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To: Councillor Flynn, Convener; Councillor Yuill, Vice Convener; and Councillors Allard, Duncan, Graham, Lumsden, Avril MacKenzie, Reynolds and Townson.

Town House,
ABERDEEN 6 February 2019

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, 14 FEBRUARY 2019 at 2.00 pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

DETERMINATION OF URGENT BUSINESS

1.1 There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1 Members are requested to determine that any exempt business be considered with the Press and Public excluded

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 at this time

MINUTE OF PREVIOUS MEETING

- 5.1 Minute of Previous Meeting of 4 December 2018 (Pages 7 - 14)

COMMITTEE BUSINESS PLANNER

- 6.1 Committee Business Planner (Pages 15 - 20)

NOTICE OF MOTION

- 7.1 There are none at this time

FINANCE, PERFORMANCE RISK AND SERVICE WIDE ISSUES

Financial Reporting

- 8.1 Annual Accounts 2018/19 – Action Plan and Key Dates - RES/19/166
(Pages 21 - 26)

Performance and Improvement

- 8.2 SPSO Decisions, Inspector of Crematoria Complaint Decisions - CUS/19/027 (Pages 27 - 34)
- 8.3 ALEO Assurance Hub - GOV/19/029 (Pages 35 - 60)
- 8.4 Internal Audit Progress Report - IA/19/001 (Pages 61 - 72)
- 8.5 Internal Audit Plan 2019/20 - IA/19/003 (Pages 73 - 138)

Control Environment and Assurance - Internal

- 8.6 Digital Strategy - IA/AC/1907 (Pages 139 - 148)
- 8.7 Voluntary Severance / Early Retirement (VSER) Scheme - IA/AC/1913
(Pages 149 - 158)
- 8.8 National Care Home Contract - IA/AC/1920 (Pages 159 - 170)
- 8.9 NPS Housing System - IA/AC/1917 (Pages 171 - 186)

8.10 Health and Safety - IA/AC/1918 (Pages 187 - 206)

8.11 Prevention of Fraud, Bribery and Corruption - IA/AC/1916 (Pages 207 - 216)

8.12 Bond Trust Deed - IA/AC/1921 (Pages 217 - 226)

Control Environment and Assurance - External

8.13 External Audit Strategy (Pages 227 - 264)

Control Environment and Assurance – Audit Follow Up

8.14 Internal Audit Follow up on Recommendations - IA/19/002 (Pages 265 - 302)

GENERAL BUSINESS

9.1 ICT Access Control Policy - CUS/19/161 (Pages 303 - 318)

EXEMPT/CONFIDENTIAL BUSINESS

EHRIAs related to reports on this agenda can be viewed [here](#)

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

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DECLARATIONS OF INTEREST

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.

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 4 December 2018. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard, Duncan, Graham, Lumsden, Avril MacKenzie, Reynolds and Townson.

DECLARATIONS OF INTEREST

1. Members were requested to intimate any declarations of interest in respect of the items on the agenda, thereafter, the following declaration of interest was intimated:-

- (1) Councillor Duncan declared an interest in item 8.3 (ALEO Assurance Hub Annual Review) by virtue of her position as a Board Member of Aberdeen Performing Arts and 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 declaration of interest.

MINUTE OF PREVIOUS MEETING OF 25 SEPTEMBER 2018

2. The Committee had before it the minute of its previous meeting of 25 September 2018.

The Committee resolved:-

- (i) in relation to article 6, resolution (i) to request Councillor Allard to raise his questions with the Chief Officer Organisational Development; and
- (ii) to otherwise approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

3. The Committee had before it the Business Planner as prepared by the clerk.

The Committee resolved:-

to note the content of the business planner.

SPSO DECISIONS, INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CUS/18/297

4. The Committee had before it a report by the Director of Customer 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,

AUDIT, RISK AND SCRUTINY COMMITTEE

4 December 2018

to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately.

The report recommended:

that the Committee notes the details in the report.

Councillor Townson sought information in relation to whether the Council were informed of complaints that had been made directly to the SPSO without using the Councils Complaints Procedure, wherein the Senior Customer Experience Officer advised that the SPSO would direct complainants to use the Councils Complaints Procedure and that information on those complaints were not shared with the Council.

Councillor Townson sought clarification as to whether the Council would pursue a complainer if it was found to malicious or fraudulent, wherein the Chief Officer Governance advised that if required it would be decided on a case by case basis.

Councillor Duncan sought further information in relation to complaint handling improvements, wherein the Senior Customer Experience Officer advised that there was a new customer experience platform to monitor complaints and the responses issued from officers; online training for officers had been introduced and face to face training had also been delivered.

The Committee resolved:-

- (i) in response to a question from Councillor Duncan relating to whether there was a system in place for officers to view previous complaints to ensure that lessons were learnt, to note that there was a system in place and that the Chief Officer Governance would liaise with officers to determine how the information could be presented to the Committee; and
- (ii) to otherwise note the content of the report.

RIPSA ACTIVITY - GOV/18/073

5. The Committee had before it a report by the Chief Officer Governance which advised that it was a requirement under paragraph 3.29 of the Scottish Government's Code of Practice for Covert Surveillance and Property interference that elected members review the authority's use of covert surveillance on a quarterly basis to ensure that it was being used consistently with the local authority's policy and that the policy remained fit for purpose.

The report recommended:

that the Committee note the update within the report.

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Councillor Townson sought information as to whether the names of Authorising Officers were available to the Public, wherein the Committee were advised that the information would be circulated outwith the meeting.

Councillor Townson sought information as to whether anyone involved in a covert surveillance that resulted in a court appearance would be removed from being used in the future, wherein the Chief Officer Governance advised that this would be determined on a case by case basis.

The Committee resolved:-

- (i) in response to a question from Councillor Townson relating to whether the names of the Authorising Officers were available to the public, to note that a response would be circulated to the Committee outwith the meeting; and
- (ii) to otherwise note the content of the report.

DECLARATION OF INTEREST

Councillor Duncan declared an interest in the following item by virtue of her position as a Board Member of Aberdeen Performing Arts and considered that the nature of her interest did not require her to leave the meeting at that item on the agenda.

ALEO ASSURANCE HUB ANNUAL REVIEW - GOV/18/235

6. The Committee had before it a report by the Chief Officer Governance which presented (1) the updated terms of reference for the ALEO Assurance Hub for discussion, consideration and approval; and (2) the associated annual work plan for information.

The report recommended:

That the Committee –

- (a) approve the revised ALEO Assurance Hub Terms of Reference as attached as Appendix A to the report; and
- (b) note the ALEO Assurance Work Plan for 2019 as attached as Appendix B to the report.

Councillor Duncan sought guidance as to whether the Council should be monitoring what steps ALEO Boards were taking to be more representative, wherein the Interim Democracy Manager advised that the Boards were aware of the requirement and that information would be sought as part of the workplan and reported to this Committee.

Councillor Townson sought clarification as to whether ALEO's had a statutory duty to have procedures in place against the PREVENT strategy, wherein the Interim

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Democracy Manager advised that there wasn't a statutory duty on ALEO's and that the Council would be seeking assurance from ALEO's on how they assist the Council in meeting their PREVENT strategy obligations.

Councillor Duncan sought guidance on the questions asked of each ALEO and whether the size of the ALEO was taken into consideration, wherein the Interim Democracy Manager advised that initially each ALEO were asked the same questions and depending on the responses, further questions were asked to gain the assurance required.

The Committee resolved:-

to approve the recommendations contained in the report.

MOT ISSUES - OPE/18/236

7. The Committee had before it a report by the Chief Operating Officer which presented the findings of the internal corporate investigation regarding the information that had been received that there were Council vehicles being used without having a valid MOT certificate.

The report recommended:

that the Committee note the findings and recommendations of the Internal Corporate Investigation into the use of Council vehicles without an MOT certificate.

The Vice Convener sought information relating to the interim measures in place and whether they placed additional responsibilities on staff and requested information on when the new Fleet system would be in operation, wherein the Fleet Services Manager advised that the interim measures were labour intensive and that the Fleet Management System was currently in the tendering process.

Councillor Duncan sought guidance on what was being done to change the culture and knowledge of staff using the systems in place, wherein the Chief Operating Officer advised that there was a Culture Development Programme being progressed across the directorate.

Councillor Graham sought clarification as to whether Management were aware of the issue prior to the information being in the Press, wherein the Fleet Services Manager advised that Management were not aware of the issue.

Councillor Reynolds sought clarification regarding insurance for vehicles that did not have a valid MOT certificate, as Police Scotland had always advised the Licensing Committee that if a vehicle had no MOT then it would not be insured. The Chief Officer Governance advised that he would discuss the issue with colleagues and provide a

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4 December 2018

response outwith the Committee and would ensure the information was provided to the Licensing Committee.

The Committee resolved:-

- (i) in response to questions from members regarding whether vehicles without a valid MOT were fully insured, to note that the Chief Officer Governance would liaise with colleagues and provide a response outwith the meeting;
- (ii) to otherwise approve the recommendation contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/18/017

8. The Committee had before it a report by the Chief Internal Auditor which advised on progress against the 2018/19 internal audit plan.

The Convener sought guidance as to whether an additional audit could be incorporated into the current 2018/19 Internal Audit Plan, wherein the Chief Internal Auditor advised that it would not be possible in this audit plan and that it could be incorporated into the 2019/20 Internal Audit Plan.

The Committee resolved:-

- (i) to request the Chief Internal Auditor to include in the 2019/20 Internal Audit Plan, an audit in relation to the Councils' Travel Policy to give assurance that the Council had appropriate arrangements in place; and
- (ii) to otherwise note the content of the report.

TRANSFORMATION - IA/AC/1910

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Transformation which was undertaken to provide assurance that the Council had appropriate arrangements in place to ensure the success of its transformational aspirations and involved a review of the governance and programme management arrangements for implementing the Target Operating Model.

The Committee resolved:-

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

DEVOLVED EDUCATION MANAGEMENT - IA/AC/1903

10. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Devolved Education Management which was

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undertaken to provide assurance that the scheme in place was adequate and that the decision making process was appropriate based on delegations in place.

The Committee resolved:-

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

INTERNAL TRANSPORT TENDERING PROCEDURES - IA/AC/1830

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Internal Transport Tendering which was undertaken to ensure that purchases were being undertaken in line with the Council's Financial and Procurement Regulations and involved an examination of a selection of purchases from the previous two financial years and checking that where appropriate tenders were undertaken that there was evidence of Committee approval.

The Committee resolved:-

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

BUSINESS RATES - IA/AC/1911

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Business Rates which was undertaken to provide assurance over the accuracy of Business Rates billing and the robustness of collection arrangements.

The Committee resolved:-

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

INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS IA/18/018

13. The Committee had before it a report by the Chief Internal Auditor which advised on progress made by Services with implementing recommendations that had been agreed in Internal Audit reports.

The Committee resolved:-

to note the content of the report and request all Services to undertake the work required to complete the outstanding audit recommendations.

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EXEMPT INFORMATION

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 during consideration of the following item of business so as to avoid disclosure of exempt information of the class described in paragraph 6 of Schedule 7(A) to the Act.

QUESTIONS IN PRIVATE

14. In relation to article 11 of this minute, the Vice Convener sought guidance relating to information provided during discussions on the report.

The Committee resolved:-
to note the information provided.

- **COUNCILLOR STEPHEN FLYNN, Convener**

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2018

Draft

	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER								
	The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3			14 February 2019						
4	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.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
5	Voluntary Severance / Early Retirement (VSER) Scheme	To provide assurance that the terms of the VSER Scheme are complied with and that payments made / enhancements to pensions are accurate.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
6	Compliance with Procurement Legislation and Council Regulations	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.		David Hughes	Governance	Governance	2.2	D	Delayed to April 2019 for reasons detailed in Internal Audit's Progress report
7	Data security in a cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted through the Cloud.		David Hughes	Governance	Governance	2.2	D	Delayed to April 2019 for reasons detailed in Internal Audit's Progress report
8	National Care Home Contract	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.)	A report is on the agenda	David Hughes	Governance	Governance	2.2		
9	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.		David Hughes	Governance	Governance	2.2	D	Delayed to April 2019 for reasons detailed in Internal Audit's Progress report
10	Money Laundering	To present the reviewed Money Laundering policy for approval.		Deirdre Nicholson	Governance	Governance	GD7.1	D	Delayed until June - postholder still to be appointed.
11	Internal Audit Progress and Performance	To provide an update on progress for the 2018/19 audit	A report is on the agenda	David Hughes	Governance	Governance	2.4		
12	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations	A report is on the agenda	David Hughes	Governance	Governance	2.3		
13	Internal Audit Plan 2019/20	To present the Internal Audit Plan for 2019/20	A report is on the agenda	David Hughes	Governance	Governance	2.1		

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1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
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14	Health and Safety	To provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
15	Prevention of Fraud, Bribery and Corruption	To provide assurance that the Council's arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
16	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.		David Hughes	Governance	Governance	2.2	D	Delayed to April 2019 for reasons detailed in Internal Audit's Progress report
17	NPS Housing System (previously listed as iworld)	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.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
18	Craft Workers' Terms and Conditions	To provide assurance that new Terms and Conditions have been implemented and are being complied with.	Proposal to move this audit to the 2019/20 Internal Audit Plan	David Hughes	Governance	Governance	2.2	D	Recommendation in Internal Audit's Progress Report to move this audit to 2019/20.
19	Bond Governance	To provide assurance that the requirements of the Bond Trust Deed are complied with.	A report is on the agenda	David Hughes	Governance	Governance	2.2		
20	External Audit Strategy	To present the external audit strategy document.	A report is on the agenda	Andy Shaw	Governance	Governance	3.1		
21	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.	A report is on the agenda	Lucy Mackenzie	Customer Experience	Customer	6.9		
22	Equal Pay Audit	To present the outcome of the Equal Pay Audit.		Neil Yacamini	People	Resources	5.2 & 6.7	D	Recommend to report in June to allow the information to be generated on the 1st April and allow the most current information to be reported to Committee
23	ICT Access Control Policy	To seek the Audit, Risk & Scrutiny Committee's approval of a draft ICT Access Control Policy	A report is on the agenda	Lita Greenwell	Digital and Technology	Customer	Purpose 1.1, Remit 1.4		

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24	Annual Accounts 2018/19 – Action Plan and Key Dates	to present the key dates in relation to the 2018/19 Annual Accounts	A report is on the agenda	Lesley Fullerton	Finance	Resources	Purpose 1.3		
25	ALEO Assurance Hub	To provide assurance to the Committee on the risk management, financial management and governance arrangements of the ALEOs within the remit of the	A report is on the agenda	Vikki Cuthbert	Governance	Governance	Remit 1.3		
26	30 April 2019								
27	Internal Audit Progress and Performance	To provide an update on progress for the 2018/19 audit		David Hughes	Governance	Governance	2.4		
28	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
29	Digital Booking, Fees and Charges	To provide assurance over the controls around on-line booking and collection of fees and charges		David Hughes	Governance	Governance	2.2		
30	Music Centre	To provide assurance that procedures have been improved following completion of work undertaken by Corporate Investigation Team.		David Hughes	Governance	Governance	2.2		
31	Contract Management	To focus on recent identified issues - 3rd Don Crossing - Photovoltaic Panels To include data/intelligence used for monitoring escalation of risk		David Hughes	Governance	Governance	2.2		
32	Criminal Justice	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.		David Hughes	Governance	Governance	2.2		
33	Marchburn Park	Operational Delivery Committee 19 April 2018 that in regards to Marchburn Park, "to instruct the Chief Officer (Early Intervention and Community Empowerment) to bring a report to Audit following conclusion of all matters detailed within this report."		Neil Carnegie	Early Intervention and Community Empowerment	Customer	6.2	D	Work is still ongoing in this area therefore a report will be submitted to this Committee on completion of the work. A Service Update to be provided.

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
34	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy Mackenzie	Customer Experience	Customer	6.9		
35	Inspection Report of Aberdeen Crematorium by the Inspector of Crematoria	to present the annual inspection report.		Graham Keith	Operations and Protective Services	Operations	6.9		
36	Unaudited Annual Accounts 2018/19	To present the unaudited accounts for ACC and registered charities		Lesley Fullerton	Finance	Resources	Purpose 1.3		
37	Annual Committee Effectiveness Report	To present the annual effectiveness report for the Committee.			Governance	Governance	GD 7.4		
38	RIPSA Activity	Audit, Risk and Scrutiny Committee's decision 26/9/17 the Committee requested quarterly updates on policy/compliance. The update includes an update on training delivered, the number of applications "live" and extant, and any new procedural requirements.		Jess Anderson	Governance	Governance	5.2		
39	26 June 2019								
40	Internal Audit Progress and Performance	To provide an update on progress for the 2018/19 and 2019/20 audits		David Hughes	Governance	Governance	2.4		
41	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
42	Internal Audit Annual Report	To present the internal audit annual report for 2018/19		David Hughes	Governance	Governance	2.4		
43	ISA 260 Report	to present External Audit's Interim position in relation to the audit of the annual accounts		Andy Shaw	Governance	Governance	3.1		
44	Local Area Network scrutiny summary	To present a summary of the Local Area Network Scrutiny Plan.		Andy Shaw	Governance	Governance	3.1		
45	Audited Annual Accounts 2018/19	To present the audited accounts for ACC and registered charities		Lesley Fullerton	Finance	Resources	4.1 and 4.2		

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46	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy Mackenzie	Customer Experience	Customer	6.9		
47	25 September 2019								
48	Internal Audit Progress and Performance	To provide an update on progress for the 2018/19 and 2019/20 audits		David Hughes	Governance	Governance	2.4		
49	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
50	Risk Management Framework	To present the Risk Management Framework		Ronnie McKean	Governance	Governance	Purpose 1.2 Remit 1.1		
51	Corporate Risk Register	To present the Corporate Risk Register		Ronnie McKean	Governance	Governance	Purpose 1.2 Remit 1.1		
52	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy Mackenzie	Customer Experience	Customer	6.9		
53	Information Governance Annual Report	To provide Committee with an annual report on the Council's information governance performance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	Remit 1.4		
54	Annual External Audit Report	to set out Best Value and Wider Scope aspects of the annual audit.		Andy Shaw	Governance	Governance	3.1		
55	04 December 2019								
56	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy Mackenzie	Customer Experience	Customer	6.9		
57	Internal Audit Progress and Performance	To provide an update on progress for the 2018/19 and 2019/20 audits		David Hughes	Governance	Governance	2.4		
58	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	14 February 2019
REPORT TITLE	Annual Accounts 2018/19 – Action Plan and Key Dates
REPORT NUMBER	RES/19/166
DIRECTOR	Steven Whyte, Director of Resources
CHIEF OFFICER	Jonathan Belford, Chief Officer - Finance
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.3

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 2018/19 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

- 3.1 The Annual Accounts 2018/19 will summarise the Council’s transactions for the period, 1 April 2018 to 31 March 2019 and its financial position at the year-end 31 March 2019. They will be prepared in accordance with the International Financial Reporting Standards (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 2018/19 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 the same earlier year end closedown as the previous year. This means that the unaudited Annual Accounts will be ready for audit by 30 April 2019, and signed audited Annual Accounts by 21 June 2019.

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

31 March 2019	End of the financial year 2018/19
Jan – June 2019	Information from Group Entities (including ALEO's)
18 April 2019	Public Notice for the Public Inspection Period to be issued
7 May 2019	Signing of unaudited Annual Accounts by the Proper Officer
7 May 2019	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
13 May – 3 June 2019	Public Inspection Period for the unaudited Annual Accounts
26 June 2019	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
26 June 2019	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.
28 June 2019	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website
19 July 2019 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
25 September 2019	Deadline for submission of the signed audited Annual Accounts to the Auditor
25 September 2019	Audit Risk & Scrutiny Committee to consider the Auditor's Annual Report
30 September 2019	Deadline for submission of the audited WGA to the Scottish Government
31 October 2019	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 2019	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.3.1 31 March 2019

Transactions relating to goods and services received or provided by the Council by 31 March 2019 should be recorded in the 2018/19 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.

3.3.2 January 2019 – June 2019

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.

3.3.3 18 April 2019, 13 May 2019 – 3 June 2019

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.

3.3.4 7 May 2019

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

The Audit, Risk and Scrutiny Committee will receive the unaudited Annual Accounts 2018/19, 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.

3.3.5 14 May 2019

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.

3.3.6 26 June 2019

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 2018/19 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.

3.3.7 25 September 2019

The Audit, Risk & Scrutiny Committee will receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2018/19 audit" for debate and consideration. This report sets out the auditor's finding and conclusions from all audit activity undertaken during the year, highlights the significant issues arising from the audit of the financial statements and informs Elected

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

3.3.8 31 October 2019

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 must be available for at least five years.

- 3.4 KPMG's "Annual Audit Plan 2019/20" 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 to produce 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.

3.5 Local Authority Charities

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

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

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

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. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	There are no direct implications on the economy arising from the recommendations of this report
Prosperous People	A robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience
Prosperous Place	There are no direct implications on the environment arising from the recommendations of this report.
Enabling Technology	There are no direct implications on technology arising from this report.

This report does not impact on the design principles of the Target Operating Model.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	not required
Data Protection Impact Assessment	not required
Duty of Due Regard / Fairer Scotland Duty	not applicable

9. BACKGROUND PAPERS

- 9.1 None

10. REPORT AUTHOR CONTACT DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny
DATE	14 February 2019
REPORT TITLE	Scottish Public Services Ombudsman Decisions and Inspector of Crematoria Complaint Decisions
REPORT NUMBER	CUS/19/027
DIRECTOR	Andy MacDonald
REPORT AUTHOR	Lucy McKenzie
TERMS OF REFERENCE	6.9

1. PURPOSE OF REPORT

- 1.1 This report provides 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 to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately.

2. RECOMMENDATION(S)

- 2.1 It is recommended that Committee notes the details of the report.

3. BACKGROUND

- 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 4 December 2018 Committee.

Scottish Public Services Ombudsman (SPSO) Complaint Decisions

- 3.2 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
- 3.3 There are two SPSO decision relating to Aberdeen City Council complaints to notify the Committee of. Both complaints were upheld by the SPSO and recommendations were made. Please refer to Appendix A for further information.

- 3.4 All complaints are now managed centrally by a corporate Customer Feedback Team to support and monitor compliance with the statutory requirements of the CHP. The complaints detailed in this report were dealt with by the council prior to implementation.

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 two types of grants – Crisis Grants and Community Care Grants. Further information is available at <https://www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund>
- 3.6 Since the last reporting period, the SPSO has carried out three Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions. On one occasion, the SPSO made the decision to change the Council's original decision. The council's decision remained unchanged in relation to the other two reviews.

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.

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

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved,	L	The complaint handling procedure encourages resolution at first point of contact whenever possible. The financial benefits of

	therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.		early resolution is highlighted to responding officers in training.
Legal	There are no legal risks associated with this report.	N/A	Not applicable
Employee	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	L	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.
Customer	There is a risk to the council's relationship with customers if a complaint or a Scottish Welfare Fund application is not handled correctly.	L	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications receive comprehensive training to ensure they have the necessary knowledge to undertake assessments.
Environment	There are no environmental risks associated with this report	N/A	Not applicable
Technology	There are no technological risks associated with this report.	N/A	Not applicable

Reputational	Compliance with the Complaints Handling Procedure is audited by Audit Scotland. Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and Scottish Welfare Fund applications are not handled correctly.	L	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council.
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7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous People	The report provides assurances that people are supported appropriately when and if necessary.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	The report supports a focus on the delivery of customer centric services through the scrutiny of service delivery to customers. The organisation should look to solve the core issue which led to the complaint and learn from the outcome so to reduce the potential for more / similar complaints. This leads to an improvement in customer service delivery and a reduction in time spent on handling and investigating repeat complaints, which can be a lengthy process for those involved.
Organisational Design	The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.
Governance	The report ensures transparency around complaint and Scottish Welfare Fund application handling and provides assurances that informed decisions are being made.
Workforce	The outcomes of SPSO decisions are fed back to the relevant staff. This includes both upheld and not upheld decisions to engage staff and ensure they are fully informed of outcomes. The 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.
Process Design	Processes may be redesigned as a result of lessons learnt from a complaint or an SPSO decision to better meet the needs of customers.
Technology	Complaints data can help to inform decisions around the use of technology as it provides insight into the customer experience of accessing services digitally.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable.

9. BACKGROUND PAPERS

N/A

10. APPENDICES (if applicable)

Appendix A – Complaint Details and Subsequent SPSO Recommendations
Appendix B - Scottish Welfare Fund SPSO Review Decisions

11. REPORT AUTHOR CONTACT DETAILS

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Appendix A - Complaint Details and Subsequent Recommendations

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Directorate	SPSO Decision	SPSO Recommendations	Date Implemented
14 August 2017	24 October 2018	Despite an agreement in 2011 to provide the complainant's daughter with respite care, the Council have failed unreasonably to do so.	Education and Children's Services	Complaint upheld	<ol style="list-style-type: none"> 1) Apologise to the complainant for failing to take all reasonable action to meet her daughter's care needs. 2) Evidence of a reflective discussion into the circumstances leading to this complaint and the details of any action subsequently taken (bearing in mind the Carers (Scotland) Act 2016). 3) Respite care should be provided for the complainant's daughter in terms of her assessment. 	<p>24 October 2018</p> <p>14 November 2018</p> <p>Response submitted to SPSO 24 January 2019</p>
3 October 2017	1 October 2018	A Mental Health Officer unreasonably refused to correct misquotes in a report.	Aberdeen Health and Social Care Partnership	Complaint Upheld	<ol style="list-style-type: none"> 1) Apologise to the complainant for a failure to properly investigate and respond to their concerns. 2) Staff should be made aware of and conduct interviews with good interviewing practice. 3) Staff investigating complaints at stage 2 of the CHP to be sufficiently trained in good investigative practice. 	<p>31 October 2018</p> <p>13 October 2018</p> <p>13 October 2018</p>

Appendix B – Scottish Welfare Fund SPSO Review Decisions

Crisis Grant Application Received Date	Application Type	Aberdeen City Council 1st Tier Review Decision Date	SPSO 2nd Tier Review Decision Date	SPSO Decision	Additional SPSO Feedback	Date Implemented
23 October 2018	Crisis Grant	5 November 2018	7 November 2018	Aberdeen City Council decision changed	The first-tier decision did not take into account the applicant's additional dietary needs. The SPSO took the applicant's request at face value on this occasion and instructed an additional payment award.	7 November 2018
9 November 2018	Crisis Grant	9 November 2018	12 November 2018	Aberdeen City Council decision upheld		
7 January 2019	Crisis Grant	8 January 2019	10 January 2019	Aberdeen City Council decision upheld		

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	14 February 2019
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	GOV-19-029
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

To provide assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on risk management, financial management and governance; and
- 2.2 Notes that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting.

3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's fourth cycle of scrutiny following the Committee's endorsement of an oversight approach which balanced the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. The reporting is based on the degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.

- 3.3 The Hub met on 13 December 2018 with ALEO Service Leads in attendance as advisors to the Hub. An open invitation continues to be extended to Internal and External Audit to observe proceedings and receive documentation.
- 3.4 The Hub's assessment of each ALEO has been attached within summary reports at **Appendices B-F**. The Assurance Standards and Ratings are set out at **Appendix A**.
- 3.5 Legal officers within Commercial and Procurement Services continue to review ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework.
- 3.6 This being the fourth cycle of scrutiny by the Assurance Hub, it is timely to identify any emerging trends. These are reflected in the summary reports and all demonstrate a positive movement in the levels of assurance obtained.
- 3.7 The Hub placed a strong focus on preparation for the GDPR during the last cycle and no particular concerns were highlighted, with each ALEO in a suitable position ahead of implementation. Further updates were not requested this time round to allow time for continued implementation to progress. An update will be sought during the next cycle of Hub meetings.
- 3.8 It is intended that future reports to the Committee be presented in a dashboard format to outline trends more visibly with associated narrative. The information provided to the Hub will remain as it is. Within Governance, oversight of the Hub has transferred from the Democracy Team to the Assurance Team, with input from the Corporate Risk Lead on risk management, Business Partner on financial management and Democracy Manager on Governance. The Hub is chaired by the Assurance Manager.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.
- 4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

- 5.1 A review of ALEO service level agreements is currently being undertaken by Commercial and Procurement Services. The Assurance Hub will be taken into consideration during this review.
- 5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds to the Council's existing Bond governance arrangements.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Financial Failure of ALEOs impacting on the Council and its credit rating.	(L)	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.
Legal	<p>ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.</p> <p>GDPR Compliance</p>	(L)	<p>Commercial and Procurement Services are currently reviewing ALEO service level agreements to ensure they remain robust and fit for purpose.</p> <p>The Strategic Commissioning Committee will have oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements.</p> <p>The Legal Governance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.</p>
Employee	No direct risks arising from the report's recommendations.		

Customer	No direct risks arising from the report's recommendations.		
Environment	No direct risks arising from the report's recommendations.		
Technology	GDPR Compliance.	(M)	Each ALEO has demonstrated awareness of GDPR and have reported implementation plans to their Boards for scrutiny and approval. The Hub will continue to seek assurance on the policies, processes and systems ALEOs put in place to comply with GDPR due to its complexity and ongoing nature.
Reputational	ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation.	(M)	The Council shares a significant amount of data with ALEOs and a breach or failure to comply with GDPR by an ALEO may have a reputational impact on the Council. The Hub will continue its oversight of ALEOs approach to data protection and seek assurance that data audits are taking place; policies, procedures and systems are being reviewed and staff training is being delivered.

7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Governance	The Hub supports the principles outlined in the Accounts Commission's "Following the Public Pound" guidance by providing oversight of ALEOs to

	receive assurance on the robustness of their governance arrangements.
Partnerships and Alliances	The Hub is one component of the wider ALEO Assurance Framework and complements the work of the ALEO Strategic Partnership. The Partnership offers ALEO access to senior Council officers and provides a forum to discuss strategic planning, business planning and horizon scanning; with a view to strengthen links between the Council and its partner ALEOs.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Sections 1,6 and 8 of the EHRIA have been completed and sent to the Equalities Team.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

CG/17/108 - ALEO Assurance Hub Terms of Reference - reported to Audit, Risk and Scrutiny Committee, 26 September 2017; and

CG/18/075 - ALEO Assurance Hub – reported to Audit, Risk and Scrutiny Committee, 25 September 2018.

10. APPENDICES

Appendix A – Assurance Standards and Ratings

Appendix B – Sport Aberdeen

Appendix C – Bon Accord Care

Appendix D – Aberdeen Sports Village

Appendix E – Aberdeen Heat and Power

Appendix F – Aberdeen Performing Arts

11. REPORT AUTHOR CONTACT DETAILS

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Assurance Standards and Ratings

Assurance Standard	Assurance Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

Summary of ALEO Assurance

	Arms' Length External Organisation (ALEO)	Overall Assurance Rating	
1.	Sport Aberdeen	Low	
2.	Bon Accord Care	Low	Medium
3.	Aberdeen Sport Village	Low	Medium
4.	Aberdeen Heat and Power	Low	
5.	Aberdeen Performing Arts	Low	Medium

Sport Aberdeen (SA)

Sector	Sport and Leisure
Level of ACC Control	Council is the sole guarantor
ACC Funding 2018-19	£5,353,082
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:
 - a. public participation in decision making; and
 - b. increasing the transparency of decision making and accountability to service users and communities.

Sport Aberdeen provided strong levels of assurance on its activities in both of these areas, providing evidence that a variety of methods are used to engage service users to shape the delivery of services –

- Extensive community consultation, local councillors, schools and clubs, on the refurbishment of Sheddocksley Sports Centre.
- Active advisory committees in each golf venue which provide feedback on service quality and inform service improvements.
- Formal consultations to inform the future strategy for sports pitch provision.
- Regular attendance at community council meetings to seek the views of local people in advance of proposed changes to venue operations.
- Aquatics online survey to inform programme design and delivery.
- User forums within sports centre venues, for instance, Link Ice Arena.
- Customers and communities informed the development of revised and extended opening hours, as well as the development of group exercise class timetables.
- Close involvement with Community Planning Aberdeen (CPA), through representation on the Board and thematic groups, participation in LOIP refresh events, delivery of improvement projects within the draft LOIP, and staff attendance at CPA performance improvement events.
- Close working relationship with Aberdeen City Health and Social Care Partnership, including representation on the Strategic Planning Group and Capital Programme Board.
- Sport Aberdeen Board includes members with a strong range of skills experience and knowledge. Two new Board members have been identified, both of whom are involved in the city’s business community/networks in other roles.
- Board meetings are not routinely held in public but if a request were received to consider specific business in public, it is likely that it would be accepted if possible. Model Publication Scheme approved in 2017 and this is adhered to through the provision of agendas, reports and minutes

free of charge if requested, the publication of Sport Aberdeen's audited annual accounts and annual performance report, and annual disclosure logs.

- Proactive approach taken to seeking customer feedback through *You Said...We Did* boards at venues and the Sport Aberdeen website.
- Complaints system which conforms with the SPSO Model Complaints Handling Procedure.

2. Assurance on the integration of Aberdeen Adventure and Garthdee Alpine Sports into Sport Aberdeen

In respect of the integration of Adventure Aberdeen (AA) –

- Service and staff fully integrated within the Healthy and Active Communities team, with positive feedback from the Team Leader on the level of support being provided.
- Financial oversight well embedded ahead of budget preparation, with a particular emphasis on improving income.
- Outstanding actions include finalising lease and license to operate the buildings at Kingswells and Speyside, including building condition reports.

In respect of the integration of Garthdee Alpine Sports (GAS) –

- TUPE transfer and integration complete, with effect from 1st October at at which point GAS ceased to trade.
- Service aligned to Community Leisure Operations department.
- Full Sport Aberdeen induction for all staff, with input from senior leadership team.
- GAS Board of trustees will close the final audited accounts and complete the winding up of the charity with OSCR.
- HR and Organisational Development Committee reviews progress with integration at each meeting. Some adjustments have been made to staffing structures, with consideration being given to the opportunities presented by joining up with Adventure Aberdeen.
- Other outstanding issues remain the Council's responsibility – lease and license to operate the centre to be provided, building condition reports to be supplied, resolution of the lease and access contract with RGU, confirmation of the sinking fund in 19/20 and confirmation of funds held in reserve to transfer pending the folding of the charity.

Sport Aberdeen provided assurance that it is managing the risks of integration as follows:

- On-going management support to ensure compliance with Sport Aberdeen's policies and procedures, with particular scrutiny around budget and staffing. This includes procurement and accounts transactions.
- All aspects of expenditure and the migration and integration of budgets is being overseen by the Head of Finance and Corporate Services.
- Single ICT platform in place from the end of November.

- Full site and equipment health and safety risk assessments conducted by Sport Aberdeen. These did not reveal any significant concerns, although it was noted that improvements are required to ensure robustness against safety assessment good practice. These are underway and considered low risk and manageable.
- Facility condition, in particular the slopes and tow lifts, present some risk to the business. In several areas, there is a need for investment to bring these up to standard.
- Concerns remain around the status of the contract between the Council and RGU regarding the refurbishment of the 3G pitch. This presents a reputational risk and financial risk to Sport Aberdeen if not resolved.

Governance - Overall Assessment – Low Risk

The Hub welcomed Sport Aberdeen's commitment to public participation and transparency in decision making and its accountability to service users and communities. The range of activities which involve the community, and the extent to which Sport Aberdeen responds to feedback is encouraging. In particular, the introduction of the model publication scheme in 2017 has led to some strong improvements in the public accessing information. In terms of the amalgamation of GAS and AA, the Hub noted the need to resolve the matters relating the 3G pitch, licenses and condition reports.

Risk Management

Sport Aberdeen provided a copy of its strategic risk register as at 2nd November 2018.

- 1. Assurance on Internal Audit** – SA had successfully concluded a three-year internal audit programme from 2015/16 to 2017/18 and a draft plan for 2018/19 to 2020/21 had been discussed with auditors and approved by the Board on 12th December. A particular focus would be an audit of Adventure Aberdeen and Aberdeen Snowsports services transferring into Sport Aberdeen. This was planned for early 2019.
- 2. Assurance on External Audit** - The Hub noted that Sport Aberdeen's external audit had been reported to the AGM and no adjustments required. This report was provided to the Hub. A clean audit certificate had been awarded. Arising actions had been discussed at the Corporate Governance Committee and would be implemented over the course of the year.

Risk - Overall Assessment – Low Risk

The Hub took assurance from the presented risk register, particularly the mitigation actions which were planned around the transfer of GAS to Sport Aberdeen. In addition, the risk register is maintained as a live document and is a standing item on the fortnightly leadership team meetings. The process for the escalation and de-escalation of risks and the development of a risk appetite will be reviewed in the next cycle.

Finance

1. Financial Reporting –

1.1 Assurance on Management Trading Accounts – Sport Aberdeen provided copies of its management trading accounts, presented to the Corporate Governance Committee on 2nd November 2018. The Hub noted the positive variance on budget performance to period 6 (£76k).

1.2 Assurance on Integration of GAS accounts – The Hub noted that GAS budgets were in the process of being incorporated into those of Sport Aberdeen, which would be reported on monthly to the Corporate Governance Committee.

1.3 Assurance on 2017/18 Audited Accounts – A full set of audited accounts for Sport Aberdeen had been provided. The audit of GAS was scheduled to begin on 19th November for an extended period of 18 months.

2. Financial Management –

2.1 Assurance on Financial Procedures including delegations – Sport Aberdeen provided an updated Scheme of Delegation (February 2017) and Financial Procedures (July 2018). The Hub considers that these policies and procedures are appropriate for an organisation of SA's size and noted the review dates for the documents.

2.2 Financial Information in Reports – The Hub noted from examples given that all reports contain a section within the front page summarising financial implications, with more detailed explanation in the report narrative.

2.3 Assurance on Financial Performance Management – Sport Aberdeen advised that financial performance is a standing item on internal management meetings. The oversight of financial performance is assessed bi-monthly at the Corporate Governance Committee, where there is detailed scrutiny of the monthly trading activity, and financial performance is considered against the business plan.

3. Business Planning –

3.1 Business Plan – This had been submitted and considered by the Strategic Commissioning Committee on 13th September. This included the incorporation of Adventure Aberdeen but not Garthdee Alpine Sports as the formal transfer had not taken place until 1st October. Notwithstanding, Sport Aberdeen had assumed full responsibility for all aspects of GAS trading and financial activity.

