be clearly articulated at the outset, so that their achievement can be measured thereafter, and decisions made going forward. Changes to the internal review and reporting structure for programmes have also been implemented.

- 2.4.10 Progress will be measured using the suite of performance indicators. However, once this is in place it is still likely to be difficult to isolate the impact of individual changes. This could make it difficult to measure success and to inform future investment and disinvestment decisions.

<b><u>Recommendation</u></b> The IJB should conclude its work on the Benefits Realisation Framework to ensure it can monitor progress and benefits realised against plans and forecasts for each programme.		
<b><u>Service Response / Action</u></b> Agreed.		
<b><u>Implementation Date</u></b> March 2018	<b><u>Responsible Officer</u></b> Lead Transformation Manager	<b><u>Grading</u></b> Significant within audited area

- 2.4.11 Transformational plans have been costed, however the costings are subject to variation. Changes are being approved via formal reports to the Board. Progress has been constrained by a shortage of capacity, particularly at programme and senior management levels. The Board has been advised that recruitment is ongoing, and the Service stated that recruitment to Programme Manager posts was ongoing in the first week of July 2017. In the meantime there is potential slippage, resulting in a potential underspend against transformation programmes. In contrast, two of the programmes which have not spent all of the funding allocated to them in the first year have been assigned additional budget.

- 2.4.12 There is a risk that the scope of programmes, and associated spending, may develop to use the available budget, rather than to fulfil the original remit. It is however recognised that it is difficult to scope and budget for these transformational change programmes.

<b><u>Recommendation</u></b> The IJB should ensure transformation programme budgets are adequately controlled.		
<b><u>Service Response / Action</u></b> Agreed.		
Initial assumptions were based on less information than is now available. As a result of ongoing iterative improvement processes, including revisions to initial assumptions as new information becomes available, financial allocations to programmes have changed to more accurately reflect the scope of the projects.		
A change management process is being developed which will support this, and will be included in regular performance reports.		
<b><u>Implementation Date</u></b> March 2018	<b><u>Responsible Officer</u></b> Lead Transformation Manager	<b><u>Grading</u></b> Important within audited area

**AUDITORS:** D Hughes  
C Harvey

## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1817 – Vehicle Usage
REPORT NUMBER	IA/AC1817
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Vehicle Usage.

### **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 Vehicle Usage.

### **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.

## **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 AC1817 – Vehicle Usage.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN CITY COUNCIL

## Internal Audit Report Vehicle Usage

**Issued to:**

Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure  
Steven Whyte, Director of Resources  
Fraser Bell, Head of Legal & Democratic Services  
Mark Reilly, Head of Public Infrastructure and Environment  
Morven Spalding, Interim Head of HR  
William Whyte, Fleet Manager  
External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Council currently has a fleet of 657 vehicles (including long term hires), which are provided to Services through Fleet, based on their requirements.

The objective of this audit was to 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.

Whilst there are methods and procedures used by individual Council Services to plan and document vehicle usage, there is currently no comprehensive corporate driving at work policy, and utilisation data is generally limited to daily mileage and monthly fuel cost. As a result there is limited assurance that vehicles are being used effectively and efficiently, and solely for business purposes.

A corporate driving at work policy is now being considered for development and would be subject to consultation prior to seeking relevant approvals. Subject to further agreement and procurement processes the Fleet Service intends to select and roll out a telematics system which would provide data to facilitate more efficient use of the Council's fleet.

# 1. INTRODUCTION

- 1.1 Aberdeen City Council currently has a fleet of 657 vehicles (including long term hires), which are provided to Services through Fleet, based on their needs and requirements.
- 1.2 The objective of this audit was to 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. This involved reviewing Fleet and Service practice on recording and monitoring vehicle usage.
- 1.3 Managers receive reports of vehicle usage from their drivers or Fleet, and fuel data from Finance, which they can use to monitor their vehicles' use. Fleet are currently conducting trials of telematics systems, which it is anticipated will be installed in all Council vehicles to automatically record and provide management information. Fleet and Services are also responsible for ensuring that all driver licences are valid, checking records received from tachographs, as well as ensuring that any required training is kept up to date.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Head of Public Infrastructure and Environment, William Whyte, Fleet Manager, Morven Spalding, Interim Head of HR, and Ruth Kydd, Insurance Officer.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Policy

- 2.1.1 Fleet issues handbooks to Services for every different type of vehicle, which the drivers must sign the first time they use that type of vehicle to confirm they have received a copy and understood the requirements. These contain information that is particular to that type of vehicle as well as contact details in the event of a breakdown or accident.
- 2.1.2 However, there is currently no policy for driving a Council owned vehicle that covers all staff who drive vehicles within the Council. Instead some Services have created their own procedures, and others refer to HSE guidance on driving at work. Whilst there are some common principles this has resulted in some variation in practice between Services.
- 2.1.3 The current insurance policy covers up to 31 March 2018, and provides cover for all employees driving all types of vehicle, who have been granted permission to drive by the Council. The Insurance Officer has stated that insurers expect the Council to have policies in place to mitigate against potential losses, including for example a driving at work policy, telematics and policies to ensure business mileage is justified and drivers vetted appropriately. This is in the Council's best interest as, whilst the insurance excess at present is low (£500), due to the loss ratio sustained over the past 5 years (currently around 90%), premiums continue to increase as a direct result of a lack of process control in this area. There is a risk that this increase may not be sustainable in light of budget constraints.
- 2.1.4 However, whilst Services and Fleet have stated that the use of vehicles or carriage of passengers should be limited to solely Council business purposes, as there is no driving policy that covers all staff who drive vehicles in the Council there is no confirmation on the approved types of usage. There is therefore a potential financial and reputational risk if an accident were to occur while a Council vehicle was being used for personal use or while a non-Council employee was a passenger.

#### **Recommendation**

The Council should develop and roll out a single policy on the use of Council owned vehicles, ensuring this includes whether and in which circumstances non-business use or carriage of passengers is allowed.

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

Agreed. The Council requires a corporate policy which will require wider consultation and submission of appropriate Committee reports. The Head of Public Infrastructure and Environment will chair a cross-Service working group to progress this.

#### **Implementation Date**

April 2019

#### **Responsible Officer**

Head of Public Infrastructure and Environment (subject to review after 1 April 2018)

#### **Grading**

Significant within audited area

- 2.1.5 The licences of drivers of vehicles over 7.5 tonnes are checked 3 monthly by Fleet via Driver Hire. Alerts are sent to the Compliance Manager on a daily basis if any driver accumulates additional points to their licence. Fleet send consent forms every 3 years to relevant drivers to confirm that they can automatically check the licences on their behalf.
- 2.1.6 The licences of employees driving vehicles under 7.5 tonnes should be checked annually through the Driver Management System (DMS) on YourHR. All employees who drive on Council business must have their licence details on DMS, regardless of the type of vehicle

they drive and whether Fleet already check their licences for other driving categories. There are currently 2,338 employees on this system, including those who only drive their own vehicle and claim mileage.

2.1.7 It is the employee’s responsibility to upload their licence to DMS when they start, and then every year after that for their licence check. Once uploaded, licences are automatically checked and sent to their manager for verification. A reminder email is sent to their manager a month prior to a check if a new licence hasn’t been uploaded.

2.1.8 Not all Services are fully aware of the requirements. For example the Library Service had no record of checks, but this may have been due to changes in management; and Facilities advised that licences are checked every 2 years, instead of 6 monthly or annually for the various types of vehicles. There is a risk that other Services may not be undertaking checks sufficiently regularly.

**Recommendation**

All Services should be made aware that they should be doing licence checks, the frequency that these should be completed and that it is the managers’ responsibility to ensure these are done.

**Service Response / Action**

Agreed. A communication will be issued to Service Managers reminding them of their responsibilities. This can subsequently be further reinforced through the development of a corporate “driving at work policy.” The exception to this is for those staff who hold a vocational licence and for whom additional licence check requirements are carried out by Fleet Services.

**Implementation Date**

February 2018

**Responsible Officer**

Interim Head of HR.

**Grading**

Important within audited area

2.1.9 There is a charge of £3 for each licence check that is performed by Fleet through Driver Hire. Fleet advised that there may be around 20 unnecessary checks per year due to Fleet not being notified by Service managers or supervisors when a driver leaves their driving post. Although the cost incurred is small there could be Data Protection implications if sensitive personal data (such as licence details) is sought after a driver has left the Council’s employment – which could result in penalties and impact on the Council’s reputation. Updates should therefore be scheduled into the leaver’s process for drivers so that notification to Fleet can be given.

**Recommendation**

Services should ensure that employees leaving Council employment are flagged for removal from the relevant licence check system/s.

**Service Response / Action**

Agreed. Fleet will develop a leavers system for HGV licence records and remind services of the requirement at review meetings.

For all other licences HR will include removal from the DMS for ‘grey fleet’ drivers (which is a module on the Your HR system) to the leaver’s process.

**Implementation Date**

April 2018;  
September 2018

**Responsible Officer**

Fleet Manager;  
Head of HR

**Grading**

Important within audited area

- 2.1.10 Any driver of a lorry or bus must complete a CPC (Certificate of Professional Competence) every 5 years, which consists of 35 hours training. Services are required to keep records of when each driver's CPC expires and details of training completed. Services were able to demonstrate that these are kept up to date.
- 2.1.11 Minibus drivers are not currently required to complete a CPC, but must have a valid Minibus Driving Permit which covers them for 4 years. The Public Transport Unit keeps a record of permits issued. Maintaining records centrally along with other safety, compliance and licensing information held by Fleet would provide more assurance over the use of Council vehicles.

**Recommendation**

Fleet should have oversight of relevant driving records.

**Service Response / Action**

Agreed. Services are responsible for holding appropriate records, but Fleet will review to ensure records are held as part of routine audits. These need to be managed as a requirement under the conditions of the councils "O Licence", and driving records associated with "mini –buses" to ensure that the council is meeting its responsibilities under current statutory legislation.

**Implementation Date**

September 2018

**Responsible Officer**

Fleet Manager

**Grading**

Important within audited area

- 2.1.12 Drivers of large goods vehicles and passenger carrying vehicles (buses) must use a tachograph to record all hours spent driving. These details are collated by an external assessor, which sends reports to Fleet, and thereafter Services and Managers detailing any infringements. The Manager should then discuss infringements with the driver concerned, and they should both sign and date a tacho infringement letter, which is kept in their file. Should consistent infringements occur, further training courses will be offered. Following a previous Internal Audit, Fleet have implemented a self-audit programme, to obtain assurance that infringement letters are being signed and retained as required.

**2.2 Vehicle Use and Monitoring**

- 2.2.1 Fleet maintains mileage details on the Tranman system, and data from the system is shared with Services. Managers with responsibility for vehicles within their Service were contacted and asked to confirm details of current practices. The responses showed that a limited amount of information is being recorded, with few Services reviewing mileage reports, and limited monitoring taking place as a result. In some cases Services considered that Fleet was responsible for reviewing mileage / utilisation.
- 2.2.2 Most Services do review fuel card expenditure as part of the process for administering payments, to ensure the amounts and types of fuel are reasonable. High performance fuel purchases are highlighted on the report to allow Managers to discuss these with the driver. There are however no comparisons across different periods to see if there are any variations or trends in the amount of fuel being purchased.
- 2.2.3 Tanks have recently been installed at two depots for bunkered fuel for Council vehicles. This will reduce the cost of fuel in comparison to using filling stations and will also allow for greater monitoring of fuel use and mileage, as there will be more control over the process for checking mileage each time a vehicle is refuelled. Methods for collating data from this system and remaining fuel cards are being developed. Reports will initially be sent to Fleet showing the amount of fuel purchased per vehicle along with the mileage.

- 2.2.4 Absence of regular monitoring could mean that vehicles are not being utilised as efficiently as they could be. Under-use could indicate the vehicle might not be getting used properly, or is not required, and over-use could lead to additional faults and repairs, and potentially shorten the lifespan of the vehicle.
- 2.2.5 Fleet is carrying out trials of telematics systems within various Services including Grounds, Waste, Roads and PTU. Fleet provided copies of the reports received from the trial with Grounds, which detailed utilisation, speeding, idling and overall activity. These reports would allow for monitoring the usage of vehicles each day, as well as seeing any trends of idling times or stopping at certain locations. Implementation of telematics across the Fleet would also assist with insurance claims defensibility and risk. Information regarding use, speed and fuel efficiency could assist in changing behaviour, where necessary, to ensure drivers are driving safely and consistently on behalf of the Council.
- 2.2.6 Following conclusion of these trials Fleet intends to review results, compare the benefits and costs of each option and thereafter seek relevant authorisation to proceed with procurement and roll-out of an appropriate solution. If agreed, implementation would be on a phased basis, with utilisation data being built up over the first year, then using this data in the following year to promote efficiencies where appropriate.
- 2.2.7 Concerns have been highlighted to Fleet regarding potential risks with regard to employee acceptance of monitoring equipment within their vehicles. There are however no contractual issues preventing installation and use of telematics in Council provided vehicles, and there may be additional benefits – for example in addition to providing management information for optimising fleet utilisation, some of the systems being trialled offer additional employee / lone worker safety options. Employees would be expected to use the system / vehicles as they would any other system or equipment provided by their employer.

**Recommendation**

Fleet should ensure that all Services have access to regular reports on vehicle use, know how to check these and what issues to consider.

**Service Response / Action**

Agreed. If it is agreed to progress, implementation of telematics will provide data, and Fleet will support Services in its use. It will take time to develop data and training.

**Implementation Date**

April 2019

**Responsible Officer**

Fleet Manager

**Grading**

Significant within audited area

- 2.2.8 The only consistent record of mileage completed by all drivers is the first use check form, which is filled out the first time the driver uses the vehicle each day, prior to driving. This only allows for the mileage at the start of the day to be recorded.
- 2.2.9 Minibus drivers have a log book in which they can record the mileage at the start and end of each day, however this remains with the vehicle until it is full, and is rarely reviewed unless an issue arises.
- 2.2.10 Within the Roads Service an RF5 form is used to record the time and mileage a vehicle is used against different jobs throughout the day. Whilst this is primarily used for job costing, this form can also be used to show separate journeys, detailing the start and end locations as well as the mileage per trip.
- 2.2.11 Recording the details and purpose of all trips for all Council vehicles would provide more assurance that vehicles are being used appropriately for Council business purposes. This

data could then be used to more accurately demonstrate Services' fleet requirements. Whilst some Services will have additional requirements, it should be possible for a single corporate form and process to facilitate these. Whilst a telematics system would improve record keeping, it would need to be complemented with details of the purpose of journeys to provide assurance over their necessity.

**Recommendation**

Services should record the details and purpose of all trips in Council vehicles to a defined standard.

**Service Response / Action**

Services already have a number of methods for recording and planning routes, including the routing system in Waste, PTU's booking system and manifests, and a job allocation system for Building Services. It is acknowledged that actual trip data is less consistently recorded. Implementation of telematics, if approved, will increase the data available, providing management with a tool to compare planned and actual vehicle utilisation, without increasing the burden of administration.

**Audit Comment**

Service response noted.

**Grading**

Significant within audited area

- 2.2.12 In the Building Services driving procedure, it advises that where a period of annual leave or sickness absence exceeds 5 working days, any vehicle that is usually kept at a home address must be returned to the depot. This means that there can be a vehicle sitting unused for up to 5 days, when it could be put to alternative use for those days, reducing the need for additional hire costs. There are no records to demonstrate that this policy is being strictly applied, therefore there may be instances where unused vehicles are not being returned promptly.
- 2.2.13 Although a small number of Services would be happy to share vehicles with other Services if it would reduce costs and could be scheduled around their operating times, most considered that they would be unable to do so as all their vehicles are currently being fully utilised, have a service specific application, or are held to provide capacity to cover for planned maintenance.
- 2.2.14 Without utilisation details it is difficult to determine whether these assertions are correct. There is a risk that individual Services operating their fleet independently may not maximise utilisation and minimise costs for the Council as a whole.

**Recommendation**

Fleet utilisation should be reviewed corporately to maximise efficiency.

**Service Response / Action**

A full review would require additional resources which are not currently available. Depending on approval of the revised Fleet business case following a Service Review, vehicle budgets may be moved to user Services. If progressed, data from telematics will assist Fleet to support user Services in identifying areas where efficiencies can be obtained.

**Implementation Date**

April 2019

**Responsible Officer**

Fleet Manager

**Grading**

Significant within audited area

- 2.2.15 All Services advised that no personal use or commuting is permitted in any of their vehicles, and that no vehicle is used for these purposes. There are no records, however



Services referenced occasions where personal use has been reported by other employees or members of the public.

- 2.2.16 However, employees from several Services take vehicles home overnight. The reasons given are either there is insufficient space or security at a depot, they are required to work at various sites, or they are on standby / call out.
- 2.2.17 Some Services are taking locations and distances into consideration when determining whether it is appropriate for employees to take vehicles home. The Public Transport Unit (PTU) advised that prior to any of their minibuses being taken home, the location it will be kept at is assessed by the Service. Building Services' driving procedure advises no vehicle can be driven to a home address more than 25 miles away from the depot at Kittybrewster for employees who were employed before May 2012. For any employee who commenced employment after this date, the limit is 15 miles from Kittybrewster. A list provided by Fleet indicates that there are 21 employees who drive their vehicles more than 15 miles, and 4 drive more than 25 miles. From review of a sample of these cases commuting can account for up to 81% of the total mileage covered by a vehicle in the period reviewed.
- 2.2.18 Only business miles are tax exempt: personal use or commuting may be liable to tax. There is an exception outlined in HMRC guidance (480) for "*vehicles in which private use by the employee is specifically prohibited and which are not so used - both requirements must be satisfied for the exemption to apply*". HMRC also advises that the van benefit charge is nil if both the following requirements are satisfied throughout the year: "*the van must only be available to the employee for business travel and commuting – and must not in fact be used for any other private purpose except to an insignificant extent*", and "*the van must be available to the employee mainly for use for the employee's business travel*".
- 2.2.19 In the cases noted above, where more than 50% of the mileage travelled is commuting, it may be difficult to demonstrate that vans have been provided mainly for business travel. Given the absence of a corporate policy, and the lack of records to substantiate that there is no, or only insignificant, private use, there is a risk that taxable mileage may be incurred but not recovered, and penalties applied. Extended commutes may also heighten the risk for the insurer. The recommendations at 2.1.4 and 2.2.11 apply.
- 2.2.20 In July 2017 Fleet carried out a review to determine an estimated cost for Building Services allowing their staff to take vehicles home overnight. This covered 23 employees residing more than 15 miles away from Kittybrewster (out of approximately 240 in total used by the Service). Taking into account fuel, tyre wear and maintenance costs, the calculated annual cost was over £250,000. Internal Audit has calculated a more conservative estimate for these vehicles of around £110,000 based on the equivalent HMRC mileage rates.
- 2.2.21 The review did not look at commutes of less than 15 miles. In a small sample of other Services' records Internal Audit identified that in some cases up to 20% of mileage was likely to be attributable to commuting. Reducing the number of commuting miles, or removing the option to use Council vehicles to commute at all, would likely present further savings. However, these would need to be balanced against the cost of providing secure space to keep vehicles, and any time and cost implications arising through routing from a central point. As Services do not currently keep comprehensive records of commuting, the full costs may be difficult to quantify.
- 2.2.22 The current procedures provide no incentive to utilise fleet efficiently. In order to demonstrate that value is being obtained, Services could be required to maintain detailed records, or provide business cases demonstrating the costs and benefits and authorisation for each vehicle being taken home.

**Recommendation**

A corporate review is required on Services allowing employees to take vehicles home and use them for day to day commuting, to ensure such instances present a net benefit to the Council.

**Service Response / Action**

Agreed. There may be operational advantages but development of a procedure to manage these is required to give assurance that the council is meeting all its statutory duties. This will be considered for inclusion in the driving policy. The Head of Public Infrastructure and Environment will chair a cross-Service working group to progress this.

**Implementation Date**

April 2019

**Responsible Officer**

Head of Public Infrastructure and Environment (subject to review after 1 April 2018)

**Grading**

Significant within audited area

2.2.23

Only a small number of Services have had employees complete a course or training on economical driving. There is no specific Council offered course: training is provided by external providers. There is a government scheme called FuelGood, but this is primarily for private vehicles used for business travel. There is also training offered for users of pool cars. Fuel savings may be achievable if this were more widespread.

**Recommendation**

Fleet should offer employees driving council vehicles training on economical driving styles.

**Service Response / Action**

Agreed. Fleet has identified a local partner to deliver training. Services will be asked to sign up to this as a "spend to save" initiative.

**Implementation Date**

Implemented

**Responsible Officer**

Fleet Manager

**Grading**

Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
R Brand

## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1822 – YourHR
REPORT NUMBER	IA/AC1822
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on YourHR.

### **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 YourHR.

### **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.

## **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 AC1822 – YourHR.

## **9. REPORT AUTHOR DETAILS**

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(01467) 537861



# ABERDEEN CITY COUNCIL

## Internal Audit Report Corporate Governance YourHR

**Issued to:**

Morven Spalding, Interim Head of HR  
Simon Haston, Head of IT  
Fraser Bell, Head of Legal and Democratic Services  
Steven Whyte, Director of Resources  
External Audit

## **EXECUTIVE SUMMARY**

YourHR is an employee self-service and electronic workflow system used by approximately 5,000 employees and Councillors to view recent payslips; view and update personal information; report health and safety incidents; claim and approve annual and special leave; claim and approve overtime; carry out performance reviews; and report on sickness absences.

The objective of this audit was consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.

The results of testing were generally satisfactory. Whilst recognising that the system is scheduled to be replaced by a new Human Capital Management system, recommendations have been made in relation to system audit trail reviews, data protection training, written procedures, records of system failures and faults, system access, reporting of health and safety incidents and accidents, reconciliations and data security. These have been agreed either for implementation within the current or future system.



# 1. INTRODUCTION

- 1.1 Effective and efficient Human Resource management and facilities can yield significant benefits across organisations.
- 1.2 YourHR is an employee self-service and electronic workflow system aiming to provide an array of financial and non-financial benefits:
- Cost savings through reduced administration of paper-based forms;
  - Reduction in calculation errors and the misplacement of employee request forms;
  - Automation of the workflow;
  - Improved data accuracy; and
  - Improved data protection.
- 1.3 The Council has in excess of 9,000 employees and produces more than 250,000 payroll and HR related transactions annually, including but not limited to:
- Annual/Flexi Leave;
  - Expenses Claims;
  - Sickness Absences; and
  - Overtime Claims.
- Prior to the launch of YourHR, the majority of these transactions were paper based, leading to a variety of processes throughout the Council and increased risk of error. YourHR aimed to standardise processes and reduce the administrative workload relating to payroll transactions this for the majority of staff.
- 1.4 YourHR was developed in-house by a project team using off-the-shelf development tools. YourHR currently has 4,997 active users who can perform tasks including: viewing their 12 most recent payslips directly; claiming, reviewing and approving overtime; viewing and updating personal information; reporting of health and safety incidents; claiming and approval of annual and special leave; performance reviews and development; and the reporting of sickness absences. The system was rolled out in four phases to employees who have a Council workplace email. For those ineligible for enrolment onto YourHR, the manual processes automated by YourHR remain in place.
- 1.5 The YourHR system can be accessed by any individual who is enrolled when either connected to the internal network through the Zone or through the employee's internet browser on personal devices. Usernames and passwords are required to be input for any access.
- 1.6 It is the current intent and plan for HR to replace the YourHR system with a new Human Capital Management (HCM) system which will be part of the new integrated payroll and HR system within the next 18 months.
- 1.7 The objective of this audit was consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Morven Spalding, Interim Head of HR, Andrea Garden (Team Leader), and Lynn Ritchie (Information Systems Architect).

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Comprehensive written policies and procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees, and provide management with assurance of correct and consistent practices being followed.
- 2.1.2 Process maps are available on the Zone for certain YourHR functions thought to be more complicated, such as reporting absences, however written procedures describing how to carry out standard functions within YourHR are not in place. With the system being replaced within the next 18 months, developing extensive written procedures for the system at this stage may not be an effective or efficient use of resources. Therefore, the recommendation below is made with reference to the new HCM system.

#### **Recommendation**

The Service should develop and approve readily available, comprehensive written procedures for the HCM system.

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

Agreed. Where there is a requirement for a procedure to be created the relevant function will arrange for this to be produced and made readily available.

