

# Public Document Pack



To: Councillor Flynn, Convener; Councillor Yuill, Vice Convener; and Councillors Jackie Dunbar, Duncan, Graham, Lumsden, Avril MacKenzie, Mennie and Reynolds.

Town House,  
ABERDEEN 26 November 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 **WEDNESDAY, 4 DECEMBER 2019 at 2.00 pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **B U S I N E S S**

#### **NOTIFICATION 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)

## **DEPUTATIONS**

4.1 There are no requests at this time

## **MINUTE OF PREVIOUS MEETING**

5.1 Minute of Previous Meeting of 25 September 2019 (Pages 7 - 14)

## **COMMITTEE PLANNER**

6.1 Committee Business Planner (Pages 15 - 20)

## **NOTICES OF MOTION**

7.1 There are none at this time

## **COMMITTEE BUSINESS**

### **Risk Management**

8.1 Risk Management Policy (Pages 21 - 34)

8.2 ALEO Assurance Hub (Pages 35 - 60)

### **Internal Audit**

8.3 Internal Audit Progress Report - IA/19/013 (Pages 61 - 76)

8.4 Internal Audit Follow Up on Recommendations - IA/19/014 (Pages 77 - 100)

8.5 Contract Management - IA/AC1926 (Pages 101 - 116)

8.6 Stock Control - IA/AC2007 (Pages 117 - 132)

8.7 IJB Directions - IA/AC1924 (Pages 133 - 142)

## **Annual Reports and Accounts**

8.8 Annual Accounts 2019/20 - Action Plan and Key Dates (Pages 143 - 148)

## **Legal Obligations**

8.9 RIPSA Quarterly Report (Pages 149 - 154)

## **Scrutiny**

8.10 Scottish Public Services Ombudsman Decisions and Inspector of Crematoria Complaint Decisions (Pages 155 - 164)

## **EXEMPT/CONFIDENTIAL BUSINESS**

9.1 Exempt Business where required

EHRIA's related to reports on this agenda can be viewed at  
[Equality and Human Rights Impact Assessments](#)

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

Website Address: [www.aberdeency.gov.uk](http://www.aberdeency.gov.uk)

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 522723 or email [kfinch@aberdeency.gov.uk](mailto:kfinch@aberdeency.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, 25 September 2019. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Flynn, Convener; Councillor Yuill, Vice-Convener; and Councillors Allan (as substitute for Councillor Graham), Copland (as substitute for Councillor Jackie Dunbar), Duncan, Lumsden, Avril MacKenzie, Townson and Wheeler (as substitute for Councillor Reynolds).

The agenda and associated reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

### DECLARATIONS OF INTEREST

1. Members were requested to intimate any declarations of interest in respect of the items on the agenda.

**The Committee resolved**:-

to note that no declarations of interest were intimated.

### MINUTE OF PREVIOUS MEETING OF 26 JUNE 2019

2. The Committee had before it the minute of their previous meeting of 26 June 2019.

**The Committee resolved**:-

- (i) in relation to article 17, resolution (i) to request the Chief Officer Organisational Development to circulate the information requested; 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 Chief Officer Governance.

**The Committee resolved**:-

to note the content of the business planner.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
25 September 2019

**CORPORATE RISK REGISTER - GOV/19/379**

4. The Committee had before it a report by the Chief Officer Governance which presented the Corporate Risk Register and Assurance Map to provide assurance on the Council's system of risk management.

**The report recommended:-**

That the Committee -

- (a) note the Corporate Risk Register set out in Appendix A; and
- (b) note the Corporate Assurance Map provided at Appendix B.

Councillor Townson sought assurance in relation to risks being de-escalated and that they would still be monitored, wherein the Chief Officer Governance advised that where risks were de-escalated from the Corporate Risk Register that the relevant Cluster would monitor the risk and where risks were escalated upwards that the Corporate Management Team would monitor the risks.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**MUSIC SERVICE - OPE/19/387**

5. With reference to article 9 of its previous minute of meeting, the Committee had before it a report by the Chief Operating Officer which provided assurance through the provision of an Action Plan which detailed timescales for completion of the Internal Audit recommendations.

**The report recommended:-**

That the Committee -

- (a) note the content of this report; and
- (b) instruct the Chief Officer Integrated Children and Family Services to continue to monitor the progress and advise this Committee by way of Service Update when all recommendations have been met.

**The Committee resolved:-**

- (i) in relation to the retention of scanned data being retained for five years after a pupil ceases tuition compared to the suggested retention period of seven years from the Scottish Council to note that the Chief Officer Integrated Children's and Family Services would determine the reason for the reduced period of five years and circulate the information via email to the Committee; and
- (ii) to otherwise approve the recommendations contained in the report.