3.2 Budget Savings – A 'stand-still' position had been assumed by Sport Aberdeen for the year 2019/20, with recognition of the probability of a reduction in funding necessitating the following actions:

- a) Business Transformation Process underway since 2012, annual process of reducing costs by more effective and efficient business practices combined with improving income performance – has ensured that Sport Aberdeen has been able to cope with recurring budget reductions in core funding.

- b) Invest in facilities to increase footfall and income
- c) Contract reviews to delivery efficiencies
- d) Internal audit programme to identify improved practices
- e) GAS and AA transfers which are expected to deliver service efficiencies
- f) Review of digital solutions

Finance - Overall Assessment – Very Low Risk

The Hub welcomed the quality and clarity of the documentation and assurances provided. The Hub is further assured through the provision of independent sources of assurance from Internal and External Audit on SA's financial management.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Very Low	Low-Medium	Low	Low

Bon Accord Care (BAC)

Sector	Health and Social Care
Level of ACC Control	The Council is the sole shareholder of both Bon Accord Care Ltd and Bon Accord Support Services Ltd
ACC Funding 2018-19	£26.75m
Service	Aberdeen City Health and Social Care Partnership

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:

- a. **public participation in decision making; and**
- b. **increasing the transparency of decision making and accountability to service users and communities.**

Bon Accord Care provided good levels of assurance in both of these areas, demonstrating a strong commitment to participative and transparent decision making -

- Input from service users is regularly gathered from resident surveys.
- Moving towards active routes of engagement such as face to face conversations on service delivery, as part of care staff duties.
- Close involvement of care staff in sheltered housing committees
- Close working with Aberdeen Health and Social Care Partnership and the Council to ensure that BAC services and business strategies closely align with the wider service delivery environment.
- Management participation in local committees eg Integration Joint Board groups
- Annual report published which details BAC activities and performance. Due to commercially sensitive nature of the business, there are no plans to hold Board meetings publicly, nor to publish Board agendas.
- Statutory accounts are available publicly.
- FOI responses are not currently published.
- Copy of Board agenda provided and full Board pack available.

1. Assurance on Succession Planning

- The Appointments Panel met on 25 October 2018 and did not make a permanent appointment. It also agreed that the interim Managing Director be asked to continue in the interim role for a period of six months. The interim Managing Director agreed to do so.
- Discussions are underway to determine the process for appointing a Managing Director on a permanent basis.

2. Assurance on Scheme of Delegation

- BAC provided a copy of an updated Scheme of Delegation dated September 2018, which reflected a number of improvements particularly around budgetary control.

Governance - Overall Assessment – Low-Medium Risk

The Hub welcomed the inclusion of face to face discussions with clients as a part of general staff duties and would intend to follow this up to determine how successful it had been. In respect of the succession planning, it was noted that a permanent appointment has yet to be made and this is reflected in the current rating. The improvements to the updated Scheme of Delegation are also to be welcomed.

Risk Management

Bon Accord Care provided a copy of its risk register and the minutes and terms of reference of its Risk Management Committee, all dated September 2018.

Assurance on Internal Audit – Bon Accord Care provided strong evidence of audit activity, including a sample of recent action plans implemented as a result of internal audits, and the audit timetable for 2019.

Assurance on External Audit – Bon Accord Care had previously supplied the Hub (June 2018) with external auditor letters of representation, demonstrating that there were no qualifications, recommendations or changes arising from audit conducted in 2018.

Assurance on Business Continuity Planning – Bon Accord Care had been asked to provide a copy of the de-brief report presented to the Board following the testing of the Business Continuity Plan on 4th July 2018. This was provided. Bon Accord Care advised that there had not been too much progress made with this recently, due to the change in Managing Director and other tasks taking priority. However, the new postholder assured the Hub that this would now be addressed and the action points followed through. Business Continuity Plans were complete and would be reviewed in light of the exercise completed in July. The issues uncovered mainly related to communication, routes and methods.

Risk - Overall Assessment – Low Risk

Bon Accord Care provided strong assurance around risk management procedures and policy. The risk register was comprehensive although the Hub noted that risks associated with Brexit were not due to be reviewed again until July 2019. Follow up discussion with BAC confirmed that this risk would be reviewed prior to the end of March, although similar organisations are already reviewing the potential effects of Brexit. Audit plans were comprehensive. Business Continuity testing plans are in place and dates were provided for the period January to April 2019.

Finance

3. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – Bon Accord Care provided copies of their management trading accounts dated November 2018 which recorded a positive variance of £70,000, although the year end forecast remained at break even.
- b. **Assurance on 2017/18 Audited Accounts** – Bon Accord Care provided a copy of their published audited accounts for the previous 12 months, which noted a deficit due to statutory pension adjustments.

4. Financial Management –

- a. **Assurance on Financial Procedures** – Bon Accord confirmed that a review of financial policies and procedures was on-going in accordance with an approved schedule. The Finance Policy had been reviewed in November 2018 and no changes would be made other than review dates and version numbers. This would be provided to the Hub upon completion. All previously updated financial procedures were provided to the Hub.
- b. **Financial Information in Reports** – Bon Accord Care confirmed that their Board papers include a section on Financial Considerations, which was good practice.
- c. **Assurance on Financial Performance Management** – Bon Accord Care confirmed that the financial monitoring procedure document due for review in February 2018 would now be completed by May 2019.

- 5. **Business Planning** – Bon Accord Care provided a summary of their financial projection to 2020/21 to demonstrate forward planning and evidence of effective financial management around reducing budgets.

Finance - Overall Assessment – Low Risk
The Hub welcomed the quality and existence of the documentation and assurances provided. The Hub is further assured through the provision of independent sources of assurance from Internal and External Audit on BAC’s financial management.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Low- Medium	Low-Medium	Low-Medium	Low

Aberdeen Sports Village (ASV)

Sector	Sport and Leisure
Level of ACC Control	Joint Venture with the University of Aberdeen
ACC Funding 2018-19	£919,200
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:
 - a. public participation in decision making; and
 - b. increasing the transparency of decision making and accountability to service users and communities.

Aberdeen Sports Village demonstrated to the Hub that they have very good user consultation arrangements -

- Due to the diversity and scale of the operation, there are a number of key service users that are involved in consultations. In most instances, this consultation is underpinned by an access or partnership agreement which is subject to annual review. These agreements were listed.
- ASV works very closely with the Seaton community, in particular Seaton Primary School. This work includes health promotion including good nutrition, physical activity, family projects and sheltered housing.
- ASV recently asked its health and fitness customers what facilities/services they would invest in, providing them with a greater say in how resources are allocated.
- Involved in Community Planning Aberdeen, including attendance at LOIP refresh event.
- Close working with Aberdeen City Health and Social Care Partnership and a committed member of the Active Aberdeen Partnership.
- Annual reports are distributed to shareholders, however Board meetings are closed to the public and minutes/reports are not available for public inspection.
- Signposting on ASV website ensures that customers can make contact from the main landing page, in compliance with the SPSO guidelines.
- Most recent Joint Partnership meeting had taken place on 24th September and had been attended by the Head of Commercial and Procurement Services.

Governance - Overall Assessment – Low Risk

The Hub was satisfied with the information and assurances presented.

Risk Management

Aberdeen Sports Village provided a copy of its risk register for the Board meeting dated 14th December. This was comprehensive and satisfactory.

Assurance on Internal Audit – ASV has appointed external organisation QUEST to perform an internal audit every two years on its business, operations, procedures and deliverable outcomes. QUEST continues to be the recommended Continuous Improvement Tool for leisure operators and sports development teams. Factors assessed include cleaning & housekeeping, maintenance, equipment, environment, compliance, customer experience, teams & skills development, planning to improve, community outcomes, contribution to health and wellbeing, safeguarding, etc. ASV highlighted that Quest with its far reaching and rigorous auditing processes is contained within the operating agreement directly linked to the Joint Venture Agreement. In fact, it was Aberdeen City Council that asked for the Quest process to be added to the Operating agreement which ASV now adopts. ASV has approximately 12 internal Quest auditors who have helped ASV reach the highest possible level (Quest Stretch), the first organisation in Scotland to do so. Attached is a copy of our latest report and improvement plan.

Assurance on External Audit – The annual accounts for the financial year ending 31 July 2018 and External Auditor’s highlights memorandum and Management Letter were presented to the Board on 14th December.

Assurance on Business Continuity Planning – ASV has undergone a root and branch review of its current business continuity procedures and testing protocols. The Hub was provided with a report to the Board on this. This included meetings with the Council’s Emergency Planning Strategist. A working group has been set up to evolve critical incident plans and this will link to business continuity plans. A review and test schedule will be put in place.

Risk - Overall Assessment – Low Risk

The Hub was satisfied with the information and assurances presented in respect of internal audit, external audit and business continuity planning.

Finance

2. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – ASV provided copies of their management trading accounts for the year ending 31st July, which showed that a small surplus had been achieved.
- b. **Assurance on 2017/18 Audited Accounts** – The Annual Accounts for the financial year ending 31 July 2018 and External Auditor’s highlights memorandum and Management Letter were presented to the Board on 14th December.

3. Financial Management –

- a. **Assurance on Financial Procedures** – ASV had provided a copy of their financial procedures during the last 12 months, so were not required to do so again at this time. Financial Regulations were due to have been reviewed in April 2018 but would now be reviewed after the financial audit had been completed.
- b. **Financial Information in Reports** – ASV confirmed that they had recently revised their Board report template to include a section on Financial Implications.
- c. **Assurance on Financial Performance Management** – ASV confirmed that their quarterly financial performance is reviewed and discussed at every Board meeting.
- 4. **Business Planning** – ASV had previously been asked to explore the possibility of developing a medium term financial strategy based on realistic budget assumptions and taking account of risk. ASV advised the Hub that it had conducted a cost cutting process following reduced partner funding over the last three years. There were challenges in providing a detailed financial plan without clarity on future reductions. ASV also noted the requirement for the Council and University to discuss any planned reductions in funding. ASV undertook to provide a three year projection during the next budget process, to meet the Hub’s requirements.

Finance - Overall Assessment – Low-Medium Risk

The Hub noted that the quality of documentation provided by ASV was generally good and that it would look forward to seeing the revised Financial Regulations and medium term financial plan when available. However, the lack of detailed business planning remained a concern. The Hub expects to see the ALEOs prepare a formal business plan in addition to an updated budget. The Business Plan should set out the business strategy, service plans etc, as well as incorporating a Medium Term Financial Plan. ASV has been asked to provide assurance that it has such a Business Plan in place, or intends to adopt a Business Plan going forward.

Assurance Ratings –Trends			
November 2017	May 2018	September 2018	January 2019
Low	Low-Medium	Low-Medium	Low-Medium

Aberdeen Heat and Power (AHP)

Sector	Combined Heat and Power
Level of ACC Control	The Council is the sole guarantor of the company
ACC Funding 2018-19	AHP receives grant funding on a project by project basis
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland's report "How Councils use ALEOs" in respect of:

- c. **public participation in decision making; and**
 - d. **increasing the transparency of decision making and accountability to service users and communities.**
- Aberdeen Heat and Power outlined to the Hub some of the ways in which it involves tenants in their planning meetings. AHP make themselves available during any installation, to discuss issues with wardens or tenants. Feedback from these meetings is taken on board for future installations. They also attend meetings throughout the Aberdeen area to discuss and highlight the benefits of district heating and carbon reductions. The Board includes members who are connected with Save Cash and Reduce Fuel (SCARF) and various housing associations. There are an additional two places designated for tenants to become Directors. These can be difficult to fill, and are at present vacant.
 - AHP assured the Hub that they understand the requirements regards "Public Pound" and that they operate procurement and tendering procedures to mirror those used by ACC. Independent legal advice is secured to ensure that any legislative changes to these procedures is brought to the attention of the Board.
 - A complaints procedure is openly displayed on the AHP website and any complaints that reach "stage 2" are included on the agenda to be discussed at the Policy and Operations sub group although there had been no stage 2 complaints in the past twelve months.
 - Any individual customers that fall into bad debt are signposted to contact SCARF for free impartial advice.
 - AHP's vulnerable person's policy is openly displayed on the AHP website.
 - Due to the commercial nature of AHP it's inappropriate for management reports and minutes of management meetings to be displayed on our website. This was currently being updated to include information relating to the location and number of installations undertaken on behalf on ACC and will comply with any additional requirements including publishing FOI's and any responses. AHP have not received any FOI's to date.

- AHP's company accounts are lodged with Companies House together with a list of current directors and are therefore in the public domain.
- A copy of the governance process for AHP was provided, as well as the scheme of delegation, which had been approved by the Policy and Operations Sub Group. This would be presented to the Board in February 2019.
- Each member of staff (4) has a fully detailed job description.
- In respect of GDPR, AHP had taken the following steps:
 - Arranged training for the Financial Accountant and for the Office Administrator.
 - Members of the Board have been trained on GDPR regulation and compliance.
 - There is a clear understanding of the GDPR requirements and this has been discussed at Sub Group level and also by the Board at the February 2018 Board Meeting. The training has revealed the nature of the information that is required to be controlled and the resource necessary to processes required to fulfil the GDPR requirements.
 - GDPR Policy had been approved by the Board and would be reviewed at each Policy and Ops meeting held quarterly. A copy was provided.
 - A GDPR spreadsheet is maintained and updated to ensure continuing compliance with the procedure.

Governance - Overall Assessment – Low Risk

The Hub was sufficiently assured by the measures in place, recognising that whilst an ALEO, consultation requirements were less onerous for AHP compared to other ALEOs which are more public facing. The Hub welcomed the fact that two seats on the Board were available for services users, albeit that these were vacant, and hoped that other ALEOs would adopt this practice.

Risk Management

Aberdeen Heat and Power provided a copy of its risk register reviewed by the Board in August 2018. Since that time, risks had been identified around Brexit and the formation of a SESco. These were considered at a sub-group meeting on 11th December and the risk register updated accordingly, for presentation to the Board in February 2019.

Assurance on Internal Audit – AHP provided a copy of its internal audit report for 2017/18 (findings and implementation) and audit plan for 2018/19.

Assurance on External Audit – AHP provided its audited accounts for 2017/18 and advised that there were no outstanding recommendations or actions. External audit attend the AGM to feed back on the audit findings. Any issues are reported back to the Board and recommendations/issues dealt with in a timely manner and reported back to the auditor and Board. There had been no recommendations for this period.

Risk - Overall Assessment – Low Risk

An updated copy of the risk register was provided for the current cycle. A risk register review meeting is scheduled for 5th February 2019 and Business Continuity Plans are

also covered within the agenda for this meeting. Updates and progress in this area will be reported within the next reporting cycle.

It was noted that AHP are considering possible impact of Brexit and discussions are taking place with suppliers. A Brexit strategy will be discussed at the meeting on 5th February and the risk register in this area will be updated accordingly.

Finance

1. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – A copy of the September 2018 management accounts was provided, as discussed by the Board at its November meeting. No concerns had been raised. A positive variance to month 6 of £140k was noted. The Hub had asked for additional assurance in respect of lower than expected income and whether this was linked to reducing demand for heat and power due to higher temperatures in the spring and summer of 2018. AHP responded that income was down by -1% whilst direct costs had been reduced by -13% and overheads by -5%. The reduction in income was due to the higher than average temperatures between May and July.
- b. **Assurance on 2017/18 Audited Accounts** – AHP provided a copy of their published audited accounts for 2017/18.

2. Financial Management –

- a. **Assurance on Financial Procedures** – AHP provided a copy of their financial procedures, which had been reviewed in February 2018 and were due for a further review in February 2019.
 - b. **Financial Information in Reports** – AHP confirmed that their Board had considered the Hub's request that reports papers include a section on Financial Considerations as a matter of good practice. The Board had agreed that its standard template for reports would remain in place, as this covered all aspects of project developments and financial and risk implications. AHP confirmed that Business Case reports to the Board and Development Sub-Group included consideration of finance and financial risks, and provided some examples.
 - c. **Assurance on Financial Performance Management** – AHP advised the Hub that financial performance was measured monthly, and presented to Board meetings and relevant sub-groups. Copies were provided. This allowed analysis of trends to measure the performance of energy centres and heat loads to commercial premises, as well as changing climate details and energy trends.
- ### **3. Business Planning** – AHP had been previously requested by the Hub to outline the evidence base and process used to reach assumptions in their business plan on future higher electricity prices, and to clarify the extent to which these assumptions take account of the implications of global warming.

AHP advised the Hub that it would provide a full updated business plan in 2019 including three year financial projections, once the outcome of proposed discussion on a SESco was known. AHP provided assurance to the Hub on the projections made within their business plan, based on information provided by market leaders in the procurement of fuel contracts and the monitoring of trends in the energy markets. This also informed tendering for energy renewals. Board members brought knowledge on the impacts of various factors around the energy market, and AHP also employed a specialist energy company to advise on the status of the global and national energy market. This was fed into future financial plans, business plans and budgets. Commercial acumen and a diligent approach to the close monitoring of energy costs and the energy market were a factor in AHP being able to hold heat prices at a level first set in 2012. They advised the Hub that they were in a strong position to deliver the capital programme for district heating.

Risk - Overall Assessment – Low Risk

The Hub welcomed the quality and existence of the documentation and assurances provided within these. In particular, a good level of detail had been provided on how assumptions on price movements within the budgets had been arrived at, and financial procedures were due to be further reviewed in February. The current 2015-2020 business plan has been updated in parts, with a full refresh anticipated in 2019 to incorporate the outcome of discussion on the approach to setting up a SESco.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Low	Medium	Low-Medium	Low

Aberdeen Performing Arts (APA)

Sector	Arts, Theatre and Culture
Level of ACC Control	The Council is one of 13 subscriber guarantors of the company
ACC Funding 2018-19	£975,000
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:

- e. **public participation in decision making; and**
 - f. **increasing the transparency of decision making and accountability to service users and communities.**
- Aberdeen Performing Arts advised the Hub that it had obtained the Scottish Government’s customer service excellence standard, one of only two arts organisations in Scotland to hold the standard, with 11 compliant plus accreditations. This involved a comprehensive evaluation with more than 70 individual standards against which APA were assessed on an evidential basis. APA provided the assessors summary for 2018 which commended the approach to customer insight, the commitment to engaging with and involving customers. The accreditation return commented that APA was a “truly outstanding organisation and should continue to be upheld as an example of excellence for customer service delivery in the North East of Scotland”
 - APA described other methods of stakeholder engagement and transparency in decision making –
 - Widely advertised open recruitment to voluntary Board
 - Teachers’ Network as a discussion forum for teachers and the creative learning team
 - Actively sought feedback from participants, parents and facilitators at creative learning projects
 - Young Ambassadors’ Group
 - Regular Open Days for people with disabilities and additional support needs
 - Regular customer surveys to a panel of 1,000 service users, as well as customer focus groups and an annual research survey, the most recent of which had received over 3,000 responses.
 - Gathering and application of audience development intelligence
 - Signposting to customer feedback opportunities
 - Improvements to social media engagement and website
 - Board meetings are not held in public and APA intimated that there were no intentions to do so. Much of the business discussed by them is commercially sensitive. Notwithstanding, it was intended to produce an annual performance report which would be available publicly.

- APA does not intend to develop a Model Publication Scheme on the basis that they are an independent charity in receipt of 10% of public funding.

1. Assurance on Scheme of Delegation

- APA had provided a copy of their Scheme of Delegation which was good practice although could benefit from further detail. This would be reviewed every three years as per the Articles and Memorandum of Association.

Governance - Overall Assessment – Low Risk

The Hub was encouraged to see improvements in governance processes, in particular the production of a Scheme of Delegation. The statement that APA did not intend to introduce a Model Publication Scheme will be followed up. Audit Scotland, in its report on Councils' use of ALEOs from May 2018, identified the proactive publication of categories of information contained in the Information Commissioner's Model Publication Scheme as a measure which will improve transparency.

Risk Management

Aberdeen Performing Arts provided a copy of its risk registers for APA and also for the Music Hall project.

Assurance on Internal Audit – The programme of internal audit remained unchanged from that provided to the Hub previously. The externally assessed customer service excellence accreditation provided strong evidence of audit activity, and is a government standard. Internal audits of the Music Hall project and Payroll would be carried out in 2019. APA confirmed that audit projects are agreed annually, usually working out at around one or two audits a year.

Assurance on External Audit – APA's external auditors had reported to the Board on the annual accounts to 31st March 2018 and a clean audit certificate had been issued. A copy of the report was provided. The Hub was pleased to note that there were no outstanding audit recommendations.

Risk - Overall Assessment – Medium Risk

The risk register for Aberdeen Performing Arts highlighted some operational areas which should be reviewed in light of the Music Hall project. The Hub is awaiting evidence of a testing schedule for business continuity plans, confirmation that plans had been updated to reflect changes to structure in respect of the Music Hall, and evidence of audit planning and a process for following up on recommendations.

Finance

2. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – Aberdeen Performing Arts provided copies of their management trading accounts for the 6 months ending 30th September 2018. They had recorded a positive variance of £133,000

compared to budget, although the year end forecast was to be only £72k better than budget.

- b. **Assurance on 2017/18 Audited Accounts** – These were also provided and the Hub agreed that they were satisfactory.

3. Financial Management –

- a. **Assurance on Financial Procedures** – The Hub was pleased to note that updated Financial Regulations were adopted by the Board in August 2018 and found them to be sufficiently detailed and appropriate for an organisation of APA's size.
 - b. **Financial Information in Reports** – A previous recommendation from the Hub was that Board reports include a section on specific financial implications. The Board had responded that it was satisfied with the existing template, but could provide a statement of comfort within Board minutes on its consideration of financial implications arising out of reports. The Hub had asked APA to reconsider this position in its request for information, citing an example of an item considered at its May Board meeting when financial considerations did not appear to have been taken into account. APA advised the Hub that it would ensure that Board papers would include consideration of cost implications in future, although it will not add a financial implications section to its Board report template.
 - c. **Assurance on Financial Performance Management** – The Hub was advised that Finance, Audit and Property Sub-Committee meets quarterly to discuss financial performance. The Leadership Team also reviewed financial performance monthly.
4. **Business Planning** – APA outlined a number of challenges to business planning, including the impact of Brexit on audience numbers, potential reductions in public sector funding, reduced reserves following the Music Hall refurbishment, loan repayment, requirement to modernise the Lemon Tree, fair wage requirements and robust ICT security requirements. It would seek to achieve a breakeven position by identifying new sources of income and making appropriate reductions to the artistic programme. APA stated that it is striving to maximise profit in its commercial activities.

Risk - Overall Assessment – Low Risk

The Hub welcomed the financial accounts and financial regulations presented, which were appropriate for an organisation of this size. The management trading accounts were positive, demonstrating an improved position on the deficit. The remaining area of concern related to APA not including a section on financial implications within their Board reports, although it was noted that the Service Lead had attended Board meetings and Music Hall focus group meetings, at which consideration is given to financial impact.

Assurance Ratings – Trends			
November 2017	May 2018	September 2018	January 2019
Low- Medium	Low-Medium	Low	Low-Medium

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/19/001
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2 and 2.4

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2018/19 Internal Audit plans.

2. RECOMMENDATIONS

The Committee is requested to:

- 2.1 Agree to the review of Craft Workers' Terms and Conditions being moved to the 2019/20 Internal Audit Plan;
- 2.2 Agree to the review of Digital Booking, Fees and Charges being reconsidered for inclusion in the 2020/21 Internal Audit Plan; and
- 2.3 Otherwise review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Internal Audit plan for 2018/19 was approved by the Audit, Risk and Scrutiny Committee on 22 February 2018. 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.
- 3.2 Appendix A to this report shows progress with the audits contained in the 2018/19 plan. A summary is shown in the following table.

2018/19 Planned Audit Status	As at 4 February 2019 by Original Target Committee Date						%age
	Jun 18	Sep 18	Dec 18	Feb 19	Apr 19	Total	
Complete	1	8	3	4	0	16	64.0
Draft Report Issued	0	0	0	0	0	0	0.0
Work in Progress	0	1	2	1	2	6	24.0
Moved to future year	0	0	0	1	1	2	8.0
To Start	0	0	0	0	1	1	4.0
Total	1	9	5	6	4	25	100.0

3.3 The 2018/19 Internal Audit Plan included an audit of Craft Workers' Terms and Conditions. The objective of this audit related to new Terms and Conditions which have not yet been agreed and implemented as discussed in previous reports to Committee relating to the follow-up of agreed recommendations. In view of this, the imminent introduction of the new Terms and Conditions, and the fact that a small sample of Craft Workers' timesheets was tested in the Timesheets and Allowances audit, reported to Committee in September 2018, it is proposed that this audit be deferred to 2019/20.

3.4 The 2018/189 Internal Audit plan also included an audit of Digital Booking, Fees and Charges. The objective of the audit was to provide assurance over the controls around on-line booking and collection of fees and charges. Digital and Technology has advised Internal Audit that, although the system has been procured, it has not yet been fully implemented. There is a programme plan detailing when each booking type will go live, but there are currently no bookings in the system. In view of this, it would not be possible, at present, to provide the planned level of assurance. It is proposed that this review be reconsidered for inclusion in the 2020/21 Internal Audit Plan.

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. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit’s progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Appendix A – Progress with 2018/19 Internal Audit Plan.

10. REPORT AUTHOR DETAILS

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APPENDIX A

PROGRESS WITH 2018/19 INTERNAL AUDIT PLAN

(Note – text in italics represents updates provided to Committee previously)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for September 2018 Committee

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.	Draft report due to be issued	27.09.18	Green	<i>Commencement delayed at request of Service pending Chief Officer – Digital and Technology taking up post.</i>
		Draft report issued	26.09.18		
		Management response due	24.10.18	Amber	
		Meeting to discuss Further evidence requested from Service	10.10.18 23.10.18		
		Updated draft reported issued	27.11.18	Amber	
Management confirmation received	15.01.19				
		Final Report Issued	17.01.19	Green	
		Original target Committee date	25.09.18	Amber	
		Revised Committee Date	14.02.18		
		Actual Submission to Committee	14.02.18		
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.	Draft report due to be issued	21.12.18	Amber	<i>Delayed at request of Service which is developing a new strategy</i>
		Draft report issued	N/A		
		Original target Committee date	25.09.18	Amber	
Revised Committee Date	30.04.19				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for December 2018 Committee

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.	Draft report due to be issued	16.10.18	Green	<i>Further testing required</i>
		Draft report issued	16.10.18		
		Management response due	30.10.18	Green	
		Management response received	31.10.18		
		Final draft issued to management	22.11.18	Amber	
		Management confirmation received	21.12.18		
		Final Report Issued	04.01.19	Green	
		Original target Committee date	04.12.18	Amber	
		Revised Committee Date	14.02.19		
		Actual Submission to Committee	14.02.19		
Compliance with Procurement Legislation and Council Regulations	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.	Draft report due to be issued	22.02.19	Amber	<i>Delayed due to delays with other audits and additional follow up work on recommendations.</i>
		Draft report issued			
		Original target Committee date	04.12.18	Amber	
		Revised Committee Date	30.04.19		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for December 2018 Committee (continued)

Data security in a cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted through the Cloud.	Draft report due to be issued	28.02.19	Amber	<i>There were delays in information being provided by the Service as requested by Internal Audit. Subsequently, the Auditor undertaking this audit left Internal Audit.</i>
		Draft report issued	TBC		
		Original target Committee date	04.12.18	Amber	
		Revised Committee Date	30.04.19		
National Care Home Contract	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.)	Draft report due to be issued	21.12.18	Green	<i>Delayed due to delays with other audits and additional follow up work on recommendations.</i>
		Draft report issued	13.12.18		
		Management response due	10.01.19	Green	
		Management response received	14.01.19		
		Final draft issued to management	15.01.19	Green	
		Management confirmation received	17.01.19		
Final Report Issued	04.01.19	Green			
Original target Committee date	04.12.18	Amber			
Revised Committee Date	14.02.19				
Actual Submission to Committee	14.02.19				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for February 2019 Committee

Health and Safety Arrangements across the Council	To provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council.	Draft report due to be issued	19.12.18	Green		
		Draft report issued	18.12.18			
		Management response due	11.01.19	Green		
		Management response received	04.01.19			
		Final draft issued to management	22.01.19	Amber		Various discussions held between Service management and Internal Audit
		Management confirmation received	04.02.19			
Final Report Issued	04.02.19	Green				
Original target Committee date	14.02.19	Green				
Actual Submission to Committee	14.02.19					
Prevention of Fraud, Bribery and Corruption	To provide assurance that the Council's arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate.	Draft report due to be issued	11.12.18	Green		
		Draft report issued	29.11.18			
		Management response due	28.12.18	Amber		
		Management response received	13.01.19			
		Final draft issued to management	24.01.19	Amber		
		Management confirmation received	01.02.19			
Final Report Issued	04.02.19	Green				
Original target Committee date	14.02.19	Green				
Actual Submission to Committee	14.02.19					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for February 2019 Committee (continued)

i-World Housing Management System (NPS Housing 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.	Draft report due to be issued	14.12.18	Green	
		Draft report issued	14.12.18		
		Management response due	10.01.19	Amber	
		Management response received	15.01.19		
		Final draft issued to management	30.01.19	Amber	
Management confirmation received	01.02.19				
Final Report Issued	01.02.19	Green			
Original target Committee date	14.02.19	Green			
Actual Submission to Committee	14.02.19				

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.	Draft report due to be issued	15.02.19	Amber	Delays with other audits and availability of Internal Audit staff.
		Draft report issued	N/A		
		Original target Committee date	14.02.19		
		Revised Committee Date	30.04.19		

Craft Workers' Payroll	To provide assurance that new Terms and Conditions have been implemented and are being complied with.	Original target Committee date	14.02.19	N/A	See below
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The objective of this audit related to new Terms and Conditions which have not yet been agreed and implemented as discussed in previous reports to Committee relating to the follow-up of agreed recommendations. In view of this, the imminent introduction of the new Terms and Conditions, and the fact that a small sample of Craft Workers' timesheets was tested in the Timesheets and Allowances audit, reported to Committee in September 2018, it is proposed that this audit be deferred to 2019/20.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for February 2019 Committee (continued)

Bond Trust Deed	To provide assurance that the requirements of the Bond Trust Deed are complied with.	Draft report due to be issued	19.12.18	Green	
		Draft report issued	21.12.18		
		Management response due	11.01.19		
		Management response received	04.01.19		
		Final draft issued to management	08.01.19		
		Management confirmation received	25.01.19	Green	
		Final Report Issued	25.01.19	Green	
		Original target Committee date	14.02.19	Green	
		Actual Submission to Committee	14.02.19	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for April 2019 Committee

Digital Booking, Fees and Charges	To provide assurance over the controls around on-line booking and collection of fees and charges	Original target Committee date	30.04.19	N/A	See below
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When Internal Audit contacted Digital and Technology to commence this audit, the service advised that although the new system had been procured, it is not yet fully operational. Although there is a programme plan for when each booking type will go live, there are no booking in the system. Therefore, it would not be possible to provide the planned level of assurance over the system and its data. It is recommended that this review be considered for inclusion in the 2020/21 Internal Audit plan.

Music Centre	To provide assurance that procedures have been improved following completion of work undertaken by Corporate Investigation Team - review of income, expenditure (procurement and payroll), and inventory	Draft report due to be issued	05.03.19	Green	
		Draft report issued			
		Original target Committee date	30.04.19	Green	

Management of high risk contracts	To focus on recent identified issues:- - 3 rd Don Crossing - Photovoltaic Panels To include data / intelligence used for monitoring and escalation of risk.	Original target Committee date	30.04.19	Green	Not yet commenced
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 4 February 2019	Red Amber Green	Comment where applicable
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Originally Planned for April 2019 Committee (continued)

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.	Draft report due to be issued	28.02.19	Green	
		Draft report issued	N/A		
		Original target Committee date	30.04.19		

No Planned Reporting to Committee

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>	<p><i>BEGIN Project ACC Partner Claim for period 2 certified (June 2018).</i></p> <p><i>HyTrEc2 Project ACC Partner Claim for period 2 certified (June 2018)</i></p> <p><i>HyTrEc2 Overall Project Claim for period 2 certified (June 2018)</i></p> <p><i>HeatNet Project ACC Partner Claim for period 3 certified (August 2018)</i></p> <p>BEGIN Project ACC Partner Claim for period 3 certified November 2018</p> <p>HyTrEc2 Project ACC Partner Claim for period 3 certified December 2018</p> <p>HyTrEc2 Overall Project Claim for period 3 certified December 2018</p>
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Audit Plan 2019/20
REPORT NUMBER	IA/19/003
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2019/20.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2019/20.

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 2019/20 is attached as appendix B and includes the Aberdeen City Integration Joint Board and North East of Scotland Pension Fund for information.
- 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. The Councils have different risk profiles and assurance needs (although Internal Audit needs to gain its own assurances in order to complete its annual report). This means that, although similar services are being provided, the timing of reviews often varies. However, it is still possible to draw on and share best practice where this is identified.

- 3.5 The Audit, Risk and Scrutiny Committee agreed at its meeting on 26 June 2018 that single year plans continue to be developed as, due to the pace of change facing Local Government, it was considered too early to start developing three-year plans. It was agreed that this would result in agreed plans being subject to constant change as new risks were identified and addressed in a climate of constant change.
- 3.6 During the planning process, Internal Audit reviewed the Council's approved Risk Registers (where available) and consulted with the Chief Executive, Directors, and Chief Officers to ensure that areas which Officers 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 6 December 2018, with the Chief Executive on 11 January 2019, and CMT again on 31 January 2019, where it was agreed.
- 3.7 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit anticipates being 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, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion.
- 3.8 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2018/19 was £573,000 and it is anticipated that the budget for 2019/20 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

6.2 In order to ensure a risk-based approach to the Council’s internal audit activities, reference has been made in compiling the Internal Audit Plan to the Corporate Risk Register and Cluster Risk Registers, overseen by CMT and Chief Officers respectively. It is acknowledged that these are live documents, from which risks are escalated and de-escalated depending on management’s assessment of the effectiveness of controls. It is therefore expected that management will consider that the risks informing the Internal Audit Plan will become more or less significant over the course of the year. When responding to Internal Audit reports produced in 2019/20, Chief Officers have been instructed by CMT to refer to their current risk registers. This is intended to ensure that the management response to each audit is considered by management to be proportionate to the risk in that area. This may include Chief Officers proposing not to accept and implement an internal audit recommendation.

7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to approve the annual Internal Audit plan. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Appendix A – Internal Audit Plan 2019/20 – Strategy and Risk Assessment.

9.2 Appendix B – Internal Audit Plan 2019/20 including process of development.

10. REPORT AUTHOR DETAILS

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APPENDIX A

INTERNAL AUDIT PLAN 2019/20 STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2019/20, 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, Directors, and Chief Officers 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 Functions and Clusters 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.

NOTE: Internal Audit’s risk assessment based on evaluation of mitigating controls in the following table is based on Internal Audit work undertaken previously. The areas of risk identified are generic in nature and are relevant to the system of control and application thereof, on which Internal Audit bases its annual opinion. These differ from risks detailed in management’s risk registers which focus on more specific risks.

KEY TO RISK RATING:

- 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.

- TBC** To be confirmed – insufficient Internal Audit work completed in these areas to date.

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	Low
	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 (due to compliance)

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
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	Low
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	Medium
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 (due to compliance)

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
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 (based on limited testing)
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	Low
	Failing to ensure compliance with the London Stock Exchange requirements.	High	Low
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
Business Operations	Failing to have appropriate measures in place to ensure that services are provided in accordance with regulatory requirements.	Medium	TBC

Internal Audit Plan 2019/20

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 Functions 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.

The above approach was confirmed in a report relating to Internal Audit Planning which was agreed by the Audit, Risk and Scrutiny Committee on 26 June 2018.

Area	2019/20	2020/21	2021/22	2022/23	2023/24
Procurement	X	X	X	X	X
Payroll	X	X	X	X	X
Income Collection	X	X	X	X	X
Various aspects of Budget Setting, Monitoring and Management	X	X	X	X	X
Main Financial and Business Systems – each system to be covered once in every four to five years	X	X	X	X	X

Audits will be designed to cover specific key areas across Functions / Clusters or the Council, whilst Function / Cluster 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 2019/20

(Incorporating Aberdeen City IJB and NESPF)

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Outcome from consultation with KPMG (External Audit)	63 – 65

PROCESS FOLLOWED IN DEVELOPING THE PLAN

Current versions of Risk Registers were obtained and analysed.

All Chief Officers requested to input to planning process and offered meeting with their management teams with a deadline of 16 November 2018.

- Response and suggestions received from Integrated Children's and Family Services on 24 October 2018.
- Internal Audit met with the Aberdeen City Health and Social Care Partnership Executive Team on 9 November 2018.

Internal Audit Plan Proposals to CMT on 6 December 2018

Responses Received:

- Chief Executive – provided to Internal Audit on 7 January 2019
- Chief Operating Officer – suggestions for inclusion in plan – 8 January 2019
- Chief Officer – Governance – 8 January 2019

KPMG requested for comments on draft plan – See comments on pages 65/66

Invitation sent to Convener and Vice-Convener of Audit Risk and Scrutiny Committee and Co-Leaders to discuss planning process and content in January 2019.

Plan reconsidered by CMT on 31 January 2019 when two additional audits were requested.

**AREAS TAKEN FORWARD FOR INCLUSION IN 2019/20
INTERNAL AUDIT PLAN**

CROSS SERVICE

Area	Scope	Objective	Source	Target Committee Date
Workforce Planning	Workforce planning across the Council	To provide assurance that the Council has appropriate and adequate plans in place to determine its workforce requirements and that these are in operation throughout the Council.	Corporate RR Corp003	April 2020
Civil Contingencies	Civil Contingencies	To provide assurance that the Council has taken the necessary action and has plans in place to mitigate risks identified in the Corporate Risk Register (Corp004) to ensure that it can deliver on its obligations in the event of an emergency.	Corporate RR Corp004	December 2019
Procurement	Compliance with procurement related legislation and internal governance arrangements	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.	Internal Audit	April 2020
Transformation	Follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, new Scheme of Governance, etc)	To provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations.	Internal Audit	December 2019
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.	Internal Audit	September 2019
Travel Policy	Payments made in respect of travel and accommodation	To provide assurance that the Council has appropriate arrangements in place and that these are being complied with.	AR&SC (04.12.18)	September 2019
Shutdown of Non-essential Spend	In accordance with instructions issued	To provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with.	CMT (31.01.19)	June 2019
Income generation	Exact scope to be agreed with Directors prior to audit commencing	To provide assurance that budgeted income generation is based on robust assumptions and is being realised	CMT (31.01.19)	June 2019

COMMISSIONING

Area	Scope	Objective	Source	Target Committee Date
Information Governance	Information Governance	To provide assurance that the controls in place for mitigating the risks identified in the Corporate Risk Register (Corp005) are adequate and operating as expected.	Corporate RR Corp005	February 2020
Performance Management	Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data	Operations RR ICFS002	April 2020

CUSTOMER

Area	Scope	Objective	Source	Target Committee Date
Cyber Security	Cyber Security	To provide assurance that the controls detailed in the Corporate Risk Register (Corp006) are effective and that Assurance actions are progressing as planned.	Corporate RR Corp006	September 2019
Housing Rent	Income	To provide assurance over rent collection and arrears recovery procedures.	Customer RR EICE001	September 2019
Voids	Housing Repairs	To provide assurance regarding the process for re-letting void properties and compliance therewith.	Audit, Risk and Scrutiny Committee (08.05.18)	December 2019
Cash Collection	Cash Collection at a selection of locations	To provide assurance over procedures in operation relating to sample of cash collection locations.	Internal Audit	December 2019
Housing	Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy.	Internal Audit	At its meeting on 31 January, CMT requested that two further audits be added to the plan. As a result, this audit is being removed.