#### **Implementation Date**

April 2019 but dependant on implementation of the new HCM System

#### **Responsible Officer**

Project Lead (HCM)

#### **Grading**

Important within audited area

### 2.2 System Supply, Development and Maintenance

- 2.2.1 YourHR was developed by an in-house team using software and hardware already owned by the Council. The system has been updated on an ongoing basis with new modules developed and implemented over the life of the system. A log is kept showing the outstanding, in progress and completed system development projects. All new features and alterations to the system are tested prior to live implementation within the YourHR test system, before being tested by a manager of an applicable service. The new module / update can then be rolled out to all YourHR users. This testing platform aims to ensure that the system is fully functional prior to going live.
- 2.2.2 Two Business Analysts within the Council have administrative status with regard to YourHR and are responsible for the corrective measures required when any issues occur. System failures or issues are logged with ICT and steps are taken by Business Analysts to correct the issues.
- 2.2.3 Best practice is to record any system issues in a failure and / or fault log. This log allows for the tracking of issues and can enable easy identification of fault or issue trends. A log should contain information regarding the nature and extent of the issue, the date and time the issue occurred and was logged, the resolution and the date and time the issue was resolved. Failing to keep such a log risks issues not being resolved in a timely manner. The previous Project Lead, based in HR, maintained an up-to-date log, however, since responsibility for the system transferred to IT, no records now exist or are being maintained.

**Recommendation**

The Service should keep a record of all system failures and faults.

**Service Response / Action**

Agreed. System failures and faults will be recorded on service now.

**Implementation Date**

January 2018

**Responsible Officer**

Information Systems  
Architect

**Grading**

Important within audited  
area

**2.3 System Access**

2.3.1 YourHR provides a portal allowing employees to view and edit their personal information. Due to the personal nature of the information stored within the system it is imperative that adequate controls exist to prevent inappropriate access to the data.

2.3.2 Users can access the system either directly through the Zone or through the employee’s internet browser on personal devices. The individual must then enter both their workplace email address or username and their personal password to complete the login. It is Council Information Security policy that passwords must contain at least 8 characters and contain at least one letter, number and special character. YourHR conforms to these requirements.

2.3.3 The system is also designed to block individuals from accessing the system following multiple incorrect password attempts. This is to prevent individuals from guessing passwords and gaining inappropriate access to the system and viewing the information of another individual. A call must then be logged to AskHR to unlock the account and an email containing a time-sensitive validation code is then sent to the individual’s workplace email to reset the password. The password must then be reset by the individual within 20 minutes or the validation code will expire and another call must be logged. Internal Audit tested password security by using the test system and attempting to gain access using the incorrect password for the test user account. Following 4 failed attempts, the system locked out the user and even when the correct password was subsequently used, access was not gained.

2.3.4 All incorrect login attempts are recorded by the system allowing for the system administrator to perform audits of the login attempts. These are performed on an ad hoc basis by the Service. No reports of findings are produced from these.

**Recommendation**

Consideration should be given to the reporting requirements for and over the new HCM system.

**Service Response / Action**

Agreed.

**Implementation Date**

April 2019 but dependant  
on implementation of the  
new HCM System

**Responsible Officer**

Project Lead (HCM)

**Grading**

Important within audited  
area

2.3.5 A timing out control ensures that if a user is inactive for 20 minutes (45 minutes in the performance review and development section) they are automatically logged out. When making a timing out decision the system only considers a user accessing different screens as active, and not typing on a screen, allowing enough time for activities to be completed, whilst not being excessive and unnecessarily long. Internal Audit examined the timing out

features by leaving the test system logged in and inactive. The system timed out appropriately.

- 2.3.6 One of the key benefits of the YourHR system is the ability for individuals to update their personal information immediately. In order to ensure that changes are appropriate and made by the correct individual, an email is sent to the individual's workplace email as confirmation. In order to ensure that this control is robust, the system does not allow individuals to alter the email address within the system.
- 2.3.7 An additional safeguard is present where an individual wishes to change their bank details. The existing bank information is hidden from view and prior to making any change to bank details, the individual must first enter their current details. Failure to do this correctly will not allow the employee to enter the new details. As with all other changes to personal information, an email confirmation of the changes is then sent to the employee, however this does not include the bank details for security reasons.
- 2.3.8 When an individual joins the Council, ICT will contact the HR Service Centre (HRSC) with the new employee's email address. This will then be input to the PSe enterprise (PSe) HR system and an account can then either be created in YourHR by HRSC or the employee upon their employment commencing. Access rights are then assigned by HRSC that are appropriate according to their job title, whether they are considered a line manager or whether they are considered a budget holder. The roles which can be assigned are: Employee, Manager, HRSC, Payroll, Business Partner Team, Service Admin or System Admin. A sample of 5 new starts within the Council from April – November 2017 was tested and this confirmed that they were granted appropriate access rights and that this was done timeously.
- 2.3.9 Where an individual leaves the Council, their details are updated in PSe and an overnight data upload removes access from YourHR from the appropriate date. Internal Audit tested whether any access to the system has been gained by the individual following leaving the Council through inspection of the audit trail and whether the user was still listed as active on the active user register. A sample of 5 leavers from the Council during the period April 2017 to November 2017 was tested. None of these were included in the active user logs, and according to the audit trail none had gained access to the system after they left the Council. No exceptions were therefore noted.
- 2.3.10 One third party external organisation to the Council has use of YourHR – Bon Accord Care. Bon Accord Care has full functionality within the YourHR system with the only difference being how admin and line manager access levels are assigned due to the differences in organisational structure from the Council. No explicit review is made by the Council over the information being processed on YourHR by Bon Accord Care as this is an Arm's Length External Organisation (ALEO). Bon Accord Care has no access to the Council employees and the two are kept distinctly separate through the user access rights.

## **2.4 Data Input and Processing**

- 2.4.1 Data is transmitted from PSe to YourHR overnight, meaning that when an individual logs on to YourHR the next day, they see a snapshot of their information as it was overnight. When an employee updates any information in YourHR or claims overtime or special leave, then the information is transferred to PSe instantaneously. This then provides HR and payroll with up to date information on each individual.
- 2.4.2 Where an employee wishes to raise an overtime, unpaid or annual leave claim, make a change to their personal details, and where a health and safety incident report is being made then an electronic form (eForm) must be completed. A sample of 8 of each of these changes was tested and confirmed that the forms were effecting the required change or

reports within the appropriate corresponding system. In total a sample of 40 eForms were tested across an 8 month period (April – November 2017).

- 2.4.3 Health and Safety incidents and injuries are reported through YourHR by an individual's operational line manager or by a nominated employee within the injured party's Service. No issues were noted in the health and safety reporting through YourHR; all reports are investigated by the individual who raises the report and these are reviewed by HSW and reported as appropriate through RIDDOR or to HSE. The system features functionality for each Service to download all of the reports for their Service. This should then be cascaded down to managers to ensure awareness of health and safety issues and that any corrective measures can be taken in the workplace. However, whilst Services are running these reports, managers are not being made aware of outstanding incidents and these are not being fully investigated or completed correctly. This can result in matters not being closed in a timely manner by management.

<b><u>Recommendation</u></b>		
Services should be reminded of their responsibility to cascade information regarding YourHR reported health and safety incidents throughout their Service.		
<b><u>Service Response / Action</u></b>		
Agreed. An e-mail will be sent out to Business Support managers/teams to remind them of their responsibility regarding YourHR reported health and safety incidents throughout the Service.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
January 2018	Team Leader (H&S)	Important within audited area

**2.5 Audit Trail Functionality**

- 2.5.1 Audit trail functionality exists within the system to allow the tracking of all logins and changes made and audit logs are reviewed by system administrators. However, system administrator activity is not reviewed as audit logs do not record changes made by system administrators.
- 2.5.2 Procedures require that if a system administrator wished to disable the audit trail functionality they must first receive approval from the Payroll Team Leader and / or the Information Systems Architect by way of an email request. However, it is possible to disable the audit trail without the knowledge of these individuals. In view of the system being replaced in the near future, no preventative control is recommended, however, an independent review of audit logs should be completed.

<b><u>Recommendation</u></b>		
The Service should introduce an independent review over the changes made by system administrators. This individual should have no or limited access to the system and should be adequately knowledgeable to detect and highlight inappropriate actions within the system.		
<b><u>Service Response / Action</u></b>		
Due to the set-up of the system this may be difficult to achieve, but the Service will investigate whether this is possible.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Information Systems Architect / Team Leader (Payroll)	Significant within audited area

## 2.6 Data Protection

- 2.6.1 The Data Protection Act 1998 must be adhered to by the Council (Data Controller). The Data Controller has responsibilities under the legislation to protect personal and sensitive personal data of its employees and to ensure that such data is processed for its intended use only.
- 2.6.2 The Council provides three different courses that are relevant to the Data Protection Act 1998: 'Data Protection Essentials' focused on data protection, 'Employee Induction' which introduces the core Council policies including data protection, and 'For Your Eyes Only' which is an information security module.
- 2.6.3 The Council's Data Protection Policy (as approved by the Finance, Policy and Resources Committee on 15 September 2015) states that all employees who, as part of their role, are required to process personal information must undertake specific data protection training on commencement of their employment and undertake refresher training at appropriate intervals thereafter.
- 2.6.4 A sample of 10 employees was selected for testing to ensure this training was completed through an inspection of individual's training records. The following was noted in the testing:
- 8 of the sampled individuals have completed the 'Data Protection Essentials' module on OIL, 4 of which have completed this within the last three years;
  - 1 employee joined the Council within the last year and completed training on Data Protection basics during the mandatory 'Employee Induction'; and
  - 1 employee completed the 'For Your Eyes Only' training module in 2008 and has since received no further training.
- 2.6.5 All staff members in HR and payroll, and system administrators, have access to personal information. Therefore, appropriate training must be completed to comply with Council policy. Regular refresher training should also be being provided to ensure compliance is maintained.
- 2.6.6 Were a member of staff to act in breach of the Data Protection Act 1998 when performing their duties in processing information on behalf of the Council, the Council will be liable for any fines. With General Data Protection Regulation coming into force in May 2018, the maximum fine for the Council for a breach of data protection regulations will rise from £500,000 to €20,000,000.

### **Recommendation**

The Service should consider whether refresher training on the 'Data Protection Essentials' module should be provided more regularly.

### **Service Response / Action**

The Data Protection course is currently being rewritten in light of the changes resulting from the new General Data Protection Regulation (GDPR) obligations, which come into effect on the 25 May 2018. All employees will be required to complete the new course and clear instructions will be given as to the frequency employees will be required to refresh their knowledge and understanding.

### **Implementation Date**

December 2018

### **Responsible Officer**

Team Leader (OD) /  
information Manager

### **Grading**

Significant within audited  
area

- 2.6.7 A detailed data protection review was undertaken across the Council as part of the Data Protection Audit (report AC1707).

## 2.7 Reconciliations

- 2.7.1 Reconciliations are a pivotal control in ensuring accuracy and completeness of information. However, the YourHR system provides no reconciliation functionality and no manual reconciliations are performed. System functionality should allow for data line items to be reconciled from the system to the source and vice versa. This can be achieved by either automated reconciliations initiated by the system, the use of bespoke middleware software or the ability to generate system reports which can then be reconciled back to the system manually. Any reconciling differences should then be investigated and corrected timeously.
- 2.7.2 The Service does perform a check over the data transfer to ensure that the file size being received by one system is the same size as the file being sent by the other. This is a high level review and provides no comfort that the detail contained within the files agree.

### **Recommendation**

The Service should perform reconciliations over system data and should investigate and correct any reconciling differences.

### **Service Response / Action**

The Service will investigate how to better the process and determine what further checks are required to be put in place to ensure data consistency and completeness between the two systems.

### **Implementation Date**

May 2018

### **Responsible Officer**

Information Systems  
Architect

### **Grading**

Important within audited  
area

## 2.8 Performance Monitoring

- 2.8.1 Stability of an IT system ensures that the service provided by the system is regularly available and suffers few performance issues. A key method in achieving stability is to ensure that performance of each IT system is consistently monitored. With regard to YourHR there are two facets which are monitored for stability and performance.
- 2.8.2 The first of these is the overall server stability and performance which is managed for all Council servers by the external data centre provider. The second is the database and interface performance. This is monitored in-house by IT who can make ad-hoc adjustments to the system. As a means to introduce these changes and to monitor the system, YourHR is unavailable for access from 12-12.30pm and 5-5.30pm every day.

## 2.9 Security

- 2.9.1 When two systems interact as a means to transfer information, it is essential that the transfer is completed within IT security requirements. Both PSe and YourHR are internal systems protected by the overall IT firewall and no data is transferred out with this. Therefore for somebody to be able to intercept this data they would first be required to breach the firewall protecting all Council systems.
- 2.9.2 Data transferred between the systems is not encrypted and therefore were access gained through the firewall, the data transfer could potentially be intercepted. These data transfers can include certain sensitive personal information and therefore were a breach to occur there is no additional safeguards protecting the data being transferred.
- 2.9.3 The HCM system will combine both the payroll/HR aspects with the employee self service capabilities currently provided by YourHR in a fully integrated system. Therefore there

will be no data transfers between systems, however the Council should ensure that the information being held by the system and/or being transmitted to other systems is protected from interception.

**Recommendation**

The Service should consider encrypting the data being transferred between the systems as a safeguard to prevent any data transfer interception.

**Service Response / Action**

The use of SFTP (Secure File Transfer Protocol) instead of (File Transfer Protocol) FTP will be considered. SFTP encrypts data which is being transferred over a network, improving security when compared with FTP.

**Implementation Date**

March 2018

**Responsible Officer**

Information Systems  
Architect

**Grading**

Important within audited  
area

**2.10 Business Continuity and Disaster Recovery**

- 2.10.1 Disaster recovery and business continuity planning are integral parts of the overall risk management for an organisation. This aspect of risk management within the Council has been examined in more depth as part of the Major IT Business Systems Audit and Business Continuity Plans were audited in report AC1804. YourHR is considered one of the Council's top 20 most important systems and therefore is part of the first line of systems to be restored following any outage. Although not explicitly mentioned within the business continuity plan, YourHR is considered a part of the PSe system by the Council and is included in the disaster recovery for this.
- 2.10.2 System backups are performed by the Council's data centre provider with backups being held at an external location. This ensures that were an incident to occur impacting the data held onsite by the Council, then data would not be lost and could be recovered from this external source, reducing downtime.
- 2.10.3 In a previous audit of the YourHR system in 2013 it was identified that all development software was stored on two PCs held in Marischal College with no external backup. The Service has confirmed that this is now backed up into the test system, which is then included as part of the backups highlighted above.

**AUDITORS:** D Hughes  
A Johnston  
J Grigor



## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1809 – Children’s Social work Payments
REPORT NUMBER	IA/AC1809
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Children’s Social Work Payments.

### **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 Children’s Social work Payments.

### **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.

## **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 AC1809 – Children’s Social Work Payments.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN

## CITY COUNCIL

### **Internal Audit Report**

### **Education & Children's Services**

### **Children's Social Work Payments**

**Issued to:**

Bernadette Oxley, Head of Children's Social Work  
Graeme Simpson, Lead Service Manager  
Anne Donaldson, Lead Service Manager  
Fraser Bell, Head of Legal & Democratic Services  
Steven Whyte, Director of Resources  
External Audit

## **EXECUTIVE SUMMARY**

The Council has statutory obligations to support children and families under various sections of the Adoption and Children (Scotland) Act 2007, the Children's Hearings (Scotland) Act 2011 and the Children & Young People (Scotland) Act 2014. These cover actions from supervision, support and accommodation, to throughcare and aftercare.

The objective of this audit was to obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled. In general costs are appropriate to the function, however the standard of evidence supporting payments made, particularly for discretionary financial support, is varied. The Service has agreed to standardise processes and review the standard of supporting documentation to ensure there is a clear audit trail of authorisation and disbursement for all care expenditure.

## **1. INTRODUCTION**

- 1.1 The Council has statutory obligations to support children and families under various sections of the Adoption and Children (Scotland) Act 2007, the Children's Hearings (Scotland) Act 2011 and the Children & Young People (Scotland) Act 2014. These cover actions from supervision, support and accommodation, to throughcare and aftercare.
- 1.2 The objective of this audit was to obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled. This involved a review of supporting documentation for care expenditure and discretionary support payments completed by a sample of children's services teams.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Graeme Simpson and Anne Donaldson, Lead Service Managers.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 There are procedure notes covering e.g. administration and care first data entry, and documentation setting out the legal context for children’s social work, however very few of the procedures cover the whole process, or why it is done in a particular way. Procedures on The Zone are not all up to date.
- 2.1.2 When discussed with staff it was evident that each understood their role and their part of the process for administering payments, but it was rare to find this having been explicitly documented. Without complete, up to date, accessible written procedures, staff changes could compromise the process.

#### **Recommendation**

The Service should standardise and simplify its written procedures, and ensure all staff have access to them.

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

Agreed. This process is being reviewed and updated and will be added to the “Go To” Guide that can be accessed by all staff.

#### **Implementation Date**

March 2018

#### **Responsible Officer**

Lead Children’s Services  
Manager

#### **Grading**

Significant within audited  
area

### 2.2 Planned Care

- 2.2.1 Service users’ care needs are assessed, a care plan developed, and if services are required to meet these needs they will be offered by the Service. There are different methods for arranging the delivery of care under Self Directed Support (SDS) – ranging from Direct Payments to end users or their carers to purchase services they require in accordance with their care plan, to service agreements made between the Council and service providers on service users’ behalf. A sample of 10 cases was reviewed.
- 2.2.2 SDS direct payments are calculated based on an agreed set of rates, which varies depending on whether the service user is obtaining the services of a personal assistant, or an agency / external provider. The level of payment is signed off by a Team Manager, and / or Service Manager in the majority of cases. This is evidenced in an SDS or Direct Payments alteration form and confirmed to the service user / carer in a letter. The Finance Support team makes four-weekly payments into service users’ bank accounts, and monitors the use of these funds to ensure it is aligned with the original plans.
- 2.2.3 Service agreements with external providers are calculated based on agreed service provider rates, and the service user’s needs as documented in a service specification. The level of payment is signed off by a Team Manager, Service Manager, or more recently by a Panel (for Children with Disabilities). This is evidenced in an application form completed by the Social Worker or Care Coordinator, and a Panel minute where applicable. The Finance Support team receives invoices and checks them against CareFirst approved limits. Where there is a variation this is checked, and in each of the cases reviewed the cost of care invoiced was equal to or less than authorised on CareFirst.
- 2.2.4 CareFirst records were reviewed to determine whether services were appropriate to the child’s needs. There were no care plans on the system for self-directed support cases – the Service has noted that these are currently paper based, and system recording options are being considered. The care plans visible to Internal Audit for the remaining individuals



did not contain sufficient detail to demonstrate specific needs and justify care packages. Clear explanations for services provided are however contained within the relevant application forms.

- 2.2.5 As the documents are completed electronically, signatures are scanned and not hand written on each form, therefore not all of the files received clearly evidenced that the named officers had signed them off, and not all files clearly demonstrated segregation of duties (i.e there was not always a record or evidence of a separate individual completing the form for it to be authorised). In some cases emails provided this assurance.
- 2.2.6 Although in each case there was also a system record of authorisation, 7 of 10 service agreements reviewed had not been authorised on the system until after the service had commenced. This reduces assurance that the provision and cost of services has been agreed in advance. As the service agreement on CareFirst is used in place of a purchase order, these are in effect retrospective purchase orders, in breach of the Council's Procurement Regulations.
- 2.2.7 Each of the cases reviewed was signed off on CareFirst by either a Team Manager or a Consultant Social Worker. It is not clear from the limited procedure notes provided (see section 2.1 above) whether the latter has authorisation to sign off expenditure, or to what level.

**Recommendation**

The Service should ensure there is evidence of advance authorisation at an appropriate level for all care agreements.

**Service Response / Action**

Agreed. In collaboration with Finance the Service will ensure clarity regarding authorisation levels for all care placements.

**Implementation Date**

March 2018

**Responsible Officer**

Lead Children's Services  
Manager

**Grading**

Significant within audited  
area

- 2.2.8 Rate increases are not being applied uniformly across all SDS (Direct Payments) cases – with some, at the time payments were reviewed by Internal Audit, not having been increased since 2015 (£10.05 per hour compared with £10.99 per hour for new cases or changes in 2017). This could have put service users with less recently reviewed care packages at a disadvantage. The Service has noted that following agreement by the SDS Board, revised rates were passed to the CareFirst team and updated in August / September 2017 and backdated to 3 April 2017. A revision to the consultation process has been made to ensure this process is completed at an earlier stage in future.

**2.3 Discretionary Support**

- 2.3.1 Social Work teams have some discretion to provide occasional professionally assessed financial support in the form of services or payments to service users in need of assistance in accordance with S17; S22 and S29 of the Children (Scotland) Act 1995. Financial Assistance Forms are completed in these cases, and should be considered by the Social Worker and Team Manager before submitting to a Panel for review. A sample of 18 payments was reviewed by Internal Audit.
- 2.3.2 Written procedures provided by one of the Children in Need Teams show that expenditure should be logged on CareFirst as a 'Financial Assessments & Payments' Classification. However none of the sample expenditure was logged on CareFirst. Within historical records there was evidence of this facility having last been used in 2009, and there was

one recent example logged by an adult services team – indicating that this may have been practice in the past, or in adult services, but is not typically the case for children now.

- 2.3.3 If discretionary expenditure is not being logged on CareFirst, staff and management responsible for an individual’s care may not be aware of the full level of support provided.

<b><u>Recommendation</u></b>		
The Service should ensure all expenditure is logged on CareFirst.		
<b><u>Service Response / Action</u></b>		
Agreed. This will be address by revised written instructions / guide in point 2.1.2.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Lead Children’s Services Manager	Significant within audited area

- 2.3.4 The majority of payments reviewed appear reasonable in terms of the care or support of children and young people, and the Council’s corporate parenting role. However, the auditor was not able to obtain full supporting evidence for all of the payments requested timeously from the Service – due to difficulties locating the correct person holding them and confusion by staff as to whether or not and how much information could be released to the auditor. As the payments are discretionary, authorisation at the appropriate level has been taken as acceptance that they are appropriate, even if the supporting documentation was weak.

- 2.3.5 All care payments reviewed have been subject to a prior authorisation process either via the Team Manager, Children’s Services Manager, or a Panel review, however records of this are not well substantiated. For example, the outcome of each Panel review provided to the support team to evidence approval prior to payment is indicated on a spreadsheet, with no minute of the discussion or audit trail of where it has come from. Financial Assistance Forms for authorisation are being prepared and then typed up, and signatures are being scanned on to these copies, which appears to be inefficient and provides no assurance that the Team or Service Manager has approved them. Service Manager authorisation is by email which provides some assurance, but this audit trail is not well maintained. Therefore, although there is an authorisation process for financial assistance, this may be inefficient and does not evidence the authorisations well.

<b><u>Recommendation</u></b>		
The Service should ensure there is a clear audit trail of authorisation for financial assistance.		
<b><u>Service Response / Action</u></b>		
Agreed. There should be original signed copies of all supporting documentation. Alternatives to the current paper based process with carbon copies will be considered to ensure the process is efficient.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Lead Children’s Services Manager	Significant within audited area

- 2.3.6 The majority of payments are in the form of cash. Whilst individual payments are generally small amounts, some, particularly those provided through the Youth Team, are significant in value, and are held on site for long periods. Recent withdrawals included over £3,000 and £4,000 in a single transaction. Drawing this amount of cash, and holding it on the premises, presents a number of risks including loss or theft, and a risk to staff in collecting or distributing it. Although these risks are mitigated to an extent through access controls,

locks and safes, they would be unnecessary if alternative means of spending were instigated e.g. purchase orders or purchase cards.

- 2.3.7 One instance was identified where cash was drawn and charged against 'section 17 care & accommodation' yet it pertained to car seats purchased for the use of a children's social work team. The service has acknowledged this should have been purchased via Purchase Order in accordance with the Procurement Regulations. Otherwise the transaction was adequately supported.

<b><u>Recommendation</u></b>		
The Service should ensure cash is not used where alternative means of payment are available.		
<b><u>Service Response / Action</u></b>		
Agreed. To be addressed in 2.1.2		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Lead Children's Services Manager	Significant within audited area

- 2.3.8 Cash for the Youth Team is being drawn by advising Accounts Payable of the requirement for funding which is then transferred by BACS into a bank account held exclusively by the Team for that purpose. Cash is then drawn via a cheque completed by the Youth Team administration team, and authorised by the Manager, or Administration Officer with a second signature on the cheque. Although the team advised that the procedure ensures two signatures are required, there is only space for one on the chequebook, therefore the bank might accept a single signature. A member of the administration team takes the cheque to the bank, cashes it and returns to the office with the cash. The accounts are visible to but not reconciled by the Bank Reconciliations Team.