**AUDIT, RISK AND SCRUTINY COMMITTEE**  
25 September 2019

**INTERNAL AUDIT PROGRESS REPORT - IA/19/011**

6. The Committee had before it a report by the Chief Internal Auditor which advised on progress against the approved 2018/19 and 2019/20 Internal Audit Plans.

**The Committee resolved:-**

to note the content of the report.

**INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS - IA/19/012**

7. The Committee had before it a report by the Chief Internal Auditor which advised on progress made by the relevant functions with implanting recommendations that had been agreed in the Internal Audit reports.

**The report recommended:-**

That the Committee –

- (a) review, discuss and comment on the issues raised within the report and attached appendices; and
- (b) confirm whether it agrees with the request from management regarding the remaining recommendation in Internal Audit Report AC1617 – Self-Directed Support as detailed in appendix F to this report.

In relation to Internal Audit Report AC1806 – Corporate Landlord Responsibilities, Councillor Townson sought additional information relating to the delays in ensuring all properties were statutorily compliant, wherein the Chief Officer Corporate Landlord advised that the information on properties were contained in different systems, some within external databases and that a new system had been created to capture the information with a trial having taken in place for non-housing properties.

**The Committee resolved:-**

- (i) to agree with the request from management regarding the remaining recommendation in Internal Audit report AC1617 – Self Directed Support that it be closed off based on the implementation plan submitted to Internal Audit and that Internal Audit include a review of the area in the Internal Audit Plan 2020/21 to provide assurance over progress; and
- (ii) to otherwise note the content of the report.

**CYBER SECURITY - IA/AC/2005**

8. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Cyber Security which was undertaken to provide assurance that the controls detailed in the Corporate Risk Register under Corp006 – Cyber Security were effective and that Assurance Actions were progressing as planned.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
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Councillor Duncan sought information regarding whether there was any operational impact on the Council not being Public Service Network (PSN) accredited, wherein the Chief Officer Digital and Technology advised that the paperwork for accreditation had been completed and that there wasn't any operational impact to the Council.

Councillor Townson sought information regarding whether incidents were reported to Police Scotland Cyber Crime Unit and whether specific staff were in place to liaise with Police Scotland, wherein the Chief Officer Digital and Technology advised that incidents were reported and that the Cyber Incident Response Team would liaise with Police Scotland.

**The Committee resolved:-**

to note the content of the report.

**RISK MANAGEMENT - IA/AC/2004**

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Risk Management which was undertaken to provide assurance over risk management arrangements that were currently in operation within the Council.

Councillor Duncan requested that the relevant officers consider delivering training on risk management to elected members, wherein the Chief Officer Governance advised that this would be considered and included in the Risk Management Policy report being submitted to this Committee in December 2019.

**The Committee resolved:-**

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

**RENT COLLECTION AND ARREARS MANAGEMENT - IA/AC/2006**

10. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Rent Collection and Arrears Management which was undertaken to consider whether rent collection and arrears processes were robust and were being complied with.

**The Committee resolved:-**

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

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
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**INFORMATION GOVERNANCE ANNUAL STATEMENT 2018-19 - COM/19/325**

11. The Committee had before it a report by the Director of Customer Services which presented the annual report on the Council's Information Governance Performance, including information about the changes implemented through the Council's information assurance improvement plan.

**The report recommended:-**

that the Committee note the information provided about the Council's information governance performance at sections 3.1-3.5 and in the Information Governance Annual Report at Appendix 1.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**RIPSA QUARTERLY REPORT - GOV/19/291**

12. 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 is being used consistently with the local authority's policy and that that policy remains fit for purpose.

**The report recommended:-**

that the Committee note the update within the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CUS/19/373**

13. The Committee had before it a report by the Director of Customer Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations 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.

**The report recommended:-**

that the Committee notes the details of the report.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
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**The Committee resolved:-**

to approve the recommendation contained in the report.