OPERATIONS

Area	Scope	Objective	Source	Target Committee Date
SEEMIS	SEEMIS	To provide assurance that appropriate control is being exercised over the system in view of the perceived criticality of the system and the significant volume of sensitive personal data held.	Operations RR ICFS009	February 2020
Car Parking and Bus Lane Enforcement	Car Parking Income and Penalty Charge Notices, and Bus Lane Penalty Charge Notices	To provide assurance that procedures regarding income collection and the management of fines are adequate.	Internal Audit	September 2019
School Catering	School Catering income and procurement expenditure	To provide assurance over income and procurement expenditure relating to school catering operations	Internal Audit	February 2020
Children's Services	Fostering and Adoption Payments	To provide assurance over Fostering and Adoption Allowances being paid.	Internal Audit	December 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.	Internal Audit	April 2020
Stock Control	Stock control in Building and Roads Services Stores	To provide assurance that procedures are adequate and stock movements are adequately accounted for.	Management	September 2019

RESOURCES

Area	Scope	Objective	Source	Target Committee Date
Financial Ledger System	Financial Ledger System	To provide assurance over system controls, business continuity and contingency plans.	Internal Audit	February 2020
Gas Servicing Contract	Gas Servicing Contract	To provide assurance that contractual and operational issues are being complied with	Internal Audit	February 2020
Ring-fenced Funding	Ring-fenced Funding	To provide assurance that the Council has appropriate arrangements in place to ensure that conditions relating to ring-fenced funding contained within Scottish Government Grant are complied with.	Management	September 2019
Industrial and Commercial Property	Rental Income and Void Control	To provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.	Internal Audit	December 2020
HR / Payroll System	CoreHR system	To provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to previous system have been addressed.	Internal Audit	December 2020

GOVERNANCE

Area	Scope	Objective	Source	Target Committee Date
Risk Management	Risk Management Process	Previous review undertaken in 2015/16. Internal Audit is required by Public Sector Internal Audit Standards to review risk management arrangements on a regular basis. It is proposed to undertake a review to provide assurance over the arrangements that are currently in operation within the Council.	Internal Audit	September 2019

PLACE

Area	Scope	Objective	Source	Target Committee Date
Income	Planning and Building Standards fee income	To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.	Place RR SPP003	At its meeting on 31 January, CMT requested that two further audits be added to the plan. As a result, this audit is being removed.
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>Note: There would be no specific reporting to management or Audit Risk and Scrutiny Committee regarding these grant claims unless a significant issue were identified.</i>	Internal Audit	Not Applicable

HEALTH AND SOCIAL CARE PARTNERSHIP

Area	Scope	Objective	Source	Target Committee Date
Commissioned Services	Contract Monitoring	To provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.	Management Corporate RR Corp007	April 2020

ABERDEEN CITY INTEGRATION JOINT BOARD

Area	Scope	Objective	Source	Target Committee Date
Risk Management	Risk Management	To review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.	Management	December 2019 following presentation to the IJB A&PS Committee

NORTH EAST OF SCOTLAND PENSION FUND

Area	Scope	Objective	Source	Target Committee Date
Investment Strategy and Investment Performance Management	Investment Strategy and Investment Performance Management	To provide assurance over compliance with the pension fund investment strategy and arrangements in place to monitor the performance of investment managers.	NESPF RR 15, 17 & 18	December 2019 following presentation to the Pensions Committee

GENERAL

Area	Scope	Objective	Source	Target Committee 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	Internal Audit	Each Meeting
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.	Internal Audit	Each Meeting
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.	Internal Audit	As Appropriate.

ANALYSIS OF RISK REGISTERS: CONSIDERATION FOR 2019/20 INTERNAL AUDIT PLAN

Key

	No Previous IA Coverage
	Some Previous IA Coverage
	Previous IA Coverage as Detailed
	Proposed Inclusion in 2019/20 IA Plan

CORPORATE RISK REGISTER

As at 11 October 2018

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp001	Financial Sustainability	The Council must deliver significant savings over the next five years and beyond to ensure continued financial sustainability. A transformation portfolio has been established with programmes of work to align finite financial resources to desired outcomes.	Fully Effective – 2 Partially Effective – 4 <i>Two Assurance Actions detailed in RR – 70% / 80% complete.</i>	Budget Setting (May 2017) and Budget Monitoring (Nov 2016) have been reviewed.	This is being partially addressed through the Council's Transformation Programme. It is proposed that a follow-up audit of Transformation is undertaken in 2019/20 to provide continuing assurance over this area.	Agreed
Corp002	Health and Safety Compliance	The Council is required to safeguard its employees and members of the public which includes the effective implementation of and compliance with health and safety policies and procedures.	Fully Effective – 4 Partially Effective – 5 <i>Five Assurance Actions detailed in RR ranging from 10% to 50% complete.</i>	2018/19 planned Cross Service review of Health and Safety Arrangements in Place	None, although the 2018/19 review will help inform future year's planning with a potential for individual Function or Cluster reviews.	Agreed
Corp003	Workforce of the future	The Council must ensure that it has a workforce that is the right size with the right skills, knowledge and behaviours it needs to maximise its contribution to the delivery of the Target Operating Model.	Fully Effective – 2 Partially Effective – 2 <i>Four Assurance Actions detailed in RR ranging from 10% to 70% complete.</i>	None	Proposed review of "Workforce Planning" in 2018/19 was agreed by CMT, but CMT requested that it be undertaken in 2019/20 following bedding in of organisational design and new appointment to post Chief Officer – People and Organisation. Propose inclusion in the 2019/20 plan.	Agreed, although timing needs to be considered.

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp004	Civil Contingencies	The Council must ensure that it puts in place adequate training, planning and testing for civil contingency events and other incidents so that it can respond to emergencies which may affect Aberdeen City and/or an incident having a significant adverse effect on the operations of the Council.	Full Effective – 3 Partially Effective – 3 <i>Four Assurance Actions detailed in RR ranging from 60% to 75% complete.</i>	Business Continuity Planning (Aug 2017)	Proposed review of action taken by the Council and plans that it has in place to mitigate identified risks, including progress with Assurance Actions, to ensure that it can deliver on its obligations in the event of an emergency.	Agreed
Corp005	Information Governance	Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture.	Fully Effective – 5 Partially Effective – 1 <i>Four Assurance Actions detailed in RR ranging from 25% to 70% complete.</i>	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018).	Proposed overview of arrangements in place to give assurance that operating as expected and that Assurance Actions are progressing.	Agreed
Corp006	Cyber Security	Cyber Security threats must be mitigated to protect the Council, its essential functions and customer data.	Fully Effective – 7 Partially Effective – 7 Not Effective – 2 <i>Three Assurance Actions detailed in RR ranging from 60% to 88% complete.</i>	Major Business systems (Dec 2017). Data Security in a Cloud Based Environment (2018/19)	Proposed review of effectiveness of controls detailed in Risk Register and progress with completing Assurance Actions.	Agreed

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp007	Contract Management	There is a need to have effective contract management across the Council, undertaken by skilled staff working and working to a consistent and proportionate model.	Fully Effective – 2 Partially Effective – 4 <i>Four Assurance Actions detailed in RR ranging from 30% to 70% complete.</i>	Reports to AR&SC: February 2017 – 3 rd Don Crossing and Gas Central Heating Contract, June 2017 – Photovoltaic Panels. 2018/19 planned audits of Contract Management relating to high risk contracts, and National Care Home Contract.	Proposed review of contract management relating to Health and Social Care Contracts	Agreed

COMMISSIONING RISK REGISTER

As at 7 November 2018

Risk No.	Risk	Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp005	Information Governance	Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture.	Fully Effective – 5 Partially Effective – 1 <i>Four Assurance Actions detailed in RR ranging from 25% to 70% complete.</i>	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018).	See Corp005 in Corporate Risk Register.	Agreed

COMMERCIAL AND PROCUREMENT

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp007	Contract Management	There is a need to have effective contract management across the Council, undertaken by skilled staff working and working to a consistent and proportionate model.	<p>Fully Effective – 2 Partially Effective – 4</p> <p><i>Four Assurance Actions detailed in RR ranging from 30% to 70% complete.</i></p>	<p>Reports to AR&SC: February 2017 – 3rd Don Crossing and Gas Central Heating Contract, June 2017 – Photovoltaic Panels.</p> <p>2018/19 planned audits of Contract Management relating to high risk contracts, and National Care Home Contract.</p>	See Corp007 in Corporate Risk Register.	Agreed

BUSINESS INTELLIGENCE AND PERFORMANCE MANAGEMENT

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
BIPM001	Negative external inspections	There is a risk that we fail to respond effectively, including with partner organisations, to external inspection and scrutiny	Fully Effective – 6 Partially Effective – 3	None	None	Agreed
BIPM002	Community Planning is not effective	There is a risk that we fail to work with public services and communities to achieve improved outcomes	Effective – 2 Partially Effective – 4	None	None	Agreed

CUSTOMER RISK REGISTER

As at 6 November 2018

CUSTOMER EXPERIENCE

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
CEXP001	Customer Experience Service Delivery	Risk to delivery of key front-line services in the event of failures of systems or processes	Fully Effective – 1 Partially Effective – 3	<p><i>Four Control Actions detailed in RR ranging from 20% to 70% complete.</i></p> <p><i>One Assurance Action detailed in RR – no assessment of progress.</i></p>	Business Continuity Planning (Aug 2017). Major Business systems (Dec 2017). Data Security in a Cloud Based Environment (2018/19).	See Corp006 in Corporate Risk Register	Agreed

EARLY INTERVENTION AND COMMUNITY EMPOWERMENT

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
EICE001	Universal Credit	Universal Credit full roll out may reduce tenancy sustainment and increase rent arrears and homeless applications.	Fully Effective – 2 Partially Effective – 2 <i>Five Control / Assurance Actions detailed in RR ranging from 50% to 80% complete.</i>	Housing Rent – Management of Impact of UC (August 2018). Housing Support Budget (April 2018). Housing Rent Collection (April 2016)	Proposed review of Housing rent collection and arrears procedures.	Agreed

DIGITAL AND TECHNOLOGY

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
DT001	Digital and Technology Service Delivery	The impact of IT service disruption on the ability of the Council to deliver key services to customers.	Fully Effective – 3 Partially Effective – 5 <i>Five Control Actions detailed in RR ranging from 10% to 70% complete.</i>	Business Continuity Planning (Aug 2017). Major Business systems (Dec 2017). Data Security in a Cloud Based Environment (2018/19)	See Corp006 in Corporate Risk Register	Agreed
DT002	Delivery of CoreHR System	Inability to deliver the CoreHR system within agreed timescales	Partially Effective – 5 <i>Four Control Actions detailed in RR ranging from 20% to 80% complete.</i>	None	Internal Audit is advised of progress with implementation of system so has oversight of this project. Although it is proposed that the new system be audited in 2019/20.	Agreed

OPERATIONS RISK REGISTER

As at 6 November 2018

INTEGRATED CHILDREN’S AND FAMILY SERVICES

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
ICFS001	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 – 5	August 2017 – IA Report AC1804 “Business Continuity Planning”	None	Agreed
ICFS002	Performance management arrangements are not robust	Performance management supports an effective compliance culture and change and continual improvement processes.	Fully Effective – 3 Partially Effective – 1	None	Proposed cross-service review of performance management arrangements and reporting.	Agreed, although need to consider timing.

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
ICFS003	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” Current review on-going of Health and Safety arrangements at a corporate level	None, although the 2018/19 review will help inform future year’s planning with a potential for individual Function or Cluster reviews.	Agreed
ICFS004	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	December 2017 – IA Report AC1815 – Pre-school Places	None	Agreed
ICFS005	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 – 3	November 2015 – IA Report AC1601 – Council wide “Recruitment and Selection”	See Corp003 – Cross Service review of Workforce Planning	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp007	Contract Management	There is a need to have effective contract management across the Council, undertaken by skilled staff working and working to a consistent and proportionate model.	Fully Effective – 2 Partially Effective – 4 <i>Four Assurance Actions detailed in RR ranging from 30% to 70% complete.</i>	Reports to AR&SC: February 2017 – 3 rd Don Crossing and Gas Central Heating Contract, June 2017 – Photovoltaic Panels. 2018/19 planned audits of Contract Management relating to high risk contracts, and National Care Home Contract.	See Corp007 in Corporate Risk Register.	Agreed
ICFS007	Growing demographic demands result in service delivery pressures	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 – 3 Partially Effective – 1	December 2017 – IA Report AC1815 – Pre-school Commissioned Places	None	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
ICFS008	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 – 4 Partially Effective – 1	May 2017 – IA Report AC1719 “Revenue Budget Setting” “Partially Effective” control relates to DEM Scheme which was reported on by Internal Audit in November 2018 (report AC1903).	See Corp001 in Corporate Risk Register	Agreed
ICFS009	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 – 5 Partially Effective – 2	November 2016 – IA Report AC1709 “Care First System” October 2017 – Draft IA Report AC1810 “Major IT Business Systems”	Proposed review of arrangements in place regarding control over SEEMiS system and its contents (large volume of sensitive, personal data)	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
ICFS010	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	December 2017 – IA Report AC1815 – Pre-school Commissioned Places 2016/17 IA Plan which included consideration of plans in place to deliver the Scottish Government's expansion in early education and childcare which comes into force in August 2020	None	Agreed
ICFS011	Unaccompanied Asylum Seeking Children	A large number of UASC are accommodated in two English authorities. Due to legislative barriers it has until 2018 not been possible for UASC to be dispersed. The UK Government is keen for all LA's to support this demand by offering a proportionate number of placements	Fully Effective – 2	None	None	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
ICFS012	Foster Carers being granted employment status.	Following a Court judgement in England this called into question the employment status of certain foster carers. At full implications of this judgement as it applies in Scotland is still to be determined.	Fully Effective – 2	None	None	Agreed
ICFS013	Music Service	Failure of Music Service to deliver instrumental music provision for children and young people	Partially Effective – 2	2018/19 planned review of Music Centre	None	Agreed

OPERATIONS AND PROTECTIVE SERVICES

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
O&PS001	Failure to meet service demands throughout transition to TOM	Failure to meet agreed standards and KPI's	Partially Effective – 4 <i>Four Actions detailed in RR ranging from 50% to 100% complete.</i>	None		Agreed
O&PS002	Risk of information / data security breaches	Breach of GDPR and potential financial/reputational risk, individual's private details available to the public	Partially Effective – 4 <i>Three Control Actions detailed in RR ranging from 25% to 50% complete.</i>	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018).	See Corp005 in Corporate Risk Register.	Agreed
O&PS003	Failure to meet savings required through transformation programme and in-year pressures	The Council must deliver significant saving in the foreseeable future to ensure continued financial sustainability	Partially Effective – 6 <i>Three Actions detailed in RR ranging from 50% to 80% complete.</i>	None		Agreed
O&PS004	Risk that business continuity is uncoordinated and ineffective	In the event of civil contingency event or service failure	Fully Effective – 4 <i>No Action detailed in RR.</i>	Business Continuity Planning (Aug 2017)	See Corp004 in Corporate Risk Register	Agreed
O&PS005	Breach of Council Policies / Standing Orders / Legislation	Council put at risk by non-compliant actions	Fully Effective – 4 <i>No Action detailed in RR.</i>	Various Internal Audit reports (particularly in relation to procurement) show that this risk is not fully mitigated.	See Internal Audit Proposals	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
O&PS006	Loss of income / reduction in budgets	Reduction of outcomes and failure to reach anticipated surpluses	Fully Effective – 3 Partially Effective – 2 <i>One Action detailed in RR – 50% complete.</i>	None		Agreed
O&PS007	Failure of health and safety compliance	The Council has a duty of care to its employees and others	Fully Effective – 4 Partially Effective – 1 <i>No Action detailed in RR.</i>	September 2017 – IA Report AC1804 “Health and Safety – SSERC” Current review on-going of Health and Safety arrangements at a corporate level	None, although the 2018/19 review will help inform future year’s planning with a potential for individual Function or Cluster reviews.	Agreed
O&PS008	Workforce	The cluster must ensure that it has a workforce that has the necessary skills, knowledge and behaviours it needs to meet the demand placed on the services	Partially Effective – 4 <i>Three Actions detailed in RR ranging from “not assessed” to 50% complete.</i>	None	See Corp003 in Corporate Risk Register	Agreed
O&PS009	Failure of business critical systems	Loss of access to or failure of unsupported systems	Fully Effective – 1 Partially Effective – 3 <i>One Action detailed in RR – 25% complete.</i>	Business Continuity Planning (Aug 2017)	See Corp004 in Corporate Risk Register	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
O&PS010	Procurement	Increasing level of dis-satisfaction with the procurement process	Partially Effective – 3 <i>Three Actions detailed in RR ranging from “not assessed” to 50% complete.</i>	There have been a number of Cross Service and Functional audits of procurement which indicate that this continues to be a risk area with appropriate contracts not in place where expected.	See Internal Audit Proposals	Agreed
O&PS011	Loss of operator’s licence	Effect of services inability to use goods vehicles through loss of operator’s licence	Fully Effective – 4 <i>No Action detailed in RR.</i>	April 2016 – IA Report AC1618 – Vehicle and Driver Records. March 2017 – IA Report AC1720 - Vehicles	None	Agreed
O&PS012	Changes to legislative requirements / working practices	Ability to change to meet new challenges	Partially Effective – 4 <i>One Action detailed in RR – 50% complete.</i>	None	None	Agreed

RESOURCES RISK REGISTER

As at 20 November 2018

FINANCE

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Fin001	Financial Compliance	The Council is bound to comply with financial stewardship requirements and is subject to regular scrutiny.	Fully Effective – 4 Partially Effective – 2 <i>Two Control Actions detailed in RR ranging from 30% to 60% complete.</i>	Budget Setting (May 2017) and Budget Monitoring (Nov 2016) have been reviewed. Various other audits that have reviewed compliance with Financial Regulations, etc.	There will be elements of financial compliance testing in various proposed audits.	Agreed
Fin002	NESPF Administration	The Council is Administering Authority for the NESPF and therefore accountable for its performance.	Fully Effective – 7	Separate Internal Audit plan for NESPF.	See separate Internal Audit plan for NESPF	Agreed

CAPITAL

Draft as at 9 January 2019

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
CP001	That management failures / slippage in the delivery of capital projects / failure to secure and or retain funding from external sources, impacts negatively on the Council's financial stewardship.	Failure to deliver a particular project could have an adverse impact on LOIP expectations, and could have an adverse impact on any external funding opportunities.	Partially Effective – 6	February 2018 – Capital Contracts (AC1819), although did not cover external funding risk.	None	Agreed
CP002	Lack of staff resources which impacts on the delivery of capital projects	Failure to deliver the Council's strategic and capital planning priorities within time scale is a highly significant risk to the expectations as set out within the LOIP. Failure to deliver a particular project due to staff resource issues will have an adverse impact on LOIP expectations.	Partially Effective – 5	None	See Corp003	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
CP003	Budget allocations within approved Outline Business Cases of projects are insufficient for project development / construction and any associated future maintenance obligations	Any significant changes following the review of a project may have an adverse impact on the LOIP expectations. For example, any forecast increase in costs may impact on the funding allocation of other projects across the whole portfolio.	Partially Effective – 6	February 2018 – Capital Contracts (AC1819)	None	Agreed

PEOPLE AND ORGANISATION

Draft as at 9 January 2019

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
		Risk to delivery of key services in the event of failures of systems, processes or capabilities	Partially Effective – 4	August 2017 – Business Continuity Planning	See Corp003 – Cross Service review of Workforce Planning	Agreed

CORPORATE LANDLORD

Draft as at 9 January 2019

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Corp012	Non-compliance with Statutory Compliance with Council properties	The Council is required by law to safeguard its employees and members of the public to ensure their health and safety through effective implementation statutory maintenance and compliance checks such as asbestos management plans, gas safety certification legionella testing etc.	Partially Effective – 5	September 2017 – Corporate Landlord Responsibilities (AC1806)	None	Agreed
CL02	Delivery of Capital and Revenue Income	The Cluster has income targets around capital and revenue income.	Partially Effective – 5	None	None.	Agreed
CL03	Delivery of asset valuation	Failure to complete the asset valuation which is required for the council financial accounts purposes	Partially Effective – 3	August 2018 – Fixed Asset Register (AC1823)	None	Agreed

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
CL04	Inadequate Asset management planning	Resources not being allocated appropriately and efficiently if asset management plans are not in place and robust	Partially Effective – 5 Not Effective - 1	February 2018 – Capital Contracts (AC1819)	None	Agreed

GOVERNANCE RISK REGISTER

As at 20 November 2018

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
Gov-001	Scheme of Governance	The Council should work in accordance with the Scheme of Governance to mitigate the risk of financial, reputational and/or legal challenge.	Fully Effective – 1 Partially Met – 3 <i>Three Control Actions detailed in RR, all at 95% complete.</i>	Only coverage relates to procurement and other areas of compliance with Financial Regulations	Various audits will test procurement and Financial Regulation compliance.	Agreed
Gov-002	Bond Governance	Ineffective governance arrangements may lead to the lowering of the Council's credit rating and / or lead to the Council, members / staff breaking the law.	Fully Effective – 9 Partially Effective – 2 <i>Three Control Actions detailed in RR ranging from 40% to 95% complete.</i>	February 2018 – IA Report AC1824 – Bond Governance. Current audit of Bond Governance (Trust Deed).	None	Agreed

PLACE RISK REGISTER

As at 20 November 2018

STRATEGIC PLACE PLANNING

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
SPP001	Risk that key strategic plans are not delivered due to staff and process restructuring risks	Risk that key strategic plans are not delivered due to staff and process restructuring risks	Partially Effective – 3 <i>Three Control Actions detailed in RR ranging from 30% to 70% complete.</i>	None	None	Agreed
SPP002	Risk that relationships with partners and stakeholders are not managed effectively	Risk that relationships with partners and stakeholders are not managed effectively	Partially Effective – 2 <i>Two Control Actions detailed in RR, both at 70% complete.</i>	None	None	Agreed
SPP003	Risk that fee income is not achieved and that funding opportunities are not maximised.	Risk that fee income is not achieved and that funding opportunities are not maximised	Partially Effective – 2 <i>Two Control Actions detailed in RR, both at 50% complete.</i>	None	Proposed review of Planning and Building Standards fee income	Agreed. <i>At its meeting on 31 January, CMT requested that two further audits be added to the plan. As a result, this audit is being removed.</i>

CITY GROWTH

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
CG001	Risk that external funding opportunities are not maximised.	Risk that external funding opportunities are not maximised.	Partially Effective – 3 <i>Three Control Actions detailed in RR ranging from 50% to 75% complete.</i>	None – other than acting as “First Level Controller” in relation to European Interreg Projects.	Allocation of time to undertake First Level Controller work in relation to the HyTrEc2, SCORE, BEGIN, HeatNet, and ACE Retrofitting Projects. There will be no routine reporting to Committee unless significant control issues are identified.	Agreed

ABERDEEN CITY HEALTH AND SOCIAL CARE PARTNERSHIP RISK REGISTER as at September 2018

Risk No.	Risk	Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
1a	Significant market failure in Aberdeen City – Adult Social care Services	Delivery of services is almost 100% outsourced and the market is a difficult one to operate in. There is a risk to the Partnership should arrangements break down.	N/A	Review of NCHC ongoing in 2018/19	None	Agreed
1b	Significant market failure in Aberdeen City – Primary Care Services	Services are delivered via private contractors through a General Medical Services contract. There is a high degree of market failure in this area which has risk implications for the Partnership.	N/A	None	None	Agreed

Risk No.	Risk	Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
2	IJB financial failure and projecting an overspend	There is a risk of demand outstripping available budget which would impact on the Partnership's ability to deliver its strategic plan (including statutory work)	N/A	Review of budget setting and monitoring ongoing 2018/19	None	Agreed
3	Hosted Services do not deliver expected outcomes	Risk that services are not delivered, transformation of services not delivered, or service failure that is not identified through performance management and pan-Grampian governance arrangements.	N/A	None	None	Agreed
4	Relationship arrangements between the IJB and partner organisations (Aberdeen City Council and NHS Grampian).	There is a risk that these are not managed to maximise the full potentials of integrated and collaborative working.	N/A	Health & Social Care Integration AC1609 January 2016; Post Integration Review AC1724 September 2017	None	Agreed

Risk No.	Risk	Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
5	Performance standards / outcomes failure	There is a risk that the IJB and services that it directs and has operational oversight of fail to meet these.	N/A	Post Integration Review AC1724 September 2017	None	Agreed
6	Complexity of function, delegation and delivery of services.	There is a risk of reputational damage to the IJB and its partner organisations.	N/A	Post Integration Review AC1724 September 2017	None	Agreed
7	Transformation	Risk of failure to delivery transformation at a pace or scale required by demographic and financial pressures in the system.	N/A	December 2017 – IA Report AC1807 – Transformational Funding		Agreed
8	Locality Working	Risk of failure to maximise the opportunities offered.	N/A	2018/19 review of New Models of Delivery / Co-location of Staff	None	Agreed
9	Recruitment and workforce planning	Risk of failure to recruit and that workforce planning across the partnership is not sophisticated enough to maintain future service delivery.	N/A	November 2015 – IA Report AC1601 – Council wide “Recruitment and Selection”	See Corp003 – Cross Service review of Workforce Planning	Agreed

NORTH EAST OF SCOTLAND PENSION FUND RISK REGISTER

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
1	Lack of effective Risk Management	Failure to identify and respond to risks will impact on service delivery capabilities	Pension Fund Risk Register is reviewed and updated quarterly	Planned audit of Pensions Governance & Risk Management in 2018/19	None	Agreed
2	Poor Governance	Lack of a robust and effective governance framework and suitable policies/procedures could create a regulatory compliance issue, lead to poor service delivery and reputational risk	The Fund has in place an annual review of its governance statement and supporting policies and procedures, ensuring both regulatory and Council objectives compliance	Planned audit of Pensions Governance & Risk Management in 2018/19; AC1725 Pension Fund Payroll October 2017; AC1620 Pensions Investment Strategy & Management May 2016.	None	Agreed
3	Lack of Performance Measures	Failure to monitor performance across the Fund will provide a lack of transparency on delivering an efficient and effective service	The Fund has in place both statutory and local KPI's	Looked at partly in AC1620 Pensions Investment Strategy & Management May 2016 (reporting of fund managers' performance)	None	Agreed

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
4	Failure of Pensions Committee and Pension Board to operate effectively	Failure to ensure effective joint working will result in non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk	Annual review of Committee and Board, in consultation with both	None	None	Agreed
5	Operational disaster, unable to access the workplace	Loss of service delivery, staff downtime	Disaster Recovery Policy in place, incorporated into ACC	None	See Corp004 in Corporate Risk Register	Agreed
6	Failure to recruit and develop staff	Service delivery and succession planning at risk	Individual staff training plans reviewed annually, ongoing review of staffing requirements	None	See Corp003 in Corporate Risk Register	Agreed
7	Pay and price inflation valuation assumptions either higher or lower	Potential Increase in employer contribution rates	Funding updates reported to Committee quarterly	AC1620 Pensions Investment Strategy & Management May 2016	None	Agreed
8	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding legislation	Audit criticism, legal challenge, reputational risk, financial loss/penalties	Six monthly compliance review and annual report to Committee	Planned audit of Pensions Governance & Risk Management in 2018/19	None	Agreed
9	Failure to comply with FOI requests	Audit criticism, legal challenge, reputational risk	Internal controls in place to ensure deadlines adhered to, Pension Fund Manager responsible for all FOI requests	None	None	Agreed

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
10	Conflicts of Interest	Audit criticism, legal challenge, reputational risk	Regular discussions between CO-Finance and Pension Fund Manager. Areas of risk and conflict declared at Pensions Committee and Pension Board meetings, conflicts register to record and monitor	Planned audit of Pensions Governance & Risk Management in 2018/19	None	Agreed
11	Requirement to complete GMP reconciliation	Failure to ensure future member benefits are calculated correctly, audit criticism and financial loss	Appointment of GMP Project Team	None	None	Agreed
12	Fraud/Negligence	Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	Pension payments signed off by a SPO-Benefits, segregation of duties for staff authorising/submitting lump sum payments. Admin to Pay to be implemented in 2018.	Pensions Payroll audit AC1725, October 2017.	None	Agreed
13	Overpayments of pension benefits	Audit criticism, legal challenge, reputational risk	Pension payments signed off by a SPO-Benefits, segregation of duties for staff authorising/submitting lump sum payments	Pensions Payroll audit AC1725, October 2017.	None	Agreed

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
14	Insufficient assets to meet the Fund's long term liabilities	Increase in employer contribution rates and investment risk, audit criticism, legal challenge, reputational risk, financial loss	Quarterly assessment of investment performance and funding updates, triennial valuation and investment strategy review	AC1620 Pensions Investment Strategy & Management May 2016	None	Agreed
15	Failure to monitor investment managers and assets	Audit criticism, legal challenge and reputational risk	Quarterly assessment of asset performance and regular meetings with managers	AC1620 Pensions Investment Strategy & Management May 2016	Proposed review of Investment Strategy and Investment Performance Management	Agreed
16	Failure of work stock markets	Increase in employer contribution rates, financial loss	Diversification of scheme assets, triennial valuation and investment strategy review	None	No	Agreed
17	Negligence/fraud/default by investment managers	Financial loss, reputational damage	Due diligence on appointment and appropriate clause in legal agreements, fund management monitoring, SAS 70 reports	AC1620 Pensions Investment Strategy & Management May 2016	Proposed review of Investment Strategy and Investment Performance Management	Agreed
18	Failure of Global Custodian	Loss of assets or control of assets	Regular meetings with custodian, receipt of SAS 70 reports and monitoring	AC1620 Pensions Investment Strategy & Management May 2016	Proposed review of Investment Strategy and Investment Performance Management	Agreed
19	Poor financial reporting	Qualified accounts	Comprehensive policies and procedures in place	None	None. This would be picked up by external audit.	Agreed

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
20	Annual review of Code of Practice and any other overriding regulations	Qualified accounts	Review of Code, attending CIPFA meetings/reviews	None	None. This would be picked up by external audit.	Agreed
21	Failure to secure and manage personal data in line with Data Protection requirements	Audit criticism, legal challenge, reputational risk, financial penalties	Internal control and procedures for management of data, project group set up to implement GDPR & assess current processes.	None	See Corp005 in Corporate Risk Register	Agreed
22	Failure of the Fund's administration system	Staff downtime, loss of service delivery	The administration system is hosted externally with back-up in separate location	Pensions System audit AC1827, March 2018.	None	Agreed
23	Failure to carry out effective member tracing	Incorrect pension payments made, incorrect assessment of actuarial liabilities	Tracing Service in place (ATMOS)	Pensions Payroll audit AC1725, October 2017.	None	Agreed
24	Failure to monitor employer covenant	Orphaned liabilities could fall on remaining employers	Continued implementation of Employer Covenant Policy	None	None	Agreed
25	Changes in early retirement strategies by employers	Pressure on cash flows	ERT to manage through Employer Covenant Policy and discretions	None	None	Agreed
26	Employers leaving Scheme/closing to new members	Orphaned liabilities could fall to remaining employers	ERT to manage through Employer Covenant Policy	None	None	Agreed

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan	Management Comment
27	Longevity	Increase in employer contribution rates	Actuarial valuation every 3 years which undertakes scheme specific analysis including review of life expectancy/mortality assumptions	None	None	Agreed
28	Employer contributions not received, collected or recorded accurately	Orphaned liabilities could fall to remaining employers	Accounting Team escalate any issues to Governance/ERT Team, with escalation to tPR if persists. Breaches Policy and Register in place	Pensions System audit AC1827, March 2018.	None	Agreed
29	Failure to maintain member records; data incomplete or inaccurate	Incorrect pension payments made, incorrect assessment of actuarial liabilities	All employers required to submit monthly data which is reconciled by the ERT	Pensions System audit AC1827, March 2018.	None	Agreed

SERVICE MANAGEMENT TEAM PROPOSALS NOT COVERED BY RISK REGISTERS

Key

	Proposed Inclusion in IA Plan
	Proposed No Specific Inclusion in IA Plan

Area	Scope	Objective	Internal Audit / Management Comment
Ring-fenced Funding	Ring-fenced Funding	To provide assurance that the Council has appropriate arrangements in place to ensure that conditions relating to ring-fenced funding contained within Scottish Government Grant are complied with.	Propose including in plan / Agreed.

EARLY INTERVENTION AND COMMUNITY EMPOWERMENT

Area	Scope	Objective	Internal Audit / Management Comment
Private Sector Leasing Scheme	Private Sector Leasing Scheme – contracts with private sector landlords which guarantees fixed income in return for use of property for rental purposes.	To provide assurance that the Scheme is operating effectively.	Propose not including in plan / Agreed.
Voids – Housing Repairs	Review processes around void properties to ascertain if improvements can be made	To provide assurance regarding the process for re-letting void properties and compliance therewith.	The AR&SC of 8 May 2018 requested that IA include an audit of Void Properties in a future plan. Propose including in plan / Agreed
Leased Community Centres	Leased Community Centres	Review of scheme to help form views on potential future steps.	Propose not including in plan / Agreed.

INTEGRATION JOINT BOARD / HEALTH AND SOCIAL CARE PARTNERSHIP

Area	Scope	Objective	Internal Audit / Management Comment
Risk Management	Risk Management	To review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.	Propose including in plan / Agreed.
Commissioned Services	Contract Monitoring	To provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.	Propose including in plan / Agreed.

OPERATIONS

Area	Internal Audit Comment	Internal Audit / Management Comment
Stores within Building Services	<p>See Internal Audit Report AC1802 "Building Maintenance Year End Stock Take" issued in August 2017. The objective of the audit was to provide assurance over the accuracy of the 2016/17 year-end stock taking process and to review the stock procedures.</p> <p>Fuller review of stock control procedures considered appropriate.</p>	Propose including in plan / Agreed.
Use of Council Vehicles	See Internal Audit Report AC1817 "Vehicle Usage" issued in January 2018. The objective of the 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.	Propose not including in plan / Agreed.
Emergency Planning and Business Continuity	See Internal Audit Report AC1804 "Business Continuity" issued in August 2017. The objective of the audit was to ensure that Business Continuity Plans are in place as required by the Business Continuity Policy and that arrangements adequately manage identified risks.	Propose not including in plan / Agreed.
Asset Disposal and Asset Register	<p>See Internal Audit Report AC1823 "Fixed Asset Register" issued in August 2018. The objective of the audit was to consider whether procedures for ensuring timely recording of the acquisition / disposal of assets are adequate, revaluations are undertaken in accordance with recognised best practice, that a sample of recorded assets exist and those assets that should be recorded are.</p> <p>Proposal to audit land and property disposals covered elsewhere.</p>	Propose not including in plan / Agreed.
Health and Safety Arrangements	A draft Internal Audit Report is currently under discussion regarding Health and Safety. The objective of the audit was to provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council.	Propose not including in plan / Agreed.
Digital Automation	A draft Internal Audit Report is currently under discussion regarding the Digital Strategy. The objective of the audit was to provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.	Propose not including in plan / Agreed.

INTERNAL AUDIT PROPOSALS NOT COVERED BY RISK REGISTERS

Key

	Proposed Inclusion in IA Plan
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CROSS SERVICE

Area	Scope	Objective	Management Comment
Transformation	Follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, new Scheme of Governance, etc)	To provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations.	Agreed
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.	Agreed
Procurement	Compliance with procurement related legislation and internal governance arrangements	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.	Agreed
Travel Policy	Payments made in respect of travel and accommodation	To provide assurance that the Council has appropriate arrangements in place and that these are being complied with.	Audit, Risk and Scrutiny Committee (04.12.18) This area is not included in the Council's Risk Registers and is not considered to be a significant risk to the organisation. It is noted that this is included at the request of the Audit, Risk and Scrutiny Committee.

CUSTOMER

Area	Scope	Objective	Management Comment
Cash Collection	Cash Collection a selection of locations	To provide assurance over procedures in operation relating to sample of cash collection locations	Agreed
Housing	Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy.	Agreed. At its meeting on 31 January, CMT requested that two further audits be added to the plan. As a result, this audit is being removed.

OPERATIONS

Area	Scope	Objective	Management Comment
Car Parking	Car Parking Income and Penalty Charge Notices	There have been reported issues regarding this area in the past. It is proposed that a review of procedures and compliance be undertaken to provide assurance that improvements have been made.	Agreed. Combine these into a single review
Bus Lane Enforcement	Bus Lane Penalty Charge Notices	To provide assurance that procedures are adequate to ensure that fines are raised and followed up in a timeous manner	
School Catering	School Catering income and procurement expenditure	To provide assurance over income and procurement expenditure relating to school catering operations	Agreed. Ensure that Commercial and Procurement Shared Service is involved in scoping of review when it commences.
Children's Services	Fostering and Adoption Payments	To provide assurance over Fostering and Adoption Allowances being paid.	Agreed

RESOURCES

Area	Scope	Objective	Management Comment
Financial Ledger System	Financial Ledger System	To provide assurance over system controls, business continuity and contingency plans	Agreed.
Gas Servicing Contract	Gas Servicing Contract	To provide assurance that contractual and operational issues are being complied with	Agreed. Ensure that Commercial and Procurement Shared Service is involved in scoping of review when it commences.
Land and Property	Sale of Land and Property	To provide assurance over the processes in place for the sale of land and property assets	Substitute with management suggestion regarding ring-fenced funding
Industrial and Commercial Property	Rental Income and Void Control	To provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.	Agreed, although timing needs to be considered in view of potential digitisation programme.
HR / Payroll System	Review of CoreHR system	To provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to previous system have been addressed.	Agreed.