- 2.3.9 Having separate bank accounts presents risks over access controls, and completeness of accounting records. Although there are local administrative processes covering these there is a risk they may not be robust. It is likely that there are further establishment bank accounts, which may not be necessary. Establishments may however prefer to maintain their own accounts as it simplifies and speeds up access arrangements – they will not have to wait for a petty cash cheque – just for a BACS payment to clear.

- 2.3.10 Unless there are pending payments the balances should be close to zero. The Youth Team noted that there were historical balances on their accounts of just under £3,500. This money has not been used in almost a year. Although the value is unlikely to be material (in terms of the Council's accounts) on its own, if there are other bank accounts or cash holdings with balances at year end they should be considered for inclusion in the year end accounts.

<b><u>Recommendation</u></b>		
The Service should review the need for and operation of separate bank accounts with Finance to ensure consistency of practice.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Children's Services Manager	Significant within audited area

- 2.3.11 Cash is being segregated by service user (e.g. in individual envelopes or tins within a safe), yet service users are not typically accessing all of the cash at one time, meaning a lot of cash is held unused for long periods of time.
- 2.3.12 Separating cash may be unnecessary and inefficient. If there is still a requirement for some level of cash after exploring alternative payment methods (see 2.3.6 above), then it could be held as a single float and expenditure accounted for separately rather than being separated at source, to improve efficiency and reduce the quantity of cash being held.

**Recommendation**

The Service should review manual cash handling processes to improve efficiency and reduce cash holding where possible.

**Service Response / Action**

Agreed. An action plan has been developed and is being progressed.

**Implementation Date**

March 2018

**Responsible Officer**

Children's Services  
Manager

**Grading**

Significant within audited  
area

- 2.3.13 The majority of payments have been released to a Social Worker or support worker rather than direct to a service user or their carer. Although in many instances there are receipts substantiating what was purchased, records of funds or items having been given to the end user are limited. Without evidence of its receipt there is a risk of care and support not having been provided promptly to the correct person.

**Recommendation**

The Service should obtain evidence from service users to demonstrate receipt of financial assistance.

**Service Response / Action**

Agreed.

**Implementation Date**

March 2018

**Responsible Officer**

Children's Services  
Manager

**Grading**

Significant within audited  
area

- 2.3.14 For the Youth Team funds are being issued to Social Workers and in some cases to external support workers, and are not registered as having been spent until receipts and remaining unspent funds are returned. Although a separate record of cash issued is held in a receipt book, it is more difficult to keep track of and follow up cash which has been issued but has yet to be spent or receipted.

**Recommendation**

The Service should review its administrative processes to ensure cash is accounted for as it leaves the premises, and receipts can be followed up timeously.

**Service Response / Action**

Agreed.

**Implementation Date**

March 2018

**Responsible Officer**

Children's Services  
Manager

**Grading**

Significant within audited  
area

**AUDITORS:** D Hughes, C Harvey and S Armstrong

## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1821 – Adult Social Work Payroll
REPORT NUMBER	IA/AC1821
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Adult Social Work Payroll.

### **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 Adult Social Work Payroll.

### **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.

## **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 AC1821 – Adult Social Work Payroll.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN CITY COUNCIL

## Internal Audit Report Adult Social Work Payroll

**Issued to:**

Aberdeen City Health & Social Care Partnership

Judith Proctor, Chief Officer

Tom Cowan, Head of Operations

Alex Stephen, Chief Finance Officer

Aberdeen City Council

Morven Spalding, Interim Head of HR

Steven Whyte, Director of Resources

Fraser Bell, Head of Legal and Democratic Services

External Audit

## **EXECUTIVE SUMMARY**

Adult Services employs staff in day care centres, sheltered housing and care homes, along with out of hours care, criminal justice and mental health. The staffing budget for 2016/17 was £17.1 million, with a planned budget for 2017/18 of £17.3 million. The budget is managed by the Health and Social Care Partnership, via Aberdeen City Council's HR Service Centre (HRSC) and Payroll systems and processes.

The objective of this audit was to consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled. There are suitable controls over processing the majority of documentation by HR and Payroll, however authorised signatories and processes within the Service need to be reviewed to ensure claims for all payments are adequately supported and treated consistently in line with policy.

# 1. INTRODUCTION

- 1.1 Adult Services employs staff in day care centres, sheltered housing and care homes, along with out of hours care, criminal justice and mental health. The staffing budget for 2016/17 was £17.1 million, with a planned budget for 2017/18 of £17.3 million.
- 1.2 The budget is managed by the Health and Social Care Partnership, via Aberdeen City Council's HR Service Centre (HRSC) and Payroll systems and processes.
- 1.3 The objective of this audit was to consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled. This involved contacting the Service to find out the current practices that are in place as well as practice within HRSC and Payroll. Tests were carried out on randomly selected samples across the various aspects involved with this audit to ensure that the practices are correct and there are no issues or errors arising as a result of these.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Tom Cowan, Head of Operations (Aberdeen City Health & Social Care Partnership) and Morven Spalding, Interim Head of HR (Aberdeen City Council).

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 New Starts

- 2.1.1 Following the recruitment process (not tested as part of this audit) management notify HR of a new start, and the HRSC sets up a new employee (or moves an existing employee to a new post) on the HR system. Since June 2017 forms have been processed wholly electronically rather than in paper format and scanned. Payroll is then notified that the new start has been set up, and proceed to set up any permanent allowances and check calculation of the employee's first payslip.
- 2.1.2 15 of 42 new starts within Adult Social Work between April and October 2017 were selected by Internal Audit for review. In each case the information supplied was correct and it was entered into the system correctly, producing a correct first payment.
- 2.1.3 4 of the forms tested were processed manually, therefore processing dates were clearly noted. In one case the new start was processed by Payroll after their start date, but this had no impact on payment. The 11 forms processed electronically only retain the date on which they were processed by the HRSC, not the date they were processed by Payroll. In one instance the HRSC processed the form after the start date but again there was no impact on the amount or timing of the payment.
- 2.1.4 Although in these instances there was no impact on the employee's first payment, late notification or processing of HR and Payroll paperwork could present a risk, and might indicate recruitment processes not being applied consistently.

#### **Recommendation**

The Service, HRSC and Payroll should review instances where there has been late notification of changes to the payroll to identify whether changes to the process are necessary.

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

Agreed. Payroll and HRSC will continue to work with managers to improve and streamline processes.

#### **Implementation Date**

Implemented

#### **Responsible Officer**

Team Leader (HRSC)

#### **Grading**

Important within audited area

- 2.1.5 The Non-Standard Working Week Allowance (NSWWA) is paid to take account of enhanced rates of pay available for employees working to a fixed rota which includes night and / or weekend work without the need for separate monthly timesheet claims. Two employees in the sample of 15 were entitled to an allowance and were paid the correct initial amount.

### 2.2 Leavers

- 2.2.1 From April to October 2017 there were 30 leavers within this Service. A sample of 15 was reviewed to ensure the appropriate paperwork was completed on time and the final payments were calculated correctly.
- 2.2.2 9 of the forms tested were processed by both HRSC and Payroll prior to the leave date. 3 of the forms that were late were still processed within the same month. 3 forms were processed the following month, however none resulted in any overpayments. Although late notification presents a risk of overpayment, it may be difficult to avoid in instances

where staff leave unexpectedly or with limited notice. The recommendation at 2.1.4 above refers.

- 2.2.3 All of the final payments of basic pay reviewed, including 2 cases where the NSWWA was applied, were calculated and processed correctly. However, in some cases manual adjustments had been made to final pay but no explanation had been recorded on the paperwork. This included extension of final pay in one month to two days into the next month in order to end employment on a Sunday, repayment of maternity pay due to departure within 12 weeks of return, and recovery of part of a lump sum car payment. Although HR was able to provide reasonable explanations, if adjustments are not clearly recorded and explained it will not be possible to identify and correct any errors should they occur. In one instance a minor error was made inputting the value to the payroll system.

**Recommendation**

Payroll should ensure manual adjustments are adequately explained and checked before and after input.

**Service Response / Action**

Agreed. A reminder will be communicated to all payroll staff that while Paper forms are in use all manual calculations will be written on the paper document.

**Implementation Date**

Implemented

**Responsible Officer**

Senior Payroll Officer

**Grading**

Important within audited area

**2.3 Timesheets**

- 2.3.1 Additional hours are claimed by timesheet, authorised by management as appropriate, input to the payroll system and paid a month in arrears.
- 2.3.2 Employees claiming hours through a relief or no fixed hours contract use the Casual Workers Timesheet, and all hours claimed are at plain time (no enhancement or overtime rates apply).
- 2.3.3 Employees with a fixed hours contract use a different Additional Hours & Overtime claim form. On this they can claim additional hours at plain time plus any enhancements for hours worked at night (33%) or during the weekend (40%) not already covered under the NSWWA, up to 37 hours, and overtime (at a premium) thereafter. Overtime is paid at a rate of time and one half of the employee's hourly rate, unless they are above Grade 12 (£16.17/hr), then it is paid at straight time equal to the top point of Grade 13 (£18.49/hr).
- 2.3.4 A random sample of 18 timesheets that were paid in October 2017 to employees within Adult Services was reviewed to ensure that they were claimed correctly, sufficiently authorised and paid correctly. In each case the hours paid matched those claimed on the timesheet.
- 2.3.5 Only 8 of the timesheets had been fully signed by the employee, authorised by an appropriate manager, and dated. 2 were authorised by managers in a lower graded post than the employee making the claim, and 4 were authorised by managers without recorded authority to approve overtime (and by extension additional hours) on the Service's Authorised Signatory spreadsheet.

**Recommendation**

The Service should ensure overtime and additional hours are authorised only by managers of an appropriate level with the recorded authority to do so.

**Service Response / Action**

Agreed. A review of authorised signatories will be undertaken.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.6 5 timesheets weren't dated by either the employee or manager when signing and authorising the timesheet. 4 of these were because the timesheet used did not have a field for recording the date – indicating use of an old or incorrect version. This means there is no record of when these timesheets were authorised by the manager. Another timesheet was signed and dated by the employee the day after it was authorised. This increases the chance of the timesheet being amended after it has been authorised and incorrect claims being paid.

**Recommendation**

The Service should ensure all timesheets are signed by an authorised signatory after they are signed by the employee, and that dates are evidenced.

**Service Response / Action**

Agreed. These requirements will be highlighted to the authorised signatories.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.7 Although most establishments maintain a rota, 4 of the timesheets reviewed came from establishments with no rota or record of the hours worked to support the claim. 7 timesheets did not match the rotas that were provided as they had not been updated to show actual hours worked, shifts swapped, or to name the member of staff filling a vacant shift. Although assurances were provided by management that the hours and staff were correct, there is no local record to support it.

**Recommendation**

The Service should ensure that establishments retain evidence of hours and shifts worked to support timesheet claims.

**Service Response / Action**

Agreed. Managers will be reminded of the requirement to keep evidence to support the timesheets.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.8 Casual Workers Timesheets can be claimed up to the last day of the month. The Additional Hours & Overtime Claim Forms can only be claimed up to the last Sunday of each month, however in 7 cases forms included claims for hours up to the last day of the month. There is an increased risk in these instances of duplicate hours being claimed the following month.

**Recommendation**

The Service should ensure claim periods are consistent and aligned with policy.

**Service Response / Action**

Agreed.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.9 Errors were identified on 8 of the 18 timesheets reviewed, including employees claiming too many hours as additional hours, incorrect enhancements being claimed and breaks not being deducted.
- 2.3.10 In one case an employee has claimed more than 37 fixed and additional hours in two of four weeks claimed. They should have claimed a total of 1.5 hours as overtime instead of additional hours, resulting in an underpayment of £12.13. This also has pension and income tax implications as additional hours are pensionable but overtime is not.
- 2.3.11 In two instances employees claimed an additional 10.5 hours on top of their fixed hours, which has taken them to 40.5 hours for a week. They should have only claimed 7 hours as additional hours and 3.5 hours as overtime. This has resulted in overpayments of £20.03 and £27.96, due to the overtime rates being restricted to the top of Grade 13.
- 2.3.12 In another case, one timesheet shows the employee worked from 09.30 – 16.30, however claimed 0.5 hours as non-standard working hours at 33%, which is only due for hours worked from 20.00 – 07.00. On another timesheet they worked 7.15 hours (which should have been claimed as 7.25 hours as minutes should be claimed in decimal format) on a Monday but claimed these hours as non-standard working hours at 40%, which is only due for hours worked at the weekend. These should have been claimed at 33% instead. This has resulted in a total overpayment of £8.64.
- 2.3.13 Although each of the above payment variances are minor, there is a risk that such errors might be recurring or be more widespread than the sample reviewed.

**Recommendation**

The Service should ensure that managers/employees know when overtime and non-standard working hours can and should be claimed.

The Service should ensure the payment errors identified are corrected.

**Service Response / Action**

Agreed. The payments will be corrected and training will be arranged for managers authorising these payments.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.14 When an employee works for more than 6 hours the Council's Working Time Policy requires that they take an unpaid break of at least 30 minutes. On 5 timesheets no break had been deducted from the total hours worked, and it was not clear from either the timesheet or rota / other documentation whether a break had been taken or not. In addition to the lack of evidence supporting hours claimed on timesheets, rotas provided in support of these and other timesheet claims, and other rotas provided in support of NSWWA entitlements, showed that in the majority of cases establishments' rotas are set without

including unpaid breaks in shifts of over 6 hours. E.g. a 21.00 to 07.00 shift is counted as 10 hours working time rather than 9.5.

- 2.3.15 Similar issues have been identified in previous Internal Audit work and it was agreed that HR would maintain a register of agreements by HR in conjunction with the appropriate Services where it has been identified that breaks will be paid. This was due to be implemented by July 2017 but was subsequently delayed to December 2017.
- 2.3.16 There is no consistency across the Service in how employees with fixed hours contracts claim additional hours. Employees who are based in Day Care Centres or Sheltered Housing and continue working past the end of their fixed hours shift get the choice to either claim the extra hours as Time Off In Lieu (TOIL) or to be paid them as relief work on a Casual Workers Timesheet. All other employees claim additional hours on an Additional Hours & Overtime Claim Form. Also, if any of these employees pick up additional shifts at the same base as their substantive post (their main post, in which their fixed hours are worked), these are claimed as relief work on a Casual Workers Timesheet.
- 2.3.17 An inconsistent approach could lead to some employees being treated more favourably depending on which establishment they work in.

**Recommendation**

HR should ensure guidance is developed to ensure consistency of approach to TOIL, additional hours and overtime claims.

**Service Response / Action**

Agreed. Smarter working guidance is on The Zone and covers options available for payment. HR will provide the Chief Finance Officer (ACHSCP) with a link to the guidance for distribution to service managers. Service management will review and reiterate practice with senior staff to ensure consistent application.

**Implementation Date**

Implemented

**Responsible Officer**

Team Leader (HRSC)

**Grading**

Significant within audited area

February 2018

Lead Social Work Officer

- 2.3.18 There is further variation in how extra hours for Day Care Centre and Sheltered Housing employees are paid. Some are paid these hours as relief work through their fixed hours post, however others are paid through a relief contract, which in some cases has a lower hourly rate than their substantive post. As a general principle staff should be paid at the grade of the post they are covering rather than their substantive post – as the duties covered will vary between the two.
- 2.3.19 2 timesheets were claimed on Casual Workers Timesheets and paid through the employees' substantive posts. There was a difference in rate of £0.30 per hour in one case and £1.22 in the other between their substantive and relief posts, resulting in overpayments.
- 2.3.20 A further 5 timesheets were claimed on Casual Workers timesheets and paid through their relief post. For 3 of these there was a difference of £1.22 to £3.12 per hour between the substantive and relief posts.
- 2.3.21 If there is no clear guidance, then there is a risk that employees will be treated differently and paid at different hourly rates for doing the same job, depending on whether the hours are for fixed hours or extra hours. This also has a potential impact on pension and income tax.



**Recommendation**

HR should ensure managers are aware that staff with multiple posts should be paid at the grade of the post they are covering.

HR in conjunction with the Service should identify all instances in which incorrect payments have been made as a result and recover them in line with policy.

**Service Response / Action**

Agreed. A reminder has been issued to the support team to ensure all casual worker timesheets are paid at the appropriate rate. Payroll has provided a report to the Service for all Casual Worker hours paid at the rate for their substantive post. The Service will review and determine appropriate actions. HR will be available for any guidance or assistance required by the Service.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.3.22 HR does not monitor hours to ensure that the average weekly hours requirements of the Working Time Regulations are being complied with. Policy states that no employee is expected to work an average of over 48 hours per week across a reference period of 17 weeks. The Lead Social Work Manager has advised that it is up to each manager within the Service to monitor the hours worked and this is normally done when they are authorising timesheets. However each timesheet will be for up to a maximum of 5 weeks, therefore it may not be immediately apparent if someone working in excess of 48 hours in one period is at risk of breaching it over the 17 week reference period.

**Recommendation**

The Service and HR should ensure they can demonstrate that there are regular reviews of working time compliance.

**Service Response / Action**

Agreed. Payroll will provide a monthly report to the Service to identify anyone who exceeds an average weekly value in a month, and this will be reviewed by the Service.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

**2.4 Travel & Subsistence**

- 2.4.1 Employees driving or incurring expenses in the course of their duties may claim 45p per mile travelled on Council business and reimbursement of subsistence or other expenses (e.g. bus fares or parking). 19 Travel & Subsistence claim forms paid in October 2017 were reviewed by Internal Audit.
- 2.4.2 2 forms were authorised by managers without recorded authority to approve travel and subsistence according to the Service's Authorised Signatory spreadsheet.
- 2.4.3 1 form had no field for signature or authorisation by the employee and manager, and another form was signed by the employee after being authorised by the manager. This increases the chance of the claim form being amended after it has been authorised and incorrect claims being paid.

**Recommendation**

The Service should ensure all travel and subsistence claims are signed by an authorised signatory after they are signed by the employee, and that dates are evidenced.

**Service Response / Action**

Agreed. A review of authorised signatories will be undertaken.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.4.4 Employees are allowed to claim an additional 5p per mile for each additional Council employee carried as a passenger. There is no payment due for any passengers carried who are not Council employees. When claiming these miles, the employee should also be claiming normal mileage.
- 2.4.5 There has been a claim by one employee for passenger miles where passengers were not Council employees (they were service users), which has resulted in an overpayment of 213 miles (£10.65).
- 2.4.6 Another employee has claimed for passenger miles but no normal miles, resulting in an underpayment of 63 miles (£28.35).
- 2.4.7 In one case an employee has claimed varying mileages on different days from their base to the same locations, yet this has been approved by their line manager.
- 2.4.8 In another, two claims have been approved and paid for an overlapping period resulting in an overpayment of 47 miles (£21.15) and £45.25 expenses.
- 2.4.9 A further case showed two return trips to Inverurie (34 miles return trip) as four separate trips each of 34 miles, resulting in an overpayment of £30.60.

**Recommendation**

The Service should ensure that all managers and employees are aware of policy and procedure for claiming travel and subsistence.

The Service should ensure the above over and under payments are corrected.

**Service Response / Action**

Agreed. The payments will be corrected and managers and employees will be reminded of the policy and procedures for claiming travel and subsistence.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Important within audited area

**2.5 Allowances**

- 2.5.1 Various allowances may be payable for additional skills or duties applied during the course of employment, and these are subject to completion and authorisation of relevant forms. A sample of Higher Duty, First Aid and Fire Warden allowances was reviewed to ensure these are being paid correctly.
- 2.5.2 Twice a year a spreadsheet is sent out from Payroll to each Service which details 8 permanent allowances that are currently being paid to their employees. It is then up to

each Service to review this information to ensure that the correct employees are receiving the right allowance and amount.

- 2.5.3 First Aid and Fire Wardens allowance is a set annual amount, pro rata to the post's full time equivalent. The payroll system automatically calculates the amount payable. The Service keeps copies of certificates supporting payment of the allowances. In each case reviewed these were adequately supported and had been paid at the correct rate.
- 2.5.4 Requests for payment of Higher Duty are sent to HRSC on a Higher Graded Duties Form that details the employee's current hourly rate, the hourly rate of the role they are covering, the percentage of their time that they are covering the role for per week along with the length of time they will be covering for. This allowance is paid a month in arrears.
- 2.5.5 Of 2 Higher Duty payments reviewed, both were processed incorrectly by Payroll. In the first instance an incorrect end date was input, it should have been 30 September 2017, however was entered as 30 September 2018, which caused an overpayment £1,835.50 in October 2017. In the second instance the employee was due to have the amount changed from 1 November 2017, however this was changed for their November 2017 pay instead of December 2017 (i.e. not a month in arrears), resulting in them being overpaid £230.88. In both cases Payroll have contacted the employees to arrange repayment.

**Recommendation**

Payroll should ensure that higher duty is started / stopped / amended from the correct month.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Senior Payroll Officer

**Grading**

Significant within audited area

- 2.5.6 A Social Work NSWWA of 25% is paid to the Out of Hours team on their basic pay and via adjustment of timesheets submitted for any additional hours claimed. This was introduced as a temporary measure after implementation of new terms and conditions, and introduction of the Non-Standard Working Week allowance at 33% and 40%, in 2009. The Service felt that since these employees always work non-standard hours that some shifts would be more lucrative than others due to the variation in rates of the allowance.
- 2.5.7 The Service obtained committee approval to make this allowance permanent in 2011, and committed to periodic corporate review to ensure that it remained fit for purpose. However, the allowance has not been reviewed since, and there is no review of rotas for the Out of Hours Service to demonstrate that the payments continue to offer value for money, and fair recompense, for the shifts actually worked.

**Recommendation**

The Service should review payment of the Out of Hours Non Standard Working Week Allowance against actual hours worked to ensure it remains fit for purpose.

**Service Response / Action**

Agreed. A review will be undertaken.

**Implementation Date**

June 2018

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

- 2.5.8 No records are kept by the Service supporting entitlement, due to all of the team members automatically being entitled to receive it. HRSC keeps copies of the latest Notification of Start or Change form to either change job or hours, as these detail that the employee is entitled to receive the allowance. In one case however the relevant form had not been retained in the personal file.
- 2.5.9 14 employees in receipt of the corporate NSWWA were also reviewed. Under these allowances a calculation is made to ensure hours worked between 20.00 – 07.00 are paid at 33% of the employee’s hourly rate, and hours worked at the weekend are paid at 40%. The Service is responsible for ensuring the latest rotas are submitted to HRSC, through YourHR, to ensure that the payment of this allowance remains correct. 1 of the rotas on YourHR did not match what was being paid to the employee, however a copy of the new rota was in their personal file.
- 2.5.10 7 of the sample had no paperwork in their personal file relating to this allowance. This is due to an exercise that was carried out in 2009 for the implementation of new terms and conditions, and HRSC / Payroll have advised they do not keep paperwork from that far back. Although many of the Service’s employees in receipt of this allowance work fixed shifts, if these have not been reviewed in over 8 years there is a risk that circumstances will have changed and payment variations could have occurred.
- 2.5.11 4 of the sample had copies of Notification of Change forms or Variation to Contract letters provided, however the information was out of date when compared to what was currently being paid.
- 2.5.12 For 11 of the sample, the rotas provided by the Service did not match the amount of allowance being paid. This was either due to swapped shifts, sickness / holiday cover, the times the hours worked not being specified or the hours were before breaks are deducted.
- 2.5.13 As noted at 2.3.14 above, the rotas provided to HR on YourHR in support of NSWWA did not all include a deduction for unpaid breaks, meaning that half an hour per day of NSWWA may have been incorrectly paid to several employees. The YourHR system does not automatically apply the half hour deduction for shifts in excess of 6 hours.

**Recommendation**

The Service should ensure that all rotas are kept up to date.

HRSC to ensure that all information in personal files is kept up to date.

HR should ensure the YourHR system identifies rotas in excess of 6 hours with no break deducted and highlights this for review.

The Service should ensure unpaid breaks are being taken in line with policy, or specific exemptions agreed.

**Service Response / Action**

Service – Agreed.

HRSC - The YourHR rota system is currently only used to process the rota’s where NSWWA allowance applies. A review of the system will be required to ascertain the changes required to the process to allow the recording of all rota’s. This may have to wait until the replacement Payroll & HR system is implemented (March 2019).

HR – The YourHR system allows managers to input rota’s where NSWWA is applicable. It highlights that a break is required for any shift greater than 6 hours when the rota is

input. There is an option to accept the rota without a break which is available for the job roles where an agreement is in place, however there are no exemptions for Adult Services at this time.