- **COUNCILLOR STEPHEN FLYNN, Convener**

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
25 September 2019

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|----|--|--|---------------------------|----------------------|----------------------|--------------------|---------------------------|--|--|
| 1  | <b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b><br>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  | <b>Report Title</b>  | <b>Minute Reference/Committee Decision or Purpose of Report</b>  | <b>Update</b>             | <b>Report Author</b> | <b>Chief Officer</b> | <b>Directorate</b> | <b>Terms of Reference</b> | <b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b> | <b>Explanation if delayed, removed or transferred</b>  |
| 3  |  |  | <b>04 December 2019</b>   |                      |                      |                    |                           |  |  |
| 4  | 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 McKenzie        | Customer Experience  | Customer           | 6.9                       |  |  |
| 5  | Internal Audit Progress and Performance  | To provide an update on progress for the 2018/19 and 2019/20 audits  | a report is on the agenda | David Hughes         | Governance           | Governance         | 2.4                       |  |  |
| 6  | 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                       |  |  |
| 7  | RIPSA Quarterly Report   | to present the quarterly Ripisa report   | a report is on the agenda | Jess Anderson        | Governance           | Governance         | 5.2                       |  |  |
| 8  | 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.   |                           | David Hughes         | Governance           | Governance         | 2.2                       | D  | Cluster requested that the audit be delayed as they were undertaking a stocktake of emergency planning arrangements with a report being presented to the Public Protection Committee on 12 December 2019. Report expected February 2020. |
| 9  | Transformation   | To provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations.  |                           | David Hughes         | Governance           | Governance         | 2.2                       | D  | Delayed due to delays with other audits and identifying the appropriate officers. Report expected in February 2020.  |
| 10 | Voids - Housing Repairs  | To provide assurance regarding the process for re-letting void properties and compliance therewith.  |                           | David Hughes         | Governance           | Governance         | 2.2                       | D  | Report expected in February 2020   |
| 11 | Cash Collection  | To provide assurance over procedures in operation relating to sample of cash collection locations.   |                           | David Hughes         | Governance           | Governance         | 2.2                       | D  | Cluster requested an extension to respend to the draft report due to annual leave of key staff.  |

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| 12 | Fostering and Adoption Payments  | To provide assurance over Fostering and Adoption Allowances being paid.   |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | Initially delayed due to delays with other audits, the service have requested the audit be delayed due to them delaying with a section 21 Notice. Report expected in May 2020.           |
| 13 | IJB - Directions   | To provide assurance that the arrangements in place for issuing Directions, and the Directions themselves, are appropriate, and that adequate procedures are in place for monitoring performance. | this report has already been discussed at the IJB and is issued to this Cttee for information. | David Hughes         | Governance           | Governance         | 2.2                       |  |  |
| 14 | Risk Management - IJB  | To review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.  |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | This report requires to be discussed at the IJB Audit and Performance Systems Committee prior to it being submitted to this Committee for information. Report expected in February 2020. |
| 15 | 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.  |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | Delayed due to delays with other audits. Report expected in February 2020.   |
| 16 | Investment Strategy and Risk Management Policy   | To provide assurance over compliance with the   |  | David Hughes         | Governance           | Governance         | 2.2                       | R  | These reports go to the Pensions Board and not this Committee  |
| 17 |  | To present the Risk Management Policy   | a report is on the agenda  | Ronnie McKean        | Governance           | Governance         | Purpose 1.2 Remit 1.1     |  |  |
| 18 | ALEO Assurance Hub   | 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   | a report is on the agenda  | Ronnie McKean        | Governance           | Governance         | Remit 1.2                 |  |  |
| 19 | Timesheets and   | To provide assurance that payments are accurate and   |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | There were delays getting access to  |
| 20 | Travel Policy  | To provide assurance that the Council has appropriate   |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | Customer advised that they would not be able to respond to the draft report  |
| 21 | Car Parking and Bus Lane Enforcement   | To provide assurance that procedures regarding income collection and the management of fines are adequate.  |  | David Hughes         | Governance           | Governance         | 2.2                       | D  | There was an initial delay identifying appropriate officers followed by the auditor being off work. Report expected in May 2020  |
| 22 | Building and Road Services Stock Control   | To provide assurance that procedures are adequate and stock movements are adequately accounted for.   | a report is on the agenda  | David Hughes         | Governance           | Governance         | 2.2                       |  |  |
| 23 | Contract Management  | To focus on recent identified issues  | a report is on the agenda  | David Hughes         | Governance           | Governance         | 2.2                       |  |  |