GOVERNANCE

Area	Scope	Objective	Management Comment
Risk Management Process	Risk Management	Previous review undertaken in 2015/16. Internal Audit is required by Public Sector Internal Audit Standards to review risk management arrangements on a regular basis. It is proposed to undertake a review to provide assurance over the arrangements that are currently in operation within the Council.	Agreed

GENERAL

Area	Scope	Objective	Management Comment
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	Agreed
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.	Agreed
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.	Agreed

**OUTCOME FROM CONSULTATION WITH KPMG
(EXTERNAL AUDIT)**

External Audit Comment on Draft Plan	Internal Audit Comment
<p>The areas of focus within the external audit are:</p> <ul style="list-style-type: none"> - Progress and delivery of key capital projects underpinned by bond and other financing - Progress and delivery of transformation through the TOM - Dependencies on key suppliers (capital, IT and operational) and the Council's assessment of their financial sustainability - Appropriateness of expenditure recognition, in the context of meeting a budget outturn and meeting bondholder expectations - Care income, financial assessments and financial guardianship <p>The last one was flagged by Audit Scotland across the sector, text is below:</p> <p>The experience of a number of local government audits indicated there may be issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship. In some cases where the responsibilities for financial assessments on those receiving care has transferred from social care to finance has revealed issues with backlogs of financial assessments and under-recovery of care charges over long years (more than five years).</p>	<p>Noted. There is little overlap between the areas of external audit focus and the Internal Audit plan which should ensure maximisation of coverage between the two audit functions.</p> <p>Elements of this were / are reviewed by Internal Audit during 2017/18 and 2018/19. The outcomes are being followed up through the follow-up of recommendations process.</p>
<p>I have not tracked back to previous plans to see coverage, but the above are risk areas that we see and an alignment of focus may be welcomed. A meeting between us would be useful prior to us conducting the external audit for us to consider your experiences in the risk areas noted.</p>	<p>In order to maximise coverage, it is felt better not to fully align the focus. However, Internal Audit is happy to assist the external audit by providing input as and when required relative to areas being reviewed.</p>
<p>In the context of me not tracking back to previous plans, the 2019-20 plan does seem to miss a couple of important areas for the Council in the form of the AECC delivery and TOM financial savings delivery.</p>	<p>External Audit plans to look at the progress and delivery of key capital projects and transformation through the TOM. Internal Audit's plan for 2018/19 included reviews of Transformation and Management of High-Risk Contracts. The proposed 2019/20 plan includes further work on the TOM. It is felt that this will allow adequate and proportionate coverage of these areas.</p>

External Audit Comment on Draft Plan	Internal Audit Comment
<p>I have said before that it is difficult to fully understand the plan without seeing more detailed objectives or days allocated. The TOM review may well cover the “delivery of the £125 million required savings” but it is not clear – does the TOM review look at the control/governance or just “progress”?. The Financial Ledger System review would be huge if it covered all “system controls” and I don’t know what the focus is – but we raised recommendations with user access last year as did you.</p>	<p>Internal Audit maintains that producing more detailed scoping of work through its audit programmes prior to completing testing allows a better understanding of the area to be tested to be developed at the point of starting each review. The objective is generally to provide assurance over a particular area and tackling this at the point of commencing work is deemed to be more efficient.</p> <p>The audit of the TOM will cover both control and governance (as the 2018/19 audit did) and progress. The financial ledger system audit will be testing controls over the system – access controls, business continuity and contingency arrangements along with accuracy of interfaces.</p>
<p>There is much on the plan which is granular and not of relevance from an external audit perspective, but I appreciate that areas may need to be covered for compliance reasons. Given that you have resource constraints, I would endorse a reduction in the number of reviews with a view to being able to do deeper work on the audits within the plan. There seems to be so much covered.</p>	<p>Noted. Whilst there have been delays in the finalisation of certain audits during 2018/19 due, partly, to resource issues, it is our intention to complete the 2018/19 Internal Audit plan and report all remaining outputs to the April 2019 Audit, Risk and Scrutiny Committee. The 2019/20 plan is comparable to the 2018/19 plan.</p>

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1907 – Digital Strategy
REPORT NUMBER	IA/AC1907
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Digital Strategy.

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 the Digital Strategy.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1907 – Digital Strategy.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Digital Strategy

Issued to:

Andy MacDonald, Director of Customer
Andrew Howe, Chief Officer – Digital and Technology
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Craig Innes, Chief Officer – Commercial and Procurement
External Audit

EXECUTIVE SUMMARY

In 2016, as part of the Council's ongoing transformation, the Digital Strategy was approved by the Finance, Policy and Resources Committee, with the aim "To change how we do business to meet outcomes and customers' expectations through digital solutions". The three main areas covered by this strategy are Improving Customer Experience, Improving Staff Experience, and Improving ACC's Use of Resources.

A project programme was created detailing the projects that would be carried out to cover the above areas, however this is currently being updated. In 2016 a capital budget of £4.5 million had been set aside for implementing this strategy. This was subsequently merged with and included in the Transformation Fund (£15 million), set up from reserves to aid implementation of the Target Operating Model.

The objective of this audit was to provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.

The Service has procured the services of a digital partner, and whilst the procurement generally followed standard practice, there was no documentary evidence to confirm that the instruction of Committee regarding consultation on the contract award was complied with, and not all work had been instructed on an official purchase order in advance or included on the contracts register. The Commercial and Procurement Shared Service has been consulted and considers that the process was sufficiently transparent, and going forward procurement intentions and authorisations will be more clearly recorded through submission of annual procurement workplans to the Strategic Commissioning Committee. Purchase orders have now been raised for ongoing and future work.

The 2016 Strategy incorporated a strategic plan which set out measurable targets for each year up to 2021. Progress towards meeting these targets has not been monitored. Instead a gap analysis was carried out in March 2018 setting out the remaining technological changes required to implement the strategy, concluding with a 'roadmap' of actions with indicative timescales.

Whilst the Service plans to utilise an Agile project management methodology for certain projects within the overall Digital Programme, processes and documentation to support this are not yet all in place. There is regular reporting on the current state of each project, but limited information on delivery of the programme and its planned outcomes. The Service has confirmed that an overall programme plan is being brought together based on the individual project plans.

1. INTRODUCTION

- 1.1 In 2016, as part of the Council's ongoing transformation, the Digital Strategy was approved by the Finance, Policy and Resources Committee, with the aim "To change how we do business to meet outcomes and customers' expectations through digital solutions". The three main areas covered by this strategy are Improving Customer Experience, Improving Staff Experience, and Improving ACC's Use of Resources.
- 1.2 A project programme was created detailing the projects that would be carried out to cover the above areas, however this is currently being updated. In 2016 a capital budget of £4.5 million had been set aside for implementing this strategy. This was subsequently merged with and included in the Transformation Fund (£15 million), set up from reserves to aid implementation of the Target Operating Model.
- 1.3 The objective of this audit was to provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Andrew Howe, Chief Officer – Digital and Technology, and Craig Innes, Chief Officer – Commercial and Procurement.

2. FINDINGS AND RECOMMENDATIONS

2.1 Resourcing

- 2.1.1 The Being Digital Strategy was first reported to the Finance, Policy and Resources Committee in September 2016. This included a Strategic Plan outlining the key areas of focus and anticipated outcomes over the following four years, and measures to indicate progress with their achievement. A Technology Roadmap was also set out: indicating key elements of the supporting technology which needed to change – as part of a ‘Deliberate Plan’; and areas where technological progress would need to be kept under review to inform an ‘Emergent Plan’. Governance arrangements (reporting lines) were also referenced. For the initial investment of £4.5 million, over five years, a net annual saving of £5.5 million was anticipated.
- 2.1.2 Approval was delegated to the Head of IT & Transformation, in consultation with the Head of the Commercial and Procurement Service and the Head of Legal and Democratic Services, to approve the expenditure and enter into contracts for any supplies and services required for the Digital Strategy regardless of value, as and when required, provided that the procurements were undertaken in accordance with the Aberdeen City Council Procurement Regulations and the total budget approved was not exceeded.
- 2.1.3 In August 2017 Council approved a transformation programme in order to refocus on its key priorities as set out in the Local Outcomes Improvement Plan, and to rebalance its resources in order to achieve balanced future budgets. This included review and rationalisation of the organisational structure, a change in the approach to commissioning, a move towards new digital solutions, and development and implementation of new governance arrangements to support these changes.
- 2.1.4 At this point, a need for a digital partner to support the Council in identifying, designing and adopting new technological solutions was highlighted. As part of a wider £15 million Transformation Fund to be generated from reserves, an indicative allocation of £4.5 million was set out for this purpose. Use of the Fund was delegated to the Strategic Transformation Committee (STC).
- 2.1.5 At its first meeting in October 2017 the STC was asked to note that procurement for the business digital partner was underway, to agree to allocate up to £4.5 million from the Transformation Fund for this purpose, and to delegate appointment to the Chief Executive, following consultation with the Convener and Vice Convener of the Finance, Policy and Resources Committee.
- 2.1.6 A digital partner was selected through a competitive process under a national procurement framework, which commenced in September 2017 and concluded in November 2017. However, there is no documentary evidence to confirm that the required consultations took place. The Commercial and Procurement Shared Service has been consulted and considers that the process was sufficiently transparent, and going forward procurement intentions and authorisations will be more clearly recorded through submission of annual procurement workplans to the Strategic Commissioning Committee.

Recommendation

The Service should ensure that there is appropriate evidence that Committee instructions have been complied with.

Service Response / Action

Agreed. As part of revisions to the Council’s governance arrangements, going forward procurement authorisations will be more clearly recorded.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Chief Officer – Commercial and Procurement	Significant within audited area

2.1.7 For each project that they assist with, a Statement of Works (SoW) is written up and agreed by both the Council and the digital partner prior to commencing. This details what is expected to be delivered, the total price of the project, the expected date of completion and the required resources (digital partner and Council). Six SoWs have been agreed to date, with a further two still in draft, with a combined value of £796,025. Included within this figure is £123,680 for a Customer Digital Strategy and implementation plan which, as the first piece of work, it was agreed would only be chargeable if the full £4.5 million contract value was not achieved. Up to a further 5% (£39,800 on current SoW's) may be added as expenses.

2.1.8 Purchase Orders have not been raised for either the SoW's or for £58,000 of work by the digital partner on the Council's Digital Technology Roadmap between June and July 2017. Although the SoW's clearly set out the nature and cost of the work, and are signed by appropriate officers, the Council's internal Financial Regulations require an official purchase order to be raised.

<u>Recommendation</u>		
The Service should ensure that purchase orders are raised in accordance with the Council's Financial Regulations.		
<u>Service Response / Action</u>		
Agreed. This is now implemented, and orders have been raised for the existing agreements.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Chief Officer – Digital and Technology	Significant within audited area

2.1.9 The Council's Procurement Regulations require all contracts to be included on the Council's contracts register promptly following their agreement. As at September 2018 the digital partner contract for £4.5 million which commenced in November 2017 had yet to be added to the register.

<u>Recommendation</u>		
The Service should ensure contract details are added to the contracts register promptly and in full following their agreement.		
<u>Service Response / Action</u>		
Agreed. CPSS will support the Service to ensure the contracts register is updated.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Business & Procurement Improvement Manager	Significant within audited area

2.1.10 Payment is made to the digital partner upon completion, or monthly throughout the duration, of each project depending on what has been specified within the SoW. The digital partner must provide confirmation of the time spent on the project as well as the final cost prior to payment being made. As of August 2018, only two projects have reached payment stages, and one has been paid. There is evidence of expenses having been reviewed and challenged where appropriate.

2.1.11 The SoW that has been completed and payment made (£156,549.75) was for ICT Options Appraisals, which reviewed whether new systems should be purchased, or existing systems enhanced for three parts of the strategy. The Strategic Transformation Committee approved the recommended options in May 2018, and the Strategic Commissioning Committee approved the procurement elements in June 2018. The Service is in the process of renewing and procuring systems as required.

2.2 Progress

2.2.1 As set out at 2.1.1 the Being Digital Strategy was provided to the Finance, Policy and Resources Committee in September 2016. This incorporated a strategic plan which set out the anticipated benefits, key activities, and performance measures. The outcomes included £5 million of savings per annum by 2021; 70% of staff and 95% of customers being satisfied with the available tools; over 90% of data and business intelligence being derived from master data systems; and 80% of transactions being completed through a digital channel. Each outcome had a measurable target value for each year, increasing up to 2021.

2.2.2 The next update to a Committee was not until the STC in October 2017. This included key projects being delivered, and progress with selected elements of these. There was no indication of the extent of progress or delivery against the set performance measures against the original plan.

2.2.3 An update was then provided, with support from the digital partner, to the STC in March 2018. Whilst this more clearly detailed progress with implementing the original plan, it did not include progress with achieving the measures of success outlined in the 2016 strategy.

2.2.4 Within the March 2018 report, a gap analysis set out the remaining technological changes required to implement the strategy and 'target state', and a 'roadmap' showed the next steps including short and longer term actions and timescales. Longer term actions are described as indicative at this stage pending decisions being made.

2.2.5 Individual projects' management and reporting varies – whilst in some cases there is clear documentation demonstrating progress, this is not always the case. Rather than a programme plan with a series of projects, timelines, deadlines and critical paths, the Service indicated that some projects, including Digital First, are instead being implemented in an 'agile' manner. To date this has meant technological development has progressed in line with the availability of resources and ability to deliver under a quick wins / fail fast approach – prioritising delivery of working prototypes rather than, necessarily, fully completed products. Whilst this is consistent with 'agile' project management methodology, the supporting elements, including governance arrangements and documentation, for application of that methodology are not currently in place. Instead, there is an overall programme plan outline, and regular reports to the Digital Programme Board.

2.2.6 The programme plan is not baselined, therefore there is no record of changes or progress recorded against the original plan. Whilst the Service indicated that it was being updated, and individual projects have their own plans and baselines, delays to e.g. the CoreHR system rollout had not been reflected in the overall plan. The Service also holds resource and release plans for different elements of the programme.

2.2.7 Programme and project highlight reports are being presented to the Digital Programme Board. These typically contain a snapshot of the key activities, risks and issues relating to selected projects for the current and following two week period. This provides an immediate view of project activity, from which the present state of programme activity can be gauged. However, there is limited information from which to determine whether each

project and the overall programme are on target for completion. More detailed reports were provided to the Board in May and June 2018, although end dates were 'TBC' for a number of deliverables. It is recognised that a number of the outcomes, and methods of delivery, are still to be defined. However, without an overall plan and governance arrangements supporting its delivery, there is a risk that the outcomes may not be delivered as set out in the strategy.

Recommendation

The Service should ensure a clear plan is in place, with appropriate governance arrangements for its delivery, and that progress against the plan is regularly measured and reported against defined success criteria.

Service Response / Action

Agreed. A Programme Plan is being brought together based on the individual project plans.

Implementation Date

February 2019

Responsible Officer

Chief Officer – Digital and Technology

Grading

Significant within audited area

- 2.2.8 Delivery is via internal resources and support from the digital partner. The Service has stated that use of internal resources is not separately costed and charged to the transformation budget, because transformational activity is a core function. Only costs for additional temporary resources, and the digital partner, are charged against programme budgets. Based on the expected completion dates detailed on the SoW's there should have been four completed to date. Costs are being charged against specific financial codes set up for this purpose, though as payments are made in arrears it is difficult to gauge progress from spend alone.

AUDITORS: D Hughes
C Harvey
R Brand

Appendix 1 – Grading of Recommendations

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

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1913 – Voluntary Severance / Early Retirement (VSER) Scheme
REPORT NUMBER	IA/AC1913
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Voluntary Severance / Early Retirement (VSER) Scheme.

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 the Voluntary Severance / Early Retirement (VSER) Scheme.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1913 – Voluntary Severance / Early Retirement (VSER) Scheme.

10. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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(01467) 537861



Internal Audit Report

People and Organisation

Voluntary Severance / Early Retirement (VSER) Scheme

Issued to:

Steven Whyte, Director of Resources
Isla Newcombe, Chief Officer – Organisational Development
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

As part of the Council's transformation programme employees are being offered the opportunity to take voluntary severance or early retirement through the Council's voluntary severance / early retirement (VSER) scheme. The VSER scheme applies to all employees of the Council (with the exception of teachers and those covered by Scottish Negotiating Committee for Teachers (SNCT) conditions) with at least 2 years' continuous service, who are leaving the Council prematurely on the grounds of redundancy or efficiency. "Voluntary severance" applies to all qualifying employees, whilst "early retirement" is applicable only to those employees in the Local Government Pension Scheme (LGPS) who, under the pension regulations, are able to access their pension benefits.

The objective of this audit was to provide assurance that the terms of the VSER scheme are complied with and that payments made / enhancements to pensions are accurate.

The Council's VSER policies clearly detail who they apply to, the criteria for assessing applications, and how to calculate applicable voluntary severance and early retirement payments.

A sample of leavers under the scheme were reviewed and the appropriate authorisation had been given and the relevant "cost efficiency" test had been met, whereby VSER costs will be recovered by payroll savings, within five years of staff leaving under VSER. However, in the sample of payments to ten leavers tested, seven underpayments were made. This was due to a historic statutory redundancy payment figure being used. As an additional sum was offered under the scheme the reduced payments made were not lower than the statutory payments due. The Service subsequently undertook a review of individuals who had left under the scheme and identified 44 employees who had been underpaid a total of £16,400.

1. INTRODUCTION

- 1.1 As part of the Council's transformation programme employees are being offered the opportunity to take voluntary severance (VS) or early retirement (ER) through the Council's voluntary severance / early retirement (VSER) scheme.
- 1.1.1 The VSER scheme applies to all employees of the Council (with the exception of teachers and those covered by Scottish Negotiating Committee for Teachers (SNCT) conditions) with at least 2 years' continuous service who are leaving the Council prematurely on the grounds of redundancy or efficiency.
- 1.1.2 "Voluntary severance" applies to all qualifying employees, whilst "early retirement" is applicable only to those employees in the Local Government Pension Scheme (LGPS) who, under the pension regulations, are able to access their pension benefits.
- 1.2 As at 31 August 2018, 218 individuals (187.2 FTE) had left the Council under the scheme since it commenced in February 2017. A further 37 individuals (33.5 FTE) have agreed to leave the Council via the scheme by March 2020. Expected annual savings resulting from staff leaving under the VSER scheme during 2018/19 total £10.378 million.
- 1.3 The objective of this audit was to provide assurance that the terms of the VSER scheme are complied with and that payments made / enhancements to pensions are accurate.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Isla Newcombe, Chief Officer – Organisational Development, Neil Yacimini, Team Leader, and Sandra Buthlay, Senior Accountant.

2. FINDINGS AND RECOMMENDATIONS

2.1 Policy and 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 that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.

2.1.2 The Council's current VSER policy, covering all employees of the Council except teachers and those covered by SNCT conditions, was presented before and approved by the Finance, Policy and Resources Committee on the 19 April 2016 having been amended to take account of various Local Government Pension Scheme changes. The Council's voluntary severance / early retirement policy for teachers was approved by the Education, Culture and Sport Committee in February 2010. Both policies are clear and comprehensive, detailing who they apply to, the criteria for assessing applications and how to calculate applicable voluntary severance and early retirement payments.

2.2 Applications

2.2.1 Expressions of interest in the VSER scheme are submitted by an employee to their Chief Officer. Each applicant must meet defined criteria, dependant on whether they are applying for voluntary severance or early retirement. The criteria are as follows:

- The employee must have at least two years' continuous service;
- For early retirement the employee must be eligible to claim their pension benefits in accordance with pension fund rules;
- The VS / ER payment and strain on the pension fund must be repaid within five years by associated payroll savings (the cost efficiency test).

2.2.2 Internal Audit selected a sample of ten individuals (two voluntary severance, eight early retirement) who had left through the VSER scheme in the current financial year to ensure that appropriate approval was given and that the VS / ER cases met the requirements of the cost efficiency test. Each application tested was approved by the employee's Chief Officer, Chief Executive and a Council Co-Leader, and payback of associated costs was less than 5 years as required by the VSER policy.

2.3 Calculations

2.3.1 Per the Employment Rights Act 1996 the Council is required to provide a statutory minimum amount of severance pay to those being made redundant. This amount is based on the employee's age, number of years of continuous service (capped at 20 years) and weekly pay. The maximum weekly wage for the purposes of calculating the statutory payment is capped at £508 per week in 2018/19 (£489 per week in 2017/18). The Council is legally required to provide the statutory redundancy payment, however organisations can offer higher redundancy payments if they so choose. Council voluntary severance and early retirement leavers receive an additional payment above the statutory amount. The weekly wage used in the calculation of the VS / ER payment is increased by 33% of the difference between the statutory maximum weekly pay and the employee's actual weekly pay.

2.3.2 The VSER policy includes "ready reckoner" tables which identify the multiplier to be used when calculating VS / ER payments, dependant on length of service and age. These multipliers were examined and it was confirmed that all comply with the minimum requirements of The Employment Rights Act 1998.

- 2.3.3 Payments made to the sample of ten individuals selected for testing were tested to ensure that they were accurate, complying with both the VSER policy and the legislative requirements.
- 2.3.4 Seven had been underpaid a total of £2,227 (average of £318 per person) because the database used in the calculation had not been updated with the 2018/19 statutory amount. As an additional sum was offered under the scheme (as referred to in 2.3.1 above) the reduced payments were not lower than the statutory payments due.
- 2.3.5 The Service has confirmed that the database will be updated with the correct statutory amount for 2018/19 and that they intend to undertake an investigation to determine the extent of the issue and to contact former employees where applicable. A recommendation has been made for tracking purposes.

Recommendation

The Service should perform a review of individuals who have left under the scheme, determine where any underpayments were made, and make necessary payments as required.

Service Response / Action

Agreed. All underpayments have been rectified and employees contacted to make them aware of the situation. In total, 44 employees were underpaid a total of £16,400.

Implementation Date

Implemented

Responsible Officer

Team Leader

Grading

Significant within audited area

- 2.3.6 Where an employee retires early, the Council is responsible for settling any additional costs known as 'strain on the fund' as a result of early release of pension benefits. Seven strain on fund payments were made to leavers described in paragraph 2.2.2. The strain on fund payments were recalculated by Internal Audit and found to be accurate.

2.4 Payments

- 2.4.1 Testing was performed to ensure that all employees who left in the sample of 10 leavers described in paragraph 2.2.2 were paid VSER payments in their final month of employment and that they subsequently received no further payments from the Council. This was found to be the case.

2.5 Staffing

- 2.5.1 To ensure savings are realised, vacated jobs should not be refilled. The sample of VSER leavers described in 2.2.2 were reviewed and in all cases there was no recruitment against the related job number after the former employee left under the scheme.
- 2.5.2 Per the Council's VSER policy an individual who leaves via the scheme will be ineligible to apply for or accept paid work with the Council for a period of at least 2 years from the last date of employment. This provision can only be waived in exceptional circumstances where the individual agrees to repay the enhanced element of their redundancy element and pay the strain on the pension fund costs incurred by the Council, or where a material change occurs within a Service and a significant benefit will be gained through the reemployment of the individual.
- 2.5.3 During recruitment, applicants are assessed to determine if they are former employees and will be rejected accordingly if they have left under the VSER scheme in the last 2

years. None of the sample of 10 individuals described in 2.2.2 had been rehired as at the date of testing.

2.6 Reporting

2.6.1 Regular updates are provided to the Strategic Transformation Committee on costs incurred against the Transformation Fund earmarked reserve and related savings, with VSER savings approved and achieved to date included within the position reported.

AUDITORS: D Hughes
A Johnston
J Grigor

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1920 – National Care Home Contract
REPORT NUMBER	IA/AC1920
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the National Care Home Contract.

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 the National Care Home Contract.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1920 – National Care Home Contract.

10. REPORT AUTHOR DETAILS

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(01467) 537861



Internal Audit Report

Aberdeen City Health & Social Care Partnership

National Care Home Contract

Issued to:

Frank McGhee, Director of Commissioning
Sandra Ross, Chief Officer, Aberdeen City Health & Social Care Partnership
Craig Innes, Chief Officer – Commercial & Procurement
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Jean Stewart-Coxon, Social Care Procurement & Contracts Manager
Claire Duncan, Lead Social Work Officer
External Audit

EXECUTIVE SUMMARY

The National Care Home Contract (NCHC) provides for agreement between providers of care facilities and Local Authorities for the provision of care facilities for those who have been assessed as requiring residential care. The agreement sets out the contractual obligations and responsibilities of each party and sets out minimum levels of monitoring which must be carried out on the provider by the Local Authority primarily to ensure quality of care towards clients who are resident in the provider's establishment.

The objective of this audit was to ensure that adequate monitoring of Suppliers is occurring in order to ensure continuity and quality of service provision and that contingency plans are in place to deal with any event which may see residents either temporarily or permanently displaced from the Care Home in which they are resident.

In general, contract monitoring is sufficient to meet the needs of the Service. However, some elements included in the NCHC are not well recorded. The NCHC predates changes to Procurement Legislation and the Integration of Health and Social Care, and a review is planned nationally during 2019/20 for implementation in 2020/21. At a Partnership level assurance is being obtained over Home and Provider activity, however this is not always being fully captured within contract monitoring records.

The Service commenced a review of its monitoring procedures in August 2018, in recognition of system complexities and limited resources impacting on the achievability of planned reviews, which have also been identified in this audit. Changes are planned to be implemented by April 2019, and the Service has agreed to add reference to capturing additional assurances and sources of information. Other improvements, including financial risk assessments and a review of Providers' contingency planning will be subject to further investigation by the Service as to the most appropriate method of implementation.

1. INTRODUCTION

- 1.1 The National Care Home Contract (NCHC) provides for agreement between providers of care facilities and Local Authorities for the provision of care facilities for those who have been assessed as requiring residential care. The agreement sets out the contractual obligations and responsibilities of each party and sets out minimum levels of monitoring which must be carried out on the provider by the Local Authority primarily to ensure quality of care towards clients who are resident in the provider's establishment.
- 1.2 The objective of this audit was to ensure that adequate monitoring of Suppliers is occurring in order to ensure continuity and quality of service provision and that contingency plans are in place to deal with any event which may see residents either temporarily or permanently displaced from the Care Home in which they are resident. This involved examining the NCHC to determine the level of monitoring required and thereafter reviewing examples of practice with the Commissioning, Procurement & Contracts Team (Social Care), and review of management contingency plans.
- 1.3 The NCHC itself is due for review as it predates changes to Procurement Legislation and the Integration of Health and Social Care. Additionally, a review of monitoring procedures is currently being undertaken by the Service with changes planned to be implemented by April 2019.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jean Stewart-Coxon, Social Care Procurement & Contracts Manager, and Martin Allan, Business Manager, Aberdeen City Health and Social Care Partnership.

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 that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving. They have increased importance where new systems or procedures are being introduced.
- 2.1.2 Within the Commercial and Procurement Shared Service, the Commissioning, Procurement & Contracts Team (Social Care) has guidelines for the monitoring of Social Care Contracts in addition to guidance on the information which should be obtained in relation to contracts which are operated under the NCHC.
- 2.1.3 Contained within the NCHC is specific guidance about which areas of a Care Home's performance should be monitored and what information should be passed to or obtained by Councils. These include ensuring that: the Care Home has appropriate insurance in place; staff are adequately trained; there is an appropriate number of staff on duty at any one time; there is a complaints procedure in place and records of complaints are passed to the Council at periodic intervals; statutory notices are passed to or obtained by the Council; and there are quality assurance procedures in place.
- 2.1.4 The current written procedures reflect the requirement to obtain the majority of this information however some elements are not currently covered.
- 2.1.5 The procedure does not include a requirement to check if there has been a variation to the Care Inspectorate Registration. While it is likely that the Care Manager would be notified where this has happened, it would be good practice to ensure that the written procedures reflect the requirement to check for this.
- 2.1.6 Additionally, statistics regarding resident admissions to hospital including the Accident and Emergency Department, noting the frequency and reason for admission, death rates at the Home, residents moving out of the Home, and any other significant events should be sought from the Home. These could be important as examination of these statistics could, when compared to other Homes or national averages, give an indication of potential issues.
- 2.1.7 The Service has confirmed that statistical data is currently obtained and reviewed by NHS Grampian and any concerns regarding this data, or raised via the Care Inspectorate, Care Managers or the Adult Support and Protection team, will routinely be discussed within the Health and Social Care Partnership. However, information and assurance obtained from these sources is not currently consistently captured in the Service's contract monitoring procedure.
- 2.1.8 The NCHC itself is under review by the Scottish Government, in conjunction with COSLA, supported by Scotland Excel. A cost calculator is being developed which is hoped will be able to help form agreed rates by taking into account the cost of running the Care Home and providing the necessary support by including raises in fuel costs, food, rates, wages etc. If the NCHC is changed following the current review of it, then the Service will need to ensure that the current guidance is revisited at a future date.

Recommendation

The Service should ensure procedures include all elements which require to be subject to monitoring as per the terms of the National Care Home Contract, and further revisions are made in line with any future changes to the contract (where applicable).

Service Response / Action

Agreed. Whilst we agree that it is important to monitor all elements that are specified in any contract, we need to be mindful of the fact that this contract is 6 years old and predates the implementation of the Integration of Health and Social Care and the changes to inspection of services by the Care Inspectorate. The development of the future national contract is expected to take place during 2019/20 and be implemented in 2020/21 – we will review the monitoring requirements in the new contract and ensure compliance.

In the meantime, we will ensure that our review of contract monitoring includes reference to all elements of contract monitoring required, regardless of whether the information is gathered directly or indirectly.

Implementation Date

December 2019

Responsible Officer

Social Care Procurement
and Contracts Manager

Grading

Significant within audited
area

- 2.1.9 The Service has stated that the current methodology for monitoring contracts is currently under review with a view to improving performance in this area. This will look at the requirement to review contracts at set frequencies, how best to get the most relevant information, clarification of roles and responsibilities, and the current templates. However, for NCHC contracts it should take account of any contractual requirements to review practices or records at set time frames as defined in the NCHC.

Recommendation

The Service should ensure that any revision to monitoring guidelines and practices takes account of the requirement to monitor practices or records within any timeframes stipulated in the NCHC.

Service Response / Action

Agreed. The revised procedures will require annual monitoring of all contracts.

Implementation Date

July 2019

Responsible Officer

Social Care Procurement
and Contracts Manager

Grading

Important within audited
area

2.2 Monitoring of Contracts

- 2.2.1 The Service's own guidelines in respect of NCHC monitoring mirrors that of the NCHC in that Providers should be subject to an annual review – as these contracts present a high risk to service provision and a high financial risk. As discussed above, the information being asked for and thereafter assessed largely reflects the areas which should be monitored.
- 2.2.2 There are currently 25 NCHC contracts between Providers and Aberdeen City Council. Records are maintained showing when annual reviews have taken place, and although all have received reviews, 3 had not been updated within 12 months of the previous review date. Whilst the Service was able to evidence a close working relationship with the Care Inspectorate, and Care Management, which would allow them to identify any issues within

Care Homes should they arise, contracts need to be monitored to ensure that the Service is meeting its obligations under the NCHC.

Recommendation

The Service should ensure that monitoring of contracts is undertaken in line with the contractual obligations of the National Care Home Contract and the Service's own guidelines.

Service Response / Action

Agreed. The revised contract monitoring procedures should make routine monitoring activity more achievable. It will take time to determine whether this has been the case, hence the implementation date 1 year post introduction of the new procedures.

Implementation Date

July 2020

Responsible Officer

Social Care Procurement and Contracts Manager

Grading

Important within audited area

- 2.2.3 The Annual Monitoring reports contain 11 sections against which a grading of either 'exceeds compliance', 'compliant', 'areas of non-compliance' or 'non-compliant' is recorded against each area being assessed. There is a further 'for information only' section. The overall score is based on the lowest score awarded throughout the report even if it only occurs in one section, and where necessary the Service will advise the Provider of the need to address any issues identified. Actions are either 'recommendations', or a 'requirement' – the latter of which must be resolved through a formal, monitored, non-compliance process.
- 2.2.4 A sample of 5 Annual Monitoring reports was reviewed. Whilst each had been fully completed, and included comments and gradings, these did not always correlate with each other, or reflect full application of the appropriate procedure. The Service has acknowledged this and the current templates will be reviewed as part of the overall review of contract monitoring referred to 2.1.8 above.
- 2.2.5 It was noted that one report had been given an overall grading of 'Areas of Non-Compliance' despite a number of sections having being graded as 'Non-Compliant' due to the non-return of requested information in relation to areas of the report. It was explained that the reason for this was that the Care Inspectorate had not marked the Home in question as 'Non-Compliant' (or similar) in their own reports therefore in contrast to written procedures (which state that Care Inspectorate findings are one of several potential triggers for the non-compliance process) the Service considered it would not have been appropriate for them to do so.
- 2.2.6 Another report noted in the 'Outcomes' section: 'Outcomes poor for residents at present due to high agency staff use and lack of suitable staff' yet the grade awarded in the staffing section was 'Compliant'. This also contradicted the 'Staffing' section which noted: 'More stable staff team'. The Service stated that the Home had recently been subject to a Non-Compliance process after which the Care Inspectorate had noted substantial improvement at the Home and a suspension on admissions had been lifted. However, the report was written after the Care Inspectorate's observations, and should therefore have been wholly based on the most up to date information.
- 2.2.7 One report, produced in August 2018, noted that 'Training' was compliant, yet the records had not been checked since November 2017 and further notes indicated management changes in the interim. It was evident that other sections had not been updated to fully reflect the conditions observed in August 2018. Starting a new assessment from a template already populated with previous data risks elements being overlooked. The

Service has noted that a need for improved records and system workflow is part of the reason for undertaking a review of the contract management procedure.

- 2.2.8 It is good practice for the Service to utilise information from the Care Inspectorate and not to duplicate work where this is relevant and current. However, the Service needs to ensure that contracts are monitored, grades awarded, any issues with practice recorded, and relevant action is taken, based on the supporting observations, current evidence, and its own procedures, to avoid risk of reputational damage and financial loss to the Council.

<u>Recommendation</u>		
The Service should ensure consistency between grades, narrative and current supporting evidence within its annual monitoring reports.		
The Service should ensure actions are progressed in line with procedure regardless of the Care Inspectorate's separate opinion on other aspects of Care Homes' activity.		
<u>Service Response / Action</u>		
Agreed. This will be addressed by the revised contract monitoring procedures.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
July 2019	Social Care Procurement and Contracts Manager	Significant within audited area

- 2.2.9 The NCHC requires that the Council check that all applicable insurance is in place and that payment has been made by Providers. Whilst each of the Annual Monitoring Reports reviewed showed the policy provider's name and policy number confirming that policies had been viewed, there was no indication of the expiry dates, and there is no check regarding payment (and therefore validity).

<u>Recommendation</u>		
The Service should ensure that Insurance Policies' dates and validity are checked and recorded on an annual basis.		
<u>Service Response / Action</u>		
Agreed. However, it has proved difficult to implement an achievable way of doing this that is not onerous for the Council or service providers. There is a possibility that this task will be undertaken by Scotland Excel in future, and/or is already being checked by the Care Inspectorate; we will explore these possibilities. In the meantime, we will carry out these checks on an individual care home basis.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Social Care Procurement and Contracts Manager	Important within audited area

- 2.2.10 Financial monitoring of Companies, Sole Traders & Partnerships to ensure their long term viability is considered is currently being developed by the Service. The Service has drafted a risk register in which information from credit reports, tendering information, accounting ratios and information from Companies House including filed accounts will be held, and used to make an overall assessment and suggest potential action in the event that concerns are identified. Whilst positive, there is as yet no periodic monitoring of this data. In addition, this information is being updated by staff within the team, for whom financial training has been limited to 2 days training by an external provider in 2016, and there is currently no ongoing training in this respect. Advice will be sought by the Service from Finance or other relevant sources as necessary.

Recommendation

The Service should ensure that the financial risk register is implemented and updated regularly, and training, support and advice is available to aid interpretation of the results.

Service Response / Action

Agreed. We will conclude and implement the work on the financial risk register as soon as possible. This will be available for internal reference in the first instance. Significant work will need to be carried out with Service Providers before the outcome from our financial risk monitoring can be included in monitoring reports. We will explore the possibility of further financial training, subject to budget availability.

Implementation Date

July 2020

Responsible Officer

Social Care Procurement and Contracts Manager

Grading

Significant within audited area

2.3 Contingency Planning

- 2.3.1 The Council has a duty of care towards residents of all Care Homes whether or not they are managed by Aberdeen City Health & Social Care Partnership. As such contingency plans should be in place to deal with such eventualities as residents being displaced due to either temporary or permanent closure of a Home (whether in part or full) due to any incident such as fire, flooding or closure of the Home due to financial or administrative failure. This is covered under the Partnership's contract with Bon Accord Care as provider of last resort – the arrangements for which have recently been tested.
- 2.3.2 The NCHC and Care Inspectorate guidance states that Providers must have contingency plans in place. Additionally noted in the NCHC is that in the event of an emergency or closure of a Care Home the Provider and Council should work together to implement the contingency plan. Therefore it is imperative that the Service has assurance over Providers' contingency / emergency response plans.
- 2.3.3 The Service has confirmed that letters were issued in October 2018 to all Providers requesting that they confirm their contingency plans are up to date and provide copies. The sample of contingency plans received to date has shown that these are in widely differing formats with different scopes; there is no meaningful way of evaluating them.
- 2.3.4 There is a risk that in the event of emergency closure or other scenarios affecting operation / availability of Care Homes, Providers may place substantial reliance on the Council or a third party, beyond that which has been prepared for, and this could impact on the ability to respond effectively in the event of an incident.

Recommendation

The Partnership should ensure that it has assurance over Providers' plans in the event of emergency closure and other scenarios affecting the operation of Care Homes.

Service Response / Action

Agreed. It is proposed that work is done to develop a way of gaining assurances that concerns about contingency planning are addressed. This may be by means of a provider engagement event, or the development of a more specific questionnaire.

Implementation Date

December 2019

Responsible Officer

Business Manager, H&SCP; & Social Care Procurement and Contracts Manager

Grading

Significant within audited area

AUDITORS: D Hughes, C Harvey and D Henderson

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1917 – NPS Housing System
REPORT NUMBER	IA/AC1917
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the NPS Housing System.