Service management will review and reiterate practice with senior staff to ensure consistent application and compliance for future rotas.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
June 2018	Business Manager	Significant within audited area

## 2.6 Absences & Special Leave

2.6.1 Sickness absences are managed electronically through YourHR and the Payroll system, therefore there is limited paperwork available for review. A sample of 19 employees with different types of absence and special leave: sickness (paid and unpaid), maternity, unpaid leave and career break were reviewed.

2.6.2 In one case statutory maternity pay has been paid incorrectly for 30 days in October 2017 when they were due 31 days, resulting in an underpayment of £20.14.

### **Recommendation**

Payroll should arrange for the above correction to be made.

### **Service Response / Action**

Agreed. The underpayment has been paid to the employee in their December salary.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Senior Payroll Officer	Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
R Brand

## Appendix 1 – Grading of Recommendations

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

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1819 – Capital Contracts
REPORT NUMBER	IA/AC1819
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Capital Contracts.

### **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 Capital Contracts.

### **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.

## **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 AC1819 – Capital Contracts.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN CITY COUNCIL

## **Internal Audit Report**

### **Communities, Housing and Infrastructure**

### **Land and Property Assets**

### **Capital Contracts**

Issued to:

Bernadette Marjoram, Interim Director of CH&I & Chair of Capital Board

John Quinn, Head of Land and Property Assets

Fraser Bell, Head of Legal & Democratic Services

Steven Whyte, Director of Resources

Craig Innes, Head of Commercial and Procurement Services

Arthur Barrie, Principal Quantity Surveyor, Land & Property Assets

Simon McKenzie, Quantity Surveyor, Land & Property Assets

External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Council Land & Property Assets builds, manages, and maintains the Council's property portfolio. This includes planning, procurement and management of capital building projects on behalf of client services.

The Capital Contracts budget for 2017/18 includes a £55 million Housing Capital Programme, and £11 million of Non-Housing Capital Projects under a Condition & Suitability Programme. Within these programmes Building Projects and Capital Works are developed over more than one financial year.

The objective of this audit was to 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. Corporate procurement regulations are in place to promote compliance with public sector procurement rules, and in general these are being followed, though service specific procedures require to be updated and minor errors and omissions in supporting paperwork were identified. The Service is updating procedures and will ensure documentation is complete and retained on file.

A proportion of the Council's procurement regulations are however being set aside annually, with approval from Full Council, without compensating controls. The Service has agreed to work with Commercial and Procurement Services to provide the most appropriate manner to ensure that, whilst delivering an extensive and fluid programme of works for its housing stock, it is not exempt from Procurement Regulations.

From the sample reviewed, tenders were often in excess of the original estimate by the Service, and limited numbers of bids were received. Although these are open tenders, fewer bidders could affect the ability of the Service to demonstrate that it is obtaining value for money. The Service has agreed to review estimating and scheduling techniques to ensure it can demonstrate that best value is being achieved.

Additional works due to unforeseen circumstances are being agreed with contractors through formal Architects Instructions, and monitored via monthly cost reports, but these are not all being costed in advance, and where variations are in excess of officer delegated limits (the lesser of 25% or £100,000) there is currently no mechanism to seek Committee approval. The Service considers that this element of the corporate procurement regulations does not reflect the requirements of capital contracts and will seek delegated authority to approve such variations.

# 1. INTRODUCTION

- 1.1 Aberdeen City Council Land & Property Assets builds, manages, and maintains the Council's property portfolio. This includes planning, procurement and management of capital building projects on behalf of client services.
- 1.2 The Capital Contracts budget for 2017/18 includes a £55 million Housing Capital Programme, and £11 million of Non-Housing Capital Projects under a Condition & Suitability Programme. Within these programmes Building Projects and Capital Works are developed over more than one financial year.
- 1.3 The objective of this audit was to 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. A review was therefore undertaken to ensure that adequate control is exercised over Property Capital Projects in respect of project planning, contract tendering, committee reporting, project spend and project monitoring.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with John Quinn, Head of Land and Property Assets, Arthur Barrie, Principal Quantity Surveyor, Simon McKenzie, Quantity Surveyor, and Alison Gallacher, Procurement Category Manager.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Written procedures are an essential part of any system. They provide a reference point for staff and give management assurances of control. Without adequate documented procedures, a system may not be able to function correctly, particularly when key members of staff are absent.
- 2.1.2 The Public Buildings Team were aware that procedures required to be updated, some of which were still in draft and not yet issued to staff. Whilst key processes are in place and will remain similar regarding the tendering process, changes to corporate procurement guidance need to be reflected in updates. The Housing Team had no documented procedures, and intends to amend and then implement the Public Buildings Team procedures to suit when available. A recommendation has been made to track progress.

#### **Recommendation**

The Service should ensure procedures are updated to reflect Corporate Procurement Guidance and circulated to staff.

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

Agreed. Procedures are being updated and will be rolled out.

#### **Implementation Date**

December 2018

#### **Responsible Officer**

Principal Quantity  
Surveyor / Team Leader  
(Design)

#### **Grading**

Important within audited  
area

### 2.2 Committee Reporting

- 2.2.1 The Council's Non-Housing Condition & Suitability 3 Year Programme 2016/17 to 2018/19 (£26 million) was approved at the Finance Policy & Resources Committee on 20 September 2016, and again on 20 September 2017, and authority was delegated to the Head of Land & Property Assets, in consultation with the Strategic Asset & Capital Board and the Convener and Vice Convener of the Committee, to amend the Programme and to allocate projects or additional budgets to/from a £500,000 contingency fund should priorities change due to unforeseen circumstances during the year, with such changes to be reported to the Committee.
- 2.2.2 Authority was also obtained to undertake tendering procedures and award contracts thereafter, without having to first refer to Committee with an expenditure estimate as required under the Council's Procurement Regulations. However, as changes and budgetary implications are being reported periodically to the Committee in respect of the delegated authority to amend the Programme, there is still Committee oversight of the Service's plans and budgetary implications.
- 2.2.3 The Housing Capital Programme Budget for 2017/18 (£55 million) was authorised at a high level as part of the Council's budget setting meeting on 22 February 2017. The Service sought approval of a budget for each element of the programme but not estimates of each individual project contained therein (see examples in Appendix 2). As in previous years, and similar to the Non-Housing Condition & Suitability Programme, an exemption was sought and granted by the Council to allow the allocation of contracts to the Housing Capital Programme budget without the need for further authorisation.
- 2.2.4 This is in direct contrast to the Council's Procurement Regulations which state that "*No tender shall be invited or contract entered into unless the total estimated expenditure has*

*been previously approved. The allocation of a budget as part of the Council's budget setting process is insufficient.*" The method of authorising a works procurement is normally dependent on the Contract Value (e.g. below £250,000 by Head of Service and above £250,000 only with Committee approval). Committee reports are also ordinarily required for extensions to contracts or costs which vary in excess of the estimates originally reported to Committee by the lesser of 25% or £100,000.

- 2.2.5 As this Programme has been exempted from these requirements, and no other requirements have been instated (in contrast to the Non-Housing Condition & Suitability Programme) there is limited further reporting to Committee and therefore no guarantee that the operational and financial outcomes will reflect the Committee's original expectations. In addition, there is a risk that having one Service continued to be exempt from Procurement Regulations might set a precedent for others. If there is a requirement for an alternative approach for Land & Property Assets it would be better to have an exemption incorporated within the Procurement Regulations, with compensating controls, than asking for the Regulations to be set aside in full each year.

**Recommendation**

The Service, in consultation with Commercial & Procurement Services, should ensure there is sufficient transparency over all cost estimates, variations, and decisions to procure.

**Service Response / Action**

Agreed. The Service will work with Commercial and Procurement Services to provide the most appropriate manner to ensure that, whilst delivering an extensive and fluid programme of works for its housing stock, it is not exempt from Procurement Regulations.

In order to increase transparency it was agreed in 2017 that additional data on the number of properties per Ward being improved under each line of the capital plan would be included in future committee reports. This will commence in April 2018.

In addition, where variations in programme costs are identified, management change control processes are in place, and where variations can be resolved through virement from another line on the capital plan this is reported accordingly.

**Implementation Date**

April 2019

**Responsible Officer**

Chief Officer - Capital

**Grading**

Significant within audited area

**2.3 Capital Plan**

- 2.3.1 Revised Capital Plan processes involving the Programme Management Office have recently been implemented for Land & Property Assets, with the intention that these will develop and improve incrementally. Project Status Reports are being produced for projects in the Housing Capital Programme and for Non-Housing Capital Projects under the heading Condition & Suitability Programme, highlighting the total spend to date, any current due dates and where needed any associated risk factors, under a red, amber or green flag. From these, Project Dashboards are prepared and produced to the Strategic Capital Board and the Corporate Management Team.

- 2.3.2 The Project Status Reports do not however always give details of the individual projects within the Housing Capital / Condition & Suitability Programmes, making it difficult for the reader to determine whether individual projects remain on target, and on budget. Readers cannot therefore assess for themselves whether all of the risks have been identified and addressed.

**Recommendation**

The Service should work with the Programme Management Office to ensure Project Status Reports provide sufficient transparent detail.

**Service Response / Action**

Agreed. Reports are being developed iteratively in discussion with the PMO. There have been difficulties reconciling the approach with the requirements of work programmes, which continue to be discussed. There are insufficient resources to complete Reports for every project, however major contracts have been identified and are being included in separate reports for management.

**Implementation Date**

Ongoing

**Responsible Officer**

Principal Quantity  
Surveyor / Team Leader  
(Design) / Budget Holders

**Grading**

Important within audited  
area

**2.4 Tendering**

- 2.4.1 Quantity Surveyors are responsible for ensuring that, from start to finish, projects are delivered in accordance with financial regulations, procurement legislation and industry standards.
- 2.4.2 A Design Team Request for Services Form is used by the Non-Housing Team and a Project Initiation Form is used by the Housing Team at the start of each project. Both are completed with a Project Number and financial codes.
- 2.4.3 If Building Services cannot carry out the work, the Quantity Surveyor will decide whether to use the Quick Quote System or Tender via the Public Contract Scotland Website and prepare the appropriate paperwork.
- 2.4.4 Tender opportunities are advertised on the Public Contracts Scotland Website. After the deadline, the tenderers' submitted documents will be checked, scored accordingly and recorded on a tender scoring matrix.
- 2.4.5 Authorisation will then be sought from the budget holder to award the contract to the bidder with the highest score. The winning bidder is then sent an acceptance award letter signed by the Head of Service, to be returned signed by the Contractor.
- 2.4.6 The Quantity Surveyor will complete a Contract Award Notice on the Public Contracts Scotland Website, and a Contract Registration Form which is sent to Commercial & Procurement Services to add the contract to the BOrganised Contract Register.
- 2.4.7 8 Capital Contracts were selected for analysis to ensure that adequate controls were exercised and that the above processes were followed. A small number of minor issues in respect of completion and retention of relevant paperwork were highlighted, including:
- 2.4.8 For Housing Contracts there was 1 instance where the winning bidder amount was wrongly marked on the tender scoring matrix (though this had no impact on the award).
- 2.4.9 For Non-Housing Contracts there was 1 instance where the tender report had the wrong date noted. There was no signed Tender Evaluation Matrix in 3 instances and 1 instance where the email to the budget holder could not be found.
- 2.4.10 There were also 3 instances where the contractor had not returned the acceptance letter signed.

**Recommendation**

The Service should ensure supporting records for tender exercises are complete and retained on file.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Principal Quantity  
Surveyor / Quantity  
Surveyor (Public  
Buildings)

**Grading**

Important within audited  
area

2.4.11 Contract Award Notices must be published on the Public Contracts Scotland Website within 30 days to be compliant with the Procurement (Scotland) Regulations 2016. There were 3 instances where Housing contract award notices were not published within this timescale (50 days, 168 days and 190 days.)

Contract	Awarded	Notice to Procurement	Published
H1242	2 March 2017	2 March 2017	16 August 2017
H1251	4 April 2017	23 May 2017	16 August 2017
H1176	18 May 2017	24 November 2017	23 November 2017

**Recommendation**

The Service should ensure Contract Award Notices are sent to Commercial & Procurement Services (CPS) in order for CPS to publish within 30 days of award.

CPS should ensure award notices are published promptly following notice from Services.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Principal Quantity  
Surveyor;  
Quantity Surveyor (Public  
Buildings);  
Procurement Category  
Manager

**Grading**

Significant within audited  
area

2.4.12 In 6 of 8 cases reviewed tenders were received in excess of the original estimate / anticipated value of works placed on the Public Contracts Scotland website (see appendix 2). This indicates that estimations are not always aligned with the market. In addition, in 5 cases, fewer than 4 bids were received. Although these are open tenders, fewer bidders could affect the ability of the Service to demonstrate that it is obtaining value for money. There is a risk that programmes may be over-committed, or that the timing of works is not being scheduled to take market conditions into account.

**Recommendation**

The Service should review estimating and scheduling to ensure it can demonstrate that best value is being achieved.

**Service Response / Action**

Agreed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2019	Chief Officer - Capital	Significant within audited area

## 2.5 Project Monitoring and Expenditure

- 2.5.1 The same 8 Capital Projects were also tested to ensure that there was adequate monitoring of project progress, that financial spend reflected estimates and clear explanations were given for any variances.
- 2.5.2 Before a payment is made a valuation is done by a Quantity Surveyor (which may be external). After checking the valuation a Self-Billing Invoice and Payment Certificate is prepared along with a Payment Voucher which is then sent to accounts payables for payment.
- 2.5.3 40 Self Billing Capital Project Payments between April 2017 and November 2017 were analysed. All had the appropriate completed paperwork, authorised correctly, and which clearly reflected the payments made. The correct retentions were applied, the correct payments were made and the correct financial codes were applied.
- 2.5.4 For each project there are clear statements showing that additions, deductions and revisions to contracts had been made, and approved by the Quantity Surveyors or Architects. Architects Instructions are used to formally agree any changes to the originally tendered and contracted Bills of Quantities devised by the Quantity Surveyors originally estimating the requirements of each contract, considered necessary due to unforeseen requirements arising during the course of planned works. Although used as a change control mechanism, and there are columns on the pro-forma for approximate cost additions and deductions, the Instructions are not all costed in advance. Whilst it will be possible to determine whether value for money has been obtained after the work has been done, with reference to other rates and prices set in the contract and professional judgement, and measurement of works prior to payment being made, these Instructions could materially impact on the scope of the works, altering the terms and value of a contract.

### Recommendation

The Service should ensure an estimated cost is included on Architects Instructions in advance of changes to works being instructed.

### Service Response / Action

Agreed. Use of contingencies and provisional sums within contracts is delegated to the contract administrator. Additional works due to unforeseen circumstances are considered by Architects and Quantity Surveyors prior to issuing instructions, and this will be recorded more consistently in future. The actual cost is monitored via monthly cost reports.

### Implementation Date

April 2018

### Responsible Officer

Principal Quantity  
Surveyor / Quantity  
Surveyor (Public  
Buildings)

### Grading

Significant within audited  
area

- 2.5.5 As noted above at 2.2.4, variations to contract expenditure in excess of the lesser of 25% or £100,000 must be reported to Committee. However, in one case (H1182) October 2017 cost reports indicated an additional £173,000 of additional works had been required to date. In another (H1242) November 2017 cost reports indicated that £162,000 of additional work (on a £514,000 contract) was awarded to add further properties into an



upgrade contract, and to address unforeseen circumstances. The latter was partly offset by deductions for items varied and contingencies used, resulting in a net additional cost of £94,000. There is a risk that these contracts will exceed the delegated limit of £100,000.

**Recommendation**

The Service should ensure relevant approvals have been granted before revising contracts in excess of 25% or £100,000.

**Service Response / Action**

The Service considers that this element of the procurement regulations does not reflect the requirements of the Service's capital contracts, as strict application would reduce flexibility to apply professional judgement, and delays would result in additional cost. A contractor on site offers value for money due to reduced costs of mobilisation and pre-agreed rates for work. The Service will seek delegated authority to approve such variations.

**Implementation Date**

October 2018

**Responsible Officer**

Chief Officer – Capital

**Grading**

Significant within audited area

**AUDITORS:** D Hughes  
C Harvey  
J Galloway

## Appendix 1 – Grading of Recommendations

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

## Appendix 2 – Sample details

Contract	Estimate / Budget per Capital Plan	Approximate Contract Works Value on PCS	Selected Tender Bid Amount	Final Valuation / Most Recent Estimate
<b>Housing:</b>	<b>From HRA Capital Plan agreed by Full Council as part of HRA budget setting process 16 December 2015 and 22 February 2017</b>			
H1182 Manor Walk New build Housing.	New Build Housing: £23,275,000 for 2 schemes.	£10,000,000  (Second scheme £15,000,000)	£13,528,499  (Second scheme £12,183,925)	£13,370,463
H1242 BISF Houses External Insulation	Solid Wall Insulation: £500,000 per annum 2017/18 – 2020/21, revised to £1,300,000 in 2017/18, £2,500,000 in 2018/19 and £1,000,000 per annum to 2021/22. Individual projects not detailed.	£300,000 to £400,000	£514,400	£608,366
H1251 Sheltered Housing Boiler Replacement	Energy Efficiency Sheltered: £0 per annum 2016/17 – 2020/21	£143,519 to £252,556	£145,082	£153,364
H1176 Girdleness Fabric Repairs	Structural Repairs General Housing: £2,000,000 for 2017/18, revised to £3,400,000 then £2,000,000 per annum to 2020/21. Individual projects not detailed.	£250,000 to £350,000	£390,787	£373,135
H1219 Rosehill Court Roof Replacement	Upgrade Flat Roofs – Multi Storey: £1,572,000 for 2017/18, revised to £2,400,000. Individual projects not detailed.	£350,000 to £450,000	£537,240	Not yet complete
<b>Non-Housing:</b>	<b>Condition &amp; Suitability Programme agreed by Finance, Policy &amp; Resources Committee 20 September 2016 and 20 September 2017</b>			
7532 Cornhill Primary School Kitchen Refurbishment	No separately identified kitchen project for this school.	£200,000	£322,048	£326,537
7606 Abbotswell Primary Early Years Provision	Not included in the Condition & Suitability Programme	£200,000	£164,350	£130,915
7389 Tullos School Roof Works & External Repairs	£100,000	£225,000 to £250,000	£275,000	£253,245

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1813 – Financial Assessments
REPORT NUMBER	IA/AC1813
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Financial Assessments.

### **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 Financial Assessments.

### **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.

## **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 AC1813 – Financial Assessments.

## **9. REPORT AUTHOR DETAILS**

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(01467) 537861



# ABERDEEN CITY COUNCIL

## Internal Audit Report

### Social Care

### Financial Assessments

**Issued to:**

Judith Proctor, Chief Officer, Health & Social Care Partnership  
Fraser Bell, Head of Legal & Democratic Services  
Steven Whyte, Director of Resources  
Alex Stephen, Chief Finance Officer, Health & Social Care Partnership  
Carol Smith, Accounting Manager  
Angela Crawford, Finance Controls Manager  
Paul Hewitt, Finance Support Officer  
External Audit

## **EXECUTIVE SUMMARY**

Under Social Work legislation there is an option for the Council to charge adult users of Non-Residential social work services for services provided. These services include care and support, housing support, warden charges, community alarms and day care. A charging policy is in operation, based on the ability of the service user to pay, as determined by a financial assessment of their income, capital, and specified outgoings, completed by a dedicated Support Team within Finance.

Similarly, service users who require full time residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.

The objective of this audit was to consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner. In general this is the case, however application forms are not all being fully completed, and supporting evidence is not always being obtained and passed to Finance promptly by Care Managers, retained, and challenged where appropriate. Finance already completes interim assessments and has agreed to implement additional checks and retain evidence that these have been completed. An escalation process will be developed with Care Managers for cases where there are delays in obtaining full information.

Although a notional income from service users' capital assets (excluding their main residence) is included in the Non-Residential financial assessment and charging policy, the Service relies on applicants volunteering information on the value of their assets rather than seeking independent confirmation as is the case for Residential charging which falls under separate legislation – though in some cases these had also not been verified as bank mandates had expired prior to assessments being completed. As a result if this information is not volunteered those with capital in excess of the relevant thresholds may not be subject to the appropriate charges as set out in the charging policy. The Service will review the local policy to determine the best way of dealing with this.

DWP benefit rates and personal allowances to be factored into financial assessments are updated annually each April, however these are not automatically updated on the system as variations in service users' circumstances cannot be adequately reflected without manual intervention. Whilst this ensures greater accuracy there have been delays in processing changes, which will have to be backdated. The Service plans to bring assessments up to date prior to further changes planned for phased implementation from October 2018.



# 1. INTRODUCTION

- 1.1 Under Social Work legislation there is an option for the Council to charge adult users of Non-Residential social work services for services provided. These services include care and support, respite care, housing support, warden charges, community alarms and day care. A charging policy is in operation, based on the ability of the service user to pay, as determined by a financial assessment of their income, capital, and specified outgoings.
- 1.2 Similarly, service users who require full time residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.
- 1.3 The objective of this audit was to consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner. A review of procedures and practice was therefore undertaken to determine whether service users' liabilities had been correctly calculated and applied.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Carol Smith, Accounting Manager, Paul Hewitt, Finance Support Officer, Claire Duncan, Lead Social Work Officer, and Alex Stephen, Chief Finance Officer.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Comprehensive written procedures were available for Non-Residential Financial Assessments. However, these are split over numerous documents, many of which repeat rather than cross-refer to the current allowances and types of expenditure which should be taken in to account. Combining or cross-referencing this documentation would make updating it (e.g. as a result of changes in rates or categories) more efficient, and could make it easier to apply.

#### **Recommendation**

The Service should consider producing one comprehensive guidance document for the completion and calculation of all Non-Residential Financial Assessments.

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

Agreed.

#### **Implementation Date**

June 2018

#### **Responsible Officer**

Finance Support Officer

#### **Grading**

Important within audited area

- 2.1.3 The Residential Financial Assessment guidance largely consists of the official Scottish Government advice for processing such assessments and gives details of all benefits, income and capital as well as disregards which should be taken into account in processing these assessments. During examination of the assessments, rules regarding continuing Home Commitments (expenditure) were discussed but these have not been formalised into any local document to provide clarity and consistency in practice.

#### **Recommendation**

The Service should ensure practice regarding allowances for Home Commitments for Residential Financial Assessments is documented.

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

Agreed. Rules will be formalised and documented for Care Managers to apply.

#### **Implementation Date**

August 2018

#### **Responsible Officer**

Finance Support Officer

#### **Grading**

Important within audited area

### 2.2 Non-Residential Financial Assessments

- 2.2.1 Non-Residential Assessments are offered to service users who require assistance but will remain in their own home. In order to complete the assessments correctly all information must be provided including details of capital, benefit payments and any other income as well as details of all expenditure including Council Tax and rent payments. Allowances are applied, and an available income determined. Charges vary depending on the services provided, and can be applied to up to 67% of the service user's calculated available income. An assessment may be declined if the service user does not wish to disclose their financial situation, but in such a case the full charge will be levied.

- 2.2.2 Details from the assessment form, and any other information provided to or obtained by the Service to supplement or confirm it, is entered to the CareFirst system, which automatically calculates the service user's contribution towards the cost of their services. This is used for future invoicing, and a letter is generated using this data to send to the service user to advise them of the amount they are expected to pay.
- 2.2.3 Of 10 assessments examined, two had not been signed. A signature from a previous assessment had been taken in one case as authority to proceed, and there were no supporting details in the other. Without signed forms there is no record that the service users have agreed to share the financial information which has been accessed. Without explicit consent there is a risk that Data Protection requirements might be breached. In such instances the Service should either obtain the approval, or not process the application and apply the full charge.

**Recommendation**

The Service should ensure data is not processed unless a signed form has been received indicating an assessment has been requested.

**Service Response / Action**

Agreed. Unsigned forms will be returned to Care Managers to have them signed.

Care management will ensure staff are upskilled in the process of completing and submitting a financial assessment and the signing of the form.

Forms are being redesigned as part of an ongoing wider review of financial processes, and work to ensure compliance with the EU General Data Protection Regulation (GDPR).

**Implementation Date**

Implemented

**Responsible Officer**

Finance Support Officer/  
Social Care Service  
Managers

**Grading**

Significant within audited  
area

- 2.2.4 Two application forms (including one of those referenced above) had not been completed, except for a signature in one case. Although the assessments were then completed based on data obtained from the Benefits system and Housing and Council tax benefit system, in the absence of further information there is a risk that undeclared income (or expenditure) could have affected the result.
- 2.2.5 Where capital held is in excess of £16,000 then the service user is precluded from receiving assistance. Where capital exceeds £10,000, tariff income of £1 per £500 over this amount is taken into account as notional weekly income, up to the cut-off point of £16,000. 6 Application forms either stated that the service user did not hold bank accounts, or gave the account names but did not detail the amounts held. There were no records of this having been challenged or further reviewed, meaning that capital could have been under-declared and charges incorrectly reduced.

**Recommendation**

The Service should ensure that financial assessment details are fully completed and checked to ensure they are adequately supported, before assistance is provided.

**Service Response / Action**

In contrast to Residential Care there is currently no legislative requirement or policy option to check deprivation of capital. A review of the local policy will be undertaken to consider the best way to deal with the issue identified.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2018	Chief Finance Officer	Significant within audited area

2.2.6 Rent and Council tax paid, less any Housing Benefit and Council Tax Reduction received, can be claimed as allowable expenditure. This data can be checked, or obtained, from a Council system. Although the Service has stated that where data was not included on the application, or was different to that used in the calculation, it had been obtained through this system, evidence of this check is not retained to provide assurance that the figures are accurate.

2.2.7 The Service can check current and historical rates of benefit entitlements and state pension amounts through a Department for Work & Pensions portal. These checks should be performed to determine that the correct rates of benefits and pensions amounts have been entered on the application form. Evidence of these checks are normally retained, however in one instance there was no record of it having been completed.

**Recommendation**

The Service should retain evidence of all checks carried out to confirm applicants' income and expenditure.

**Service Response / Action**

Agreed. The Service will continue to save the DWP checks to the client folders by screen shots, and will annotate assessments to show that calculations and system checks have been completed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Finance Support Officer	Significant within audited area

2.2.8 In another four cases the DWP check had been performed, but prior year figures had been used. Although the assessments were completed after April 2017 and updated rates would have been available, each was retrospective, with start dates prior to April 2017, but there was no update or second assessment immediately following the change to benefit rates on 3 April 2017.

2.2.9 Personal allowances are updated at the start of each new Financial Year, however they were not notified to the Service until 31 July 2017. The previous year's personal allowance was therefore used in 4 cases as the calculations had been performed in June (a difference of £5 per week in 3 cases and £1 in another). In another instance, where it had been identified that the wrong allowance had been recorded on the CareFirst system but could not be changed, an adjustment had been made to allowable expenditure instead, but at the wrong rate (a £4 per week difference).

2.2.10 Corrections and updated rates had not been applied at the point Internal Audit reviewed the cases in October 2017. If rates and allowances are entered manually for each individual service user, there is a risk that they will be incorrectly applied. If it is possible to apply changes universally across the CareFirst system this would reduce the risk of error.

**Recommendation**

The Service should review whether personal allowances and subsequent calculations could be automatically updated each year.

The Service should ensure that up to date benefit figures and allowances are used for all assessments, and a new assessment is completed promptly following known changes.

**Service Response / Action**

Agreed.

The Service has reviewed and determined that the CareFirst Team cannot update assessments automatically due to different rules impacting on different sections of the client base. The CareFirst team will however develop reporting tools to assist the Finance Team in completing the annual re-assessment process.

There were some delays in 2017 pending agreement from the Health and Social Care Integration Directorate of the personal allowances. CoSLA rates are now being applied and these will be updated annually. All changes are backdated to the date of change.

Up to date benefit figures are always verified with a CIS (DWP) Check when conducting a new financial assessment. The client is always advised that they are entitled to request a re-assessment at any time and that they should advise us if there is any change to their financial circumstances. If a further financial assessment is submitted to the Financial Assessment Team a Re-assessment will be conducted and the new figures applied.

The Non-Residential Charging Policy has been under review for some time, substantial changes in the Policy are being proposed therefore the Annual Re-Assessments have been on hold. These will now be processed, pending further changes planned to be phased in from October 2018.

**Implementation Date**

October 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Significant within audited area

- 2.2.11 Procedures indicate that service user contributions should be authorised by a separate officer to that entering the details on the CareFirst system. There are however no specified requirements for the authoriser to check or confirm any of the data before doing so. The Service has stated that assessments are not checked by a second person prior to notification letters being issued to a service user. There are also no checklists for the officer completing the assessment to demonstrate that each and every element has been checked and completed.
- 2.2.12 In addition to the instances outlined in previous sections further errors were noted. In one case insurance payments had been entered as being payable every week when details on the form showed it was a monthly amount, and in another the weekly value of a monthly private pension had also been miscalculated. In the former case there would have been no impact on the charge, however in the latter the service user may have been under-charged. Calculations are not retained to demonstrate how the figures had been arrived at.
- 2.2.13 Service users are notified of their contribution (if any) by letter. Of the 10 letters reviewed, 2 were not dated, 3 did not show the financial calculation used to determine the contribution, and another carried through the system error referenced at 2.2.9 above.

Files also indicated that a letter had been generated to advise one service user that as they had capital in excess of £16,000, they would be liable for the full charge, but the system, calculation and supporting documentation showed that the balance held was £11,969. The Service confirmed that the correct amount had been charged and that a letter had been sent to the Service user, however a copy of this letter had not been retained on file. If the details provided in communication with service users are not clear, or are incorrect, there is a risk that vulnerable people or their representatives may be caused distress or confusion.

**Recommendation**

The Service should ensure that financial assessments, and letters, are checked by a second officer and confirmed as being complete and correct prior to being committed and sent to service users.

**Service Response / Action**

Agreed. Due to resource restrictions sample checking will be introduced.

**Implementation Date**

February 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Significant within audited area

**2.3 Residential Assessments**

- 2.3.1 Service users requiring full time residential care may select either a Council or a private establishment. Where the Council commissions a residential placement this will be subject to the National Care Home Contract rate (currently £574.42 per week for residential, £667.09 for nursing care), however private Homes may charge self-funding residents a higher amount after the first 12 weeks.
- 2.3.2 Residents who decline an assessment, those with income in excess of the National rate plus a personal allowance of £26.40 per week, or who have capital of over £26,500, are expected to self-fund until their capital or income reduces below this threshold. Where income or capital is lower, a contribution, calculated through the Residential Financial Assessment, is required to be paid by the resident direct to the Home, with the Council making up the balance.
- 2.3.3 Certain benefits are disregarded while others cease after entry into a Care Home. Attendance Allowance is payable for the first 4 weeks and taken into account in calculating an assessment unless the person has been in respite or hospital for a period of 4 weeks or more prior to entry. Disability Living Allowance usually consists of 2 elements, a care element and a mobility element. The Care element should cease when a person enters residential care and as such this is disregarded from calculations. The mobility component is taken into account as income but is later disregarded as an allowable expense.
- 2.3.4 Procedures require bank statements to be sought for a period of 12 months for each account held in order to determine capital balances, undeclared income, or capital being withdrawn in an attempt to reduce liability to contribute towards care fees. However, in 5 of 10 cases, no bank statements had been obtained and in only one of these cases had they been requested. A further service user had provided a bank statement which was a year out of date, while another had only provided 4 months of statements. Examination of one service user's bank statements in conjunction with their application form showed that they had declared an occupational pension but this was not present on the statements provided, indicating that there may be another undeclared account. Additionally on the same bank statements (held in joint names) there were two pensions from the same provider and the Service had not queried whether or not one of these may be for the service user.

- 2.3.5 Service users or their representatives had been asked to sign Financial Mandates which can be sent to Banks and Building Societies to request copies of statements, up to date balances and details of all accounts held in the service user's name. However there were no records to show that letters had been issued to Banks / Building Societies or responses received. The Service stated that this was due to the authorisations being considered out of date due to delays in processing them. Without obtaining this information there is less assurance that all income and capital has been declared, and Service income may be reduced as a result.

**Recommendation**

The Service should ensure that data in respect of bank accounts is obtained, reviewed, and challenged where appropriate, prior to concluding a financial assessment.

**Service Response / Action**

Agreed. To address this the team will issue the bank mandate requesting information as soon as assessments are submitted. A letter will be developed for the Care Management teams to be added into the initial assessment forms detailing the evidence requirements. Interim Assessments still need to be completed and may be based on partial data, as the circumstances of supported people might mean they or their family have limited access to supporting information. However, a follow up and escalation process will be agreed with Care Management for instances where required evidence has not been submitted.

**Implementation Date**

August 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Significant within audited area

- 2.3.6 Where service users are in receipt of an occupational or private pension then an annual statement or pension payslip should be obtained in order to confirm the amounts being received. Confirmation that this had been obtained and reviewed was only held on file for 2 of 9 applicable instances. In one case the pension amounts were not clear: two figures were shown on the application form and the Service deducted one from the other rather than seeking clarification. Bank statements were also not obtained to verify the monthly income.

**Recommendation**

The Service should ensure pension statements or payslips are obtained where service users are in receipt of an occupational / private pension.

**Service Response / Action**

Agreed. Action as per 2.3.5 above.

**Implementation Date**

August 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Significant within audited area

- 2.3.7 Where capital is held in joint names then the value is shared between each named individual, even where they are not a spouse. In two of the cases examined accounts were held jointly between the Service user and the person holding power of attorney who had completed the application form on their behalf. In one case the full amount of capital had been included in the assessment, (though as it was still below the threshold there was no impact on the charge) and in the other only half had been included. Although it is possible that finances are held for mutual benefit there would be a conflict of interest for the person holding power of attorney. The Service has stated that where joint capital is lower than the threshold, further work is not necessary to establish the relevant share of ownership, as there is no impact on the assessment. Where there is a joint account in

excess of the threshold this is treated as being shared equally amongst the joint owners unless specifically declared by the bank that the account is being operated on behalf of the service user.

2.3.8 Service users' property may count towards their available capital. In some cases this may be on the market for sale, and in the interim the Council may obtain a charging order over the property to ensure fees accrued can be recovered at a later date. In order to determine their liability for fees it is necessary to first determine whether a service user has owned property. The application form clearly asks these questions, however in 4 instances these had not been answered.

2.3.9 The Service has access to a system which gives details of a service user's previous addresses and from this they can determine whether or not a service user owns their current residence or has owned previous property in which they were registered as having resided. Evidence of this having been reviewed is not however routinely retained.

**Recommendation**

The Service should ensure that where address checks have been performed, evidence of this is retained within the file.

**Service Response / Action**

Agreed. A screen shot will be taken and saved to the clients file.

**Implementation Date**

Implemented

**Responsible Officer**

Finance Support Officer

**Grading**

Important within audited area

2.3.10 However, while this may provide assurance over ownership of residences in which a service user has resided, there is no guarantee that they do not own other property in which they have not resided. The Service needs to ensure that the forms are fully completed in order to have assurance over this and other elements of service users' financial situations. It was noted that Care Managers typically assist service users completing these forms – the importance of full and accurate completion may need to be reinforced.

**Recommendation**

The Service should ensure that all parts of the form are completed and that forms are returned where they are incomplete.

**Service Response / Action**

Agreed. Few Service users are able to pay the full charge of £667.09 per week. Nursing homes are already aware that until a financial assessment is carried out they should charge the basic rate of £132.95 per week. Interim Assessments still need to be completed and may be based on partial data, as the circumstances of supported people might mean they or their family have limited access to supporting information. However, unsigned forms will be returned to Care Managers to have them signed, and a follow up and escalation process will be agreed with Care Management for instances where required evidence has not been submitted.

**Implementation Date**

August 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Important within audited area

2.3.11 Where a service user retains ownership of a property and has entered residential care, expenses for ongoing home commitments, such as mortgages, council tax, telephone, gas and electricity, insurances and gas boiler servicing charges, are taken into account in



the financial assessment for a period of 6 weeks. After this time gas, electricity and telephone charges are not taken into account. The Service stated that supporting evidence of these expenses is not routinely sought. In one instance a monthly cost had been included in calculations as if it were weekly, due to it being incorrectly labelled on the application form. If the declared expenses are incorrect, assessments will be incorrect, potentially decreasing income for the Service.

<b><u>Recommendation</u></b>		
The Service should ensure that evidence of continuing home commitments is sought.		
<b><u>Service Response / Action</u></b>		
Agreed. The requirements will be reinforced with Care Managers.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
August 2018	Finance Support Officer	Significant within audited area

- 2.3.12 The financial assessment is calculated on the basis of weekly income and expenditure, and data provided for different periods (e.g. monthly, quarterly, annually) is converted into a weekly figure by the Service. No workings are retained, and in one instance it was apparent that a minor error had been made in calculating weekly pension income, and in another it was not clear whether a figure for gas boiler cover was weekly or monthly.

<b><u>Recommendation</u></b>		
The Service should retain all workings to support its calculations.		
<b><u>Service Response / Action</u></b>		
Agreed. A spreadsheet has now been implemented detailing workings as required.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Finance Support Officer	Important within audited area

- 2.3.13 Following completion of the assessment, the Service enters details to CareFirst, which completes the final calculation of the Service user's contribution. In each instance reviewed the values entered matched the application form or supporting evidence where this had been obtained.
- 2.3.14 The service user and Care Home should be notified of the contribution and the balance to be paid by the Council. Notification letters should be issued promptly following the assessment. The Service confirmed that there is a backlog of claims to be processed which has led to a delay in completing assessments. Notwithstanding this, notification letters were issued promptly following completion of each assessment.
- 2.3.15 Typographical errors were however noted in 3 instances in the notification letters. The first referred to the service user by the wrong name, the second (to the Care Home), gave an incorrect amount (£159.69 instead of £459.69) payable by the Council towards care costs, while a third gave incorrect dates (but correct figures) on the letter to the service user. This has the potential to cause confusion for service users and establishments.

**Recommendation**

The Service should ensure that notification letters are checked to ensure they contain the correct information prior to issue.

**Service Response / Action**

Agreed. Due to resource restrictions sample checking will be introduced.

**Implementation Date**

February 2018

**Responsible Officer**

Finance Support Officer

**Grading**

Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
D Henderson

## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1824 – Bond Governance
REPORT NUMBER	IA/AC1824
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 The purpose of this report is to present the planned Internal Audit report on Bond Governance.

### **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 Bond Governance.

### **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.

## **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 AC1824 – Bond Governance.

## **9. REPORT AUTHOR DETAILS**

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(01467) 537861



# ABERDEEN

## CITY COUNCIL

### **Internal Audit Report**

### **Corporate Governance**

### **Bond Governance**

**Issued to:**

Steven Whyte, Director of Resources  
Fraser Bell, Head of Legal and Democratic Services  
Deirdre Nicolson, Solicitor  
Sandra Buthlay, Senior Accountant  
External Audit

## **EXECUTIVE SUMMARY**

After obtaining a credit rating in 7 October 2016 the Council issued £370m of bonds on 1 November 2016, on the London Stock Exchange, to finance the Council's capital programmes. A suitable credit rating will be required to be maintained during the term of the bonds, until 2054, when the outstanding principal will be repaid by the Council. The Council's appointed credit rating agency will be required to conduct credit rating reviews, at least once every twelve months, for this purpose.

The Council will also have to comply with the Market Abuse Regulation (MAR), the Disclosure and Transparency Rules (DTR), the Financial Conduct Authority's Listing Rules and the requirements of the London Stock Exchange (LSE) Admission and Disclosure Standards (ADS). This means the Council must manage inside information, that is likely to have a significant effect on the price of issued bonds or on related derivative financial instruments, correctly in order to avoid insider dealing and misleading investors.

The objective of this audit was to consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and to safeguard the Council's credit rating.

In general this was found to be the case, with a Bond Governance Project Board meeting regularly to address the requirements and expectations of holding and maintaining a suitable credit rating and the Council being an issuer of Bonds; written policy on bond governance was in place; an Economic Policy Panel has been appointed and met to inform the annual credit rating review; an Insider List of persons with access to Inside Information is in place as required by MAR; and a programme of training staff and Elected Members has begun.

A number of recommendations have been made to further enhance governance arrangements which have been agreed with management as detailed in the report, and were either implemented as the audit progressed or will be completed by June 2018.



# 1. INTRODUCTION

- 1.1 The Council obtained a credit rating of Aa2, with a negative outlook, from its appointed credit rating agency on 7 October 2016, prior to issuing £370m of bonds on 1 November 2016, on the London Stock Exchange, to finance the Council's capital programmes. The rating was one notch below the UK sovereign rating with a negative outlook mirroring that of the UK sovereign rating, following the vote to leave the European Union. On 7 November 2016, the Council's appointed credit rating agency assigned the rating of Aa2 to the £370m of bonds.
- 1.2 A suitable credit rating will be required to be maintained during the term of the bonds, until 2054, when the outstanding principal will be repaid by the Council. The Council's appointed credit rating agency will be required to conduct credit rating reviews, at least once every twelve months, for this purpose.
- 1.3 The Council will also have to comply with the Market Abuse Regulation (MAR), the Disclosure and Transparency Rules (DTR), the Financial Conduct Authority's Listing Rules and the requirements of the London Stock Exchange (LSE) Admission and Disclosure Standards (ADS). This means the Council must manage inside information, that is likely to have a significant effect on the price of issued bonds or on related derivative financial instruments, correctly in order to avoid insider dealing and misleading investors.
- 1.4 Sanctions imposed by the Financial Conduct Authority (FCA) for failing to comply with relevant legislation and regulations include: suspension of trading of the Bonds on the London Stock Exchange; a maximum fine of at least €15,000,000 or 15% of gross annual turnover for insider dealing, failing to disclose inside information and market manipulation; a statement published censuring the individuals concerned; and/or imprisonment.
- 1.5 The objective of this audit was to consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and to safeguard the Council's credit rating.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Fraser Bell, Head of Legal and Democratic Services, and Steven Whyte, Director of Resources.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Written Policies and Procedures**

- 2.1.1 The Bond Governance Insider Protocol (the Protocol) was approved by Corporate Management Team (CMT) on 23 November 2017 and will be referred to the February 2018 Audit, Risk and Scrutiny Committee (AR&SC) for consideration. The Protocol is comprehensive and clear and covers the Council's requirements to comply with the legislative and regulatory requirements resulting from obtaining a credit rating and issuing Bonds. This is primarily in relation to the Market Abuse Regulation.
- 2.1.2 Specific areas covered by the Protocol include: roles and responsibilities; the definition of Inside Information; the requirement to maintain an 'Insider List' of individuals with access to Inside Information; the requirement of those on the Insider List to acknowledge responsibilities in relation to Inside Information; risks associated with the credit rating and bond issue; appropriate and inappropriate disclosure of inside information; training; committee reports and the need to highlight Inside Information for monitoring purposes; obligations in relation to persons discharging managerial responsibilities and persons closely associated; freedom of information requests and data protection; registers of interests, in relation to investments in Council Bonds; and the North East Pension Fund, in relation to the pension trustee being prohibited from investing in Bonds.
- 2.1.3 The Council's Investment Strategy for 2017/18 to 2019/20 and Counterparty list was approved on 9 March 2017 by the Finance, Policy and Resources Committee (FP&R). The Investment Strategy states that the Council's investment priorities are the security of capital and the liquidity of its investments. The Investment Strategy and Counterparty list were largely unchanged from 17 August 2016, when revisions to the Investment Strategy and Counterparty list were approved by Council to accommodate the Council's intention to borrow £573 million to support the Capital Programmes of £850 million, partly through the issue of Bonds.
- 2.1.4 The Borrowing Strategy for 2017/18 to 2019/20 was also approved by FP&R on 9 March 2017. It was noted that the Borrowing Strategy sets an upper limit on variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 30% of the Council's net outstanding principal sums. The Bond debt has been treated as fixed rate debt by the Council.
- 2.1.5 According to the Bond Trust Deed between the Council and the Bond Trustee, Schedule 2 Part 2 section 5.1, each bond bears interest on its outstanding principal amount from the issue date at the fixed rate of 0.1%. However, section 5.1 goes on to state that payments of interest and principal in respect of the Bonds shall be subject to adjustment for indexation. These adjustments are applied to the principal borrowed, which the interest is calculated on, from February 2018, and are based on the movement in the Retail Price Index (RPI), which is variable in nature.
- 2.1.6 The £370m of Bond debt represented 40% of short term and long term borrowing, as per the financial statement for the quarter 1 July 2017 to 30 September 2017, noted by FP&R on 1 December 2017.
- 2.1.7 Finance advised that the current Treasury Borrowing Strategy has an upper limit of 30% for variable interest rate exposure and that this is to protect the Council against any significant loss, should there be a sudden movement in bank base rates / market rates, which would then impact upon loans held at variable interest rates. The Treasury section has to manage the debt portfolio, to ensure the element of external debt which is subject to these interest rate fluctuations, sits within the limits of 0% to 30%. Although Bond debt has a variable element to it, this is in the notional principal sum, rather than the agreed, fixed interest rate of 0.1%. Finance went on to advise that Bond debt cannot be 'managed'

as such, since the principal repayment mechanism / schedule is fixed.

2.1.8 Bondholders have the option of early redemption should a Change of Status occur, which is confirmed by the rating agency as being wholly or partly the cause of the credit rating assigned to the Bonds being withdrawn or downgraded to a rating 3 notches or more lower than the long term credit rating for sovereign bonds of the UK. A Change in Status for the Council would result from the Council no longer being able to raise funds from any of the following sources: Council Tax, Non-Domestic Rates; the Scottish Government; and the Public Works Loan Board (or equivalent body). Bondholders also have the option to redeem their Bonds early should an Independence Event occur, meaning Scotland ceases to be a part of the UK and/or revokes The Union with England Act 1707 and/or enacts any law to become independent from the rest of the UK.

2.1.9 Finance has stated that in the event of early redemption of Bonds, the funds would be obtained from the Public Works Loans Board (PWLb). Whilst this is the intended source of alternative funds, the Treasury Manual has yet to be updated to reflect the process to be followed should Bonds be redeemed.

<b><u>Recommendation</u></b>		
The Treasury Manual should be updated to cover the procedure for early redemption of the Bonds.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
June 2018	Treasury Officer	Significant within audited area

2.1.10 Paragraph 1.6 of The London Stock Exchange Admission and Disclosure Standards require the Council to identify a contact responsible for communication between the LSE and the Council and a designated representative from another organisation (usually the issuer's corporate broker), at the time of admission. Any changes to the contact need to be notified in writing to the LSE. The Council's contact needs to be able to respond to requests and day-to-day enquiries from the LSE. In particular, the contact must be available before the markets open each morning to resolve any issues which could impact on the market's orderly operation. The Protocol does not identify the Council's contact and designated representative. This increases the risk that changes to the contact and representative will not be notified to the LSE.

<b><u>Recommendation</u></b>		
The Council's LSE contact and designated representative should be identified in the Protocol.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Solicitor	Important within audited area

## **2.2 Credit Rating**

- 2.2.1 To maintain the credit rating the Council's appointed credit rating agency must conduct a review at least once every 12 months.
- 2.2.2 On 22 September 2017 the Council's credit rating agency downgraded the UK sovereign rating from Aa1 to Aa2, whilst moving from a negative to a stable outlook, as a result of the UK government's decision to leave the EU Single Market and customs union as of 29 March 2019, based on the belief this will harm the UK's medium term economic growth prospects. A one notch downgrade in the Council's credit rating followed from Aa2 to Aa3, reflecting the close institutional links between the Council and the UK government, due to the Council's high dependence on government grant funding. A stable outlook was given due to the Council's ability to absorb funding cuts by central government to date. This was reported to Finance, Policy and Resources Committee (FP&R) on 1 December 2017.
- 2.2.3 The first annual review was undertaken by the Council's credit rating agency in October 2017, the details of which were also reported to FP&R on 1 December 2017. The report to FP&R noted that the annual review included a presentation by the Chief Executive, Head of Finance, Head of Legal and Democratic Services, and Head of Economic Development, to Analysts from the credit rating agency, which covered: the 2016/17 reported financial position; current estimated 2017/18 financial position; projected medium term financial position; treasury and debt management position; and the local economy. Finance also reported that the credit rating agency Analysts, responsible for assessing the Council's credit rating, visited the AECC development and met with a representative from the AECC operator to gain an understanding of how the large and complex project was progressing; the robustness of future revenue assumptions; and the overall risk to the Council arising from the project. In addition, it was reported that in order to support the assessment of the economy, the Analysts visited the Oil and Gas Technology Centre (OGTC), where they met the CEO of OGTC and the Head of Communications and External Affairs of Oil & Gas UK
- 2.2.4 On 20 November 2017, the credit rating agency issued their credit opinion, Aa3 with a stable outlook, no change from that issued in September 2017. Credit strengths and challenges were detailed: strengths including a strong institutional framework and wealthy local economy albeit with exposure to oil and gas industries and their supply chains; while challenges included debt increasing in size and complexity due to the issue of the Bonds and the implementation of an ambitious savings programme.
- 2.2.5 The annual review by the Council's appointed credit rating agency, highlighted benefits of the Bond issue, including diversification of financing sources, reduction in the dominance of Public Works Loan Board debt and reduction of reliance on short term funding. Drawbacks reported related to the issue of Bonds increasing the complexity of the Council's debt structure as well as increasing the overall debt levels. It was noted that whilst the interest rate on the Bonds is relatively low, there is also indexation (linked to inflation) on the principal borrowed and since currently limited revenues are linked to inflation, this raises a possible mismatch between revenues and the indexation of capital, should anticipated revenues from the AECC development, which are projected to cover Bond financing costs, not be realised as planned.
- 2.2.6 The report also highlighted factors that could lead to a future rating downgrade. These included: failure to deliver the AECC capital project as planned; failure to realise projected revenues; failure to achieve savings; a material increase in size and nature of debt beyond that anticipated; a downgrade of the sovereign rating; a change in the relationship between Scotland and the UK or a dilution of the regulatory framework for Scottish local authorities.