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 the NPS Housing System.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1917 – NPS Housing System.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Housing

NPS Housing System

Issued to:

Andy MacDonald, Director of Customer Services

Derek McGowan, Chief Officer – Early Intervention and Community Empowerment

Neil Carnegie, Communities and Housing Area Manager

Fraser Bell, Chief Officer – Governance

Jonathan Belford, Chief Officer – Finance

External Audit

EXECUTIVE SUMMARY

The Northgate Public Services (NPS) Housing System is used for managing tenancies and collecting rental income for the Council's housing stock, parking spaces and garages. The system is also used to manage housing advice requests, applications for and allocation of social housing, housing support, and anti-social behaviour incidents affecting tenants.

The objective of this audit was to provide assurance that appropriate control is being exercised over the NPS housing system and that interfaces to and from other systems are accurate and properly controlled. In general, this was found to be the case, in relation to interfaces, manual updates of annual rent rates and reconciliations of income with the cash receipting system. However, areas were identified where improvements were required.

Procedures covering system administration processes are not in place and only two employees are aware of the processes involved in maintaining the system and supporting its users. In addition, some interface procedures were not in place. The respective Clusters have agreed to formalise procedures.

The supplier of the housing system support and maintenance has remained unchanged for approximately 21 years, with the exception of occasions when previous suppliers have been subject to corporate takeover. As the system has not been market tested in this period, it is not possible to confirm that value for money is being achieved. There is also no confidentiality agreement with the supplier, setting out the supplier responsibilities in relation to data protection. The Service has agreed to consult with Commercial and Procurement Shared Services to ensure procurement legislation and Council procurement regulations are complied with, and thereafter ensure that a signed contract is put in place.

The current system version is no longer supported by the supplier since August 2018, meaning assistance will not be provided to ensure the security of data held on the system databases and in relation to any software "bugs" arising. This increases the risk of loss of personal data via cyber threats as well as decreased system performance. Digital and Technology has agreed to arrange for the necessary upgrades to be applied and tested and the Cluster has agreed to reinstate a workplan for planning upgrades and system development work.

At the time of the audit, system recovery testing had not been scheduled and the last testing which was undertaken in January 2018, as advised by Digital and Technology, was not documented. D&T will undertake testing in 2019 and document the results.

The Cluster has also agreed to introduce measures to improve system access controls and security, including: introducing line manager authorisation for new users, reviewing password requirements, and removing leavers from the system on a regular basis.

1. INTRODUCTION

- 1.1 The Northgate Public Services (NPS) Housing System (previously referred to as i-World) is used for managing tenancies and collecting rental income for the Council's housing stock, parking spaces and garages. The system also manages housing advice requests, applications for and allocation of social housing (calculating points and position of all applicants on housing waiting list), housing support, and anti-social behaviour incidents affecting tenants. In addition, the system is used to manage tenant insurance payments and the rent deposit scheme. There is also a self-service portal offered by the system, which tenants and non-tenants can access at any time, to review housing options, apply for housing, and for former and current tenants to access their rent accounts.
- 1.2 The System Support and Maintenance contract commenced in July 1997. Annual support and maintenance costs in 2018/19 were £130,000 and in 2017/18 were £127,000.
- 1.3 The Council maintains 22,050 properties for rent (excluding garages and lock-ups). The total collectable rental charge for dwelling houses for 2017/18 was £80.821 million. Income to the end of December 2018 was £60.464 million. In 2018/19 to 31 December 2018 £29.593 million was credited to rent accounts in respect of housing benefits (£38.983 million in 2017/18).
- 1.4 The objective of this audit was to provide assurance that appropriate control is being exercised over the NPS housing system and that interfaces to and from other systems are accurate and properly controlled.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Neil Carnegie, Communities and Housing Area Manager, David Bryce, Systems Development Officer, Elspeth Hay, Systems Development Officer, and Jamie Kirkwood, Incident and Problem Co-Ordinator.

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 that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.
- 2.1.2 Procedures covering the operation of system modules and manual data input are held on The Zone. Procedures are listed in three ways: alphabetically; by module (Estates, Allocations, Customer Services, Rents and Housing Advice); and by role (Assistant Housing Officer, Housing Officer, Housing List Advisor/Assistant, Voids Control Officer and Homelessness). These were clear and comprehensive. User manuals are also available in the NPS system under Housing Online Help, where step by step instructions on how to carry out various tasks are available to NPS housing system users.
- 2.1.3 Procedures covering system administration processes are not in place and only two employees are aware of the processes involved in maintaining the system and supporting its users.
- 2.1.4 Interface procedures were in place for the interfaces between the Housing system and the Cash Receipting System and between the Housing system and Early Warning System database of high-risk customers. However, there were no procedures in place describing how success of interfaces is determined for: the Housing Repairs System; Financial Ledger; Revenues and Benefits System; Bacstel-IP software and Payroll System, and how interface data errors are identified and addressed.

Recommendation

- a) The system administration and support processes should be formalised.
- b) Interface processes should be formalised.

Service Response / Action

Parts a) and b) Agreed.

Implementation Date

a) January 2020

b) January 2020

Responsible Officer

a) System Development Officers

b) Business Systems Analyst

Grading

Significant within audited area

2.2 System Supply and Maintenance

- 2.2.1 A maintenance and support agreement for the Housing Management System was entered into between the Council and the system supplier in July 1997, for 5 years. There is no signed contract between the Council and the current provider of support and maintenance. This increases the risk of contractual disputes.
- 2.2.2 The Council's Financial Regulations state the Council has a statutory duty to obtain best value and that all purchasing must comply with the Council's Procurement Regulations. The Council's Procurement Regulations and the Public Contracts (Scotland) Regulations 2015 require procurements exceeding the EU tendering threshold to be advertised in the Official Journal of the European Union to ensure open competition. The Council's

Procurement Regulations also require procurements over £50,000 to have a business case approved by the Strategic Commissioning Committee prior to being undertaken and to be included on the relevant Committee workplan.

- 2.2.3 The supplier of the housing system support and maintenance has remained unchanged for approximately 21 years, with the exception of occasions when previous suppliers have been subject to corporate takeover and the successor company continued to provide system support and maintenance. As this has not been market tested in this period, it is not possible to confirm that value for money is being achieved and, in this regard, the Service should consult with Commercial and Procurement Shared Services to determine the best way of doing so and of complying with procurement legislation.

<u>Recommendation</u>		
The Service should consult with Commercial and Procurement Shared Services to ensure procurement legislation and Council procurement regulations are complied with, and thereafter ensure that a signed contract is put in place.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2019	Chief Officer – Early Intervention and Community Empowerment	Significant within audited area

- 2.2.4 Support for the NPS housing system is provided by the Service Systems Team, Digital and Technology (D&T), the software supplier, and the Council’s Data Centre provider. All NPS housing related issues are initially referred by users/managers to the Systems Team. These can be anything from password changes and general advice, to requests for system configuration amendments and system responsiveness issues. In all cases, the Systems Team will attempt to resolve the issue and only where appropriate will escalate to either the software supplier (Northgate) or via Service Now to the Database (DBA) team in D&T. The majority of Systems Team work relates to: tier 1 calls for assistance with resolving user input errors and general navigation / functionality advice; and tier 2 calls to augment system functionality based on evolving Estate Management, Housing Access and Support Service needs.
- 2.2.5 The server status and integrity and the interfaces described in section 2.6 are managed by ICT. Where an issue cannot be resolved locally and relates to the servers it is referred to the Data Centre provider whilst those issues relating to the application, database and interfaces are referred to the software supplier.
- 2.2.6 40 system Incidents were logged with D&T in 2018, with 5 of the incidents marked as “Moderate Priority”. These “Moderate Priority” incidents were resolved with the exception of an issue relating to system users being unable to produce required letters for tenants following a Citrix upgrade, where the status is ‘Awaiting User Info’. The issue affects all letters produced by the system, including rent arrears escalation letters and housing offers. The matter is being progressed at the Northgate user group.

2.3 System Upgrades

- 2.3.1 To ensure that the system continues to meet customer requirements in terms of functionality and reliability, NPS (UK) Ltd issue two software releases each year. Not all software release changes will be applicable to the Council, therefore it is a Service decision to apply a software release, or not.

2.3.2 To ensure that any software release will continue to provide adequate system functionality, the system users will test new releases in the Test version of the system. A testing schedule and expected test outcome for each area is maintained. The documentation for the most recent software upgrade (release 6.15), applied in May 2017, was reviewed.

2.3.3 In total, 180 various tests were run by 10 employees with no exceptions recorded. However, 105 scheduled tests were not attempted (e.g. Withdrew Application, Create Valuation, Creating a Tenancy (Manual), Reinstating a Tenancy including switching between admin units). The Systems Team advised the tests not completed were dependent on user responses which were not provided before the go-live date. The tests not completed were not risk assessed to determine if they were required. This increases the risk of untested functions not operating properly.

<u>Recommendation</u>		
Risks of not carrying out tests should be assessed and documented where scheduled tests are not completed.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2019	System Development Officers	Important within audited area

2.3.4 The most recent version available from the supplier is version 6.18. Since the Systems Manager left the Council, the liaison between the Systems Team, D&T and the supplier has not been maintained, and no-one has responsibility for scheduling system upgrades. The current system version 6.15 is no longer supported by the supplier since August 2018, meaning assistance will not be provided to ensure the security of data held on the system databases and in relation to any software “bugs” arising. This increases the risk of loss of personal data via cyber threats as well as a reduction in system performance.

2.3.5 The Service Delivery Co-ordinator within D&T advised that there were no plans for a system upgrade as at 19 November 2018, however project plans will be created to address the need for a system upgrade in due course. A recommendation is included for tracking purposes.

<u>Recommendation</u>		
The required system upgrade to version 6.18 should be applied to the Housing system.		
<u>Service Response / Action</u>		
Agreed. Due to staffing constraints the upgrade has been delayed. System requirements dictate upgrades need to happen incrementally therefore the first step is to upgrade to v6.16, v6.17, v6.18 with testing of each.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2019	Incident and Problem Co-ordinator	Significant within audited area

2.3.6 A team work plan detailing team tasks, due dates and completion status was previously maintained by the Systems Team, however it has not been updated since the System Manager left the Council. This increases the risk of key events being overlooked such as system upgrades and required development work.

Recommendation

The Systems Team work plan should be updated to include 2018/19 team tasks.

Service Response / Action

Agreed.

Implementation Date

March 2019

Responsible Officer

Chief Officer – Early Intervention and Community Empowerment

Grading

Significant within audited area

2.4 System Access and Security

2.4.1 Access to the NPS System is authorised by way of a written request from the user’s line manager or relevant senior employee, detailing access required. There are no standardised forms with requests made via e-mail to individual System Development Officers instead. The Systems Team currently does not have a shared email in-box for such requests or for managing user issues raised, such as accounts being locked. Having such an account may assist with workflow and help ensure that issues are dealt with timeously in the event of the officer being sent a request being unavailable.

Recommendation

- a) The Service should introduce specific new user forms to demonstrate access requirements and authorisation.
- b) The Service should consider setting up a shared in-box for managing user queries and system access requests.

Service Response / Action

- a) The Systems Team will liaise with D&T to arrange for ServiceNow to be updated to meet these requirements.
- b) Agreed.

Implementation Date

April 2019

Responsible Officer

System Development Officers

Grading

Important within audited area

2.4.2 It is important that users are granted access to the system commensurate with their role, whilst giving due consideration to segregation of duties. A sample of 5 new accounts was selected to ensure the access to the system was adequately approved and that the access granted was appropriate. Four out of five new accounts were approved by the line manager and access provided was appropriate. One new user account set up was for an existing user, who had a name change due to marriage. The new account was appropriate, and the team advised that it was validated by ICT.

2.4.3 A unique user ID and a temporary password, which must be changed when the user first logs in, are provided by a System Development Officer. On changing the temporary password, the user is required to provide their date of birth, select a security question and provide an answer to that question, for the purposes of changing the new password selected. The Council’s ICT Acceptable Use Policy requires passwords used to protect systems and applications to be maintained securely and comply with current guidelines. The Council’s Managing Information Handbook requires passwords to be at least 8 characters long and contain a mixture of numbers, letters and a special character. NPS

only requires a minimum of 6 characters and there is no requirement for a mixture of numbers, letters and a special character.

- 2.4.4 Members of the public are able to register via the Housing Portal to get housing advice, apply for a council house and/or view their rent statement. Following registration, a username and a temporary password is provided on-screen. The username can be changed to anything the user wishes and the password can be changed in line with the requirements in paragraph 2.4.3. Passwords for members of the public can be changed by the user themselves where they are emailed a new password or reset by the Systems Team or by key people in the Service.

<u>Recommendation</u>		
The Service should investigate whether system password requirements can be amended in line with the Council's Managing Information Handbook.		
<u>Service Response / Action</u>		
Agreed. Northgate will be contacted to establish whether password parameters can be amended.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2019	System Development Officers	Important within audited area

- 2.4.5 Access to the NPS Housing System is blocked after four incorrect password attempts. This was confirmed by Internal Audit. The system does not produce reports on multiple failed log-in attempts however the Systems Team is required to be notified by a user by email or telephone call for an account to be unlocked. Once the account is unlocked the user can access the system using their existing password or if required, can change their password from the system login screen on providing their username, date of birth, and answer to a security question. These requirements were confirmed by Internal Audit.
- 2.4.6 Line managers / senior employees are responsible for notifying the Systems Team of employees whose access to the housing system needs to be removed e.g. due to a change in role or leaving the Council. The system cannot automatically remove access rights after a defined period of inactivity.
- 2.4.7 A report of employees who left the Council since January 2018 was obtained to ensure that access to the system was removed on leaving the Council. Thirty-five leavers still had access to the system as at 5 November 2018, with the longest outstanding relating to an employee who left in April 2018. Failure to remove access to the Housing system in a timely manner increases the risk of unauthorised access to tenant personal data and a breach of data protection legislation.

<u>Recommendation</u>		
a) The Service should obtain regular reports of Council leavers for the purposes of removing system access for former employees.		
b) The Service should carry out an annual review of users and amend access accordingly.		
<u>Service Response / Action</u>		
Parts a) and b) Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) May 2019	a) Business Services Manager	Important within audited area

b) October 2019	b) System Development Officers
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2.5 Third Party Access

2.5.1 NPS (UK) Ltd provide third party system support to address any issues escalated to them by the Systems Team. Access to the system is provided via a Virtual Private Network (VPN) meaning only users advised of the VPN can gain access. The system supplier must formally request access to the system, at which point a request is made to D&T via ServiceNow, for access to be granted. This process has only been implemented recently therefore no supplier ServiceNow calls have been logged to date. Prior to this change, NPS (UK) Ltd had constant access to the system via the VPN.

2.5.2 There is no confidentiality agreement between the Council and the supplier setting out the responsibilities of the supplier to ensure system data is protected. This increases the risk of the system supplier failing to comply with data protection legislation.

Recommendation

A confidentiality agreement should be put in place.

Service Response / Action

Agreed.

Implementation Date

September 2019

Responsible Officer

Chief Officer – Early Intervention and Community Empowerment

Grading

Significant within audited area

2.6 Interfaces

2.6.1 Seven systems interface with the Housing system:

Interface with	Into/From NPS	Purpose	Frequency
Housing Repairs system	From	Transfer property file to Housing repairs system detailing tenant information for property maintenance purposes.	Daily
Financial Ledger system	From	Transfer rent charges	Weekly
Revenues and Benefits system	Into	Transfer (manually via emailed file) of corrected Housing Benefit / Universal Credit (HBCOR) credit amounts.	Weekly
Revenues and Benefits system	Into	Transfer Housing Benefit / Universal Credit file to Housing system	Weekly
Revenues and Benefits system	From	Transfer rent account details to Revenue & Benefits system	Daily
Payroll System	Into	Transfer rent payments from PSE to Housing system	Monthly
Cash receipting system	Into	Update Housing system with income received from tenants.	Daily
Cash receipting system	From	Transfer rent balances to Cash Receipting system.	Weekly

Send Direct Debit payment requests	From	Send payment file to Bacstel-IP software to request payments from customer accounts.	Daily
New Direct Debit Instructions	From	Send new direct debit instructions to Bacstel-IP software to forward to customer bank accounts.	Daily
Early Warning System	From	Transfer customer info for those tenants where they are red flagged as a warning.	Weekly

- 2.6.2 With the exception of the cash receipting system, when files are transferred between the housing system and an interfacing system, completion reports are issued by the housing system to the relevant system owners and System Analysts in D&T. Completion reports include the total number of transactions successfully interfaced and the detail of failed / rejected transactions.
- 2.6.3 A sample of 30 completion reports was selected, covering all interfaces apart from the cash receipting system, to ensure the data transferred between the housing system and the interfacing system agreed or an adequate explanation for any differences was available. The results of testing were satisfactory. Reports detailing data transferred to the cash receipting system are not produced and so were omitted from the testing. Instead the Service reconciles cash received by source in the cash receipting and housing systems on a monthly basis. This is covered in section 2.8 below.
- 2.6.4 Rejected cash receipting system transactions contained in exception reports are emailed to System Analysts to investigate the errors highlighted. A new interface file will be created, and corrected entries will be re-uploaded to the relevant system if required. There have only been 2 exception reports since March 2018. Corrective action was not required as the errors had no impact on rent account balances.
- 2.6.5 There are instances where a whole interface batch gets rejected such as when a duplicate batch reference is identified by the system. It is the Business System Analysts' responsibility to investigate and correct such errors. A screenshot of the NPS System holding area where rejected batches are held was obtained and there are no such rejections relating to 2018/19 present. The Business System Analyst confirmed there have been no rejections for a number of years.

2.7 Manual Data Input

- 2.7.1 The System has a series of fields, including a tenant's National Insurance number, name and date of birth, which provide a check where, if the user attempts to create a rent account for someone that already exists, the system will prevent this and issue warning messages. This was evidenced by Internal Audit.
- 2.7.2 The Systems Team are responsible for updating annual rental charge rates in the housing system. The rental charge increase for 2018/19 of 2.6% was approved by the Council on 6 March 2018. 30 rent accounts were reviewed to ensure that the correct increase had been applied, which was found to be the case.

2.8 Reconciliations and Reporting

- 2.8.1 Reconciliations are undertaken to ensure that rent payments and Housing Benefit / Universal Credit income are being accurately posted to the Housing system, and that it is in agreement with the financial ledger. The Bank Reconciliation Team, who are independent of the rent collection function, compile the Housing Rent Reconciliations using cash receipting system reports and Boxi reports, listing all transactions (receipts)

posted to the system. Any imbalances will be investigated and reports including data such as date of transaction, amount, payment method, and payment reference will be issued to the Housing team to investigate.

- 2.8.2 The October 2018 reconciliation was reviewed to ensure it was accurate and that reconciling items were clearly explained and investigated. This was found to be the case.

2.9 Suspense Accounts

- 2.9.1 The Housing system operates a suspense account, and a clearing account, for Housing Rents in the event that any transaction cannot be posted to the appropriate account. The suspense account records all transactions that cannot be posted to a verifiable rent account, e.g. rent account reference error. The clearing account is for any non-rent transactions that have been posted to the Rent System in error and require to be corrected using the Cash Receipting System as well as housing rent transactions manually transferred by the Bank Reconciliation Team.

- 2.9.2 To ensure that all transactions are posted to the appropriate account, the Rent Accounts Officer reviews the suspense account and clearing account on a daily basis, to investigate and clear transactions as appropriate.

- 2.9.3 As at 22 November 2018 the balance in the suspense account was £7,872 and the balance in the clearing account was £7,015. Historic transactions dated back to 2006 for the suspense account and to 1998 for the clearing account. Whilst there was evidence that suspense and clearing account balances were being investigated and cleared regularly, the clearing account is made up of many debits and credits, making it difficult to establish what transactions are yet to be reallocated. This is unlike the suspense account, which just contains a list of transactions due to be reallocated.

Recommendation

A reconciliation of Housing system clearing account balances should be prepared on a regular basis, detailing the transactions making up each account balance for investigation purposes.

Service Response / Action

Agreed. A monthly reconciliation will be carried out.

Implementation Date

April 2019

Responsible Officer

Communities and Housing
Area Manager

Grading

Important within audited
area

2.10 Business Continuity and Disaster Recovery

- 2.10.1 Business critical systems, including the NPS Housing System, are backed up in full on a weekly basis and incrementally on a daily basis by the Council's Data Centre provider. Thirty days of backup files are held locally with ninety days backup held offsite in Dundee. System backup reports were obtained from ICT for 3 September and 16 November 2018 and were successful in both cases.

- 2.10.2 The Database Technical Lead advised that the last time restored housing system data was tested was in January 2018. D&T advised system recovery testing was not documented and there is currently no system recovery testing scheduled. This increases the risk of system functionality issues should system recovery from backed up data be required.

Recommendation

System recovery testing should be scheduled for the housing system and outcomes of testing documented.

Service Response / Action

The Housing System will be subject to Disaster Recovery testing this year. There is a pre-requisite that the system has to be on the latest version before testing can be initiated.

Implementation Date

December 2019

Responsible Officer

Incident and Problem
Co-ordinator

Grading

Significant within audited
area

- 2.10.3 The Service maintains a record of system downtime using ServiceNow. The downtime logs provided by D&T indicated the most recent two incidents when the system was unavailable to its users were in November 2017, when the system was down for 30 minutes and in November 2016, when the system was down for 35 minutes. Incident reports were prepared documenting the description of the incidents; business impact; key findings and action taken; and root cause.

AUDITORS: D Hughes
A Johnston
A McDonald

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report 1918 – Health and Safety
REPORT NUMBER	IA/AC1819
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Health and Safety.

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 Health and Safety.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1918– Health and Safety

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Cross Service

Health and Safety

Issued to:

Fraser Bell, Chief Officer – Governance

Jonathan Belford, Chief Officer – Finance

Mark Reilly, Chief Officer – Operations and Protective Services

Eleanor Sheppard, Chief Education Officer

Derek McGowan, Chief Officer – Early Intervention and Community Empowerment

Isla Newcombe, Chief Officer – Organisational Development

Martin Murchie, Chief Officer – Business Intelligence and Performance Management

Vikki Cuthbert, Assurance Manager

Colin Leaver, Corporate Health & Safety Lead

External Audit

EXECUTIVE SUMMARY

The Council has a duty to manage its workplace with due regard to the health and safety of the workforce and those affected by the Council's activities. This is to prevent death, injury and ill health of those at work and those affected by the Council's work. Responsibility for health and safety in the Council extends to its role as an employer, service provider and as a procurer of goods and services.

The objective of this audit was to provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council. In general, this was found to be the case, although the following issues were identified that require action.

Some policies and procedures are not up-to-date, and one was not available on The Zone as it was being updated. Details of staff with Health and Safety responsibilities are not held centrally which makes it difficult to obtain assurance that arrangements are appropriate. It has been agreed that a document management system which can be used to schedule policy and procedure review dates for monitoring purposes will be introduced, health and safety policies and procedures will be updated where required, and a centralised record of staff with Health and Safety duties will be maintained. It has also been agreed that Functions will include Health and Safety improvement actions within Service Delivery Plans to address the requirement for Function Health and Safety Improvement Plans to be put in place.

The Council's Corporate Risk Register identifies failure to meet Health and Safety training needs as a risk, and an action has been agreed to establish a Health and Safety skills and training matrix for all staff development based on job profiles. Currently, however, there is no centrally held record of Health and Safety training needs. It has been agreed that template training needs analysis matrices will be issued to Clusters and completed for the purposes of identifying required training and that the new CoreHR system will be used to record training needs and training completed once the system has been put in place.

Legislation requires assessments of risk to employees, contractors, customers, partners and any other people who could be affected by the Council's activities. Although the majority of risk assessments reviewed during the audit had been reviewed as scheduled, instances where this was not the case were identified. In addition, some of the staff responsible for completing the risk assessments had not completed the related risk assessment training. It has been agreed that these issues will be addressed.

The Reporting of Injuries, Diseases & Dangerous Occurrences Regulations 2013 (RIDDOR) puts duties on the Council to report certain serious workplace accidents, occupational diseases and specified dangerous occurrences (near misses). Testing identified that not all such instances are being reported timeously and that investigations into the cause of incidents were not completed in all cases as required, while some investigation reports completed did not conclude on the cause of the incident or provide appropriate actions to avoid similar incidents in the future. It has been agreed that this area will be monitored in future to ensure improvement.

Risk assessments had not always been reviewed as required following near misses and it was not possible to determine if they had following injuries, as the injury report form did not record this information. The current reporting system through YourHR is to be changed, when the new CoreHR system is introduced, and this will help address this issue.

1. INTRODUCTION

- 1.1 The Council has a duty to manage its workplace with due regard to the health and safety of the workforce and those affected by the Council's activities. This is to prevent death, injury and ill health of those at work and those affected by the Council's work. Responsibility for health and safety in the Council extends to its role as an employer, service provider and as a procurer of goods and services.
- 1.2 The Health & Safety at Work etc. Act 1974 ("the 1974 Act") is the primary piece of legislation covering occupational health and safety. It sets out the general duties which employers have towards employees and members of the public, and which employees have to themselves and each other.
- 1.3 Other regulations supporting the 1974 Act set out more detailed legal duties. For example, the Management of Health & Safety at Work Regulations 1999 make more explicit what employers are required to do to manage health and safety under the 1974 Act. The main requirements on employers are to carry out risk assessments and record any significant findings, make arrangements to implement necessary measures, appoint competent people to implement the arrangements, set up emergency procedures, arrange for clear information for and training of employees, and work together with other employers sharing the workplace. There are a number of other pieces of legislation covering specific activities and industries.
- 1.4 The Health and Safety Executive (HSE) was set up by the 1974 Act and is responsible for enforcing health and safety legislation. They provide guidance to organisations and ensure organisations manage the health and safety of their workforces and those affected by their work. Whilst following this guidance is not compulsory, doing so is generally sufficient to demonstrate compliance with the law. Organisations which fail to demonstrate compliance will be subject to enforcement action by the HSE, which may range from written advice to criminal prosecutions. Enforcement actions against the Council may result in financial loss and reputational damage.
- 1.5 The objective of this audit was to provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council. In order to do this, Health & Safety procedures, risk assessments, training records and other relevant documentation relating to a sample of Service areas were reviewed, and any issues arising were discussed with relevant officers.
- 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, Chief Officer – Governance, Vikki Cuthbert, Assurance Manager, Derek McGowan - Chief Officer Early Intervention and Community Empowerment, Eleanor Sheppard, Chief Education Officer, and Colin Leaver, Corporate Health and Safety Lead.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures and guidance 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 that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.
- 2.1.2 Under Health and Safety (H&S) legislation the Council must have a written H&S policy. HSE guidance is available on the structure and contents of such a policy. The Council's Health and Safety policy was reviewed by Internal Audit and was up to date, having been reviewed by the Staff Governance Committee on 3 September 2018, and complies with HSE guidance, with sections on general policy, responsibilities, and reporting and investigation arrangements.
- 2.1.3 The corporate Health & Safety team is responsible for developing and maintaining corporate Health & Safety policies and procedures; these should be reviewed in light of related health and safety incidents occurring as well as when there are changes in legislation, processes or equipment used. Implementation of these policies and procedures is the responsibility of service management. The procedures are held on the Health and Safety pages on the Zone and are easily accessible to staff with access to the intranet; the list was reviewed and covers all general areas of Health and Safety affecting the Council.
- 2.1.4 Copies of eight corporate policies and procedures held by the corporate H&S team were requested: Asbestos Policy, COSHH Procedure, Fire Safety, First Aid Provision Procedure, Gas Safety, Guide for New and Expectant Mothers in Work, Management of Stress Procedure, and Manual Handling. The Asbestos Policy was not available on the intranet during the audit as it is currently being reviewed and redrafted. In the interim period while the asbestos policy is being reviewed, the Health and Safety page on the Zone provides the contact details of the Health and Safety Team, should staff have any questions. The Control of Asbestos Regulations 2012 are also available on the Zone.
- 2.1.5 The duty to manage asbestos is a legal requirement under the Control of Asbestos Regulations 2012 (Regulation 4). If information on Council policies and procedures is not available to employees, there is a risk that activities undertaken by staff will be unsafe and will not be compliant with current legislation or Council policies.
- 2.1.6 With the following exceptions, the other policies and procedures examined were all comprehensive and compliant with legislation and HSE guidance.
- 2.1.7 The Fire Safety Policy referred to responsibilities of the Health, Safety and Wellbeing Manager, a post which has been replaced by the Corporate Health and Safety Lead.
- 2.1.8 The COSHH procedure refers to the Chemicals (Hazard Identification and Packaging for Supply) Regulations 2009 which were revoked in 2015. The procedure needs to be reviewed to confirm it is compliant with the new Regulation on classification, labelling and packaging of substances and mixtures ("the Classification, Labelling and Packaging (CLP) Regulation").
- 2.1.9 The current legislation covering First Aid in the workplace dates from 1981 and the First Aid Provision Procedure is generally compliant with this. However, the procedure refers to a requirement in the Regulations that first aid personnel must have training and qualifications "approved by the HSE"; the requirement for approved training was removed

from the Regulations by an amendment in 2013 and the onus is now on the employer to determine what training is adequate. In addition, a number of job titles and a flowchart describing responsibility are out of date following the restructure.

- 2.1.10 The Guide for New and Expectant Mothers available on the Zone, which is guidance provided by the HSE, dates from 2003 and so does not refer to recent relevant legislation such as the Equality Act 2010. An updated version was published by the HSE in 2013.
- 2.1.11 There is a page in the Health and Safety area on the Zone dedicated to the Health & Safety Committee with procedures describing how and when reports should be made. This Committee was disbanded on 10 September 2018, having last met in February 2018, and responsibility for Health and Safety was assumed by the Staff Governance Committee; therefore, this procedure, and the webpage, also need to be updated.
- 2.1.12 As per the General Health & Safety Policy Statement, Functions should develop Function specific Health & Safety policies and procedures. Function specific policies and procedures were requested for the following sample of eight services / activities: Housing - Lone Working and Gas Safety; Operations (E&CS) - Excursions and Activities, and Management of Radioactive Sources in Schools; Operations (Waste) - Manual handling; Operations (Roads) – Vibration at Work, and Driving & Fleet Compliance; and ASW - Lone Working.
- 2.1.13 All were available for review and, with the following exceptions, were comprehensive and compliant with legislation and HSE guidance.
- 2.1.14 The Management of Radioactive Sources in Schools guidance dates from 2006 and so does not refer to recent relevant legislation such as the Ionising Radiations Regulations 2017 and the 2013 Basic Safety Standards Directive. The procedure also directs staff to complete a paper form and forward it to the Neighbourhood Services Management Area; the current procedure on reporting accidents and injuries is electronically through YourHR.
- 2.1.15 The Housing - Lone Working Procedure was due to be reviewed in June 2016 but this has not yet been carried out. The Chief Officer – Early Intervention and Community Empowerment advised that a corporate approach to lone working is being developed, which will be reported to CMT by February 2019. A recommendation has been included below for tracking purposes.
- 2.1.16 The Operations (Roads) method statements for Vibration at Work and Driving & Fleet Compliance were due to be reviewed in 2014 and 2015. This had not been done as at the time of the audit.
- 2.1.17 If procedures are not kept up to date, there is a risk that activities undertaken by staff will not be compliant with current legislation or Council policies.

Recommendation

- a) The identified policies and procedures should be updated, approved and made available to staff and the Health and Safety Committee web page should be updated.
- b) The Operations and Protective Services – Roads should review procedures to confirm that they reflect current legislation and Council policy.
- c) The Corporate Health and Safety Team should work with Services to ensure that a process is in place to regularly review procedures.

Service Response / Action

- a) Agreed.
- b) The procedures in question are coordinated with risk assessments which are reviewed annually; as they are widely distributed in hard copy making minor changes such as amending a date would incur unnecessary work and expense. An electronic register of procedures will be created which will record dates of review for both risk assessments and associated procedures.
- c) A document management system is being developed which could be used to schedule review of H&S procedures.

Implementation Date

Responsible Officer

Grading

- | <u>Implementation Date</u> | <u>Responsible Officer</u> | <u>Grading</u> |
|-----------------------------------|-----------------------------------|---------------------------------|
| a) December 2019 | Corporate Health and Safety Lead | Significant within audited area |
| b) February 2019 | Engineering Assistant | |
| c) December 2019 | Corporate Health and Safety Lead | |

2.1.18 The principles of a new corporate H&S Improvement Plan were agreed by the Staff Governance Committee on 3 September 2018. The new Improvement Plan will align with the new structure, based on the Target Operating Model, and is to be implemented from 1 April 2019, with the aim of ensuring measurable targets, accountability and ownership of improvement areas.

2.1.19 Per para 4.3.6 of the new Health and Safety Policy, Functions are also responsible for preparing their own Health and Safety Improvement Plans outlining specific health and safety objectives and targets (short and long term) developed in consultation with the corporate Health and Safety team and Trade Unions; these should be evaluated, reported and monitored by the Senior Management Teams (SMT's) and reported to the Staff Governance Committee. Since the restructuring the original Directorate Improvement Plans have not been reviewed.

Recommendation

Functions should put in place Function Health and Safety Improvement Plans as specified in the Health and Safety Policy.

Service Response / Action

The Council is in the process of redesigning its approach to service planning for 2019/20 and a component part of this will be health and safety. H&S improvement plans will be incorporated within the Council's Performance Management Framework.

Implementation Date

Responsible Officer

Grading

- | <u>Implementation Date</u> | <u>Responsible Officer</u> | <u>Grading</u> |
|-----------------------------------|-----------------------------------|---------------------------------|
| June 2019 | Corporate Health and Safety Lead | Significant within audited area |

2.1.20 The Council is also responsible for ensuring that arrangements are in place covering the safety of contractors carrying out work on their behalf, and that they are being followed. There is a procurement process in place which requires contractors' paperwork be checked for compliance; template invitation to tender documents state that "The Tenderer must provide details of their proposals for the management of health and safety to provide assurances to the Council that high standards will be maintained throughout the contract. As a minimum, the Council considers that manual handling and the use of appropriate PPE shall be important throughout the term of the contract and requires information as to

how this shall be implemented". The Procurement Checklist also requires the commissioning officer to undertake a Health and Safety Risk Assessment. The commissioning officer is the person responsible for carrying out these checks or, if not competent, seeking advice. This officer is also responsible for checking that the work is monitored to ensure it is being completed as per the risk assessments and method statements.

- 2.1.21 A sample of 5 contract awards was reviewed to confirm procurement procedures had been followed. In all cases tender documents covered the relevant health and safety issues and commissioning officers had completed risk assessments as part of the pre-commissioning process.

2.2 Training & Communications

- 2.2.1 The 1999 Regulations require that adequate training is given to employees on Health & Safety matters. Courses for general and specific H&S training are available through the online training platform OIL and through the People Development portal. Specialist training is made available as required by relevant Services. Training records, including H&S training, are stored on PSe, in OIL, and locally by Clusters. They should in future be stored in the new HR system "Core HR" once available.
- 2.2.2 Roles across the Council were identified as involving specific hazards and a sample of 25 employees filling such roles was randomly selected using the HR system PSe to confirm that they had carried out all required or expected training. Training records were reviewed through PSe and the online OIL management tool Brightwave.
- 2.2.3 All staff in roles exposing them to health and safety risks would benefit from taking the Introduction to Health and Safety course. Only 10 of the 25 staff reviewed had done so.
- 2.2.4 For 3 of the employees reviewed there was no evidence of any H&S training having been undertaken. Staff in such roles (Environmental Health Officers, Building Standards Officers and Social Workers) may be involved in lone working and working in hazardous environments and would benefit from the Introduction to Health and Safety training. One of these had been in post as a Social Worker in Children's Services since 2 October 2017 but as at the date of testing there was no evidence that any training at all had been completed, including non-H&S mandatory courses. The Service advised that the employee had undertaken the Introduction to Health and Safety and the Fire Safety training but did not know why this had not been recorded in OIL.
- 2.2.5 Six employees were identified who would be expected, due to the nature of the role, to undertake training on the hazards of asbestos. Five had done so. The sixth had no asbestos training recorded. The Service advised that the training had been completed, albeit some time ago; no refresher had been completed since the current role was primarily office-based.
- 2.2.6 Five posts were identified as having line management responsibilities and therefore they and the staff they manage would benefit from them taking the Stress Awareness for Managers course. Two had completed this but three of these did not appear to have done so. Quality of Working Life Stress Risk Assessment training is also available, which advises staff how they can prevent stress arising in the first place and also how to complete Quality of Working Life Stress risk assessments. One of the five members of staff had completed this training.

- 2.2.7 When Functions were contacted about training needs and deficiencies, it was established that for some Clusters like those in Operations, Function-specific training courses had frequently been undertaken which were not recorded in PSe or in OIL as they were provided externally, e.g. Manual Handling training through City & Guilds. In these cases, the Services maintained training matrices which recorded all training undertaken, with dates for when training should be refreshed where relevant. These matrices were maintained and monitored by staff designated (formally or informally) as Health and Safety compliance officers, who were also the people responsible for recording and monitoring risk assessments and RA registers. As a result, records of what training has been undertaken, and when, may be fragmented across several systems. A training matrix was supplied by Waste Management which was comprehensive in identifying training needs but showed that the majority of employees had not completed the majority of the training courses listed and did not identify which training was required for each role.
- 2.2.8 The Council's Corporate Risk Register identifies failure to meet Health and Safety training needs as a risk, and an action has been agreed to establish a Health and Safety skills and training matrix for all staff development based on job profiles and will link to mandatory training. This action has been assigned to the Corporate Health and Safety Lead. Currently however there is no centrally held record of Health and Safety training needs.
- 2.2.9 If there is no centrally held record of training needs, there is a risk that staff may not complete or refresh required courses.

<u>Recommendation</u>		
a) Functions should identify Health and Safety skills and training needs once an appropriate system has been put in place.		
b) The Service should investigate whether a central record of all Health and Safety training and training needs could be maintained.		
<u>Service Response / Action</u>		
a) Agreed. A template matrix is under development which will be shared with Functions / Clusters for the purposes of identifying required Health and Safety training by job role / profile.		
b) Agreed. A template training needs analysis is currently being developed. The use of CoreHR to record all Health and Safety training and training needs will be investigated.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) July 2019	a) Corporate Health and Safety Lead	Significant within audited area
b) July 2020	b) Corporate Health and Safety Lead	

- 2.2.10 During a review of risk assessments, as detailed in section 2.4, sixteen members of staff were named as responsible for carrying out the assessments, however eleven of these were not recorded as having undertaken the Risk Assessment training course. If staff are not trained in carrying out assessments there is a risk that required actions may not be completed or are completed incorrectly or inconsistently.
- 2.2.11 It was also noted that a number of reporting employees had no record of completing the available training on reporting and investigating incidents. The corporate H&S team advised that they were looking at how many managers have completed the relevant RA and investigation training in order to improve the level of training and reporting.