## 2.3 Economic Policy Panel

- 2.3.1 On 14 December 2016, the Council resolved to instruct the Depute Chief Executive (Director of Corporate Governance) to develop proposals for a Fiscal Policy Panel, in order to support the Annual Credit Rating re-assessment. The Panel proposed was based on the Jersey Fiscal Policy Panel, in terms of purpose and Panel membership. Council agreed to pilot a Panel for a period of 3 annual credit rating reviews on 15 March 2017. Members further instructed the Chief Executive to undertake a national advertisement with a view to recruiting appropriately qualified members to the Panel.
- 2.3.2 Council agreed draft Terms of Reference for an Economic Policy Panel on 15 March 2017 and delegated authority to the Head of Legal and Democratic Services to finalise the Terms of Reference. The draft scope for the Panel's work is to produce an annual economic report on the Aberdeen and regional economic performance, to be presented to FP&R; to meet with businesses in key sectors twice a year to consult on issues, challenges and opportunities in Aberdeen and the wider north east region to inform that report; and to provide constructive challenge on any wider interventions that could inform the Council's annual credit rating assessment.
- 2.3.3 The requirement for the 3 person Panel was advertised in the Times and Economist in June 2017, with a time commitment of 12 days per annum per Panel member, and payment of £15,000 to £17,000 per annum per Panel member, for a period of 3 years. The Council approved the appointment of the 3 preferred candidates on 23 August 2017. The successful candidates all held senior positions as economists in established public and private sector organisations, with one candidate having developed Jersey's Fiscal Policy Panel, which is very similar to the Council's Economic Policy Panel.
- 2.3.4 It was reported to Council on 23 August 2017 that short term priorities for the Panel include finalising the Panel's terms of reference, including agreeing on a Chair and procedural issues relating to meetings and secretariat requirements. In addition, the Panel is to set out an annual work plan, which will revolve around the publication each year of its annual economic report in September / October.
- 2.3.5 The Panel has met twice to date. The first meeting in August 2017 involved a presentation to the Panel by the Council's Economic Advisor on the North East Economy. The second meeting in October 2017 involved a discussion on what the Panel required to produce the annual report. Economic data was requested including data on growth; business confidence; patent applications by sector; inward investment; specific sectors including life sciences and the energy sector; the Regional Economic Strategy and City Region Deal; Housing strategy; evidence of health of existing businesses / non-payment of NDR; school roll data; and retail spend. A number of documents have been shared with the Panel with a few items outstanding, including the requested evidence on the energy sector; City Centre Living Study; school roll data; evidence of retail spend; census information; and Local Development Plan maps. Recommendations are included for tracking purposes.

### **Recommendation**

- (a) The Economic Policy Panel terms of reference should be finalised and approved.
- (b) The Economic Policy Panel should prepare / finalise an annual work plan.
- (c) The outstanding requested information from the October 2017 meeting should be shared with the Panel.

### **Service Response / Action**

- (a) This has been finalised and approved.

(b) Agreed. A draft has been produced and the Service is working with the Economic Policy Panel to finalise it.		
(c) The requested information has been shared with the Panel.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
a) March 2018	(a) Head of Legal and Democratic Services	Important within audited area
(b) March 2018	(b) Economic Advisor	
(c) Implemented	(c) Economic Advisor	

## 2.4 Disclosure of Inside Information

- 2.4.1 Article 7 of the Market Abuse Regulation defines Inside Information as ‘information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers (the Council) or to one or more financial instruments (the Bonds), and which if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments’.
- 2.4.2 Article 17 of MAR and the FCA Disclosure and Transparency Rule DTR 2.1.3 require prompt and fair disclosure of relevant information to the market by issuers such as the Council. DTR 2.2.6 states that when determining whether information would be relevant to a reasonable investor’s decision, the following should be considered: the assets and liabilities of the issuer; the performance, or the expectation of the performance, of the issuer’s business; the financial condition of the issuer; the course of the issuer’s business; major new developments in the business of the issuer; or information previously disclosed to the market.
- 2.4.3 According to Article 8 of MAR, Insider Dealing arises where a person possesses Inside Information and uses that information for acquiring or disposing of financial instruments to which that information relates. Article 14 of MAR prohibits Insider Dealing. In addition, Article 10 of MAR states unlawful disclosure of Inside Information arises where a person possesses Inside Information and discloses that information to any person, except where the disclosure is made in the normal exercise of an employment, a profession or duties. The Protocol covers Unauthorised Disclosure of Inside Information; detailing the sanctions that will potentially result, including dismissal for employees; termination of contracts for contractors and agency staff; and censuring, suspension, disqualification and referral to the Commissioner for Ethical Standards for Councillors. The matter may also be referred to the Police. The Protocol also notes the requirement to notify the LSE and FCA of the matter.
- 2.4.4 The Protocol requires Inside Information to be announced at the point in time the Council or one of its Committees has made a decision relating to the information. Examples of information required to be announced are: approval of quarterly and annual accounts; award of a major capital project to a specific contractor or consortium; results of Council Elections; change in Administration; change in Chief Executive, Directors, Monitoring Officer or Section 95 Officer. A decision tree is included in the Protocol for the purposes of determining whether information is Inside Information.
- 2.4.5 Finance, Policy and Resources Committee approved a revised Communications Policy on 20 September 2017. The revised policy states the Internal and External Communications Manager is responsible for identifying communications which require to be announced to

the LSE. The decision to make an announcement will be taken by the Head of Finance following consultation with the Head of Legal and Democratic Services.

- 2.4.6 The External and Internal Communications Manager is responsible for making the announcement following the Head of Finance’s authorisation, using the ‘RNS Submit’ regulatory information service. This meets the requirements of Article 17 of MAR for the Council to ensure Inside Information is made available to the public in a manner which enables fast access and complete, correct and timely assessment of the information by the public. The use of RNS Submit also meets with the requirements of DTR 6.3.3, including the requirement to entrust a Regulated Information Service that meet minimum prescribed standards for disseminating regulated information. RNS Submit is the Regulatory Information Service offered by the London Stock Exchange and distributes announcements to over 2 million market professional terminals, databases, and financial websites across the world, including key vendor services. The RNS Submit service is username and password protected to avoid unauthorised announcements.
- 2.4.7 As at 21 December 2017, 14 public announcements had been made since the Bonds were issued. These include relevant timely announcements in relation to Committee agenda items, including: the preferred bidder for the existing and new Aberdeen Exhibition and Conference Centre; 2017/18 budget options and confirmation that the 2017/18 budget had been set; Scottish Council Election results; make up of Council administration; publication of unaudited accounts; quarter 1 financial performance; publication of Audited Annual Accounts; outcome of the annual credit rating review and quarter 2 financial performance.
- 2.4.8 The Head of Finance’s approval, given by way of email, was available for 2 requests and for one approved by the Senior Accountant. The External and Internal Communications Manager explained approvals are, in general, made by email by the Head of Finance or a delegate and otherwise by phone or face-to-face. However, the Protocol does not specify who authority is delegated to by the Head of Finance, increasing the risk of unauthorised announcements, particularly when written authorisation is not required.
- 2.4.9 Article 17 of MAR also requires the Council to post and maintain on its website for a period of at least 5 years, all inside information it is required to disclose publicly. The announcements are not currently displayed on the Council’s website.

**Recommendation**

- (a) Authorisation of announcements should be by written / electronic means and retained for 5 years.
- (b) Delegated authority to make announcements should be formalised.
- (c) The announcements to date should be posted on the Council’s website.

**Service Response / Action**

- (a) Agreed
- (b) Agreed. Specific delegations will be included in the Scheme of Governance which is to be considered by full Council on 5 March 2018.
- (c) Agreed.

**Implementation Date**

(a) Implemented

**Responsible Officer**

(c) Internal & External Communications Manager

**Grading**

Significant within audited area

(b) March 2018	(d) Head of Legal and Democratic Services
(c) Implemented	(c) Solicitor

## 2.5 Committee Reports

- 2.5.1 DTR 2.2.8 requires the directors of the issuer to carefully and continuously monitor whether changes in the circumstances of the issuer are such that an announcement obligation has arisen under Article 17 of the Market Abuse Regulation.
- 2.5.2 The Protocol has a section covering Committee Reports, which highlights the requirement to indicate under the Financial and Legal Implications whether the report has any Inside Information which would need to be reported to the LSE. The Protocol provides examples of reports where this would likely be relevant including reports approving major capital investments, reports advising of significant delays of major capital projects, especially where this will affect future revenue streams.
- 2.5.3 The template Committee reports include a section covering Legal Implications of the report. The Corporate Governance Reporting to Committee Home Page on the Zone includes Report Author Guidance April 2017. This highlights the requirement not to disclose Inside Information in Committee reports and defines Inside Information for authors. The report author guidance requires clarification as there is not an outright prohibition against disclosing Inside Information. Report authors require to be made aware of the additional requirements to report the decision to the London Stock Exchange at the same time the outcome of the meeting is made available to the public. Legal and Democratic Services are addressing this accordingly. In addition, the template Committee report available on the Zone includes the requirement to identify any legal implications associated with the Council's credit rating and bond issue, under the Legal Implications section of the template report.

## 2.6 Insider List

- 2.6.1 Article 18 of MAR requires issuers to draw up a list of all persons who have access to Inside Information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to Inside Information, such as advisers, accountants, or credit rating agencies (an Insider List). It also prescribes the content of insider Lists, which includes: the identity of any person having access to Inside Information; the reason for including that person in the Insider List; the date and time at which that person obtained access to Inside Information; and the date on which the Insider List was drawn up / updated. Article 18 of MAR also requires the list to be promptly updated for any changes, retained for at least 5 years from the date it was drawn up or updated and readily available should it be requested by the FCA.
- 2.6.2 Commission Implementing Regulation (CIR) 2016/347 prescribes the format of Insider Lists. This includes a permanent Insider List of persons, who due to the nature of their function or positions, have access at all times to all Inside Information within the issuer (Council). Separate 'deal specific / event specific' Insider Lists should also be maintained for persons with access to Inside Information relating to a particular deal / event only. Pro-forma permanent and deal specific / event specific lists are included in CIR 2016/347 which include the information required by Article 18 of MAR. The Protocol includes these as appendices to the Insider List section.
- 2.6.3 According to the Protocol, the permanent Insider List will include: all Councillors; all Directors; all Heads of Service; all PAs to Directors and Heads of Service; the



Communication Team; and additional employees identified by Heads of Service. The permanent Insider List is updated by Legal Services using an Excel based report exported from the PSE payroll system, detailing the current post holders for the permanent list. The report does not capture agency staff or contractors required to be included on the Insider List. As a consequence of the Target Operating Model the posts identified as appropriate for being on the Insider List may no longer be valid.

<b><u>Recommendation</u></b>		
The payroll report should be revised to account for changes to permanent Insider List posts as a result of the Target Operating Model.		
<b><u>Service Response / Action</u></b>		
Agreed. The Insider List will be reviewed in line with TOM implementation and the finalisation of roles and responsibilities.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
June 2018	Head of Legal and Democratic Services	Important within audited area

- 2.6.4 There is an intention that the reporting process be automated using the Human Capital Management (HCM) system once it goes live. Legal Services have made a request to a HCM Project Board member to include certain reports in the system specification. This includes the ability for the HCM system to report on a scheduled basis on movement of staff on the Insider List. The list should be updated as soon as staff have left the Council (rather than when the next scheduled payroll report becomes available) and the HCM system should flag any new posts created relevant for inclusion on the Insider List. The requirements in relation to the Insider List have yet to be considered by the HCM Project Board.

<b><u>Recommendation</u></b>		
The Insider List reporting requirements for the new HCM system should be reported to the next HCM Project Board.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Head of Legal and Democratic Services	Important within audited area

- 2.6.5 CIR 2016/347 requires the Insider List to be electronic and kept confidential, by restricting access to the Insider Lists to clearly identified persons from within the Issuer (the Council) or any person acting on their behalf or on their account due to the nature of their function or position. The Protocol states that the Head of Legal and Democratic Services is responsible for the creation and maintenance of the list. The Insider Lists are currently maintained in Word documents on an 'O drive' which 4 officers have access to. Therefore the Protocol does not clearly identify all officers with access to the Insider Lists.

<b><u>Recommendation</u></b>		
All officers with access to the Insider Lists should be clearly identified as required by CIR 2016/347.		
<b><u>Service Response / Action</u></b>		
Agreed.		

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Solicitor	Significant within audited area

- 2.6.6 Article 18 of MAR requires the Council to take all reasonable steps to ensure that any person on the Insider List acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of Inside Information. The Protocol states that the Head of Legal and Democratic Services is responsible for issuing letters detailing these duties and sanctions to all persons on the Insider Lists. A copy of the letter is included in the Protocol, which covers the legal and regulatory duties and sanctions i.e. fines and imprisonment. The need to ensure Inside Information is kept confidential and the means of ensuring this is also covered including: avoiding reading / discussing Inside Information in public areas; hard copy documents should be kept in locked cabinets; electronic documents should be password protected and restricted to a limited number of individuals; code names should be used where possible in all documents, correspondence and discussions; and computer access and other electronic devices with Inside Information should be password protected.
- 2.6.7 The recipients of the letter are required to return an acknowledgement slip to the Head of Legal and Democratic Services, confirming they have read the letter, are aware of the legal and regulatory duties entailed in having access to Inside Information; and are aware of the sanctions for unlawful disclosure of Inside Information and Insider Dealing. A copy of the letter to, and acknowledgement by, employees will be maintained on the individuals HR files and retained for a period of 7 years once the employee has left the Council. The Head of Legal and Democratic Services will keep all letters and acknowledgements for a minimum of 5 years not otherwise retained by HR after the individual's last entry on the Insider List.
- 2.6.8 An update on the creation and maintenance of Insider Lists was provided to the Bond Governance Project Board on 5 December 2017. This included an update on receipt of acknowledgement slips from persons on the permanent Insider List as well as the number of staff removed due to leaving the Council. It was reported that acknowledgements had been received from all employees sent letters and these had been passed to HR for storage; 2 letters to consultants had yet to be acknowledged despite reminders and follow up by their agency and 5 Councillors had yet to return acknowledgements despite reminders being issued. All consultants have now returned acknowledgements whilst some from Councillors are outstanding.

**Recommendation**

The Service should remind Councillors of the requirement to return the acknowledgement slips to ensure the Council complies with Article 18 of the Market Abuse Regulation.

**Service Response / Action**

Agreed. A reminder will be given to Councillors at the Audit, Risk and Scrutiny Committee in February 2018.

**Implementation Date**

February 2018

**Responsible Officer**

Solicitor

**Grading**

Important within audited area

- 2.6.9 A sample of 15 staff expected to be included on the permanent Insider List based on the requirements of the Protocol were selected and acknowledgement slips were requested from the Head of Legal and Democratic Services. The letters had been issued in all cases and all 15 acknowledgement slips were returned. The permanent Insider List was

reviewed to ensure the same 15 staff were included in line with the Protocol. 13 were present and 2 were absent since they had left the Council. No exceptions were noted.

2.6.10 It was reported to the Bond Governance Project Board on 5 December 2017 that no deal specific or event specific lists have been created. It is the responsibility of all Heads of Service, having been discussed at the Strategic Asset and Capital Board, to recommend to the Head of Legal and Democratic Services that a deal specific or event specific Insider List be created. In making the recommendation, Heads of Service should bear in mind the likelihood that a reasonable investor would have used the information in question to make his or her decision to invest in the Council's Bonds taking into consideration: whether or not the project is listed in the Council's Strategic Business Plan; the total amount of capital to be spent on the project; capital grants to ALEOs; projected revenue arising from the project and/or major reputational impact.

2.6.11 It was noted that the Protocol did not specify values or percentages, for determining if capital spend; capital grants to ALEOs or projected revenue from a project would be relevant for the purposes of determining if a deal specific / event specific list should be created. This increases the risk that inappropriate, or no, referrals will be made to the Head of Legal and Democratic Services for consideration.

**Recommendation**

Thresholds should be quantified for capital spend, capital grants to ALEOs and projected revenue from a project, when determining if a deal specific / event specific Insider List is required.

**Service Response / Action**

Agreed. Initial work on identifying appropriate thresholds has commenced and will be finalised following consultation with the Strategic Capital Projects Board.

**Implementation Date**

June 2018

**Responsible Officer**

Solicitor

**Grading**

Important within audited area

2.6.12 Paragraph 3.8 of the Insider Protocol indicates that the deal specific or event driven Insider List may require to be updated to include individuals involved in contract negotiations for a specific capital project. Commercial and Procurement Services has confirmed that they are to be involved with this.

**2.7 Training**

2.7.1 Training was delivered to Finance, Legal and Internal Audit employees on 28 November 2016. This covered an explanation of Bonds and debt capital markets; Bond documentation such as the Trust Deed; the significance of the Council obtaining a credit rating; and the ongoing requirements to comply with the requirements of the Market Abuse Regulation.

2.7.2 Eight in-house training sessions entitled 'The Bonds – a license to grow' have been delivered by Finance and Legal Services in July, August, September and November 2017 to employees and four sessions have been delivered to Councillors in May, August and September 2017. This training is mandatory for persons included on the Insider Lists and covers: what bonds are; why the Council issued them; what a credit rating is; the implications on how the Council operates; Insider Lists and the implications of being on an Insider List; Persons Discharging Managerial Responsibility; and where to obtain further help and guidance.

2.7.3 32 Councillors have attended ‘The Bonds – a licence to grow’ training to date. A further session for Councillors will be delivered by March 2018 for the 13 Councillors yet to attend. 153 employees have attended the training to date. It was noted that officers required to be included on the permanent Insider List had not attended this specific training though some will have been at the Extended Corporate Management Team (ECMT) and CMT meetings when this topic was under consideration. Of the employees required to be included on the permanent Insider List, 1 Director, 1 Head of Service, 1 member of the Communication Team and 3 PAs were recorded as having attended the training. A further two Heads of Service have delivered the training. Whilst persons on the Insider Lists receive a letter explaining their legal and regulatory duties arising as a result of being on the Insider List and are required to return signed acknowledgement slips stating they have read and understood the letter, the absence of training increases the risk that employees on the Insider List will be unaware of their obligations in relation to Inside Information and the Council’s credit rating. The Head of HR (Interim) recommended to the Bond Governance Project Board on 5 December 2017 that the Solicitor delivering the training reconcile attendance with the Insider List, and advise of any persons on the Insider Lists yet to attend a training session, for the purposes of delivering training where required. The reconciliation has taken place and 44 individuals on the Insider List have yet to be trained. A recommendation is included for tracking purposes.

<b><u>Recommendation</u></b>		
Bond training should be delivered to all persons on the Insider Lists.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
June 2018	Solicitor	Important within audited area

2.7.4 The Head of Finance and the Head of Legal and Democratic Services delivered training to the Extended Corporate Management Team on 2 February 2017, by going through the contents of the report to Council on 14 December 2016, covering the Council’s credit rating assessment and the legal implications for the Council, having issued Bonds. This included: the definition of Inside Information, Insider Lists, sanctions, the process for obtaining the Council’s initial credit rating, the requirement for an annual credit rating re-assessment and governance implications. Attendance at the meeting was unavailable.

2.7.5 An On-line Interactive Learning (OIL) training module is being developed. Progress was reported to the Bond Governance Project Board on 5 December 2017, including that the script has been drafted, however a date for the required filming of staff asking questions and answers being delivered, is yet to be arranged. Once developed the module will be used for refresher training, new starts and event specific persons.

2.7.6 It was also reported to the Bond Governance Project Board on 5 December 2017, that the Board members and Chief Officers of ALEOs are to receive a shortened version of the Bond training. The Senior Accountant (Finance) and Team Leader (Legal & Democratic Services) delivered the first session to the Board of Sport Aberdeen on 3 November 2017. Training will be delivered to Bon Accord Care in January 2018. Legal Services will arrange a final training session for the remaining ALEOs. A recommendation has already been made at paragraph 2.7.3 in relation to training persons on the Insider Lists.

2.7.7 A video has been added to the eInduction module on the Zone, which describes the reason the Bond was taken out; what bonds are; the credit rating; the Insider List; Inside Information and the requirement to treat such information confidentially and report it to the LSE before making public; the Market Abuse Regulation; implications for breaching MAR

including repaying bonds, fines and imprisonment. The induction checklist on the Zone includes the requirement to explain the governance arrangements including responsibilities relating to the Bond, with a link to the video. The video is also shown on a continuous loop outside meeting rooms.

## 2.8 Persons Discharging Managerial Responsibilities

2.8.1 Article 19 of MAR requires persons discharging managerial responsibilities (PDMRs) and persons closely associated with them, to notify the issuer (the Council) and the FCA of transactions relating to debt instruments (Bonds) of that issuer, within 3 business days of that transaction. The threshold for disclosing transactions is €5,000 per annum. PDMRs are not permitted to conduct any transactions in the 30 day period prior to the announcement of a year-end report which the Council is obliged to make under national law or the LSE rules.

2.8.2 Article 19 of MAR also requires the Council to ensure the information that is notified to the FCA, is disseminated to the public no later than 3 business days after the transaction, using a Regulated Information Service such as RNS Submit. The requirement for the Council to make a public announcement using a regulated information service is not included in the Protocol. This increases the risk that an announcement will not be made as required within 3 business days of a relevant transaction.

### **Recommendation**

The Protocol should be updated to include the requirement to make a public announcement in the event of a PDMR transaction.

### **Service Response / Action**

Agreed.

### **Implementation Date**

Implemented

### **Responsible Officer**

Solicitor

### **Grading**

Important within audited area

2.8.3 The Council is required to notify PDMRs in writing of their obligations under Article 19 of MAR. According to the Protocol, the Head of Finance will advise all PDMRs of their obligations prior to the Committee approving quarterly and annual financial results. The quarter 2 financial statement was noted by Finance, Policy and Resources Committee on 1 December 2017. An email was sent to all Councillors and Extended Management Team by the Head of Finance on 13 October 2017, which included a letter describing the responsibilities and restrictions of PDMRs under MAR.

2.8.4 The Council is also required to maintain a list of PDMRs and persons closely associated with them under MAR. The list was reviewed and checked to see if the same sample of 15 individuals on the permanent Insider List was present on the PDMR list. 11 officers with managerial responsibilities were included on the list, 2 were not included as expected because they did not have managerial responsibilities and a further 2 were absent from the list as they had left the Council.

## 2.9 Bond Governance Programme Board / Project Board

2.9.1 On 14 December 2016, Council instructed the Head of Legal and Democratic Services to ensure that any proposals arising from the Governance Review are aligned to the requirements and expectations of holding and maintaining a suitable credit rating and being an issuer of Bonds, as well as to develop and maintain the Insider List(s) on behalf of the Council.

- 2.9.2 The Bond Governance Programme Board (the Board) was established in April 2017, according to the Programme Brief, to provide assurance that governance is in place to enable the Council to retain its credit rating through the re-assessment process, so that the City Centre Masterplan and Aberdeen's infrastructure objectives can be met, to allow for continued inward investment and economic diversification of the region's industries. The programme formed part of the Transformation Programme and the Board reported to the Change Delivery Portfolio Board, which reported to CMT.
- 2.9.3 Outputs of the Board include producing an Insider List, with procedures to support the Insider List; a credit rating re-assessment; a Bond compliance framework; review governance documents to reflect requirements of the Bond; train Elected Members and Staff; adapt Communications Protocol to include Bond guidance; and establish the Economic Policy Panel.
- 2.9.4 The Programme Sponsor and Chair is the Head of Legal and Democratic Services. The Programme Board includes representatives from Finance, Communications, HR, Legal Services and Economic Development. Project leads were identified for the LSE / regulatory compliance; credit rating re-assessment; financial planning; training, development and employment contracts; economic factors and communications. A Programme Manager is in place to monitor and co-ordinate projects and report progress of the programme to the Programme Sponsor and the Board.
- 2.9.5 The Programme Brief included a detailed preparation plan covering the following initial tasks: core programme resourcing; stakeholder analysis; vision and blueprint; benefits; governance and risks. This included start and completion dates where applicable.
- 2.9.6 The Terms of Reference dated 5 April 2017 detail the purpose of the Board, the remit and responsibilities; membership; support arrangements; and governance and reporting arrangements. The draft Terms of Reference were noted at the Board's first meeting on 4 April 2017. The draft Programme Brief and preparation plan were also reviewed at this meeting with changes made as required by Board members.
- 2.9.7 The Board has met nine times in total between 4 April and 5 December 2017, meeting every month except July 2017. The meetings have been well attended by all Services. Standing agenda items include the Programme Plan; Governance Tracker; Risk Assurance and Risk Register; Stakeholder Analysis; Insider List and Protocol; Credit Rating Reassessment; Training; and the review of third party contracts. Action notes were prepared for all meetings following the first meeting, describing the actions from the previous meeting, the officer and the deadline.
- 2.9.8 The Programme Plan tracks the outstanding actions from all previous meetings, identifying the objective; lead officer; deliverable, such as Insider List, milestone, detailing each stage, date to complete; designated officer and the status (green, amber, red). This is reviewed at the start of every meeting and updated as required. The Governance Tracker also tracks completion of tasks to date by month and is also reviewed at each meeting by the Board members. These documents are maintained by the Programme Manager and adequately track the Board's progress.
- 2.9.9 The Stakeholder Analysis is used to classify each stakeholder based on 'power' and 'interest' for the purposes of determining the level of engagement required by the Board and the Communications Team with interested parties. This is also updated as required at each meeting by the Programme Manager.
- 2.9.10 The Performance and Risk Manager maintains the Risk Assurance and Risk Register in relation to the Bond. These were first presented to the Board on 14 June 2017 when the Bond risk was included on the Corporate Risk Register: 'Risk of reduced credit rating for

Council and the Bond issue impacting the capital programme funding'. This included the potential impact; causes; controls; mitigating actions; assessments of the effectiveness of each control; and an overall risk assessment of very serious impact but low likelihood. The Risk Assurance document takes each assurance source resulting from the Programme, such as the Insider List and Communication Protocol, identifies a lead officer, and is used to assess the assurance from each source as strong, moderate or inadequate.

- 2.9.11 CMT agreed to remove the Bond risk from the Corporate Risk Register on 28 September 2017. The risk LD007 'Risk that Bond governance arrangements are ineffective' is now included on the Legal and Democratic Services Risk Register and continues to be monitored by the Board. The Risk Register and Risk Assurance documents are reported at each meeting and updates are required to be provided by each lead officer as appropriate.
- 2.9.12 The remaining standing items are monthly updates by the relevant designated officers on the progress completing Insider Lists, developing the Protocol, completing the credit rating reassessment and reviewing third party contracts. The Board has also received updates on the review of the Scheme of Governance documents (delegated powers, Committee terms of reference, Financial Regulations, Procurement Regulations); the Communications Policy; and Staff Contracts to ensure they reflected the requirements resulting from the Bond issue.
- 2.9.13 The Bond Governance Programme Board has been operating as the Bond Governance Project Board since 12 September 2017. It was agreed at the Project Board meeting on 5 December 2017 that due to the progress of the Board establishing governance arrangements in relation to the Bond issue since April 2017, the Project Board will now meet on a quarterly basis in a monitoring capacity, with the same membership, from April 2018. The standing agenda items of training; Insider List; Communications; Credit Rating – Finance; and Economic Policy Panel were agreed as was the membership, which included the current representatives from Legal Services; Finance; HR; Communications and Economic Development.

## **2.10 Governance Review**

- 2.10.1 A Governance Review is underway to update the main governance documents for Council approval in March 2018. The main purpose is to ensure that the documents can support the Council during the transition to the Target Operating Model and that they reflect CIPFA's Principles of Good Governance, against which the Council is reviewed each year. However the governance documents also require to take account of the additional responsibilities placed on the Council as a result of the credit rating and Bond issue. An update on progress reviewing the governance documents was provided to the Board on 5 December 2017 by the Programme Manager (Governance Review).
- 2.10.2 The documents being reviewed and updated as appropriate include the Committee Terms of Reference (the powers delegated from Council to the Committees within the new structure); Delegated Powers (powers delegated to Chief Officers within the new structure); Procurement Regulations; and Financial Regulations.
- 2.10.3 The Board made relevant recommendations for changes to the Delegated Powers, Procurement Regulations and Financial Regulations at the meeting of 5 December 2017. This included the Delegated Powers being updated for the Head of Legal and Democratic Services responsibility to develop and maintain the Insider Lists and Protocol and for the Head of Finance to be given the power to approve disclosures to the LSE. The Procurement Regulations should be updated to reflect the need to identify deal specific Insider Lists through the Commissioning Function. Further details of the review by Commercial and Procurement Services Legal Team are provided in section 2.11. In

addition, the Financial Regulations are to be updated to reflect the requirements in relation to quarterly reporting of Financial Statements and the credit rating. Recommendations are included for tracking purposes.

<b><u>Recommendation</u></b>		
(a) Delegated Powers should be updated to reflect the Head of Legal and Democratic Services powers in relation to development and maintenance of Insider Lists and the Protocol.		
(b) Delegated Powers should be updated to reflect the Head of Finance's power to approve disclosures to the LSE.		
(c) Quarterly reporting details and credit rating references should be included in the Financial Regulations.		
<b><u>Service Response / Action</u></b>		
Agreed. This will be captured as part of the work being currently undertaken to update the Scheme of Delegation which is due to be considered by Full Council in March 2018.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2018	Head of Legal and Democratic Services	Significant within audited area

## 2.11 Procurement

2.11.1 As part of the Bond Governance Programme, Commercial and Procurement Services (C&PS) Legal Team are undertaking a review of all standard terms and conditions by the Council when contracting with a third party, to ensure that the Confidentiality clause clearly states that the supplier must not disclose any Inside Information to a third party, as required by the Market Abuse Regulation. C&PS are also reviewing the Council's Procurement Regulations and procurement template documentation, to determine whether any changes are required in order to ensure compliance with the Bond requirements. In addition, major contracts are being reviewed to identify which contracts need to be varied to ensure the Confidentiality clause is adequate.

2.11.2 The C&PS Legal Team Leader provided an update on progress to the Bond Governance Project Board on 5 December 2017, stating that the C&PS Legal Team had agreed with the Programme Management Office that future Business Case templates shall have a section on the Bond with wording being currently drafted. Also a list of major projects has been received by the C&PS Legal Team for the purpose of reviewing existing contract clauses. It was recommended to the Bond Governance Project Board that the C&PS Legal Team finish the review. Recommendations are included for tracking purposes.

<b><u>Recommendation</u></b>		
(a) C&PS Legal Team should finish reviewing all standard terms and conditions used by the Council when contracting with a third party to ensure that the Confidentiality clause meets the requirements of the Market Abuse Regulation.		
(b) C&PS Legal Team should finish reviewing major projects with a view to identifying which contracts need to be varied to meet the requirements of the Market Abuse Regulation.		
(c) C&PS should finish reviewing Procurement Regulations and procurement template documentation to ensure compliance with the Market Abuse Regulation.		



(d) C&PS should finalise the revised Business Case template, including the section on the Bond.

**Service Response / Action**

(a) Agreed. The confidentiality clause has been prepared. All solicitors in the C&PS Legal Team are aware of this updated clause but some work still needs to be done to ensure that all C&PS colleagues (i.e. Category Managers and Procurement Specialists) are aware of this new version. All C&PS colleagues will be made aware of these changes by February 2018.

(b) Agreed. This review is ongoing.

(c) Agreed. Draft revised Procurement Regulations have been prepared which take into account the requirements of the Market Abuse Regulation. These will be reported to Full Council on 5 March 2018 for approval. The Team Leader – C&PS Legal Team found no changes were required to procurement template documentation following a review to ensure the templates complied with MAR.

(d) Agreed

**Implementation Date**

**Responsible Officer**

**Grading**

(a) February 2018

Team Leader – C&PS  
Legal Team

Significant within audited  
area

(b) July 2018

Team Leader – C&PS  
Legal Team

(c) March 2018

Team Leader – C&PS  
Legal Team

(d) April 2018

Strategic Infrastructure  
Plan Programme Manager

**AUDITORS:** D Hughes  
A Johnston

## Appendix 1 – Grading of Recommendations

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

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
TITLE OF REPORT	Freedom of Information
REPORT NUMBER	IA/18/004
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 This report advises the Committee of the outcome from work that the Committee requested Internal Audit undertake relating to Freedom of Information processes in place for determining what information can be released to the public.

### **2. RECOMMENDATION**

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

### **3. BACKGROUND / MAIN ISSUES**

- 3.1 At its meeting on 26 September 2017, the Audit, Risk and Scrutiny Committee requested that Internal Audit undertake a review of the Council's Freedom of Information processes in place for determining what information can be released to the public.
- 3.2 Compliance with the requirements of the Freedom of Information (Scotland) Act 2002 (FOISA) and Environmental Information (Scotland) Regulations 2004 (EIR) is managed centrally by the Information Compliance Team which is located within Corporate Governance. Each Directorate has at least one Information Management Liaison Officer who support the Team in their role.
- 3.3 The Council has a well-documented procedure and guidance notes for those involved in handling requests. All FOISA and EIR requests received by the Council must be referred to the Information Compliance Team. Requests are checked, to ensure that they are valid, logged and allocated a unique reference number, and then allocated to the appropriate Information Management Liaison Officer, without details of the applicant. Responses have to be compiled and returned to the Information Compliance Team within set timescales so that they can be checked and issued to the

applicant.

- 3.4 The detailed procedures held on the Council's Intranet include various FOISA Exemption Checklists which provide information, and detail considerations, for officers in determining whether information should be released. The Information Management Liaison Officers all receive training and attend quarterly meetings with the Information Compliance Team to discuss general issues that have arisen in providing responses and the outcome of reviews / appeals. These meetings have recently been expanded to include Data Protection and Information Governance matters.
- 3.5 Responses to FOISA and EIR requests are approved either by a Director or Head of Service and, through a quality assurance check by the Information Compliance Team, advice can be given if responses are not clear, don't address the request, exemptions are applied that are not appropriate, etc. However, the Team does not have the authority to instruct certain action in relation to compliance, they can only advise.
- 3.6 The Team monitors progress with each request to ensure that the Council meets the requirement to respond within 20 working days. Whilst this is a largely manual process, the Team is looking at automation.
- 3.7 The procedures do not, at present, provide guidance on particularly high profile or sensitive requests. However, as responses are approved by Chief Officers, and advice is given by the Information Compliance Team where appropriate, this may not be necessary. There is evidence of discussion amongst appropriate senior officers where such requests have been identified.
- 3.8 Should an applicant be unhappy with a response provided, either because it doesn't address the issue raised or the Council has decided to withhold information, then the applicant can appeal to the Council. If the appeal is competent, an Internal Review Panel would usually be convened and the detail of the particular instance would be reviewed. The Panel, comprising two Council officers at third tier manager level or above, is supported by the Information Compliance Team and would make a decision, either to uphold the original response or to overturn / amend it, and the applicant would be advised accordingly. There may be some cases where it would not be appropriate for a Review Panel to deal with the internal review – in such cases, the Information Compliance Team is responsible for deciding on how the review should be handled.
- 3.9 If the Council fails to respond to a request within the required timescale, the applicant can appeal to the Council. In these cases there would be a "review based on lateness" which would be considered by approving officers (usually Director / Head of Service). The outcome of this would be to effectively overturn / amend the initial failure to respond by providing a response (which may be to provide or withhold the information requested).
- 3.10 If the applicant remains unhappy with the outcome, they would appeal to the Scottish Information Commissioner who would review the case as required and issue a Decision Notice. This could either instruct the Council to release the requested information to the applicant, with or without

exemptions / exceptions, instruct the Council to review internal procedures and improve practice, or uphold the Council's original response.

- 3.11 The Information Compliance Team was able to provide Internal Audit with data relating to FOISA and EIR requests dealt with for 2016/17 which shows the following:

	2016/17	Percentage
Number of Requests	1785	100.00%
Disclosure provided in full	879	49.24%
Partially Refused	613	34.34%
Fully Refused	293	16.42%
Internal Reviews Requested / Held	25	2.76% of Partially or Fully Refused
Initial Response Upheld	11	44.00%
Initial Response Partially Upheld	1	4.00%
Initial Response Overturned	13	52.00%
Appeals	7	58.33% of Partially or Fully Upheld
Initial Response Upheld	3	42.86%
Initial Response Partially Upheld	1	14.28%
Initial Response Overturned	3	42.86%

Similar data was reported to the Audit, Risk and Scrutiny Committee in September 2017 in relation to the twelve months to June 2016 and 2017.

- 3.12 The above data shows that the Council is performing well. There were 25 internal reviews requested in relation to 906 cases where data was either fully or partially refused in the first instance. This would indicate that, in most cases, those making requests were satisfied with the Council's response, even where that was to not release the information requested. At review, 13 of these cases were overturned and this includes those cases where data had not been provided and was subject to a "review based on lateness". 7 cases went to appeal and the outcome of these was evenly split.
- 3.13 Data for the other City Councils in Scotland for the same period show that they have higher numbers and percentages of Internal Reviews indicating that the Council is performing well, in comparison, with its initial responses. The number of appeals is not significant in any of the four City Councils.

#### **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. The purpose of this report is to address concerns raised by the Audit, Risk and Scrutiny Committee.

## **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 outcomes of a review that the Committee requested Internal Audit undertake. 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 Report to Audit, Risk and Scrutiny Committee on 26 September 2017 – Information Governance Report & the General Data Protection Regulation (CG/17/109).

## **9. REPORT AUTHOR DETAILS**

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(01224) 664184

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/18/002
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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

- 1.1 This report advises the Committee of progress made by Services with implementing recommendations that have been agreed in Internal Audit reports.

### **2. RECOMMENDATIONS**

The Committee is requested to:

- 2.1 Agree to the five payroll related recommendations that are currently dependant on further development of the YourHR system being closed off and the relevant functionality being tested by Internal Audit when the new Human Capital Management System is implemented; and otherwise
- 2.2 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 G.
- 3.3 There are five recommendations (two in report AC1615, and one each in AC1703, AC1705 and AC1716) that are dependent on further development

of the YourHR system. These are still detailed in Appendices B and C. However, such development has ceased due to the planned replacement of YourHR, and various other systems, with a new Human Capital Management System during 2018/19. Resolution of the recommendations will be achieved when the new system is implemented. In view of this, Internal Audit will test functionality in the new system in 2019/20 and, following this Committee meeting, if the Committee agrees, the recommendations will be closed off.

**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 – Summary.

8.2 Appendix B – Position with Agreed Recommendations – Cross Service



- 8.3 Appendix C – Position with Agreed Recommendations – Communities, Housing and Infrastructure
- 8.4 Appendix D – Position with Agreed Recommendations – Corporate Governance.
- 8.5 Appendix E – Position with Agreed Recommendations – Education and Children’s Services.
- 8.6 Appendix F – Position with Agreed Recommendations – Health and Social Care Partnership.
- 8.7 Appendix G – Grading of Recommendations.

**9. REPORT AUTHOR DETAILS**

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# APPENDIX A - SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 9 FEBRUARY 2018

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 23 November 2017, the Committee was advised that, as at 10 November 2017, there were 61 recommendations which were due to have been completed by 30 September 2017 which were not fully complete. This has reduced to 49.

The total not fully complete, which had an original due date of before 31 December 2017, is 66. Full details relating to progress, on a report by report basis, are shown in appendices B to F.

Recommendations							Grading of Overdue Recommendations		
SERVICE	Agreed in reports shown in Appendices B to F	Due for completion by 30.09.17	Confirmed complete by Service	New in October to December 2017	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
<b>Cross Service</b>	116	104	86	11	5	<b>24</b>	1	19	4
<b>Communities, Housing and Infrastructure</b>	119	83	70	10	6	<b>17</b>	1	12	4
<b>Corporate Governance</b>	85	59	50	4	4	<b>9</b>	0	4	5
<b>Education and Children's Services</b>	62	39	36	13	6	<b>10</b>	0	10	0
<b>Health and Social Care Partnership</b>	47	34	28	3	3	<b>6</b>	0	5	1
<b>Total</b>	429	319	270	41	24	<b>66</b>	2	50	14

# **APPENDIX B**

## **CROSS SERVICE**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

AC1604	Corporate Policies and Procedures	March 2016	2	2	1	1	1 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Head of Legal and Democratic Services	The Council should ensure a timetable is put in place for implementation of a policy framework for all Council policies (2.1.5)	Important March 2017	<p>As reported to Committee since June 2017, the Governance Review Board is monitoring progress of this project through the wider Governance Review Programme and had agreed to extend the collation / housekeeping aspect to the end of August 2017.</p> <p>Since September 2017, the Committee has been advised that the draft Framework has been developed and was ready to be submitted to the Governance Review Board in September 2017 for consideration. This did not happen as the Board was prioritising the Scheme of Governance documentation as per a Council decision.</p> <p>The latest update from the Service is that the Corporate Policy Framework will be referred to the Governance Delivery Board on the 15 February, 2018, with a recommendation that the Governance Function (which will include the remit for Corporate Policies) take ownership of it and ensure that it is in keeping with the design of the new function.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1615</b>	<b>Timesheets</b>	January 2016	25	25	23	<b>2</b>	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of IT and Transformation	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 (2.4.6 (1c))	Significant July 2016	As reported previously, these recommendations have not been fully implemented as any further development of the YourHR system has ceased due to the planned replacement of this, and various other systems, with a new Human Capital Management System during 2018/19. Whilst YourHR partially addressed the issues, full resolution will be achieved when the new system is implemented. In view of this, Internal Audit will test functionality in the new system in 2019/20 and, in the meantime, these recommendations will be closed off.
Head of IT and Transformation	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 (2.4.6 (2)).	Significant July 2016	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1621</b>	<b>ALEOs</b>	February 2016	10	10	6	<b>4</b>	4 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial & Procurement Services	Services should ensure that there is an up to date Service Level Agreement with each ALEO (2.2.6 (a))	Significant June 2017	As reported to Committee since September 2017, Commercial and Procurement Services have stated that it is anticipated it will take around 12 months to get new agreements in place.  Implementation of these recommendation will, therefore, be delayed until August 2018.
Head of Commercial & Procurement Services	Services should ensure all ALEO SLAs confirm performance reporting requirements, and state that ongoing funding is subject to evidenced satisfactory performance (2.2.6 (b))	Significant June 2017	
Head of Commercial & Procurement Services	Services should ensure financial clauses in all SLAs accurately reflect the partners' intentions (2.4.9 (i))	Significant June 2017	
Head of Commercial & Procurement Services	Services should ensure all material ALEO SLAs contain a requirement for Internal Audit arrangements, and facilitate reporting of assurance gained through these arrangements to the Council (2.4.11)	Significant June 2017	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1623</b>	<b>Compliance with Procurement Legislation</b>	June 2016	28	28	23	<b>5</b>	5 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial & Procurement Services	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 (2.1.12)	Significant June 2016	<p>As reported previously, Commercial and Procurement Services had advised that a draft list of exceptions had been prepared and required to be discussed with Finance colleagues. Reference to the list of exceptions was to be included in the next update to the Financial Regulations which was being prepared. A revised completion date of 31 March 2017 was anticipated to fit with this review. C&amp;PS subsequently advised that this remained in progress as part of the review of Financial Regulations. Governance colleagues had advised that these were scheduled to be reported to the Finance Policy and Resources Committee in September 2017.</p> <p>The update at the September 2017 meeting of the Committee was that the review of Financial Regulations will be delayed in light of the work on the Target Operating Model to ensure that updates comply with the TOM. Revised Financial Regulations and other governance documentation will be presented to Council in March 2018.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

Recommendation	Position
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*(AC1623 – Compliance with Procurement Legislation – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Policy, Performance and Resources	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 (2.4.7)	Significant September 2016	As reported previously, the Service was 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 Service then advised that, as there is currently no system to allow identification of collected spend on an item by item basis, it was more appropriate at that time to adopt a common sense approach to tackling the issue of compliance in overall school spend. The Service was 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. The update at the September 2017 meeting of the Committee was that the Service anticipates that it will take until March 2018 to address this one issue.
Head of Commercial & Procurement Services	C&PS should review the status of implied contracts, determine appropriate actions with the Service, and seek Committee approval (2.5.4)	Significant March 2017	As reported previously, Commercial and Procurement Services advised that this would be complete in September 2017 as Service reviews are required to be completed first. The update at the September 2017 meeting of the Committee was that this will now take until the end of December 2017.  The Service has now advised that the number of contracts in place has increased from 163 to 206 and it is anticipated that everything will be in place by the end of March 2018.



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Recommendation	Position
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*(AC1623 – Compliance with Procurement Legislation – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial & Procurement Services	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 (2.6.4)	Significant June 2016	As 2.1.12 above.
Head of Commercial & Procurement Services	C&PS will issue guidance clarifying the raising of purchase orders and any exceptions (2.6.6)	Significant June 2016	As 2.1.12 above.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1712</b>	<b>Agency Staff</b>	February 2017	14	14	12	<b>2</b>	1 Major 1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial & Procurement Services	Services should ensure Standing Orders, Financial Regulations and EU Tendering legislation are complied with (2.2.4)	Major June 2017	The Service response to the recommendations was “The responsibility of adhering to Standing Orders and Procurement Regulations is for the hiring manager responsible for the budget. The Corporate Procurement Steering Group, with involvement from each Directorate is working to establish a ‘gatekeeper’ role for the commission of agency staff going forward.”
Head of Commercial & Procurement Services	All agency worker procurement should be processed through PECOS by Service contacts designated in established procedures (2.3.4)	Significant June 2017	The Committee was advised in September 2017 that, as part of the Transformation Portfolio, an Establishment Control Board has been created to monitor the council’s establishment and a report will be taken to the Board to agree the ‘gatekeeper’ role by October 2017.  Internal Audit is awaiting an update regarding progress.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC1716</b>	<b>Timesheets and Allowances</b>	February 2017	9	9	7	<b>2</b>	2 Significant
Progress with implementing the four recommendations that are overdue is as detailed below.							
Chief Officer	Recommendation	Grading / Due Date	Position				
Interim Head of HR	Where it is agreed that breaks will be paid, a register should be maintained of agreements providing details of the staff groups affected (2.3.5 (2))	Significant  July 2017	As reported to the September 2017 meeting of Committee, HR advised that, due to the nature of work being undertaken in the area identified, there will be no deduction of unpaid break and risk assessments will be carried out for working over 6 hours with no break. Work is underway to seek approval for an amendment to the collective agreement the Council has with the Trade Unions for this group of staff. It was anticipated that this will take until the end of December 2017 to resolve.  The latest update from the Service is that there are some issues to resolve in relation to the content of the document and it is still the Service's aim to try and get agreement from all recognised Trade Unions. However, it is anticipated that this will take until the end of June 2018 to achieve.				
Head of IT and Transformation	HR should determine the best approach to ensuring that additional holiday pay is only claimed when eligible hours have been worked (2.4.6 (1))	Significant  February 2017	As reported previously, this recommendation has not been fully implemented as any further development of the YourHR system has ceased due to the planned replacement of this, and various other systems, with a new Human Capital Management System during 2018/19. Whilst YourHR partially addressed the issue, full resolution will be achieved when the new system is implemented. In view of this, Internal Audit will test functionality in the new system in 2019/20 and, in the meantime, this recommendation will be closed off.				

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1722</b>	<b>ALEOs – Management by Services</b>	August 2017	15	14	13	<b>1</b>	1 Significant
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Progress with implementing the recommendations that are overdue is as detailed below.

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Policy, Performance and Resources	Education and Children's Services should review options for performance management within future ALEO agreements (2.4.3)	Significant September 2017	This forms part of Education and Children's Services review of ALEO management arrangements. Two of the Sports ALEOs are being reviewed and a report is to be presented to the Finance, Policy and Resources Committee in December 2017.  Internal Audit is awaiting an update from the Service regarding this.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1804</b>	<b>Business Continuity Planning</b>	August 2017	13	13	6	<b>7</b>	4 Significant 3 Important
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Progress with implementing the recommendations that are overdue is as detailed below.