- 2.2.12 If employees do not undertake relevant training, and line managers are not trained in reporting and investigating incidents, they will continue to be at risk and the Council may be in breach of H&S regulations.

<u>Recommendation</u>		
A system should be put in place to ensure all staff responsible for carrying out risk assessments and for reporting and investigating incidents, undertake the relevant training.		
<u>Service Response / Action</u>		
The Corporate Health and Safety Team will meet with Business Intelligence and HR Support to obtain a list of line managers and a list of staff who have completed risk assessment and incident investigation training. This will be presented to the Clusters so that they can arrange training.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
October 2019	Corporate Health and Safety Lead	Significant within audited area

- 2.2.13 Under the former structure, staff in Business Support were assigned to administer and monitor H&S tasks and act as liaison between the Corporate H&S team and individual Services. These groups were removed from the Interim Structure, but their function has not as yet been wholly assumed by other roles. While details are available on the Zone of staff in the corporate H&S team, it is difficult to identify employees within Services who are responsible for H&S arrangements.

- 2.2.14 There are five H&S Advisers in the corporate H&S team, line managed by the Corporate H&S Lead. All have qualifications in Health and Safety and are assigned to designated Functions. The role is advisory with a view to assisting Functions comply with their legal responsibilities. Staff within Clusters take on additional duties, paid or unpaid, as DSE Assessors, First Aiders, Evacuation Chair Operators and Fire Wardens. Details are held by Services and information is fragmented. There is currently no centrally held list of staff with H&S training or qualifications, although a list of roles can be obtained from the HR system PSe. At present no formal checks are made on whether sufficient staff are available in these roles at each location other than Marischal College.

- 2.2.15 If those responsible for H&S compliance within Services cannot be quickly identified there is a risk that required actions may not be completed or are completed incorrectly or inconsistently.

<u>Recommendation</u>		
The Corporate Health and Safety team should work with responsible officers to put a system in place to ensure that details of staff with health and safety duties for each Service should be made widely available within the relevant areas.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2019	Corporate Health and Safety Lead	Significant within audited area

- 2.2.16 H&S issues are communicated organisationally on the Zone through News items and dedicated web pages, as well as through “communication champions” in each work area. Cluster specific issues are communicated to responsible managers to cascade. In Marischal College, the Town House and all other corporate buildings general H&S

information is posted in hard copy in break areas, kitchens etc. It is the responsibility of premises responsible persons (e.g. head teachers, facility managers) to make this information available to employees in the most appropriate way.

- 2.2.17 When any procedures or the health and safety policy are being reviewed, they are sent to stakeholders including Trade Union colleagues before being collated and agreed as appropriate.

2.3 Risk Management

- 2.3.1 The HSE has produced a draft Health and Work Strategy to assist organisations in managing the risk of work-related ill health. As per this strategy, the HSE's health and work priorities are occupational stress and related mental health issues, musculoskeletal disorders, and occupational lung disease.

- 2.3.2 The Council's Mental Health and Well Being in the Workplace Policy, Management of Stress Procedure, and Maximising Attendance Policy set out the ways in which risks associated with stress are managed. Quality of Working Life – Stress Risk Assessments should be carried out whenever a team or employee is under pressure to identify tasks in which there may be a potential to affect employee stress levels. Line Managers should look out for any signs or symptoms of stress for the employees under their control. Any concerns can be discussed between the employee and their Line Manager, before agreeing an action plan. Managers may then refer employees to the Council's Occupational Health Provider if stress continues to affect their health or quality of life. Employees can also seek assistance from the Employee Assistance Programme.

- 2.3.3 The term Musculoskeletal Disorders covers any injury, damage or disorder of the joints or other tissues in the upper / lower limbs or the back. As well as having Manual Handling policies and procedures, the Council has a Display Screen Equipment procedure and assessment form, which ensures workstations are designed and laid out to fit individual users so as to be safe and without risk to their health and safety. All users should be provided with information to raise awareness of the potential hazards and risks associated with Display Screen Equipment (DSE) work, how to set up a workstation and on the measures in place to comply with the DSE Regulations. DSE workstation assessments will be required at fixed and home workstations where there is an identified user or at any workstation where problems have been identified. There is currently no centrally held list of trained DSE Assessors, or of staff with other H&S training or qualifications such as First Aiders and Fire Wardens. A recommendation addressing this was made at paragraph 2.2.12.

- 2.3.4 Occupational lung disease includes a wide range of conditions from those that develop shortly after exposure (for example legionella infections) to those that develop many years later. The Council has a number of policies in place covering the Council's duty to manage the risk of such exposure, including the Control of Substances Hazardous to Health (COSHH) Procedure, the Asbestos Policy, and the Legionella Policy. The latter two are currently not available on the Zone as they are under review as discussed in 2.1.5.

- 2.3.5 An awareness of the risk environment and oversight of key risks through Risk Registers can help to meet strategic objectives effectively. The Council has a Corporate Risk Register (CRR) which captures the risks which pose the most significant threat to the achievement of organisational outcomes and have the potential to cause failure of service delivery. The CRR is maintained by the Corporate Risk Lead. It should be updated on a monthly basis by risk managers and owners, then scrutinised by CMT; reports are made annually to the Audit, Risk & Scrutiny Committee.

- 2.3.6 The CRR was reported to Committee on 25 September 2018. Health and Safety Compliance is currently rated as a significant risk, with partial effectiveness against clarity on roles and responsibilities, compliance, and monitoring of actions implemented. Proposed mitigating actions are a review of health and safety responsibilities, a programme to identify H&S skills and training needs, and a revised Assurance Framework to monitor performance and compliance.
- 2.3.7 If the mitigating actions are implemented in full the CRR gives a residual risk assessment of low risk. However, the proposed actions will require significant involvement of staff across the Council and investment of resources to ensure objectives are met within the suggested timescale.
- 2.3.8 There are Cluster Risk Registers which are kept and updated by the respective Cluster. These have recently been updated according to the new operating model. A timetable for reporting Registers to the new Committee structure was created in 2018 and Cluster Risk registers have been reported as required, with the exception of People and Organisation, Capital, and Corporate Landlord. The Capital Programme Committee meeting in November 2018, that was due to consider the latter two, was cancelled due to lack of business and re-scheduled for January 2019.
- 2.3.9 Whilst Health and Safety risks are also included in a small number of Cluster Risk Registers, these are comprehensively covered in the CRR which is for the Council as a whole.

2.4 Risk Assessments

- 2.4.1 The 1999 Regulations (regulation 3) require assessments of risk to employees, contractors, customers, partners and any other people who could be affected by the organisation's activities. The HSE has produced guidance and templates for organisations. A risk assessment must be suitable and sufficient, and any significant findings should be recorded in writing.
- 2.4.2 There is corporate Risk Assessment guidance available on the Zone which is comprehensive, including templates, a flowchart and FAQs. It reflects current HSE guidance. Training courses are also available through the corporate H&S team and an external provider. Completed risk assessments should be recorded on a risk assessment register.
- 2.4.3 A selection of 25 activities which require risk assessments were identified. Staff were interviewed and establishments contacted to establish whether assessments had been carried out and how they were administered. Since the majority of activities which could cause harm are undertaken in Operations, this Function provided the bulk of the sampled assessments.
- 2.4.4 One risk assessment, for a school excursion, could not be found and the Cluster advised it had not been completed as the trip had not gone ahead. Another, again for a school excursion, was not available because the responsible officer had left the school and a copy had not been retained. However, a Visit Plan document was provided which identified some potential hazards and referred to a completed risk assessment.
- 2.4.5 Of the remaining 23, all were in the correct format and appeared comprehensive. All but one had been reviewed within the last 12 months; one was last reviewed in March 2017 and had been due for review in January 2018. Of the remaining 22, 21 had appropriate review dates; one was marked due for review in July 2018, 6 months after the previous review, but this had not been carried out.

- 2.4.6 If risk assessments are not regularly reviewed new risks may not be identified and addressed.

<u>Recommendation</u>		
a) Clusters should be reminded to ensure that risk assessments are available for all relevant activities and that they are reviewed regularly.		
b) The Corporate Health and Safety team should ensure that risk assessment registers are checked during audit visits.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Corporate Health and Safety Lead	Significant within audited area

- 2.4.7 In no cases had note been taken of whether findings had been communicated or actions followed up. A recommendation has been made at 2.5.11 to address the requirement for appropriate reporting and for follow up action to be taken where required.
- 2.4.8 Of the 24 risk assessments reviewed, including the Visit Plan referred to in 2.4.4, sixteen members of staff were named as responsible for carrying out the assessments. Eleven of these were not recorded as having undertaken the Risk Assessment training course. A recommendation has already been made at 2.2.10.

Fire Risk Assessments and Multi-Storey Housing

- 2.4.9 The law in Scotland does not require a Fire Risk Assessment to be carried out for domestic properties which includes multi-storey housing blocks. After the Grenfell Tower tragedy the corporate H&S team started carrying out FRAs in multi-storey buildings as initially a one-off work process to review fire safety. The team advised that as far as they were aware, fire risk assessments had not been carried out for these properties in the past.
- 2.4.10 Post this review, the corporate H & S team decided that the risk was such that these FRAs should be built into the existing H&S audit programme so that an assessment or plan is carried out on every block on a three-year rolling programme; all blocks were assessed in mid 2017 post Grenfell. The Corporate Landlord Cluster also has a process where the actions are collated and reviewed to ensure that they are all implemented. However, the Fire Risk Assessment reviewed (sample 24, Donside Court) did not indicate that any actions had been followed up. The Corporate Health and Safety Lead advised that completed actions are shown on the fire risk register which is held by the Corporate Landlord Cluster and that this is now in place for all multi-storey blocks

2.5 Incident Reporting

- 2.5.1 The Reporting of Injuries, Diseases & Dangerous Occurrences Regulations 2013 (RIDDOR) stipulate reporting and recording requirements for employers. There is a written procedure covering how incidents should be reported. It covers accidents resulting in injury, reportable occupational diseases, and near miss incidents, as well as what must be reported to the HSE. There is also a training course available on how to investigate incidents. Reporting forms for injuries or near miss incidents are currently accessed through YourHR on the Zone. While not all employees have access to the Zone, procedures require that incidents should be reported to line managers (who should have access) who then complete the form. Paper forms are available if YourHR cannot be accessed immediately, although these should be input electronically as soon as possible.

- 2.5.2 As soon as the electronic reporting forms are completed they are automatically emailed to the corporate H&S team, who monitor the receiving inbox several times a day and are expected to act on reports where required as soon as they are received. Prompt action was reviewed as part of testing discussed below.
- 2.5.3 A sample of 25 incidents reported between April 2017 and October 2018 was selected from system reports and reviewed. All incidents had been reported through YourHR and reporting forms, where available, had been completely and filled in accurately. In one case, the incident was submitted as an injury but the procedure for such an incident (Policy and Procedure for Managing Substance Misuse Incidents Involving Children and Young People in Schools) advises these should be reported as a Near Miss. The school involved advised that procedures have been reviewed and staff reminded of how to follow the process.
- 2.5.4 Reporting dates are recorded by the system and these are identifiable from a system report. Per the system report, 11 incidents (2 near misses and 9 injuries) were reported over 3 days after the incident occurred. Three days is sufficient time to identify if an incident should be reported. One injury incident was apparently reported 220 days after it occurred.
- 2.5.5 Five incidents required to be reported to the HSE; although one of these was not reported timeously internally, all were reported to the HSE timeously and followed up appropriately.
- 2.5.6 Seven of 25 incidents tested referenced an investigation report which was not then submitted. It was not clear that effective action had been taken to identify the root causes and prevent re-occurrence. In a further three cases the investigation report had been submitted but was not complete as no actions were identified to mitigate re-occurrence. The corporate H&S team advised that it was not unusual for investigation reports not to be finalised; even if it is completed it is not always to the best standard, e.g. no root cause identified or that the actions identified have been implemented. In the past, the number of investigations not completed was reported to Committee, but this has not been done recently and the H&S team has insufficient resources to follow up on every reported incident. There is an intention to improve investigation reporting forms and have Business Intelligence report figures to Committee in order to identify and improve areas which are below standard. The Cluster advised that it is accepted there needs to be an improvement in the completion of incident reports to ensure Business Intelligence is accurate.
- 2.5.7 Of the 14 cases where an investigation report had been submitted and identifiable action had been taken, in 2 cases it was not clear that this was sufficient to remedy the cause of the incident. For one the investigation found that a warning about a tenant should have been added to the system following previous incidents, but this had not been done; the remedying action was to add the warning, but no action was reported to have been taken to ensure that in future warnings would be added when required. For the other, the root cause was found to be faulty equipment and the action was to fix the item, but no action was proposed to ensure that equipment is fit for purpose before use.
- 2.5.8 If incident reports are not correctly and timeously made, and incidents promptly and thoroughly investigated, there is a risk that hazardous practices will not be addressed, and the Council may be in breach of H&S regulations.
- 2.5.9 Near Miss reports include information on Risk Assessments but this is not included in Injury report forms or investigation forms even though the risk is higher; the "Investigation Questions" FAQ prompts the investigator to consider risk assessments, but these were not considered in any of the investigation reports reviewed. The corporate H&S team advised that the injury report form is a reproduction of the HSE report form, which does not ask for RA information, and so any additions would have to be removed before passing

to the HSE. However, in order to comply with H&S regulations risk assessments of activities must be made and recorded, and reviewed after incidents.

- 2.5.10 Of those forms which did look at risk assessments, 5, all near misses, replied “No” to the query “Risk Assessment Completed” which was taken to indicate that no risk assessment was in place at the time of the incident. The Corporate Health and Safety Lead advised that the purpose of this box is to check whether a risk assessment review had been completed post-incident. In four of these cases an investigation report had not been submitted, giving no assurance that any action had been taken.
- 2.5.11 The reporting system through YourHR is to be changed to the new system CoreHR and the Corporate H&S Lead is looking at changes to on-line near miss and investigation forms which would add questions about risk assessments. A recommendation is included to track progress.

<u>Recommendation</u>		
a) All Services should ensure that incident reports and investigations are submitted fully and promptly to the corporate H&S team.		
b) The corporate H&S team should review near miss and incident investigation paperwork to ensure that risk assessments are considered.		
<u>Service Response / Action</u>		
a) Reports will be issued to responsible managers and Health and Safety Function leads on incident reporting and investigation completion in order for corrective action to be taken as required.		
b) Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) June 2019	a) Chief Officer – Business Intelligence and Performance Management	Significant within audited area
b) June 2019	b) Corporate Health and Safety Lead	

- 2.5.12 In all incidents reviewed, a relevant training course was identified which if undertaken would have helped to mitigate the risk. In 13 cases there was no record of this training having been undertaken by the relevant employee. A recommendation has already been made at paragraph 2.2.9. In addition, a number of reporting employees had no record of completing the available training on reporting and investigating incidents. A recommendation has already been made at paragraph 2.2.12. Monitoring and Performance Reporting
- 2.5.13 Before introduction of the Target Operating Model, each Service had business support teams, part of whose remit was H&S tasks as deemed necessary by the Business Support Manager. These teams and their roles were removed during the reorganisation. There are Compliance Officers in several Clusters, a risk control team in Building Services, and a Health and Safety Coordinator for the Operations Function. Currently the corporate H&S team have regular “compliance” meetings with these staff offering guidance and advice, such as toolkits for line managers, training, template assessment documents and checklists, and fire and H&S audits
- 2.5.14 Fire risk assessments, H&S audits and compliance visits are carried out regularly by the corporate H&S team by arrangement with Services. The results of these are reported to

the relevant Function Health and Safety Groups quarterly and to senior and line managers as visits are completed.

- 2.5.15 Following the restructuring there are three Function Health and Safety groups as described in paragraph 2.6.2; Customer, Communities, Resources, Governance and Place (CCRG&P); Operations; and the Adult Social Care Health and Safety Committee. These Committees meet regularly and are attended by senior managers, Service managers, union representatives, and officers from HR and the corporate H&S team. Minutes for the Operations and CCRG&P groups are not currently published on the Zone. Minutes from June and October 2018 was obtained and reviewed and covered all relevant H&S issues; however, concerns were raised that the new Chief Officers were not receiving the same level of information on incidents and near miss reports as previous Directors under the old structure. The corporate H&S team agreed to explore how this information could be reported to Chief Officers.
- 2.5.16 Minutes for the Adult Social Care Health and Safety Committee are available on the Zone, with the last meeting recorded being 31 July 2018. The minutes were reviewed and covered all relevant H&S issues.

<u>Recommendation</u>		
The Corporate Health and Safety team should ensure that CCRG&P Health and Safety Committee minutes are made available to relevant officers.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
July 2019	Corporate Health and Safety Lead	Important within audited area

- 2.5.17 After the Corporate Health and Safety Committee was disbanded, Health and Safety responsibilities were taken on in part by the Staff Governance Committee, which began meeting in May 2018. However, this Committee is responsible for a number of additional issues and reports on Health and Safety are less detailed, since detailed reports are made to the Function Health and Safety Groups. Annual H&S reports are made to this Committee. The Governance function is responsible for these reports, with the H&S team taking the lead and preparing the report, which is a compilation of the 4 quarterly reports to sub-Committees. The information held in these is either that suggested by the H&S team or that which has been requested by the Committee.
- 2.5.18 It is good practice rather than mandatory under current legislation to make annual reports on Health and Safety. There is guidance from the HSE dating from 2001 which contains a number of measurement options, including: evidence of management commitment, e.g. policies; Committees; monitoring of H&S training; percentage of risk assessments completed or reviewed; days lost to occupational injuries or ill health; and reporting of near miss events.
- 2.5.19 The most recent annual report was presented to the Staff Governance Committee on 4 May 2018 and covered the previous financial year. It covered reported incidents and investigations; incidents notifiable to the HSE; near miss incidents and risk assessments; occupational health and wellbeing, and work-related absences; Health and Safety audits and compliance; and headline figures on training undertaken.

2.6 Insurance

- 2.6.1 Under the Employers' Liability (Compulsory Insurance) Act 1969 it is compulsory for most

employers with UK based employees to have employers' liability insurance, to ensure that if employees suffer injury or ill health it will be possible to compensate them. Organisations financed through public funds are specifically exempted from the 1969 Act as it would be possible to meet such claims from Council reserves. However, the Senior Insurance Officer advised that this would not represent best value to Council taxpayers and in order to ensure that costs were predictable and kept to a minimum, insurance cover had been sought.

- 2.6.2 The Council has both employers' liability and public liability cover in place. The insurance is managed through joint working with Aberdeenshire Council and was most recently tendered for in 2014. This liability insurance covers all activities of the Council, including those relating to Health and Safety. Part of the contract for insurance includes building surveys to assist in risk assessments.
- 2.6.3 The Insurance Team encourages staff to report any incidents that may result in a claim to them as soon as possible and this is supported by Financial Regulation 5.10.3 which states that "Chief Officers shall notify the Head of Commercial and Procurement Services and Chief Officer - Finance immediately in writing of any loss or any event likely to lead to a claim. Directors may also inform the Police where appropriate. All liability claims made against the Council shall be referred to the Insurance Officer in the first instance, without delay." However, information on the Insurance Team could not be found on the Zone, with the exception of a link to the Motor Accident Claim Form.
- 2.6.4 If staff cannot find details of how to contact the Insurance Team there is a risk that a potential claim might not be timeously communicated.

<u>Recommendation</u>		
Details of how and when to contact the Insurance Team should be added to the Zone.		
<u>Service Response / Action</u>		
Agreed. A page will be added to the Zone.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2019	Senior Insurance Officer	Important within audited area

AUDITORS: D Hughes
A Johnston
L Jarvis

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1916 – Prevention of Fraud, Bribery and Corruption
REPORT NUMBER	IA/AC1916
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Prevention of Fraud, Bribery and Corruption.

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 the Prevention of Fraud, Bribery and Corruption.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1916 –Prevention of Fraud, Bribery and Corruption.

10. REPORT AUTHOR DETAILS

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(01467) 537861



Internal Audit Report

Prevention of Fraud, Bribery and Corruption

Issued to:

Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Isla Newcombe, Chief Officer – Organisational Development
Vikki Cuthbert, Assurance Manager
Brian Muldoon, Corporate Investigation Lead Officer
External Audit

EXECUTIVE SUMMARY

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss” which includes many acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, and collusion.

The Council’s internal control environment, including the Scheme of Governance and policies and procedures, provide a measure of mitigation against the risk of fraud, however that risk cannot be wholly eliminated.

Recently, the National Fraud Initiative (NFI) reported results from investigations for 2016/17 for Scotland which confirmed an identified £18.6 million of fraud, and £301 million for the UK for the same period.

Investigations carried out by the Council’s own Corporate Investigation Team (CIT) have identified savings (actual and notional) of over £450,000 through identification and prevention of fraud in 2017/18.

The objective of this audit was to provide assurance that the Council’s arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate. In general, this was found to be the case.

Improvements have been recommended to enhance consistency between, and application of, policies including Financial Regulations and Gifts and Hospitality, in respect of cross references and authorisation controls. Finance is carrying out a review of Financial Regulations and will include relevant amendments.

The Council’s Fraud, Bribery and Corruption policy requires Chief Officers to ensure fraud risk assessments are carried out on posts and activities within their areas of responsibility, and that training is provided as appropriate. Employees are also required to declare potential conflicts of interest to their line manager. There is, however, no system in place to evidence these activities taking place. Officers will be reminded of the requirements and this will be followed up to ensure they are being completed.

1. INTRODUCTION

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss” which includes many acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, and collusion.
- 1.2 The Council’s internal control environment, including the Scheme of Governance and policies and procedures, provide a measure of mitigation against the risk of fraud, however that risk cannot be wholly eliminated.
- 1.3 Recently, the National Fraud Initiative (NFI) reported results from investigations for 2016/17 for Scotland which confirmed an identified £18.6 million of fraud, and £301 million for the UK for the same period.
- 1.4 Investigations carried out by the Council’s own Corporate Investigation Team (CIT) have identified savings (actual and notional) of over £450,000 through identification and prevention of fraud in 2017/18.
- 1.5 The objective of this audit was to provide assurance that the Council’s arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate. This involved a review of procedures, and contacting Services to identify existing practice and identified instances of fraud. The audit did not examine investigations carried out by the CIT.
- 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, Chief Officer – Governance; Jonathan Belford, Chief Officer – Finance; Isla Newcombe, Chief Officer – Organisational Development, Vikki Cuthbert – Assurance Manager, and Brian Muldoon, Corporate Investigation Lead Officer.

2. FINDINGS AND RECOMMENDATIONS

2.1 Policy and Written Procedures

- 2.1.1 The Council's Fraud, Bribery and Corruption policy was last updated in 2018 and is reviewed or updated every 2 years. The Whistleblowing policy was last updated in 2016 and is reviewed or updated every 3 years. There is also a Gifts and Hospitality procedure, last reviewed in 2014. These policies and procedures provide details on types of fraud, how to report fraud, the prevention and detection of fraud, and the investigation that will be carried out. Each is accessible for staff via the Zone.
- 2.1.2 The Gifts and Hospitality procedure advises that offers of gifts or hospitality must be authorised prior to acceptance. The Financial Regulations does not reference a separate procedure (as it does for e.g. Fraud, Bribery and Corruption) and does not indicate a requirement for prior authorisation. This difference could cause inconsistencies in practice.

Recommendation

Finance should ensure that the information in the Gifts and Hospitality procedure and Financial Regulations is consistent.

Service Response / Action

Agreed. This has been flagged as a task to be undertaken as part of a planned review of Financial Regulations.

Implementation Date

March 2019

Responsible Officer

Finance Partner

Grading

Important within audited area

- 2.1.3 The Corporate Risk Register (September 2018) included "Risk that the Council is exposed to fraud, bribery and corruption". An assessment of this is carried out regularly, detailing the potential impact, causes and controls in place. This also reviews the impact and likelihood of this risk occurring; the impact is measured from negligible to very serious and likelihood from almost impossible to very high. In September 2018, the impact was recorded as very serious and the likelihood low, reducing to very low after implementation of mitigating controls. The Service has stated that risk has since been de-escalated from the Corporate Risk Register to Governance Cluster level due to controls in place being considered 'fully effective' by management, and this will be subject to regular review.
- 2.1.4 Under the Fraud, Bribery and Corruption policy, Chief Officers 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 should 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. Training should then 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.
- 2.1.5 Whilst training is available, including reference to fraud reporting in the corporate induction, there is no register of posts considered to present higher risk of fraud or bribery. There is also no reference to these areas of risk within the Governance or other Cluster risk registers provided to Committees in November 2018 and January 2019 – as these do not include the risks de-escalated and kept under management review.

Recommendation

Services should ensure that Service and post fraud and bribery risk assessments are being completed, with results held centrally and referenced in their risk registers.

Service Response / Action

Partially agreed.

Chief Officers are responsible for ensuring fraud risk assessments are carried out on posts and activities within their areas of responsibility, and that training is provided as appropriate. The Policy does not require a central register, and to create and manage such a list would require resources which are not available for this purpose, and would duplicate existing Chief Officer responsibilities.

Chief Officers will be reminded of the requirement to risk assess posts and activities in order to prioritise fraud and bribery training, and will be provided with guidance on how to do this. Compliance with this requirement will be monitored through each Chief Officer’s Cluster risk register.

Implementation Date

June 2019

Responsible Officer

Corporate Investigation
Team Manager

Grading

Significant within audited
area

- 2.1.6 The policy also states that Council employees must declare any possible conflict of interest they have to their line manager. However, there is no register of employee’s interests to demonstrate that this is taking place, to determine where this might pose a risk, and to set out any mitigating controls put in place as a result.

Recommendation

The Council should implement a process to record and where appropriate address potential employee conflicts of interest.

Service Response / Action

Agreed.

There is a register of conflicts of interest in existence in the Council for all Chief Officers/Directors/Chief Executive, whereby they are requested annually to update their declaration form listing any relevant interests that may conflict with their role. That was put in place following a recommendation of the Governance Review.

The Employee Code of Conduct states that any private interest an employee has relating to the work of the Council must be declared to their line manager. The Code of Conduct links to the employment contract, being a Council policy, so it would be for the line manager to assess (with advice where required) whether a declared interest had a bearing on the work of the Council and if so what measure(s) would need to be put in place to address this. In the event of misconduct relating to interests being found not to have been declared, relevant action will be taken.

Implementation Date

Implemented

Responsible Officer

Chief Officer –
Governance

Grading

Significant within audited
area

- 2.1.7 Other policies that reference fraud, bribery and corruption are the Employee Code of Conduct, Financial Regulations, Procurement Regulations, and Managing Discipline.

2.2 Fraud Recording

- 2.2.1 The Corporate Investigation Team (CIT) was set up in 2015 and is responsible for investigating reports of fraud, bribery or corruption. The CIT includes staff with relevant expertise in counter fraud and investigation work. Internal and external (e.g. from members of the public) fraud allegations are routed via the website and a dedicated telephone number through to the CIT, given consideration, prioritised and where appropriate investigated. The CIT records all action taken, and prepares an annual report of its activity, including details of its role, referrals and cases opened, potential savings generated, and key areas of fraud identified.
- 2.2.2 The CIT supports Services with specific advice where required, and makes information available on the Zone which details what they do, types of fraud that can occur, and the ways in which they could occur. This information was last updated in July 2017, and the CIT has indicated an intention to update it to reflect current risks when resources, currently allocated to investigations, are available.

2.3 National Fraud Initiative

- 2.3.1 The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.
- 2.3.2 Councils are requested to upload specific datasets to a secure portal for review, and thereafter data matches are highlighted and returned for further investigation. Within the Council, the CIT lead officer is responsible for the operational delivery of the NFI with the Chief Officer – Governance having overall responsibility. There is no specific deadline for reviewing data matches, however, should these highlight potentially fraudulent activity it will be beneficial to address these promptly. CIT works with relevant services to allocate appropriate staff to review possible irregularities. The CIT has committed to share progress updates with Internal Audit after NFI matches are released in January 2019.

2.4 Controls

- 2.4.1 Section 7 of the Council's Financial Regulations sets out that Chief Officers are responsible for maintaining an adequate system of financial control and are expected to communicate the expectations and duties of staff as part of a control environment. They are also responsible for ensuring that the major areas of an internal control framework are addressed and that weaknesses highlighted are acted upon. Staff are responsible for complying with the Council's internal controls. The Regulations further define internal control activities and provide advice on their design and implementation, but are not prescriptive due to the variety and complexity of processes and systems in place and associated risks across the Council. It is however stated that systems should include both prevention and detection activities.
- 2.4.2 In response to identified fraud risks and potential weaknesses, including those highlighted in reports from Internal Audit and the CIT, Services have put additional controls in place. These have been documented in previous Internal Audit reports, and agreed actions are followed up with responsible officers until implemented.

AUDITORS: D Hughes
C Harvey
R Brand

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1921 – Bond Trust Deed
REPORT NUMBER	IA/AC1921
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Bond Trust Deed.

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 the Bond Trust Deed.

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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1921– Bond Trust Deed.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Governance

Bond Trust Deed

Issued to:

Steven Whyte, Director of Resources
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

The Bond Trust Deed (Deed) is a legal agreement, between the Council and the Bond Trustee, detailing the rights and obligations of both parties, in respect of the £370 million of index linked bonds issued by the Council on 1 November 2016, due to be repaid by the Council with interest to the Bond Trustee, by February 2054. The Deed describes the obligations of both parties in relation to the issue of the Bonds as well as the ongoing obligations since.

The objective of this audit was to provide assurance that the requirements of the Bond Trust Deed are complied with. In general, this was found to be the case however recommendations have been made to improve procedures and controls.

Payments to date were accurate based on available bondholder certificates and were made on a timely basis. Controls were also in place to ensure the increase in Bond principal owed by the Council, as calculated by the Calculation Agent, upon which interest is applied, was in line with the increase in retail price index, as required by the Bond Trust Deed.

A Bond Trust Deed responsibilities spreadsheet has been put in place by Governance, which is comprehensive in terms of the coverage of the Bond Trust Deed clauses and conditions and is a useful tool in navigating the Bond Trust Deed and identifying ongoing responsibilities. The Service identified that not all clauses had been allocated responsible officers and did so during the course of the audit.

1. INTRODUCTION

- 1.1 The Bond Trust Deed (Deed) is a legal agreement made on 8 November 2016, between the Council and the Bond Trustee, detailing the rights and obligations of both parties, in respect of the £370 million of index linked bonds issued by the Council on 1 November 2016, which are due to be repaid with interest by the Council to the Bond Trustee, by February 2054. The Deed describes the obligations of both parties in relation to the issue of the Bonds as well as the ongoing obligations since.
- 1.2 The Bond Trust Deed requires the Council to:
- settle Bond principal and interest payments owed in a timely manner;
 - maintain a Calculation Agent and Paying Agent for the purposes of calculating bond interest and principal payments owed and to make these payments to Bondholders on the Council's behalf;
 - withhold tax on interest payments as required and make payments to HMRC;
 - send to the Bond Trustee a copy of the Audited Annual Accounts no later than 180 days after the end of the financial year;
 - provide to the Bond Trustee within 180 days after the end of each financial year a certificate stating no Event of Default or potential Event of Default existed;
 - maintain a Credit Rating;
 - use all reasonable endeavours to maintain the listing of the Bonds on the Official List of the UKLA to enable trading on the London Stock Exchange (LSE);
 - comply with Public Contracts (Scotland) Regulations, so far as they are applicable to any part of the capital programme funded by the bonds;
 - settle the financial liabilities of the Trustee in relation to its duties under the Bond Trust Deed.
- 1.3 The objective of this audit was to provide assurance that the requirements of the Bond Trust Deed are complied with.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Fraser Bell, Chief Officer – Governance, Sandra Buthlay, Finance Partner and Deirdre Nicolson, Solicitor.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Policies, Procedures and Training

- 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 that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving. They have increased importance where new systems or procedures are being introduced.
- 2.1.2 Governance has prepared a Bond Trust Deed responsibilities spreadsheet, which lists the Deed clauses and schedules by page, paragraph and heading, identifying the responsible organisation and where related to the Council, the responsible Service. The spreadsheet indicates any required action in relation to Deed clauses / schedules, including “ongoing” responsibilities, such as making financial statements available to the Bond Trustee. Clauses relating to the Bond issue have been marked “complete” whilst other clauses, such as the fact the Trustee can retire on giving 60 days notice, are marked to indicate they had been considered.
- 2.1.3 The spreadsheet is comprehensive in terms of the coverage of the Bond Trust Deed clauses and conditions and is a useful tool in navigating the Bond Trust Deed and identifying ongoing responsibilities.
- 2.1.4 The Bond Governance Project Board is responsible for providing assurance that arrangements are in place for the Council to meet its requirements in relation to the Bond. The Bond Trust Deed responsibilities spreadsheet was reported to the Bond Governance Project Board on 21 August 2018 along with a report detailing the contents of the Bond Trust Deed.
- 2.1.5 The Board agreed that responsible officers would be allocated to the responsibilities spreadsheet. However, all Council Functions and responsible officers have yet to be allocated against Council Bond Trust Deed clauses. A recommendation is included for tracking purposes.

Recommendation

Functions and Responsible officers should be allocated against all Council Bond Trust Deed clauses.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Chief Officer –
Governance

Grading

Important within audited
area

2.2 London Stock Exchange Listing

- 2.2.1 As stated in paragraph 1.2 the Bond Trust Deed requires the Council to use all reasonable endeavours to maintain the listing of the Bonds on the Official List of the UKLA to enable trading of Bonds on the London Stock Exchange. To maintain the Council’s listing, the Council has 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, in order to reduce the risk of Insider Dealing and misleading investors.

- 2.2.2 The Council's arrangements to ensure compliance with London Stock Exchange requirements were reviewed in Internal Audit report AC1824, issued in February 2018 and have not been revisited as part of this audit. All recommendations made in report AC1824 have been implemented.

2.3 Payments to Trustee

- 2.3.1 The Deed requires that the Council maintain a Principal Paying Agent, responsible for managing payments of interest and principal to Bondholders, and a Calculation Agent, who is responsible for calculating the index ratio to be applied to outstanding principal balances, as well as interest and principal payments due by the Council. The Agency Agreement with the Calculation Agent and Principal Paying Agent was made on 8 November 2016 detailing the respective responsibilities of the Council, Principal Paying Agent and Calculation Agent, who are both the same organisation.
- 2.3.2 The Deed also requires that the Council ensures the Principal Paying Agent keeps full and complete records of all Bond balances outstanding, interest paid, and principal repaid. This is required of the Principal Paying Agent by clause 16.1.1 of the Agency Agreement.
- 2.3.3 The Principal Paying Agent provides an index ratio to Finance in advance of the interest due date. This is applied to the principal outstanding to increase the amount owed in line with the retail price index, as required by the Bond Trust Deed as well as the interest and principal payments. Finance maintains a "Bond Interest" spreadsheet for the purposes of independently recalculating the index ratio, also using movements in RPI. Finance then uses the taxable and non-taxable principal split in the "UK Election Tax Breakdown" spreadsheet provided by the Principal Paying Agent, to calculate the correct tax to be deducted from gross interest owed, enabling the net interest payment to the Principal Paying Agent to be compared to the payment request from the Principal Paying Agent and verified, in advance of payment being made.
- 2.3.4 The Agency Agreement requires the Council to make payment of any interest and principal owed by one business day before the payment comes due, on the last day of February and August, depending on the 6-month period the payment relates to. The Bond Trust Deed enables the Bond Trustee to take actions it deems necessary to obtain repayment of outstanding balances owed by the Council, relating to the Bonds, on instruction of 25% of the Bondholders, should the Council default on any payments of interest or principal and the default continues for a period of more than 5 days.
- 2.3.5 Four 6 monthly interest payments have fallen due since the Bonds were issued in November 2016. All payments were in line with the payment request provided by the Principal Paying Agent, agreed to the "Bond interest" spreadsheet maintained by Finance and were made in a timely manner.
- 2.3.6 The Agency Agreement (clause 10.1) requires the Council to determine whether any deduction or withholding is required to be made in relation to tax, based on Bondholder tax certificates provided by the Principal Paying Agent, in advance of the interest payment date. The tax certificates are prepared by the Bondholders and detail the quantity of securities held by the Bondholders and whether interest should be paid gross or net of tax. According to the Agency Agreement Tax Certification Procedure, upon receipt of tax certificates, the Council is required to confirm to the Principal Paying Agent whether they accept or reject the certificates and provide the total principal amount of Bonds for which interest should be paid gross and total principal amount for which tax should be deducted from interest payment at the prevailing rate, which can be obtained based on the

declarations of Bondholders in the tax certificates. Finance has stated that whilst no formal notification to confirm acceptance has been provided to the Principal Paying Agent, remittance of the requested funds infers confirmation of acceptance. The Principal Paying Agent has not raised any issues or concerns with this way of working.

- 2.3.7 Finance receive tax certificates from the Principal Paying Agent for Bondholders declaring they are entitled to receive interest paid gross. The total principal per the Bondholder certificates relating to interest to be paid gross, for all interest payments made by the Council, agreed to that used by the Principal Paying Agent and Finance to calculate tax to be withheld.
- 2.3.8 The 2017/18 tax withheld from interest payments of £50,716 was reported to HMRC on 12 June 2018 with an acknowledgement received from HMRC on 24 July 2018. This agreed to the tax calculated by the Principal Paying Agent and the recalculation by Finance.
- 2.3.9 Under clause 23.2 of the Deed, the Council is required to report any payments to the Principal Paying Agent which could be subject to the U.S. Foreign Account Tax Compliance Act (FATCA). The FATCA requires financial institutions foreign to the U.S. to report on assets held by U.S. account holders. Finance has advised it is not clear when this applies due to the Principal Paying Agent seeking to keep certain Bondholder details confidential. Finance have sought clarification from the Principal Paying Agent on their responsibilities in relation to the FATCA, who responded and has not indicated the Council has any responsibilities in this regard.