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Communities and Housing	Business Continuity Plans should be completed where incomplete (2.2.4 a)	Significant December 2017	The Service has advised that plan owners were requested to update plans in the prescribed format and confirm to Emergency Planning Team when complete. The Emergency Planning Team is collating responses and those Heads of Service that have yet to respond have been chased. An extension to the end of February 2018 is needed to give time to comply.
Head of Communities and Housing	The format prescribed by the Business Continuity Policy should be used when preparing Plans (2.2.4 b)	Significant December 2017	
Head of Commercial and Procurement Services	CPS should update Procurement Guidance Notes to reflect the requirement to obtain a Key Supplier Assessment Questionnaire for Key Suppliers (2.4.2)	Significant October 2017	The Service has advised that this is being included in a review of procurement guidance notes which will be complete by the end of February 2018.
Head of Communities and Housing	Implementation dates and responsible officers should be allocated to recommendations listed in the Action Log (2.5.3)	Important December 2017	The Service has advised that responsible officers have been allocated but implementation dates have not yet been determined. This will be complete by the end of February 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC1804 – Business Continuity Planning – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Communities and Housing	Business Continuity Plan progress should be reported to Senior Management Teams on a quarterly basis and progress reports should be provided to the Resilience Working Group (2.6.5)	Significant December 2017	The Service has advised that Business Continuity is to be included as standing item on the Resilience Working Group. Plan holders will be required to report to Service Management Teams and the Resilience Working Group on a quarterly basis on progress reviewing and testing plans from the next meeting on 16 March 2018. Plan holders will also be required to confirm at the Resilience Working Group if plans have been reported to Service Management Teams.
Head of Communities and Housing	Service Risk Registers should be put in place for all service areas (2.7.2 a i)	Important December 2017	The Service has advised that a Risk Management Framework will be reported to AR&S Committee in February 2018 which will require business continuity plans to be considered as a control to reduce the impact of a risk, and that 'functional' risk registers (in the new structure) are to be reviewed at least quarterly by the new function management teams and directors. It is anticipated that the requirements of the Framework will be implemented by June 2018.
Head of Communities and Housing	The Corporate, Directorate and Service Risk Registers should be reviewed to identify emergent risks requiring to be mitigated by Business Continuity Plans (2.7.2 a ii)	Important December 2017	

# APPENDIX C

## COMMUNITIES, HOUSING AND INFRASTRUCTURE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1602 AW</b>	<b>Craft Workers Terms and Conditions</b>	October 2015	9	9	5	4	1 Major 3 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Land and Property Assets	The Service should renegotiate the Agreement based on current working practice (2.2.6)	Major June 2016	<p>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 2017. The Service was hopeful that an agreement could be signed as soon as possible in 2017. The June 2017 meeting of the Committee was advised that the craft agreement had to be agreed at a regional level by the unions. At that stage, until other union matters are resolved, progress had stalled but it was hoped that discussions would resume in the near future.</p> <p>The update provided to Committee in September 2017 was that this has been delayed further to June 2018.</p>



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Chief Officer	Recommendation	Grading / Due Date	Position
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*(AC1602AW – Craft Workers Terms and Conditions – Continued)*

Head of Land and Property Assets	The Service should complete the roll out of the hand held system to ensure that periods of stand-by are covered (2.3.13)	Significant June 2016	As reported previously, this had been partially implemented and piloted and would be fully implemented with the new craft agreement. The June 2017 meeting of the Committee was advised that the craft agreement had to be agreed at a regional level by the unions. At that stage, until other union matters are resolved, progress had stalled but it was hoped that discussions would resume in the near future.  The update provided to Committee in September 2017 was that this has been delayed further to June 2018.
Head of Land and Property Assets	The Service should consider whether such payments remain appropriate (2.3.14)	Significant June 2016	As reported previously, this is being reviewed as part of the new craft agreement, as per 2.2.6 above.
Head of Land and Property Assets	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 (2.3.16)	Significant June 2016	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 June 2017 meeting of the Committee was advised that this will be addressed when additional IT is introduced to the call out service.  The update provided to Committee in September 2017 was that this has been delayed further to June 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

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

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Public Infrastructure and Environment	The Service in conjunction with Finance should review the charging system for extraordinary uplifts (2.1.9)	Important June 2016	The Service has advised that this is dependent on implementation of a new management system. This is due to go live in February 2018 for household waste and April 2018 for Trade Waste.
Head of Public Infrastructure and Environment	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 (2.1.10)	Significant September 2016	The Service has advised that this is dependent on implementation of a new management system. This is due to go live in February 2018 for household waste and April 2018 for Trade Waste.
Head of Public Infrastructure and Environment	The Service should introduce checks to ensure the accuracy and completeness of all invoices raised (2.1.12)	Significant September 2016	The Service has advised that this is dependent on implementation of a new management system. This is due to go live in February 2018 for household waste and April 2018 for Trade Waste.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Chief Officer	Recommendation	Grading / Due Date	Position
<i>(AC1608 – Trade Waste – Continued)</i>			
Head of Public Infrastructure and Environment	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 (2.1.13 (a))	Important June 2016	The Service has advised that this is dependent on implementation of a new management system. This is due to go live in February 2018 for household waste and April 2018 for Trade Waste.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1618</b>	<b>Vehicle and Driver Records</b>	April 2016	22	22	20	<b>2</b>	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Public Infrastructure and Environment	Fleet should work with Services to determine their ongoing fleet requirements, in line with these principles, in advance of any further significant procurement exercises (2.1.2ii)	Significant November 2016	As reported previously, the Service 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.
Head of Public Infrastructure and Environment	Fleet should seek to identify 'excess' vehicles promptly in order to maximise resale value where vehicles are not required (2.1.2iii)	Significant November 2016	<p>As reported previously, in January 2017, the Communities, Housing and Infrastructure Committee approved a telematics trial that would take place on 10 vehicles over a 3-6 month period. Should this trial prove successful, Fleet would present the results and seek further approval to implement a telematics system for all fleet vehicles and plant. The results of the trial would 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 were anticipated by September 2017. The Committee was advised in November 2017 that information from the above trial was expected by the end of October 2017 whilst a further 2 or 3 systems were about to be trialled. The outcome would be known by the end of December 2017.</p> <p>The latest update from the Service is that three systems are now on trial and one more will start on 29 January 2018 (all free) and data from these is expected by the end of May 2018.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1703</b>	<b>Cleaning Payroll</b>	June 2016	14	14	13	<b>1</b>	1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of IT and Transformation	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 (2.5.3)	Important January 2017	As reported previously, this recommendation has not been fully implemented as any further development of the YourHR system has ceased due to the planned replacement of this, and various other systems, with a new Human Capital Management System during 2018/19. Resolution will be achieved when the new system is implemented. In view of this, Internal Audit will test functionality in the new system in 2019/20 and, in the meantime, this recommendation will be closed off.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1705</b>	<b>Roads Payroll</b>	August 2016	22	21	19	<b>2</b>	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of IT and Transformation	Payroll should ensure all payments, including those made in arrears, are at the rate applicable on the date the work was carried out (2.2.19 (1a))	Significant  March 2017	As reported previously, this recommendation has not been fully implemented as any further development of the YourHR system has ceased due to the planned replacement of this, and various other systems, with a new Human Capital Management System during 2018/19. Whilst YourHR partially addressed the issue, full resolution will be achieved when the new system is implemented. In view of this, Internal Audit will test functionality in the new system in 2019/20 and, in the meantime, this recommendation will be closed off.
Head of Public Infrastructure and Environment	The Service should review options to ensure all relevant duties (including supervision, administration and vehicle checks) can be completed within contractual hours (2.2.13)	Important  February 2017	As reported previously, the Service advised that this will now form part of a wide restructure of the Roads Service which was 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 was anticipated that this would take to the end of December 2017 to complete.  The latest update from the Service is that recruitment to the two posts has not been successful. Internal Audit will follow-up progress after August 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1714</b>	<b>Land and Buildings</b>	February 2017	9	6	3	<b>3</b>	3 Significant
Progress with the overdue recommendation is detailed below:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Head of Legal and Democratic Services	Filing documentation should be updated to ensure there is a full audit trail for all title held (2.9.6)	Significant December 2017	The Service has advised that it has been exploring the viability, including resource implications, of updating the current Ordnance Survey Maps, and creating a digital mapping system to facilitate a more streamlined and efficient method of identifying property owned by the Council. The Service is formulating a Business Case for Digitisation of Mapping and Title Deeds that will include the use of a digital mapping system. The final draft of the Business Case is due to be completed in February 2018, following approval by the Head of Legal & Democratic Services.				
Head of Legal and Democratic Services	Consideration should be given to digitising the Council's title deeds and linking these to the Council's asset register system (2.9.10)	Significant December 2017					
Head of Legal and Democratic Services	The Asset Register and title documents should be cross referred using the Asset Register reference number (2.9.7)	Significant August 2017					

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1806</b>	<b>Corporate Landlord Responsibilities</b>	September 2017	9	2	2	<b>0</b>	0
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<b>AC1808</b>	<b>Vehicle Maintenance</b>	October 2017	20	5	4	<b>1</b>	1 Significant
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Progress with the overdue recommendation is detailed below:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Public Infrastructure and Environment	The Service should ensure it has assurance over compliance with the working hours requirements of the Working Time Regulations. (issue opt out forms) (2.8.3 i)	Significant December 2017	The Service has advised that it will be having discussion with HR regarding Terms and Conditions and that this will be complete by the end of March 2018.



# APPENDIX D

## CORPORATE GOVERNANCE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1610</b>	<b>Budget Monitoring</b>	November 2016	9	9	8	<b>1</b>	1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Finance	Finance should develop and provide training for budget holders (2.1.4)	Important December 2017	The Service has advised that basic financial training has been delivered to two services, and financial systems training has been offered to all budget holders and administrators. This is being delivered in January and February 2018. Financial framework training has been piloted and the roll out of this is due to start in March 2018. Training for strategic budget holders on the external influences on local government finance has been developed. Training on partnership finance, options appraisal and budget planning are under development. The revised target date for delivering operational and strategic training to all budget holders as appropriate is October 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1614</b>	<b>Risk Management</b>	November 2015	10	10	9	<b>1</b>	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Legal and Democratic Services	A Risk Management annual report should be prepared and presented to the Audit, Risk and Scrutiny Committee (2.1.19)	Significant April 2016	<p>As reported previously, this had been delayed to the September 2016 meeting of the Committee to allow for inclusion of a benchmarking exercise. At that time, the benchmarking exercise had not commenced and it was intended to report to the November 2016 meeting of the Audit, Risk and Scrutiny Committee. 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 June 2017 meeting of the Committee was advised 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 &amp; 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.</p> <p>The September 2017 meeting of the Committee was advised that an annual risk management report will be presented to the Audit, Risk and Scrutiny Committee in alignment with the Annual Governance Statement in June 2018.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1619</b>	<b>Social Work Tendering</b>	April 2016	14	13	12	<b>1</b>	1 Significant
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Progress with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Strategy and Transformation (ACC H&SCP)	Social Work should ensure that a commissioning strategy is in place in all areas and that procurement plans are robust (2.2.3 (i))	Significant March 2017	<p>As reported previously, the Service has advised that a draft commissioning plan was expected to be available for public consultation by the end of July 2017.</p> <p>The September 2017 meeting of the Committee was advised that this will now be presented to an Integration Joint Board meeting in December 2017.</p> <p>The latest update from the Service is that a decision was made by the Head of Strategy &amp; Transformation not to take the Strategic Commissioning Implementation Plan to the December meeting of the IJB as initially envisaged to allow for a co-ordinated presentation of this plan alongside the partnership's Transformation Plan and Modernising Primary Care Plan at the January 2018 meeting of the IJB.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1707</b>	<b>Data Protection</b>	September 2016	14	14	11	<b>3</b>	1 Significant 2 Important
The position with the overdue recommendations is as follows:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Head of IT and Transformation	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 (2.8.4)	Significant March 2017	As reported o Committee since June 2017, assets are still being managed through IT Asset DB and Infrastructure. A project was underway to import and manage asset lifecycle and the implementation date had been extended to December 2017.  The latest update from the Service is that an enhancement to the current Service Management Tool has been identified however the improved functionality will incur a cost. A draft business case has been prepared.				
Head of Commercial and Procurement Services	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 (2.12.6 (a))	Important March 2017	As reported previously, Commercial and Procurement Services advised that guidance notes had been published and training was being prepared for delivery which will cover these points. This was to be done by the end of September 2017.  The Committee was advised in November 2017 that Internal Audit was awaiting an update from the Service.				

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

Chief Officer	Recommendation	Grading / Due Date	Position
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*(AC1707 – Data Protection – Continued)*

Head of Commercial and Procurement Services	The Council should exercise their contractual rights to carry out contract compliance audits to provide assurance of Data Protection Act compliance (2.12.6 (b))	Important April 2017	As for 2.12.6 (a) above.
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<b>AC1708</b>	<b>InfoSmart System</b>	August 2016	7	7	6	<b>1</b>	1 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
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Head of Commercial and Procurement Services	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 (2.2.3 (b))	Important December 2016	As reported previously, an individual had been identified to act as system owner and performance reporting was included in the contract review and will be aligned to C&PS requirements (co-user Planning no longer utilising the system). The review was to be complete by the end March 2017. At the June 2017 meeting the Committee was advised that the review of the contract remained on-going and was due to be completed by July 2017.  The September 2017 meeting of the Committee was advised that Internal Audit was awaiting an update from the Service. This is still the case.
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1719</b>	<b>Revenue Budget Setting</b>	May 2017	4	3	1	<b>2</b>	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Finance	More targeted guidance on the budget process for budget holders and team members should be created (2.1.7)	Important  June 2017	<p>As reported to the September 2017 meeting of the Committee, Finance had advised that the budget process had been subject to review during May and June 2017. This made a number of proposed changes to the process and was being taken to CMT for approval on 31 August 2017. Further to that approval, revised detailed guidance would be drawn up by 1 October 2017.</p> <p>The Service advised in November that CMT did not approve the proposed changes and further work was required to agree the process and finalise documentation. This was agreed to be done by the end of December 2017. A revised process was under development through the Transformation Programme.</p> <p>The latest update from the Service is that the revised process continues to be under development through the Transformation Programme. The 2018/19 budget is at an advanced stage of progress. The core tasks of preparing salary budgets, forecasting changes due to inflation and other cost drivers and legislative requirements, and interpreting the funding settlement are complete. Options have been developed through the transformation programme. Following the conclusion of the 2018/19 budget process, the approach taken will be documented by May 2018. This will cover all core controls of the process that will remain in place in future.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC1719 – Revenue Budget Setting – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Finance	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 (2.3.8)	Significant  July 2017	<p>As reported to the September 2017 meeting of the Committee, Finance had advised that, as part of the revised process, new documentation was being prepared to record the full documented audit trail and meet the requirements of the audit recommendation. These would be implemented as at 1 September 2017.</p> <p>The Service advised in November that CMT did not approve the proposed changes and further work is required to agree the process and finalise documentation. This was to be done by the end of December 2017.</p> <p>The latest update from the Service is that for the 2018/19 budget process currently underway, the audit trail is being recorded using the existing recording and reporting methods of service cost model, ledger, budget packs, budget report and budget tracker. Once the 2018/19 budget process is complete, then the specific audit trail and disclosure information for budget adjustments will be documented and incorporated into the future budget setting guidance by May 2018.</p>



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1721</b>	<b>Disclosure Checks</b>	August 2017	5	5	5	<b>0</b>	0
<b>AC1805</b>	<b>Attendance Management</b>	August 2017	9	0	0	<b>0</b>	0
<b>AC1814</b>	<b>Travel Costs</b>	November 2017	13	2	2	<b>0</b>	0

# **APPENDIX E**

## **EDUCATION AND CHILDREN'S SERVICES**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1604 AW</b>	<b>Payment Controls in Children's Social Work</b>	February 2016	19	19	18	<b>1</b>	1 Significant
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Progress with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial and Procurement Services	Relates to C&PS reviewing and rationalising supplier numbers to ensure that there are no duplicates (2.2.15)	Important  June 2016	As reported previously, implementation of the enhanced reporting tool that would have enabled this recommendation to be completed has been delayed. The Service was working with the provider, C&PS and ICT colleagues to resolve the issues and expected that this would be achieved by the end of November 2016. The Service then advised that this should be complete by the end of February 2017. In June 2017 the Committee was advised that implementation of the reporting tool remained ongoing and it was anticipated that this would 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.  The Committee was advised in November 2017 that Internal Audit was awaiting an update from Commercial and Procurement Services.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1605</b>	<b>Secondary Schools</b>	April 2016	17	17	16	<b>1</b>	1 Significant

Progress with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Policy, Performance and Resources	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 (2.6.7)	Significant  August 2016	<p>As reported previously, the Service was investigating practice in schools and returns received suggested that there was diversity in practice. It may require a working group to determine a common approach and this will be resolved by March 2017.</p> <p>As reported to Committee in June 2017, the latest update from the Service was 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.</p> <p>The latest update from the Service is that capacity issues have prevented this being completed and it will require until March 2018 to finalise with circulars being issued to schools.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

<b>AC1803</b>	<b>Health and Safety - SSERC</b>	September 2017	17	16	8	<b>8</b>	8 Significant
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Progress with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Policy, Performance and Resources	The Service should ensure that schools comply with the SSERC Safety in Microbiology Code of Practice (2.6.5).	Significant September 2017	<p>The Service has stated that the following plan has been put in place:</p> <ol style="list-style-type: none"> <li>1. Check that each school has appropriately trained staff to prepare and manage the microbiological samples.</li> <li>2. Check that each school has the correct risk assessments in place which cover the items as described by SSERC.</li> <li>3. Check that a process is in place where only the trained staff undertake the tasks in the event of absence for whatever reason of the qualified technician etc</li> <li>4. Meet with and write to the faculty heads and business support managers or persons responsible for the management of the technicians at each school identifying their responsibilities for the management of compliance within each establishment.</li> <li>5. Under take spot checks on the process being used at each school.</li> </ol> <p>Part 1 is almost complete and the Service has researched the availability of training. Whilst recognising that this will be an on-going process to ensure compliance, Internal Audit will treat the recommendation as complete once items 1 to 4 have been completed.</p> <p>The latest update from the Service is that work is continuing with the above plan and it has been identified that, in relation to item 2, schools do not have sufficient risk assessments in place and steps have been put in place to instruct them to complete these following discussion with SSERC on their wording in the code of practice.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
Chief Officer	Recommendation	Grading / Due Date	Position	<i>(AC1803 – Health and Safety - SSERC – Continued)</i>			
Head of Policy, Performance and Resources	The Service should determine the training that is considered necessary for all appropriate staff in relation to the areas under review, and put a timetable in place to ensure that the required training is completed (2.4.7 a)	Significant October 2017	The Service has advised that training needs have been identified but training has still to be arranged. This will be done by the end of February 2018.				
Head of Policy, Performance and Resources	Risk Assessments should be reviewed every 12 months or sooner if no longer valid and review dates should be recorded centrally on a register of risk assessments (2.5.3 a)	Significant December 2017	The Service has advised that an instruction will be issued to schools to cover this recommendation by the end of February 2018 and that risk assessments must be reviewed on an annual basis. Discussions are being held within the Service regarding holding these assessment on a central database.				
Head of Policy, Performance and Resources	Hazard information should be recorded on the central list of school risk assessments (2.5.3 b)	Significant December 2017	As for 2.5.3 a, above.				

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Chief Officer	Recommendation	Grading / Due Date	Position
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*(AC1803 – Health and Safety - SSERC – Continued)*

Head of Policy, Performance and Resources	Risk Assessments / COSHH Assessments should be prepared for all Biology and Chemistry practical activities, covering Hazard Information, Safety in Microbiology, Handling & Disposal of Chemicals and Material of Living Origin as appropriate (2.5.3 c)	Significant December 2017	As for 2.5.3 a, above.
Head of Policy, Performance and Resources	A standardised chemical stock list including chemical location, quantity, hazards, immersion test results, condition test results, date of last tests, date tests are due, and disposal dates should be maintained centrally (2.6.4 a)	Significant November 2017	The Service has confirmed that they have been looking at this and identified that some schools have already purchased dedicated software which is only licensed for single site use, and use different networks and servers. Work is continuing to establish the most suitable form for recording this data in a secure and efficient manner. As the staff who will complete this work are currently ensuring that pupils class work and examination practices are dealt with, and dealing with other recommendations from this report, the recommendation will be implemented over the summer break and concluded by August 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Chief Officer	Recommendation	Grading / Due Date	Position
<i>(AC1803 – Health and Safety - SSERC – Continued)</i>			
Head of Policy, Performance and Resources	Academies should be advised of the requirement to review their chemical stock and update the central list (2.6.4 b)	Significant November 2017	The Service has advised that this cannot be completed until 2.6.4a, above, is implemented.
Head of Policy, Performance and Resources	Training should be provided to all staff required to undertake testing or visual inspections of portable electrical appliances (2.8.3 c)	Significant November 2017	The Service has advised that training is being provided by SSERC and, as the earliest that they can provide it is April 2018, will require an extension until the end of May 2018.

<b>AC1811</b>	<b>Placing Requests</b>	November 2017	9	0	0	<b>0</b>	0
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# **APPENDIX F**

## **HEALTH AND SOCIAL CARE PARTNERSHIP**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1617</b>	<b>Self-Directed Support</b>	October 2016	21	21	19	<b>2</b>	2 Significant
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Progress with the overdue recommendations is detailed below:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Strategy and Transformation (ACC H&SCP)	The Service should ensure the appropriate Committees are provided with updates on progress with implementing the timetable for Self-Directed Support (2.1.2)	Significant October 2016	<p>As reported previously, the Service advised that this would be completed in January 2017.</p> <p>As reported to Committee since June 2017, the Service advised that a workshop had to be held with the Integration Joint Board and, following the Council elections, there were other training priorities for the Board members. In view of this, updates on progress would not be provided to the appropriate Committees until December 2017. A report had been discussed by Education &amp; Children's Services Committee on Self Directed Support.</p> <p>The latest update from the Service is that this action has been delayed to June 2018 due to other workload priorities for the Integration Joint Board.</p>
Head of Strategy and Transformation (ACC H&SCP)	The Service should finalise and implement the Contributing to Your Care and Support Policy and guidance (2.4.2)	Significant March 2017	<p>As reported to Committee in June 2017, the Service advised that draft guidance has been produced and was being reviewed. The policy and guidance will not be implemented until the end of October 2017.</p> <p>The Committee was advised in November 2017 that this will now be completed by April 2018 to allow a review of the charging process through the budget process and to consider implications of the Carers Act.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1709</b>	<b>Care First System</b>	November 2016	13	13	9	<b>4</b>	3 Significant 1 Important
Progress with the overdue recommendations is detailed below:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Head of Policy, Performance and Resources	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 (2.1.4)	Significant April 2017	As reported previously, the Service 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.  As reported to Committee in September 2017, the latest update from the Service was that a report had been drafted and would be discussed at the Education and Children's Services Committee on 16 November 2017.				
Head of Children's Social Work	The Service should establish a written protocol to demonstrate where amendments and deletions requested in the CareFirst system require authorisation or supporting detail (2.4.11)	Important April 2017	As reported previously, the Service advised that this will now be complete by the end of September 2017 as the CareFirst team has been prioritised on other tasks.  As reported to Committee in September 2017, the latest update from the Service was that the current policy and procedures are still in place, however, the document needs to be updated to reflect the creation of the Education & Children's Services directorate and the Health and Social Care Partnership. A working group has been created to move this forward.				

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.17	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

Chief Officer	Recommendation	Grading / Due Date	Position
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*(AC1709 – Care First System – Continued)*

Head of Finance	Finance should review the instances where service users have not been reassessed and charged correctly (2.5.6 (ii))	Significant March 2017	As reported to Committee in June 2017, the Service 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 2017 and further work is ongoing. It is likely that this will not be completed before 30 June 2018.
Head of Children's Social Work	The Service should ensure that Business Continuity Plans adequately reference how activities will continue to operate in the event of loss of CareFirst access (2.7.4)	Significant April 2017	As reported to Committee since June 2017, the Service advised that this would now be complete by the end of September 2017 as the CareFirst team has been prioritised on other tasks.  The Committee was then advised in November 2017 that this would be complete by the end of November 2017.  The latest update from the Service is that work is progressing and the Business Continuity plans are now being reviewed to determine whether they provide cover for periods when the carefirst system is not available. This will be complete by the end of March 2018.

<b>AC1801</b>	<b>Adult Client Transport</b>	September 2017	13	3	3	0	0
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## **APPENDIX G**

### **Grading of Recommendations**

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

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