2.4 Credit Rating

- 2.4.1 The Deed requires the Council to maintain a credit rating. To maintain a credit rating the Council's appointed credit rating agency (Moody's) must conduct a review at least once every 12 months. Moody's conducted their annual review on 6 November 2018. A presentation was delivered to Moody's by the Chief Executive, Director of Resources, Chief Officer – Finance, Chief Officer – Governance, and Chief Officer – City Growth. This covered the Council's Governance and Management arrangements; Aberdeen's economy and implications of Brexit; capital investment; the Council's financial performance and financial planning in the medium term.
- 2.4.2 Moody's released their annual credit rating report on 22 November 2018 (prior year credit rating report issued 20 November 2017). The Council's credit rating remained unchanged at Aa3 with a stable outlook. The credit rating report was noted by the City Growth and Resources Committee on 27 November 2018.
- 2.4.3 To support the Council's annual credit rating review, the first annual Economic Policy Panel report was released at the State of the Cities Conference on 2 November and made available to Moody's, in advance of their review. The Economic Policy Panel was formed on 23 August 2017 and is made up of 3 former senior economists from established public and private sector organisations. The Panel's report provided an analysis of the Aberdeen City Region economy, considering various economic indicators, such as trends in: house prices; employment rates; the price of oil; and the population of working age. Economic challenges were identified, and recommendations made to address these. The report was noted by the City Growth and Resources Committee on 27 November 2018, and the Committee approved recommendations to progress the agenda of the Panel.

2.5 Bond Trustee requirements

- 2.5.1 Clause 15.1.7 of the Deed requires that the Council provide confirmation to the Trustee that there has been no event of default, or potential event of default and the Council has

complied with the requirements of the Bond Trust Deed, signed by an Authorised Signatory, no later than 180 days after the end of the financial year. An event of default relates to the Council being unable to pay its debts as they fall due. Clause 15.1.5 of the Deed requires the Council to also provide a copy of the audited financial statements to the Trustee, also within 180 days of the financial year.

2.5.2 The 2017/18 Audited Annual Accounts and confirmation that no event of default or potential event of default had occurred, signed by the Chief Officer – Finance, were sent to the Trustee on 21 September 2018, ahead of the 180-day deadline.

2.5.3 In accordance with the Bond Trust Deed, the Council has paid the Bond Trustee remuneration for its services as specified in the Transaction Fee Letter.

2.6 Bond Trustee Liabilities

2.6.1 Clause 16.5 of the Deed requires the Council to pay or discharge all liabilities of the Bond Trustee in relation to carrying out its duties under the Deed and resolving any doubt concerning the Deed or related transaction documents.

2.6.2 A £5,000 charge was incurred by the Council on 14 November 2017, as a result of such a liability. This related to legal advice provided to the Trustee in relation to certain Bondholders requiring the February payment date be amended to the last day of the month, rather than 28 February, to account for leap years, as it was preferable for their accounting purposes. This required a Consent Solicitation, seeking Bondholders consent by vote.

2.6.3 Should similar Bond Trustee expenses arise again these would be incurred by the Council. Finance has considered the likelihood of such costs recurring and believes such costs would be difficult to quantify and do not lend themselves to insurance cover.

2.7 Procurement

2.7.1 The Trust Deed requires the Council to comply with procurement legislation in relation to the capital programme funded by the proceeds of the Bond issue, which largely related to the Event Complex Aberdeen (TECA) project.

2.7.2 The award of the contract followed a competitive tender process involving 4 suppliers following advertisement of the works in the OJEU on 18 June 2012. The contract is included in the Council’s contract register as required by the Procurement Reform (Scotland) Act 2014, however the contract value according to the contract register was not updated to reflect the outcome of the tender process and subsequent contract variations.

<u>Recommendation</u>		
The contract register should be updated to reflect the revised contract value.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
January 2019	Director of Resources	Important within audited area

AUDITORS: D Hughes
A Johnston

Appendix 1 – Grading of Recommendations

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



Aberdeen City Council

Audit strategy

Year ending 31 March 2019

For audit, risk and scrutiny committee consideration on 14 February 2019

1 February 2019

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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 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. 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, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Introduction

2018-19 is the third 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. This five year period is also the maximum permitted for an engagement leader for an EU Public Interest Entity (“EU-PIE”). Our appointment includes the audit of the Aberdeen City Council Charitable Trusts.

Our planned work in 2018-19 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
 - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom (“the 2018-19 Code”) of the state of the affairs of the Council as at 31 March 2019 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 2018-19 Code, the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- participation in the shared risk assessment as part of the local area network;
- completion of returns to Audit Scotland and 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 audit quality; 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-PIE, we are also required to include an engagement quality control reviewer.



Andy Shaw
Engagement leader – Audit director



Matthew Moore
Manager

Our work will be completed in four phases from December 2018 to September 2019. 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 £9.2 million, which equates to 1% of gross cost of services expenditure. We will review the level of materiality on receipt of draft accounts for 2018-19.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. In line with the Code of Audit Practice this is £0.25 million.

Page six



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 over expenditure recognition (assumed risk per ISA 240 and Practice Note 10);
- retirement benefits; and
- revaluation of property, plant and equipment.

We also include an other focus area in respect of capital expenditure.

We consider that revaluation of property, plant and equipment and retirement benefits 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.

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 2018-19, 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 continued embedding of the Target Operating Model and in respect of large capital projects. We have not identified any wider scope financial statement level significant risks.

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. 2018-19 represents year three of the Best Value plan for the Council during which we will consider Performance and Outcomes.

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 Integration Joint Board;
- 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 the Aberdeen City Integration Joint Board.

Appendix seven

Independence

In accordance with International Standards on Auditing (UK) ('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 2018 were communicated in our Annual Audit Report issued in September 2018. Total fees for 2018-19 will be presented in our Annual Audit Report issued on completion of the audit. The proposed audit fee for 2018-19 is £424,210 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 users of the financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

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

Materiality for planning purposes has been set at £8.7 million for the Council's standalone accounts, and at £9.2 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, as these fluctuate significantly year-on-year. 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; performance materiality is £6.0 million.

Reporting to the audit, risk and scrutiny committee

Under ISA 260 '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 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.



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 retirement benefits as the 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
Financial statement risk		
Fraud risk from management override of controls	<p>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.</p> <p>This is an assumed risk per ISA 240.</p>	<ul style="list-style-type: none"> — 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. — Strong oversight of finances by management, and reporting to those charged with governance, provides additional review of potential material misstatements caused by management override of controls. — 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.

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Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

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Significant risk	Why	Audit approach
Financial statement risk		
Fraud risk over expenditure recognition	<p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, and depreciation. These costs are routine in nature and have limited risk of manipulation. As other operating expenditure is unlikely to be material, we also rebut the assumed risk in respect of this account.</p> <p>We have not rebutted the assumed risk in respect of the remaining expenditure accounts (£670 million) within the £909 million (in 2017-18) gross expenditure.</p>	<ul style="list-style-type: none"> — Comparison of the the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation. — Testing of controls specific to capital vs revenue allocation. — Testing of expenditure cut-off including a search for unrecorded liabilities. — Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances. — Review and challenge of management in respect of estimates for evidence of bias. — Testing of journal entries in relation to expenditure for evidence of management bias.

Income recognition fraud risk

As above, ISA 240 requires us to consider if the fraud risk from revenue recognition is significant.

We do not consider recognition of the income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised. Income of a commercial or non-standard nature (“other income”), where the risk of manipulation is inherently greater, is not likely to be materially inappropriate. We therefore rebut the revenue recognition fraud risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures. In the prior year audit strategy we did not rebut the risk in respect of other income. Having considered the results of the prior year testing we have rebutted the assumed risk for 2018-19.

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

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Significant risk	Why	Audit approach
Financial statement risk		
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 2018-19 the following category of assets will be subject to revaluation and we expect the movement to be material:</p> <ul style="list-style-type: none"> — Libraries. — Waste disposal sites. — Travellers sites. — Secondary schools. — Depots <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we consider there to be significant risk of misstatement.</p> <p>In addition to those assets revalued in year, the Council will have to evidence how it satisfies itself that the other assets not revalued in 2018-19 are not materially misstated.</p> <p>During the year construction of the Lochside Academy was completed. The Academy is funded by a Private Finance Initiative and there are specific accounting entries (and disclosures) that are required to recognise the asset initially, and subsequently value the asset on an ongoing basis. These two values may be materially different.</p>	<p>Our procedures include:</p> <p>Control design:</p> <ul style="list-style-type: none"> — We will obtain an understanding of management’s involvement in the valuation process to assess if appropriate oversight has occurred. — 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. — We will assess the risk of the valuation changing materially during the year, or between the date of valuation and the year end. <p>Assessing valuer’s credentials:</p> <ul style="list-style-type: none"> — We will critically assess the independence, professional qualifications, competence and experience of the Council valuer. <p>Assessing methodology choice and benchmarking assumptions:</p> <ul style="list-style-type: none"> — We will utilise our internal specialist to critically assess the methodology used by the valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards ‘the Red Book’ and relevant accounting standards. — We will challenge the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data. — We will meet with the Council valuer to understand the assumptions and methodologies used in valuing the various assets revalued during 2018-19 and the market evidence used to support the assumptions.
	Continued.....	Continued...

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

Significant risk	Why	Audit approach
Financial statement risk		
Revaluation of property, plant and equipment (continued)	<p>Continued.....</p> <p>The Council also holds £148 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>The Marischal Square development was valued for the first time in 2017-18 and new leases have been signed with tenants in 2018-19, giving rise to potential change in the carrying value of this investment property (£64 million as at 31 March 2018).</p>	<p>Continued.....</p> <ul style="list-style-type: none"> — We will challenge management’s assessment of why it considers that the land and buildings not revalued in 2018-19 are not materially misstated. — In respect of new PFI assets, we will agree the accounting entries to the underlying contract and PFI model. We will test the PFI model for appropriateness and arithmetical accuracy. — In respect of new PFI assets we will consider the appropriateness of disclosures in the financial statements. <p>Input assessment</p> <ul style="list-style-type: none"> — We will agree observable inputs used in the valuations, such as land size, floor space, rental income etc. <p>Disclosure assessment</p> <ul style="list-style-type: none"> — We will critically assess the adequacy of the Council’s disclosures in relation to the judgement in relation to valuing properties.

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Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

Significant risk	Why	Audit approach
Financial statement risk		
Retirement benefits	<p>The net pension liability (£310 million as at 31 March 2018, including assets of £1.265 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 2017.</p> <p>The calculation of the Local Government Pension Scheme liability requires the use of an actuarial methodology, the result of which is dependent upon a number of assumptions. These include both financial and demographic assumptions, such as the discount rate, inflation rates, mortality rates etc. These assumptions should reflect the profile of the Council's employees, and be based on appropriate data. The basis of the assumptions should also be derived on a consistent basis year to year.</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 on the net pension liability accounted for in the financial statements.</p>	<p>Our audit approach includes:</p> <p>Control design:</p> <ul style="list-style-type: none"> — 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. <p>Benchmarking assumptions:</p> <ul style="list-style-type: none"> — 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. — 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. <p>Assessing transparency:</p> <ul style="list-style-type: none"> — Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions. — Testing the assets recorded and disclosed, using our actuarial team. — Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.

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Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

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Other focus area	Why	Audit approach
Financial statement other focus area		
<p>Capital expenditure</p>	<p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. Key projects in progress in 2018-19 include the Aberdeen Exhibition and Conference Centre and the Aberdeen Western Peripheral Route.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider it to be an area of audit focus. 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>In the 2017-18 audit strategy we included this area as a significant risk. We have reduced the classification to an other focus area for 2018-19 having considered the results of the testing in the prior year. This is in view of the specific nature of the underlying contracts, whereby financial overrun risks for large projects substantially rests with the building contractors. The impact of this is primarily in respect of the quantum of the additions samples tested. The nature of the audit work is unchanged.</p>	<p>Our audit approach includes:</p> <p>Control design:</p> <ul style="list-style-type: none"> — Testing the design and operating effectiveness of controls over the capital projects. — Testing the design and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects. <p>Control re-performance:</p> <ul style="list-style-type: none"> — Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance. <p>Tests of detail:</p> <ul style="list-style-type: none"> — Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation. — Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified. — Review and corroboration of manual journals. <p>We will specifically consider the following major project overall, which may include more complex accounting treatments, including wider scope and Best Value aspects:</p> <ul style="list-style-type: none"> — Aberdeen Exhibition and Conference Centre.

Accounting framework update

The Code is revised each year, incorporating selected changes to the underlying International Financial Reporting Standards ('IFRS').

The key accounting changes in the 2018-19 edition of the Code include:

- Revenue from Contracts with Service Recipients following the adoption of IFRS 15 *Revenue from Contracts with Customers*.
- amendments to Presentation of Financial Statements to reflect the disclosure requirements under IAS 7 *Statement of Cash Flows (Disclosure Initiative)*;
- clarification to the segmental reporting arrangements under the Code;
- amendments to Property, Plant and Equipment to reflect changes as a result of The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017;
- amendments to the Code to introduce the incurred loss model for the impairment of non-contractual debts including relevant disclosure requirements as a consequence of the expected credit loss model for impairment being introduced by the adoption of IFRS 9;
- amendments to Debtors and Creditors sections to remove the requirement to disclose the analysis of debtors across public sector bodies; and
- a new Financial Instruments section to reflect the Code's adoption of IFRS 9 *Financial Instruments*.

Expected from 2020-21, IFRS 16 *Leases* supersedes IAS 17 *Leases*. IFRS 16 introduces a single lessee accounting model. The Council will be more likely to account for operating leases in a similar way to the current IAS 17 treatment for finance leases. A significant volume of leases which are currently accounted for as operating leases will become financial leases and will be recognised within the Council's balance sheet.

These changes are significant and the Council has started to prepare in advance, particularly where the 2018-19 balances will form the comparatives in future accounts. As part of the 2018-19 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 2017-18 we made recommendations for enhancing the control environment, particularly in respect of certain general IT controls, revaluation accounting and complex transactions accounting. During the 2018-19 audit we will follow-up on management's progress in implementing the agreed recommendations. We will also report any new findings arising from our work in 2018-19.

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. In 2018-19 we do not consider it to be a significant risk, consistent with 2017-18. For 2018-19 management will update factual RPI movements to the 28 February 2019 measurement date (which determines the bond principal outstanding and interest payable) and will accrue for the month of March 2019 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.

Brexit uncertainty

A combination of the challenges facing the economy, rapidly changing risks to business models in some sectors and Brexit means that the level of uncertainty facing all bodies is unprecedented, at a time when they will be approving annual reports and accounts. That in turn means that our audits need to respond to the changing landscape and our approach will inevitably need to react as events unfold.

In all long form audit opinions (relevant to EU PIEs) we consider whether Brexit is a Key Audit Matter requiring specific consideration and emphasis. We will assess the position in June 2019, taking account of Westminster decisions made in relation to EU withdrawal.

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.

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*. We will issue group audit instructions to the auditor of Bon Accord Care 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 will also request that we review its audit work in respect of the pension liability as that is an area of significant risk for the Council's 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 2018-19 there is no additional scrutiny required by external audit.

The shared risk assessment process across Scotland has changed for 2019-20 and no local scrutiny plans are prepared. We use the shared risk assessment process to consider if there are wider scope risks relevant to the Annual Audit Report.



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 wider scope significant risks relevant to the Council. We include in the following tables areas of focus and their impact on the audit approach. In summary we consider that the following are key areas of focus:

- Delivery of transformation, income generation and efficiencies to meet the financial sustainability challenges within the local authority environment. The continued embedding of the Target Operating Model ('TOM') is a key part of the Council's plans to deliver these objectives.
- Progress of significant capital projects. The Aberdeen Exhibition and Conference Centre ('AECC') in particular is a critical part of the Council's city development and its successful delivery is important to support future debt service costs.

Audit Scotland highlighted five areas which may represent significant risks to all bodies and we reference these in the relevant wider scope sections: EU withdrawal; changing landscape for public financial management; dependency on key suppliers; care income, financial assessments and financial guardianship; and openness and transparency.

Wider scope area	Why	Audit approach
Financial sustainability and financial management	<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>Areas of focus:</p> <p><i>Delivery of transformation, income generation and efficiencies</i></p> <p>In May 2018 the Scottish Government published its five year medium term financial strategy. This highlighted that the funding reductions for local government will likely continue in medium term. This contributed to further savings to be identified by the Council. Management has also identified needs-led pressures in services for 2019-20 and beyond.</p> <p>In addition to the Council identified potential risks to future budgets from future teacher pay settlement and the costs that might be needed to implement any findings from the Scottish Child Abuse inquiry. The Council has restricted non-essential spend to help alleviate these pressures.</p> <p style="text-align: right;">Continued.....</p>	<p>— See next page</p>

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Wider scope and Best Value (continued)

Risk assessment (continued)

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Wider scope area	Why	Audit approach
<p>Financial sustainability and financial management (continued)</p>	<p>In recognition of this environment and the need for change, in 2017-18 the Council started the implementation of the TOM.</p> <p>The Transformational Portfolio is set to achieve three objectives; namely delivering up to £125 million benefit realisation (savings) over five years from 2018-19 to 2022-23, delivering the Council's digital strategy and delivering the TOM by 2020-21.</p> <p>Phase one (2017-18) represented the design principles, organisational structure, transformation portfolio and supporting governance framework, engagement with a digital partner and realignment of staff roles within the approved First Tier structure.</p> <p>Having agreed the interim functional structure, phase two (2018-19) is primarily related to further developing the structure, embedding new governance arrangements and progressing the digital transformation.</p> <p>We consider that there are inherent risks arising from the significant capital investment, organisational and cultural change associated with the Target Operating Model which also 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> <p>We understand that the Council is looking to use new legislation to review and amend the statutory repayment of the loans fund. This enables Councils to provide for a prudent repayment schedule.</p> <p>We reported in the 2017-18 annual audit report that the Council had an appropriate governance and monitoring structure associated with transformation.</p>	<ul style="list-style-type: none"> — 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 2019-20 budget and longer term financial plans from 2020-21 and beyond, including sensitivity analysis and bond repayment/RPI assumptions. — We will consider how the Council's move to the TOM is progressing and any potential impact on financial and service planning. — We will review the progress of key capital programmes, the largest of which being the AECC. — We will review the Council's proposed prudent loans fund repayment schedule, assessing if it is in accordance with legislation. — We will review the progress of the digital transformation.

Wider scope and Best Value (continued)

Risk assessment (continued)

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Wider scope area	Why	Audit approach
<p>Financial sustainability and financial management (continued)</p>	<p>Audit Scotland potential focus areas</p> <p>Key supplier failure</p> <p>Key supplier failure and the risk of underperformance of suppliers arising from difficult trading conditions is a potential focus area for all bodies. For example, the collapse of Carillion in 2018 had a significant impact across the public sector.</p> <p>The Council is inherently dependent on several key suppliers and it is important that there is an awareness of these relationships and the potential risks. These suppliers may support services or capital projects and could be impacted in the event of a “no deal” Brexit outcome.</p> <p>We have identified the contractors of the AECC and AWPR as key suppliers. The partner for digital services implementation is also critical to success of transformation.</p> <p>EU withdrawal</p> <p>The nature and impact of withdrawal from the EU continues to be uncertain and changing. The Council will need to react when it receives further clarity from Government as to what implications this may have to the activities and services provided by the Council.</p> <p>Changing landscape for public financial management</p> <p>Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits. Scottish Government published an initial five-year Medium Term Financial Strategy in May 2018. The Council has needed to consider the impact of the new powers on its operations and future budgets.</p>	<p>We will review</p> <ul style="list-style-type: none"> — the arrangements the Council has in place for financial due diligence, performance and risk assessment for contracts and business continuity arrangements; — whether significant suppliers have identified risks and mitigating business continuity arrangements in the risk register; — whether significant suppliers are subject to ongoing financial performance and failure risk assessment; and — how the Council has responded to any issues with key suppliers that have arisen and reported them. <hr/> <ul style="list-style-type: none"> — We will remain alert to the impact of 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. — We will review the arrangements that the Council put in place when more clarity is received as to the impact on the Council. <hr/> <ul style="list-style-type: none"> — We consider this area of focus within our overall consideration of the Council’s financial plans.

Wider scope and Best Value (continued)

Risk assessment (continued)

Wider scope area	Why	Audit approach
<p>Governance and transparency</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>The Council has completed a wide-ranging review of governance over the last two years, giving rise to significant changes to committee structures, policies and procedures. The changes have been implemented in a methodical manner.</p> <p>Audit Scotland potential focus areas</p> <p>Care Income, financial assessments and financial guardianship</p> <p>The experience of a number of local government audits indicated there may be issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship. In some cases where the responsibilities for financial assessments on those receiving care has transferred from social care to finance has revealed issues with backlogs of financial assessments and under-recovery of care charges over long years (more than five years).</p> <p>This is not a specific Aberdeen City Council risk.</p> <p>Openness and transparency</p> <p>There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny.</p> <p>We have commented in prior years that we consider Council business to be conducted in an open and transparent manner.</p>	<p>We will consider any further evolution of the Council's governance arrangements, their appropriateness and their robustness.</p> <hr/> <p>We will review:</p> <ul style="list-style-type: none"> — the arrangements for financial assessment of those requiring care and assess whether these are subject to a significant backlog; and — the reporting of this within the Council. <hr/> <p>We will remain alert to the need for openness and transparency, specifically considering:</p> <ul style="list-style-type: none"> — the public availability of Council and committee papers; and — the appropriateness of business conducted in private, accepting that there are legislative reasons why some items must be private.

Wider scope and Best Value (continued)

Risk assessment (continued)

Wider scope area	Why	Audit approach
Value for money	<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"> — We will specifically consider statutory performance indicators, performance reporting and arrangements to provide for continuous improvement. — In the context of the Council's capital plan and procurement procedures, we will consider the arrangements to provide for value for money. — Our year three Best Value work will consider specifically <i>Performance and Outcomes</i> and we will provide narrative on both in the Annual Audit Report.



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.	<ul style="list-style-type: none"> ■ See next page
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260.	<ul style="list-style-type: none"> ■ Main body of this paper
<ul style="list-style-type: none"> ■ 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). 	<ul style="list-style-type: none"> ■ In the event of such matters of significance we would expect to communicate with the Audit Risk and Scrutiny Committee throughout the year. ■ Formal reporting will be included in our ISA 260 report for the Audit, Risk and Scrutiny Committee meeting, which focuses on the financial statements.
<ul style="list-style-type: none"> ■ Significant difficulties we encountered during the audit. ■ Significant matters discussed, or subject to correspondence, with management (ISA 260). 	
<ul style="list-style-type: none"> ■ Our views about the qualitative aspects of the entity's accounting and financial reporting. ■ 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). 	
<ul style="list-style-type: none"> ■ 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). 	
<ul style="list-style-type: none"> ■ 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). 	
<ul style="list-style-type: none"> ■ 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). 	
<ul style="list-style-type: none"> ■ Expected modifications to the auditor's report (ISA 705). 	
<ul style="list-style-type: none"> ■ Related party transactions that are not appropriately disclosed (ISA 550) 	

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 2018 and planned for 2018-19 are as follows:

Services provided to the Council and its group in respect of:	2018-19 continuing (incl VAT) £	2017-18 (incl VAT) £
Audit of the financial statements	254,500	250,920
Audit of subsidiaries (Charitable Trusts)	8,600	8,500
Total audit services	263,100	259,420
Other non-audit services		
Total non-audit services	-	-
Total	263,100	259,420

There are no non-audit fees for 2018-19. 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 Integration Joint Board.

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.

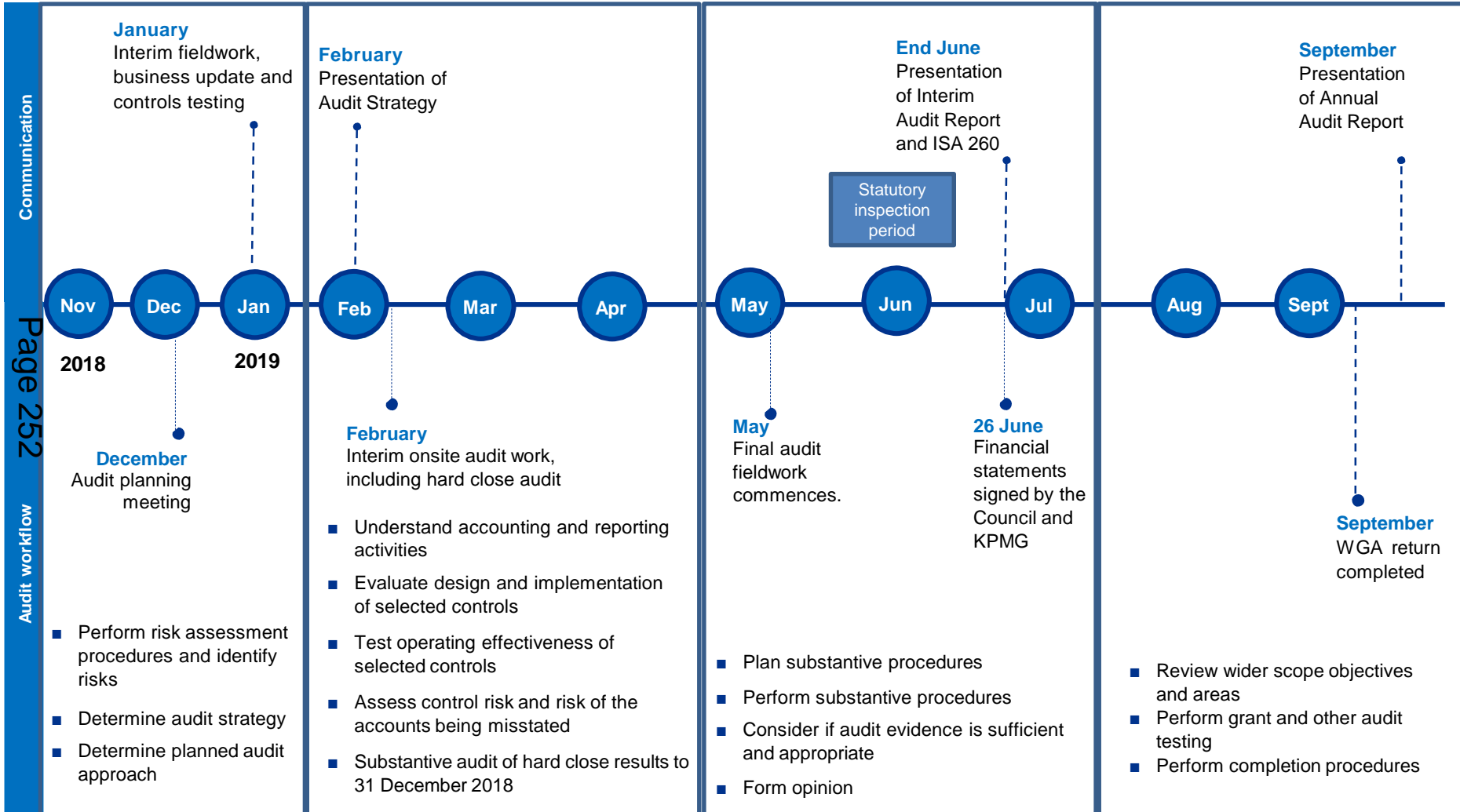
This report is intended solely for the information of the audit, risk and scrutiny committee and should not be used for any other purposes.

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
Audit strategy	Our strategy for the external audit of the Council and its group, including significant risk and audit focus areas.	For 14 February 2019 AR&SC meeting
Interim audit report	We summarise our findings from our interim audit work.	For 30 April 2019 AR&SC meeting
Independent auditor's report	Our opinion on the Council's financial statements.	For 26 September 2019 AR&SC meeting
Annual audit report	We summarise our findings from our work during the year.	By 30 September 2019
NFI report	We report on the Council's actions to investigate and follow-up NFI matches.	By 30 June 2019
Whole of Government Accounts	We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts.	By 28 September 2019
Audit reports on other returns	We will report on the following returns: <ul style="list-style-type: none"> - Current issues return. - Technical database. - Fraud returns. 	January, March, July and October 2019 6 July 2019 February, May and August 2019
Grant claim audits	We provide an opinion on: <ul style="list-style-type: none"> - Education maintenance allowance, Housing Benefit, and Non domestic rates 	To submit by: July 2019, November 2019 and October 2019

Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2018-19. 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

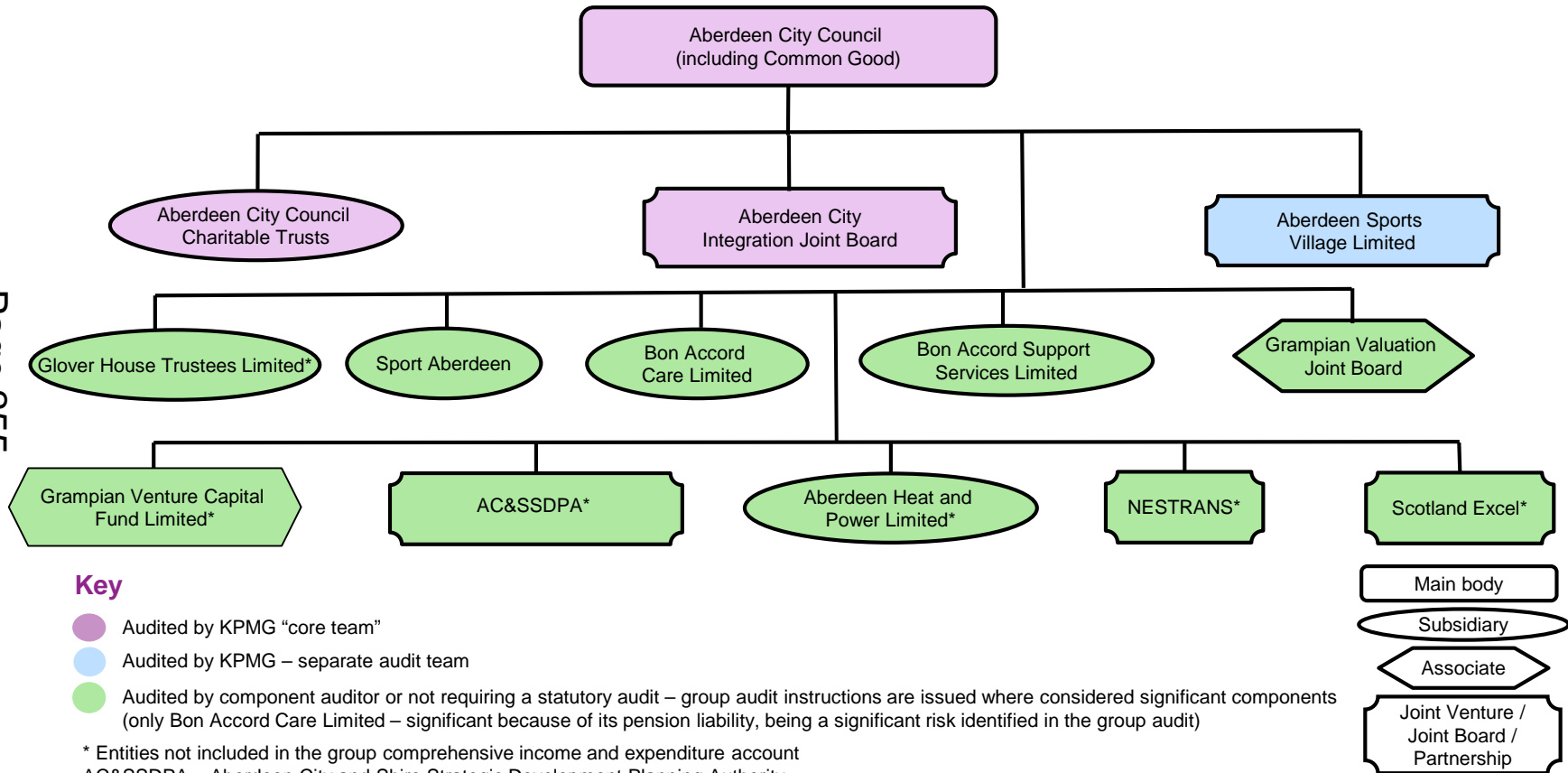
The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

We are in discussions with management regarding the auditor remuneration for 2018-19. 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.

	2018-19 £ (incl VAT)	2017-18 (incl VAT)
Auditor remuneration	254,500	250,920
Pooled costs	23,760	19,320
Contribution to PABV	130,570	124,780
Contribution to Audit Scotland costs	15,380	13,810
Total Council audit fee	424,210	408,830
Audit of Aberdeen City Council Charitable Trusts	8,600	8,500
Total fee	432,810	417,330

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

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to audit, risk and scrutiny committee and auditors:
 - any significant deficiencies in internal controls.
 - any fraud involving those with a significant role in internal controls.

KPMG’s identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, to audit, risk and scrutiny committee, and others.
- Evaluate broad programmes and controls that prevent, deter, and detect fraud.

KPMG’s response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to to audit, risk and scrutiny committee and management.

KPMG’s identified fraud risk factors

- 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.
- Revenue recognition
 - Cash
 - Procurement
 - Management control override
 - Assessment of the impact of identified fraud.

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: <ul style="list-style-type: none"> ■ 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






Responsibilities of auditors
General principles
This Code is designed such that adherence to it will result in an audit that exhibits these principles.
Independent
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.
Proportionate and risk based
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.
Quality focused
Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.

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

Responsibilities of auditors	
Coordinated and integrated	
	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.
Public focused	
	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.
Transparent	
	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.
Adds value	
	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.

Mandatory planning communications

Type	Response
Our declaration of independence	 No matters to report. The engagement team has complied with relevant ethical requirements regarding independence.
Key audit partner(s)	 We have identified the key audit partner at page 3 in our Audit Strategy.
Independence of external experts engaged by KPMG and non-KPMG auditors	 We have not engaged external experts for the performance of aspects of our audit.
Communications with audit committee and management	 We have described the nature, frequency and extent of communication with the audit committee and management at page 26 above.
Scope and timing of the audit	 We have described the scope and timing of the audit within this report.
Audit methodology	 Our audit responses to identified risks are described from page 7 of this report.
Valuation methods	 We will report the valuation methods applied to the items in the financial statements and the impact of any changes.
Going concern assessment	 There are no significant matters affecting the entity's ability to continue as a going concern.
Requested explanations and documents	 We will report on whether requested explanations and documents were provided by management.

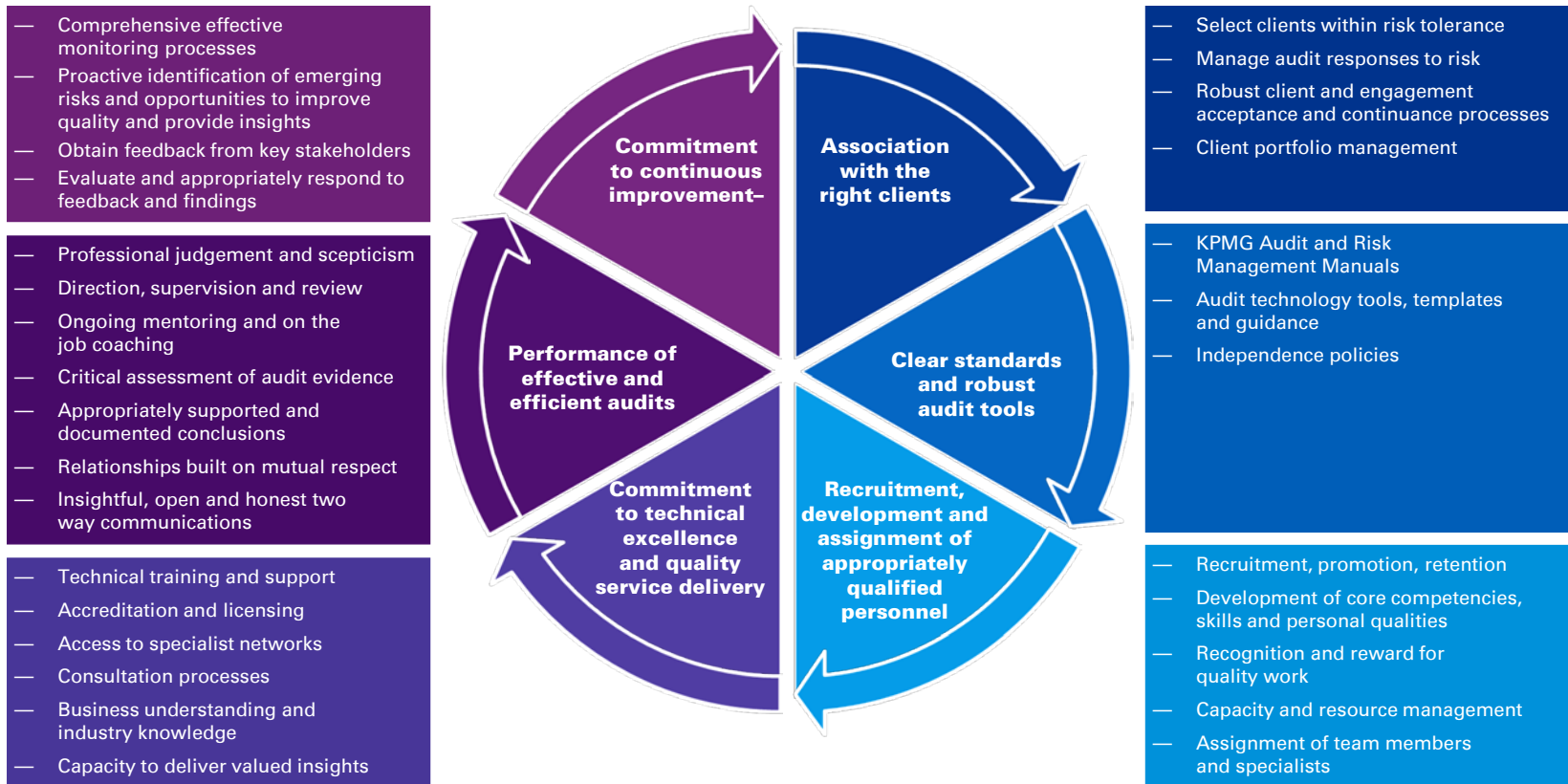
Type	Response
Materiality	 Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out at page 6 in our Audit Plan and Strategy report.
Non-compliance with laws and regulation or articles of association	 We will report on whether actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
Significant deficiencies in internal control	 We will report on all significant deficiencies and whether they have been resolved by management.
Significant difficulties	 We will report on any significant difficulties encountered during the audit. We will report on significant matters arising from the audit that were discussed, or subject to correspondence, with management. We will report on matters that are significant to the oversight of the financial reporting process.
Non-KPMG component auditors	 We described the work of non-KPMG component auditors at page 13 above.
Management's approach to consolidation	 We will report on whether management's approach to consolidation is consistent with IFRS.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/19/002
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.3

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 Review, discuss and comment on the issues raised within this report and the attached appendices.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Public Sector Internal Audit Standards require that Internal Audit monitors the implementation of agreed recommendations until they are implemented by management. The Corporate Management Team and the Audit, Risk and Scrutiny Committee receive a report from Internal Audit at each of its meeting which shows progress made.
- 3.2 However, circumstances may change following completion of an Internal Audit. Having investigated implementation more fully, a recommendation may, for example, take longer to implement, or the cost of implementation may be higher, than originally anticipated. In these circumstances either more time may be required, or management may conclude, based on the risk to the organisation, that the recommendation should no longer be implemented. Where this is the case, management will make recommendations regarding how the agreed recommendation should be treated.
- 3.3 The attached appendices 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 2018 have been completed, these are no longer shown in the appendices.

3.4 Where recommendations have not been completed by their original due date, reasons are provided along with recommendations from management (where appropriate) regarding how and when the agreed Internal Audit recommendation will be concluded or whether it should no longer be implemented.

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. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An 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. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact	Not required

Assessment	
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Appendix A – Position with Agreed Recommendations – Summary.
- 9.2 Appendix B – Position with Agreed Recommendations – Cross Service.
- 9.3 Appendix C – Position with Agreed Recommendations – Commissioning.
- 9.4 Appendix D – Position with Agreed Recommendations – Customer.
- 9.5 Appendix E – Position with Agreed Recommendations – Operations.
- 9.6 Appendix F – Position with Agreed Recommendations – Resources.
- 9.7 Appendix G – Position with Agreed Recommendations – Health and Social Care Partnership.
- 9.8 Appendix H - Governance.

10. REPORT AUTHOR DETAILS

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APPENDIX A – SUMMARY

POSITION WITH AGREED RECOMMENDATIONS AS AT 3 FEBRUARY 2019

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 4 December 2018, the Committee was advised that, as at 21 November 2018, there were 40 recommendations which were due to have been completed by 30 September 2018 which were not fully complete. This has reduced to 28.

The total not fully complete, which had an original due date of before 31 December 2018, is 40. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

SERVICE	Agreed in reports shown in Appendices B to G	Due for completion by 30.09.18	Confirmed complete by Service	New in October to December 2018	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
Cross Service	33	28	27	3	3	1	0	1	0
Commissioning	25	25	19	0	0	6	0	6	0
Customer	37	17	16	6	6	1	1	0	0
Operations	98	75	66	11	9	11	2	5	4
Resources	75	45	37	23	17	14	0	10	4
Health & Social Care	62	57	54	4	0	7	0	7	0
Governance	7	0	0	7	7	0	0	0	0
Total	337	247	219	54	42	40	3	29	8

KEY TO COLOURING USED IN FOLLOWING APPENDICES

Recommendation Grading:

Grading	Definition
Major	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. Financial Regulations have been consistently breached.
Significant	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important	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.

Length of time overdue

Over 12 months
6 to 12 months
Less than 6 months

APPENDIX B

CROSS SERVICE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1623	Compliance with Procurement Legislation	June 2016	28	28	27	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Integrated Children's and Family Services	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	<ul style="list-style-type: none"> • Committee advised on 24 November 2016 that this would be complete by March 2017. • Committee advised on 22 June 2017 that a different approach was being taken. • Committee advised on 26 September 2017 that this would be complete by March 2018. • Committee advised on 8 May 2018 that this would be complete by June 2018. • Committee advised on 25 September 2018 that this would be complete by November 2018. • Committee advised on 4 December 2018 that this would be complete by October 2019.

AC1910	Transformation (Target Operating Model)	September 2016	5	3	3	0	0
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APPENDIX C

COMMISSIONING

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1621	ALEOs	February 2016	10	10	6	4	4 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	Services should ensure that there is an up to date Service Level Agreement with each ALEO (2.2.6 (a))	Significant	<ul style="list-style-type: none"> • Committee advised on 26 September 2017 that this would be complete by August 2018. • Committee advised on 25 September 2018 that reports were scheduled to go to the Strategic Commissioning Committee in September 2018 instructing the Chief Officer Commercial and Procurement Services to review and amend SLAs with ALEOs to ensure they are outcome-focused and contain robust contract management measures and to implement a standard annual performance report template, which ALEOs will be required to submit annually for performance monitoring purposes. • Committee advised (verbally) on 4 December 2018 that this would be complete by March 2019.
		June 2017	
Commercial & Procurement	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	
Commercial & Procurement	Services should ensure financial clauses in all SLAs accurately reflect the partners' intentions (2.4.9 (i))	Significant	
		June 2017	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

(AC1621 – ALEOs – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	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)	<p>Significant</p> <p>June 2017</p>	As above.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1722	ALEOs – Management by Services	August 2017	15	15	13	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	Education and Children’s Services should review options for performance management within future ALEO agreements (2.4.3)	Significant	<ul style="list-style-type: none"> • Committee advised on 23 November 2017 that this was being reported to the Finance, Policy and Resources Committee in December 2017. • Committee advised on 8 May 2018 that this would be complete by June 2018. • Committee advised on 25 September 2018 that reports were scheduled to go to the Strategic Commissioning Committee in September 2018 instructing the Chief Officer Commercial and Procurement Services to: review and amend SLAs with ALEOs to ensure they are outcome-focused and contain robust contract management measures and to implement a standard annual performance report template, which ALEOs will be required to submit annually for performance monitoring purposes. • Committee advised (verbally) on 4 December 2018 that this would be complete by March 2019.
		September 2017	
Chief Finance Officer (ACH&SCP)	The Health and Social Care Partnership should review options for performance management within future ALEO agreements (2.4.3)	Significant	<ul style="list-style-type: none"> • Committee advised on 25 September 2018 that this will not be complete until January 2019 • Committee advised on 4 December 2018 that this would be complete by March 2019.
		July 2018	

APPENDIX D

CUSTOMER

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	
AC1822	YourHR	February 2018	8	6	6	0	0
AC1825	Housing Support Budget	April 2018	8	7	7	0	0
AC1905	Universal Credit and Housing Rent	August 2018	6	5	5	0	0
AC1909	Timesheets and Allowances	August 2018	7	4	3	1	1 Major
The position with the overdue recommendations is as follows:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Operations and Protective Services	The Service should put arrangements in place that demonstrate compliance with the Working Time Regulations regarding required rest breaks (2.6.5)	Major September 2018	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that a Business Case would be presented to CMT. In a verbal update, the Service confirmed that the Business Case would be presented to CMT in January 2019 and the revised Terms and Conditions would be implemented for April 2019. 				
AC1911	Business Rates	November 2018	8	1	1	0	0

APPENDIX E

OPERATIONS

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1602 AW	Craft Workers Terms and Conditions	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
Operations and Protective Services	The Service should renegotiate the Agreement based on current working practice (2.2.6)	Major June 2016	<ul style="list-style-type: none"> Committee advised on 27 September 2016 that this would be complete by December 2016. Committee advised on 23 February 2017 that this would be complete as soon as possible in 2017. Committee advised on 22 June 2017 that this would be complete in the near future. Committee advised on 26 September 2017 that this would be complete by June 2018. Committee advised on 25 September 2018 that this is to be subject to review and will be included in the work-plan for delivery of the transformation programme. Committee advised on 4 December 2018 that a Business Case would be presented to CMT. In a verbal update, the Service confirmed that the Business Case would be presented to CMT in January 2019 and the revised Terms and Conditions would be implemented for April 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

Chief Officer	Recommendation	Grading / Due Date	Position
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(AC1602AW – Craft Workers Terms and Conditions – Continued)

Operations and Protective Services	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	Updates are shown against recommendation 2.2.6, above.
		June 2016	
Operations and Protective Services	The Service should consider whether such payments remain appropriate (2.3.14)	Significant	
		June 2016	
Operations and Protective Services	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	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1705	Roads Payroll	August 2016	22	21	20	1	1 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	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	<ul style="list-style-type: none"> • Committee advised on 22 June 2017 that this would be complete by December 2017. • Committee advised on 22 February 2018 that this would be complete by August 2018. • Committee advised on 25 September 2018 that this would be complete by December 2018. • Committee advised on 4 December 2018 that a Business Case would be presented to CMT. In a verbal update, the Service confirmed that the Business Case would be presented to CMT in January 2019 and the revised Terms and Conditions would be implemented for April 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1808	Vehicle Maintenance	October 2017	20	20	17	3	1 Major 1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service should ensure that Service Level Agreements are in place between Fleet with all Services for which the maintenance and servicing of vehicles is undertaken, and that these are reviewed periodically (2.3.2)	Important	<ul style="list-style-type: none"> Committee advised on 26 June 2018 that these would be complete by July 2018. Committee advised on 25 September 2018 that some Services have now signed and returned Service Level Agreements. Internal Audit was awaiting confirmation that all Service Level Agreements have been signed and returned. Committee advised on 4 December 2018 that this would be complete by December 2018. <p>The latest update from the Service is that a Service Level Agreement is in place which has been issued to all service areas. Fleet is currently awaiting signed returns from several service areas.</p>
		April 2018	
Operations and Protective Services	The Service should ensure that Procurement Standing Orders are adhered to (2.7.5)	Major	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by April 2019.
		April 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

Chief Officer	Recommendation	Grading / Due Date	Position
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(AC1808 – Vehicle Maintenance – Continued)

Operations and Protective Services	The Service should ensure purchase orders including detail of costs and content are raised and authorised in advance of work or supplies being ordered (2.7.8)	Significant	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by April 2019.
		April 2018	

AC1811	Placing Requests	November 2017	9	8	8	0	0
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AC1817	Vehicle Usage	January 2018	8	3	2	1	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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Operations and Protective Services	Fleet should have oversight of relevant driving records (2.1.11)	Important	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by January 2019.
		September 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	
AC1826	Out of Authority Placements	April 2018	6	6	6	0	0
AC1829	Stores Purchasing	April 2018	9	9	8	1	1 Important
The position with the overdue recommendation is as follows:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Operations and Protective Services	The Service should ensure that procedural guidance is reviewed regularly and updated promptly (2.1.5)	Important	An update has been provided by the Service which is under discussion with Internal Audit.				
		October 2018					
AC1830	Internal Transport Tendering	October 2018	8	8	8	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1903	Devolved School Management	November 2018	7	2	1	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Integrated Children's and Family Services	Specified schools should obtain exemption from the requirement to obtain quotations for the school trips concerned from the relevant Chief Officer. (2.7.2a)	Significant December 2018	An update has been provided by the Service which is under discussion with Internal Audit.

APPENDIX F

RESOURCES

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1714	Land and Buildings	February 2017	9	9	8	1	1 Significant
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Progress with the overdue recommendation is detailed below:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	Housing stock numbers held in the above systems should be reconciled prior to providing Estates with a record of properties to be revalued (2.7.6)	Significant May 2018	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that progress with this is being discussed with the Chief Officer – Corporate Landlord. <p>Internal Audit is awaiting an update on progress from the Service.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1806	Corporate Landlord Responsibilities	September 2017	9	9	5	4	4 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	Asset Management should work with the Health & Safety Team to align Service and Corporate Policies (2.2.6)	Significant	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by December 2018. Internal Audit is awaiting an update on progress from the Service.
		March 2018	
Corporate Landlord	The Service should formalise the procedures used to demonstrate compliance with its Corporate Landlord Responsibilities and other cyclical maintenance activities (2.2.3)	Significant	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. Internal Audit is awaiting an update on progress from the Service.
		June 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

(AC1806 – Corporate Landlord Responsibilities – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The Service should ensure data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8)	Significant June 2018	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. <p>Internal Audit is awaiting an update on progress from the Service.</p>
Corporate Landlord	The Service should ensure it has assurance that all property in which the Council has an interest is statutorily compliant (2.3.13)	Significant June 2018	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. <p>Internal Audit is awaiting an update on progress from the Service.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1814	Travel Costs	November 2017	13	13	10	3	3 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Procedures should be put in place to ensure that the most cost effective method of travel is approved in advance with consideration given to restricting claims for journeys outwith the Council's boundaries to the cost equivalent of the cheapest option (2.2.9)	Significant March 2018	<ul style="list-style-type: none"> • Committee advised on 26 June 2018 that revised timescales for completion of the review had not yet been determined. • Committee advised on 25 September 2018 that this would be complete by November 2018. • Committee advised on 4 December 2018 that this would be complete by February 2019. <p>The latest update from the Service is that this will be going through the Committee cycle in January / February for the Staff Policy, and March for the Member Policy. Subject to approval through the Committee cycle, the policies will go live in April 2019.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

(AC1814 – Travel Costs – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The approval process for foreign travel should be reviewed and complied with (2.6.5)	Significant March 2018	<ul style="list-style-type: none"> Committee advised on 26 June 2018 that revised timescales for completion of the review had not yet been determined. Committee advised on 25 September 2018 that this would be complete by November 2018. Committee advised on 4 December 2018 that this would be complete by February 2019. <p>The latest update from the Service is that this will be going through the Committee cycle in January / February for the Staff Policy, and March for the Member Policy. Subject to approval through the Committee cycle, the policies will go live in April 2019.</p>
Finance	Services should be reminded to ensure that travel applications are forwarded to the Travel Team as soon as possible to ensure that cost effective travel arrangements can be made (2.6.6)	Significant March 2018	<ul style="list-style-type: none"> Committee advised on 26 June 2018 that revised timescales for completion of the review had not yet been determined. Committee advised on 25 September 2018 that this would be complete by November 2018. Committee advised on 4 December 2018 that this would be complete by February 2019. <p>The latest update from the Service is that this will be going through the Committee cycle in January / February for the Staff Policy, and March for the Member Policy. Subject to approval through the Committee cycle, the policies will go live in April 2019.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	
AC1818	Capital Plan	April 2018	7	7	7	0	0
AC1819	Capital Contracts	February 2018	8	6	6	0	0
AC1823	Fixed Asset Register	August 2018	7	3	3	0	0
AC1901	Creditor Interfaces	August 2018	5	5	5	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1902	Debtors System	August 2018	14	14	8	6	2 Significant 4 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Procedures should be updated as required and issued to appropriate staff (2.1.4)	Significant	The Service has advised that resource priorities have been directed to streamlining processes and priority tasks that impact debt recovery. A number of processes are currently under revision. Procedures will now be developed once these new processes are tested with revised proposed date of May 2019.
		December 2018	
Customer Experience	The Service Income Team should introduce checks to ensure debtor information matches data on CIC forms when creating accounts (2.3.6)	Important	The Service has advised that this is being progressed and will be completed mid-February 2019.
		December 2018	
Finance	The Service should investigate and clear transactions in the Suspense account on a regular basis (2.6.3)	Significant	The Service has advised that resource priorities have been directed to streamlining processes and priority tasks that impact debt recovery. A number of processes are currently under revision. Work is underway to clear items in the suspense account and a new agreed process and monitoring schedule is expected to be completed by the end of February 2019.
		December 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

(AC1902 – Debtors System – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Service should revise aged debt reports to highlight where recovery action is required (2.7.6)	Important	The Service has advised that resource priorities have been directed to streamlining processes and priority tasks that impact debt recovery. A number of processes are currently under revision. Work is underway to redesign the reports and is expected to be completed by the end of June 2019.
		December 2018	
Customer Experience	Debtors on payment arrangements should be monitored on a regular basis to ensure payments are being made in line with the arrangement (2.7.10)	Important	The Service has advised that they intend addressing this issue by moving all, or the majority, of payment arrangements onto the Direct Debit payment method. In doing so the need for manually monitoring arrangements will not be required as the BACS processing system will notify the Council of any payments not made. Testing on this process is required before putting in place and offering to customers. Due the demands and prioritisation of the year end process resources cannot be dedicated to this at the moment, therefore, the timeframe to have this implemented is by the end of May 2019.
		December 2018	
Finance	The Service should report the amended 2016/17 collection of Sundry Debtors accounts performance indicator to CIPFA as part of the next return (2.8.2)	Important	The Service has advised that a revised methodology for calculating the performance data has been established. It is currently being clarified to ensure that this method and the updated calculation is known by all parties that contribute to the return since the line management has changed. This will now be complete by the end of March 2019.
		November 2018	

AC1906	VAT	August 2018	3	2	2	0	0
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APPENDIX G

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 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1617	Self-Directed Support	October 2016	21	21	20	1	1 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 finalise and implement the Contributing to Your Care and Support Policy and guidance (2.4.2)	Significant March 2017	<ul style="list-style-type: none"> Committee advised on 22 June 2017 that this would be complete by October 2017. Committee advised on 23 November 2017 that this would be complete by April 2018. Committee advised on 8 May 2018 that this would be complete by September 2018. Committee advised on 25 September 2018 that this would be complete by March 2019.

AC1801	Adult Client Transport	September 2017	13	12	12	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1813	Financial Assessments	February 2018	15	15	13	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Chief Finance Officer (IJB)	The Service should review whether personal allowances and subsequent calculations could be automatically updated each year. The Service agreed that, whilst automation was not currently possible, the CareFirst Team would develop reports to assist the process. (2.2.10a)	Significant	The Service has stated that, to date, it has not been possible to complete such reports. Whilst the correct rates are now in the system, they are not applied to individual client accounts unless a re-assessment is requested or there is another change. A tender exercise is being undertaken to replace the current CareFirst system and automation of annual assessments has been written into the specifications for the system. Timescales for implementation of the new system are unknown, but completion of the task is not likely to be before 31 March 2020. The absence of reports means that it has not been possible to identify the number of or extent to which service users have been affected.
		October 2018	
Chief Finance Officer (IJB)	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 (2.2.10b)	Significant	
		October 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

AC1828	Care Management	April 2018	13	13	9	4	4 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Chief Finance Officer (IJB)	The Service should ensure that it can demonstrate that service agreements are and remain relevant to supported peoples' needs. (uniform method for recording completion of review of service agreements) (2.2.3)	Significant	Internal Audit is awaiting an update on progress from the Service.
		October 2018	
Chief Finance Officer (IJB)	The Service should ensure payments for care provision are not processed unless they have been formally approved, registered and matched on the CareFirst system. (review of current payments to see if can be brought on to CareFirst) (2.3.2)	Significant	The Service has advised that a team is working on identifying exactly what is being paid outside of CareFirst and agreeing which providers / service payments could be made via the system. This will be complete by April 2019.
		December 2018	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	

(AC1828 – Care Management – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Chief Finance Officer (IJB)	The Service should ensure arrangements for budgeting, managing payments via CareFirst, and monitoring third party use of funds, are developed for SDS Option 2 (SDS Board action plan) (2.3.5)	Significant	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by April 2019.
		September 2018	
Chief Finance Officer (IJB)	The Service should conclude the review of its residential property portfolio in conjunction with Housing (2.3.14)	Significant	<ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by January 2019. <p>The latest update from the Service is that the Partnership is working with ACC colleagues (Corporate Landlord and Housing) to transfer the maintenance of general fund properties to Housing with the Partnership continuing to pay maintenance costs and a management fee. This should be complete by the end of March 2019.</p>
		September 2018	

APPENDIX H
GOVERNANCE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.18	Confirmed Implemented by Service	Not implemented by original due date	
AC1904	General Data Protection Regulation	September 2018	7	7	7	0	0

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	14/01/2019
REPORT TITLE	ICT Access Control Policy
REPORT NUMBER	CUS/19/161
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Andrew Howe
REPORT AUTHOR	Lita Greenwell
TERMS OF REFERENCE	Section 11 – Audit, Risk and Scrutiny Committee, Purpose 1.1 and Remit 1.4

1. PURPOSE OF REPORT

To seek Committee approval of the ICT Access Control Policy.

2. RECOMMENDATION(S)

That the Committee:

- 2.1 Approve the ICT Access Control Policy as outlined below and at Appendix 1.

3. BACKGROUND

- 3.1 The Council's Digital Transformation Programme is embracing technology and introducing new systems to improve the day-to-day delivery of Council services. Good governance is needed to ensure that these new systems and technologies can be deployed smoothly and securely, protecting our customers' and employees' information. By not properly securing this information, we not only risk personal data breaches for which we could incur maximum fines under GDPR of 4% of turnover, or €20 million, whichever is higher, but we could also find ourselves open to compensation action from data subjects.
- 3.2 A Financial Systems Audit Report (draft) produced by KPMG highlights a risk where "privileged user access is not robustly controlled", increasing the risk to

Council information assets. A recommendation was made that a formal policy be established that “guides the Council’s management of highly privileged access”. This policy meets this recommendation.

- 3.3 Implementation of this policy will consist of an all-staff awareness exercise, and procedure updates and creations, with assistance from ICT Security as required, to ensure compliance with this policy:
- a. Liaise with the Internal Communication team on an all-staff awareness exercise, and focussed communications to Information Asset Owners and Systems Owners.
 - b. The project management procedures within Digital and Technology will be updated to include ICT Security requirements, which adhere to this policy, in the requirements-gathering phase and in the tender process for all new-software projects, and for projects moving applications to the Cloud.
 - c. Digital and Technology procedures and guidance will be updated.
 - d. System administrator and elevated user procedures will be updated in each Service that manages their own software.
 - e. Recommendation will be made to update all user guidance, as necessary/appropriate.
 - f. New Start Checklist will be updated to ensure new employees have read and understood their roles and responsibilities with respect of this policy,

4. FINANCIAL IMPLICATIONS

- 4.1 There are no additional financial implications as a result of this policy. All security requirements will be included within the tender documentation, as already happens for requirements collated with input from the ICT Security Team. This will also prevent possible future costs of upgrading or purchasing new systems without recourse to the requirements of this policy.

5. LEGAL IMPLICATIONS

- 5.1 Adoption of the ICT Access Control Policy will strengthen the Council’s compliance with data protection legislation (GDPR and the Data Protection Act 2018) which requires that we are able to evidence ‘Data Protection by Design and Default’ and ensure that personal data is “processed in a manner that ensures appropriate security of the personal data [...] using appropriate technical or organisational measures”.
- 5.2 The Computer Misuse Act 1990 disallows unauthorised access or acts in relation to computer systems, data or materials, and the ICT Access Control Policy aims to prevent this through the appropriate management of access to Council information, data, hardware, systems/applications and any other ICT resources.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Non-compliance with applicable legislation (see Section 5 above) may lead to enforcement action with monetary penalties and/or financial liability for damages to customers.	M	The Council's wider Information Assurance framework mitigates against the risk of non-compliance – training, incident processes, associated policies, monitoring and reporting.
Legal	Non-compliance with applicable legislation (see Section 5 above) may lead to enforcement action.	M	The Council's wider Information Assurance framework mitigates against the risk of non-compliance – training, incident processes, associated policies, monitoring and reporting.
Employee	For some users with elevated privilege (such as System Administrators) there is a risk of non-compliance with the policy as it represents a change in current practice.	L	If approved, the policy will be supported by appropriate awareness activities and suitable guidance and assistance in helping these users create new procedures, as required.
Customer	Customers at risk of harm due to inadequate security and management of personal data.	M	This policy, along with the Council's wider Information Assurance framework, mitigates against this risk by ensuring 'Data Protection by Design and Default'.
Environment	No Risks		
Technology	Cyber security of the Council's environment is at risk from users with elevated privilege using their administrator accounts online.	M	If approved, this policy, supported by appropriate awareness activities and suitable guidance, will mitigate this risk.
Reputational	Realisation of any of the above risks would likely lead to reputational	H	Implementation of the above mitigations will reduce the risk of reputational damage.

	damage to the Council.		
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7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous People	This policy, along with the Council's wider Information Assurance framework will reduce our customers' risk of harm due to inadequate security and management of personal data.
Enabling Technology	Information and data are key assets of the Council, and securing the technologies that enable the transmission, storage and processing of this data 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.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	By implementing the ICT Access Control Policy, we will be assuring security and privacy of all data while supporting the principle of "Being Digital"
Workforce	By implementing the ICT Access Control Policy, we will be assuring the security of all data in the cloud, enabling our workforce to be flexible and agile, working securely from anywhere.
Process Design	By implementing the ICT Access Control Policy, we will be assuring security and privacy be design for the applications/systems supporting new/redesigned processes.
Technology	By implementing the ICT Access Control Policy, we will be assuring the security of all data in the cloud, enabling our workforce to work securely from anywhere.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	EHRIA required
Data Protection Impact Assessment	Not required
Duty of Due Regard /	Not applicable

9. BACKGROUND PAPERS

Not applicable

10. APPENDICES (if applicable)

Appendix 1: ICT Access Control Policy

Appendix 2: Password Standard

11. REPORT AUTHOR CONTACT DETAILS

Lita Greenwell

Information Security Officer

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CORPORATE ICT ACCESS CONTROL POLICY

Date:	23 January 2019
Version:	V0.6
Location:	Digital & Technology
Author (s) of Document:	Lita Greenwell, Information Security Officer
Approval Authority	Audit, Risk & Scrutiny
Scheduled Review:	March 2020
Changes:	N/A

1. What is this policy for?

This policy defines the Council's rules necessary to maintain an adequate level of security and protection for Council information, data, hardware, systems/applications and any other ICT resources from unauthorised access, while ensuring their secure and reliable operation.

For the avoidance of doubt, system(s)/application(s) refers to any Council administered/hosted/licensed software, digital resources, networks, servers and other infrastructure, and communication channels, and includes the data carried and stored thereon. Hardware includes, but is not limited to, laptops, notebooks, tablets, desktop computers, mobile telephones, smart phones, telephones, printers and other peripherals, tills, kiosks, and storage media.

2. Who is this policy for?

This policy applies to all staff, agency staff, elected members, contractors and sub-contractors, and to any person, without exception, who manages, administrates, uses or requires access to Council information, systems and/or applications.

3. Why do we need this policy?

All Aberdeen City Council information is valuable, and protecting it from unauthorised access is vital. Having an ICT Access Control Policy in place helps the Council to mitigate information security risks. It enables system/application administrators to establish procedures to manage and control access to Council information, in line with agreed, corporate principles and legislation.

It also gives standards and minimum requirements for the access control of new or upgraded systems/applications to adhere to ahead of them gaining approval for purchase and/or implementation. These standards and requirements are based on legislation and industry good-practice. By securing ICT access before systems/applications are installed, we can streamline the deployment of new technologies. The Council is required under Data Protection legislation to be able to evidence a 'Data Protection by Design and Default' approach to protecting personal data, and ensure that personal data is "processed in a manner that ensures appropriate security of the personal data [...] using appropriate technical or organisational measures". Adopting and implementing this Access Control Policy is a key component of the Council being able to comply with these requirements.

4. What does it mean for the Council? (Policy Statement)

4.1 What is Access Control?

Access control is the restriction of people's access to a resource. In ICT, this means that you can only use a digital resource, such as a laptop, digital information or a program, if you have been granted permission to access it. This helps us protect our information assets and systems from intentional or accidental compromise, whether through malicious software (or malware, such as viruses or trojan horses), security attack, modifications or access to confidential or protected information. These controls

are applied to user accounts, accounts used by automated or work-flowed processes, and to systems and programs.

For information on securing hardcopy information, buildings and devices, see the [Corporate Information Handbook](#) (Section 7). For information on access to CCTV Systems, see the [CCTV Procedure](#).

4.1.1 Principle of Least Privilege

Access to all Council information and digital assets should be on a need-to-know basis only. Therefore, all accounts must adhere to the Principle of Least Privilege (PoLP). Essentially, this means that access to information is restricted in 2 ways:

1. You can only see the information you need to do your job
2. What you can do with that information is restricted to what you need to do to fulfil your duties

For example, only you, your line manager, Payroll and Organisational Development need access to parts of your HR data, depending on their role. Your line manager doesn't need access to your banking details, Payroll only need to read your banking details, and only you need access to update them.

Not only does PoLP improve information security, it also assures better system stability as limiting access makes it easier to identify and test the possible actions an account can carry out, and the affects that these actions could have on other users, processes and systems. This therefore makes it easier to design and receive approval to deploy a system.

4.2 System/Application Requirements

Some system and application default installations can present weak points in our ICT landscape that can easily be exploited. To prevent this, some simple controls can improve our protection:

- Any user accessing Council ICT systems/applications must be authenticated with a minimum of single-factor authentication, usually comprising a unique identifier (such as a username) and a password. Where it has been implemented, users may be asked to authenticate with multi-factor authentication which requires additional credentials, such as a pin or logging on from a registered device.
- Any account password requirements (length, complexity, etc.) must adhere to the Council's Password Standard [\[add link\]](#) and the guidance outlined in Section 4.4 below.
- Any network or system initial-login page should carry a disclosure notice warning users that only those authorised to do so should access the system.
- Logs must be maintained of any inbound access, both granted and denied, to the Council's internal network by any users or systems outside of the network.
- All Council workstations (desktop, laptop, tablet, etc.) must use approved single-factor authentication, and have password enabled screen locks and time-out after a period of inactivity (no more than 10 minutes), unless an approved exception (such as public access machines, kiosks and some education tablets).

- Local workstation administrator accounts should be unique, and user access to them prohibited.
- Access controls must be applied to all digital information assets to ensure that they are only accessed by those who need to have access, and that they are not incorrectly shared, changed, deleted or made unavailable in any way.
- Systems/applications should keep logs of actions carried out by users and administrators for audit purposes, as appropriate for the type of data they capture, and these logs should not be accessible by unauthorised users or be editable in any way. Logged actions must be able to be traced back to a specific user account. Where a system contains sufficiently sensitive information, audit trails and logs must be backed up and stored in accordance with the [Corporate Records Retention & Disposal Schedule](#).
- User passwords for systems/applications must never be stored in unprotected, plain-text format.
- Any system/application auto-run features which allow file execution without user authorisation must be disabled.

4.3 Creating, Controlling and Managing Accounts

All systems and applications require a documented security matrix, detailing account types and their capabilities no matter the access control system employed. Ideally, they will also detail the anticipated PoLP level required for Council functions or users, based on job role, to complete their duties. This matrix will facilitate any review or audit of systems/applications and speed up the deployment of new systems/applications.

All accounts must be created in such a way that the identity of the account user can be established at any time, by any administrator.

Accounts must only be created or have their access or capabilities elevated with correct approval, such as from the system owner, the Information Asset Owner (IAO) or senior management. This approvals process must be documented and agreed ahead of system/application deployment.

Accounts should only be kept active for as long as they are required, and a process to manage leavers and transfers (such as promotions, secondments and redeployments) must be in place. Unnecessary or inactive accounts **must** be disabled and/or removed as soon as possible or practicable. Accounts must be disabled and/or removed when notification to do so is received as part of the [Managing Leavers Process](#).

Procedures should be in place to establish a user's identity before providing them with a new, replacement or temporary password. It is insufficient for them to provide, for example, only their username (as this is visible to anyone who may encounter a locked Council workstation).

New or replacement passwords issued by ICT or other system support teams must be changed at first login.

Administrator accounts should not be used for day-to-day activities and should only be used where admin privileges are required to complete the task. Administrators should use a standard account for normal activities.

Administrator accounts should be unique, have a different password from the user's standard account and never be shared.

New accounts must not be created as a replica of another account, mirroring its access and/or permissions.

Third-party account requests must come through the ICT Service Desk and their access must be logged and time restricted. Any extension to their accounts must be reviewed on a case-by-case basis and appropriately logged.

4.4 Password Creation & Management

Passwords must meet the Council's Password Standard [\[link\]](#).

Personal passwords must never be re-used as work passwords.

Passwords must never be shared (see the [ICT Acceptable Use Policy](#)). If a user thinks their password has been inadvertently disclosed, then they must change it to a new password that doesn't resemble their old password (i.e. don't just change a number or character) and that meets the requirements of this policy.

Any default, vendor-supplied or easily guessable passwords must be changed to something non-obvious and in accordance with the requirements of this policy and the Password Standard.

Where the technical controls are available, systems containing Council data or information must be password protected. Where possible, and reasonably practicable, single-sign-on or password synchronisation should be implemented.

To protect against brute-force password guessing, accounts must lock after no more than 10 unsuccessful attempts, or they must limit the number of attempts allowed within a given period.

5. Roles & Responsibilities

Everyone who uses and accesses the Council's ICT resources must do so in accordance with this policy and all related corporate policies, and corporate and local procedures (see section 9 below). Any breach or deviation from this policy must be raised through the [Information Security Incident Reporting Procedure](#) (ISIRP) and investigated accordingly. In addition to this, the below groups have additional responsibilities.

5.1 Users

All users must read, understand and agree to comply with this policy, the [ICT Acceptable Use Policy](#), the [Corporate Information Policy](#) and any other related or supporting policies and procedures.

All users should undertake any required or recommended corporate or local training, and follow any available guidance, on accessing and using Council information and digital resources.

Users must only access the information they need to do their jobs. Users must notify the ICT ServiceDesk via ServiceNow if they have access to a system or shared drive,

or to an area of a system or shared drive, that they shouldn't have. This access will then be removed.

Users must secure information properly and in line with all pertinent information policies, thereby ensuring that only those who need access to the information will be able to access it, as outlined in your responsibilities regarding information and confidentiality in the [Employee Code of Conduct](#) and the [Councillor Code of Conduct](#).

5.2 Managers

Managers should ensure that their team members are aware of this and all related policies, and that they and their team have undertaken any necessary training.

Managers must follow the new start and leavers processes, and ensure that new users', role changers', transfers' (e.g. secondments or redeployments) and leavers' access requests are submitted and processed promptly.

5.3 Information Asset Owners

Information Asset Owners (IAOs) are senior business managers who are responsible and accountable for the specific, defined information assets within their remit, in accordance with the Council's [Information Asset Owner Handbook](#). This includes digital information resources, such as laptops, mobile devices, tablets, etc. They are responsible for ensuring:

- All staff understand and act in accordance with their responsibilities outlined in this policy.
- Security matrices are in place, fit for purpose and are being used for the information assets under their remit.
- User account creation, control and management procedures for the information assets under their remit are in place and adhere to this policy.
- Guidance and training are available to safeguard the secure and safe use of the information assets under their remit.
- System administrator accounts are suitably limited and controlled for the information assets under their remit.

5.4 System Administrators & Privileged Users

System administrators and privileged users have significant, additional capabilities when working with digital resources, and are authorised to perform system- and security-related functions that ordinary users are not authorized to perform. Examples of system- and security-related functions include starting/stopping application services, creating/updating other user accounts, etc. For this reason, administrator accounts come with additional responsibilities and require stronger passwords.

Compromise of some administrator accounts could be a threat to the whole organisation, giving hackers or other hostile actors access to our whole network and everything within it. As a result, users of these accounts have additional responsibilities and they:

- Must keep an up-to-date security matrix for each system they administrate.

- Must document the user account creation, control and management procedures for each system they administrate and in accordance with this policy.
- Must maintain audit logs of access requests and changes to systems/applications that they are responsible for.
- Must only use their administrator accounts to carry out administrator responsibilities. Day-to-day, regular user responsibilities should be carried out using a standard, PoLP user-account.
- Must never use their administrator accounts to access the internet.
- Must remove system administrator account access from areas of a system/application if requested to by the IAO or a senior manager acting as request approver. In these cases, access can only be added again, with the necessary approvals, for a defined period to carry out specified, administrative tasks.
- Must seek clarity and, if deemed necessary, additional approval if they receive a request for a user account with unusually broad/deep privileges that do not match the security matrix.
- Must not use their access to elevate their privilege without the necessary approvals.
- Must not amend any system/application logs or audit trails.
- Must only use a system administrator account from a Council device.

5.5 ICT Security Team

As the owners of this policy and subject matter experts in ICT and information security, the ICT Security Team will provide guidance on any aspect of this and related policies and procedures, or direct users to the most appropriate team.

6. How will we know if it's working?

Any breaches or deviation from this policy will be reported via the Information Security Information Reporting Procedure, and they will be investigated accordingly. These will then be reported in the Information Governance Management Quarterly Performance Report, and by the Council's Senior Information Risk Owner (SIRO) to the Corporate Management Team, as required.

7. How will we manage any risks that affect this policy?

7.1 Cluster Risk Registers

Information Asset Owners are responsible for managing risk to the information assets that they are responsible for; these risks are managed through Cluster Risk Registers and are included in Business Continuity planning and disaster recovery arrangements wherever appropriate.

7.2 Corporate Risk Register

Information Governance and Cyber Security also pose a strategic risk for the Council. The relevant Corporate Risk Owners provide the Council's Corporate Management Team with regular updates on the strength of controls in place against this risk.

8. How will we make sure this policy is kept up to date?

This Policy will be reviewed annually by the Council's Information Security Officer to ensure that it meets business and accountability requirements and measurable standards of good practice.

9. Related Policy Document Suite

- [Corporate Information Policy](#)
- [ICT Acceptable Use Policy](#)
- [Employee Code of Conduct \(for Employees only\)](#)
- [Corporate Protective Monitoring Policy](#)
- [Councillors Code of Conduct](#) (for Elected Members only)

Procedure

- [Corporate Information Handbook](#)
- [Information Security Incident Reporting Procedure](#)
- [Requesting Access to Information Procedure](#)
- [Information Asset Owner Handbook](#)
- Third Party Access
- [Managing Leavers Process Guidance](#)
- [CCTV Procedure](#)

Standard

- Password Standard [\[link\]](#)

Related Legislation

- [The Data Protection Act 2018](#)
- [General Data Protection Regulation](#)
- [The Public Records \(Scotland\) Act 2011](#)
- [The Computer Misuse Act \(1990\)](#)
- [The Human Rights Act \(1998\)](#)
- [The Regulation of Investigatory Powers \(Scotland\) Act 2000](#)

PASSWORD STANDARD

The purpose of this document is to outline Aberdeen City Council's minimum requirements for the creation of strong passwords.

This Standard is to be used in conjunction with the ICT Access Control Policy, which outlines the Council's rules for password creation and management.

Workstations, Systems and Applications

The minimum requirements for workstation, system and application user account passwords that are changed or created are that they:

- Not contain the user's account name or parts of the user's full name that exceed two consecutive characters
- Be at least 8 characters in length
- Contain characters from three of the following four categories:
 - English uppercase characters (A through Z)
 - English lowercase characters (a through z)
 - Base 10 digits (0 through 9)
 - Non-alphabetic characters (e.g., !, \$, #, %)
- Do not repeat the last 5 passwords used

Administrator Accounts

The minimum requirements for system and application administrator accounts is that they:

- Not contain the user's account name or parts of the user's full name that exceed two consecutive characters
- Be at least 15 characters in length
- Contain characters from three of the following four categories:
 - English uppercase characters (A through Z)
 - English lowercase characters (a through z)
 - Base 10 digits (0 through 9)
 - Non-alphabetic characters (e.g., !, \$, #, %)
- Do not repeat the last 5 passwords used

Mobile Devices

The minimum requirements for Council mobile device passwords are that they:

- Be at least 8 alphanumeric characters long
- Repeat a character no more than 3 times
- Have no more than 3 numbers in a row
- Be changed after a maximum of 90 days
- Do not repeat the last 2 passwords used

Using a fingerprint to secure a Council mobile device is allowed in addition to the device password. However, if the device hasn't been used for 24 hours, or if the device has been restarted, the password will be required to unlock it.