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| 24 | Shutdown of Non-essential spend  | To provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with.  |                           | David Hughes     | Governance    | Governance  | 2.2                | D   | Information requested from Finance has not been received. Report expected in February 2020  |
| 25 | Income Generation  | To provide assurance that budgeted income generation is based on robust assumptions and is being realised   |                           | David Hughes     | Governance    | Governance  | 2.2                | D   | Internal Audit have issued reminders and assurances have been provided by management regarding provision of a response to the draft report. |
| 26 | 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. |                           | David Hughes     | Governance    | Governance  | 2.2                | D   | Work has commenced on the audit with the delay due to the availability of Internal Audit resource.  |
| 27 | Annual Accounts 2019/20 - Action Plan and Key Dates  | To present the key dates in relation to the Annual Accounts   | a report is on the agenda | Lesley Fullerton | Finance       | Resources   |                    |   |   |
| 28 |  |   | <b>12 February 2020</b>   |                  |               |             |                    |   |   |
| 29 | SPSO Decisions,  | In order to provide assurance to Committee that   |                           | Lucy McKenzie    | Customer      | Customer    | 6.9                |   |   |
| 30 | 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                |   |   |
| 31 | Internal Audit Follow Up on Recommendations  | To provide an update on where Services are with implementing agreed recommendations   |                           | David Hughes     | Governance    | Governance  | 2.3                |   |   |
| 32 | Internal Audit Plan 2020/21  | To present the Internal Audit Plan for 2020/21  |                           | David Hughes     | Governance    | Governance  | 2.1                |   |   |
| 33 | External Audit Strategy  | To present the External Audit Strategy  |                           | Andy Shaw        | Governance    | Governance  | 3.1                |   |   |
| 34 | 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.                                |                           | David Hughes     | Governance    | Governance  | 2.2                |   |   |
| 35 | 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.     |                           | David Hughes     | Governance    | Governance  | 2.2                |   |   |
| 36 | School Catering  | To provide assurance over income and procurement expenditure relating to school catering operations   |                           | David Hughes     | Governance    | Governance  | 2.2                |   |   |

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| 37 | Financial Ledger System  | To provide assurance over system controls, business continuity and contingency plans.  |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 38 | Gas Servicing Contract   | To provide assurance that contractual and operational issues are being complied with   |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 39 | RIPSA Annual Report  | To present the RIPSA annual report for 2019/20   |                     |                      |                      |                    |                           |  |   |
| 40 |  |  | <b>6 May 2020</b>   |                      |                      |                    |                           |  |   |
| 41 | Internal Audit Progress Report   | To provide an update on progress for the 2018/19 and   |                     | David Hughes         | Governance           | Governance         | 2.4                       |  |   |
| 42 | Internal Audit Follow up Report  | To provide an update on where Services are with  |                     | David Hughes         | Governance           | Governance         | 2.3                       |  |   |
| 43 | 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 McKenzie        | Customer Experience  | Customer           | 6.9                       |  |   |
| 44 | Unaudited Annual Accounts  | To present the unaudited annual accounts for ACC and registered charities for 2019/20  |                     | Lesley Fullerton     | Finance              | Resources          |                           |  |   |
| 45 | RIPSA Quarterly Report   | to present the quarterly Ripsa report  |                     |                      | Governance           | Governance         | 5.2                       |  |   |
| 46 | Workforce Planning   | To provide assurance that th Council has appropriate and adequate plans in place to determine its workforce requirements andthat these are in operation throughout the Council   |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 47 | Procurement  | To provide assurance that the Council has appropriate  |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 48 | Performance  | To provide assurance that the Council has effective  |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 49 | Contractors Terms and Conditions   | To provide assurance that new Terms and Conditions   |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 50 | Commissioned Services  | To provide assurance that contract monitoring  |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 51 | HR / Payroll 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.  |                     | David Hughes         | Governance           | Governance         | 2.2                       |  |   |
| 52 |  |  | <b>30 June 2020</b> |                      |                      |                    |                           |  |   |

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| 53 | 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 McKenzie     | Customer Experience       | Customer      | 6.9                |   |  |
| 54 | Internal Audit Progress  | To provide an update on progress for the 2018/19 and   |                         | David Hughes      | Governance                | Governance    | 2.4                |   |  |
| 55 | Internal Audit Follow Up   | To provide an update on where Services are with  |                         | David Hughes      | Governance                | Governance    | 2.3                |   |  |
| 56 | RIPSA Quarterly Report   | to present the quarterly Ripsa report  |                         | Alan Thomson      | Governance                | Governance    | 5.2                |   |  |
| 57 | External Audit Annual  | to present External Audit's Interim position in relation to  |                         | Andy Shaw         | Governance                | Governance    |                    |   |  |
| 58 | Audited Annual Accounts 2019/20  | To present the Audited Annual Accounts for ACC nad registered charities  |                         | Lesley Fullerton  | Finance                   | Resources     |                    |   |  |
| 59 |  |  | <b>08 October 2020</b>  |                   |                           |               |                    |   |  |
| 60 | SPSO Decisions,  | In order to provide assurance to Committee that  |                         | Lucy McKenzie     | Customer                  | Customer      | 6.9                |   |  |
| 61 | Internal Audit Progress  | To provide an update on progress for the 2018/19 and   |                         | David Hughes      | Governance                | Governance    | 2.4                |   |  |
| 62 | Internal Audit Follow Up   | To provide an update on where Services are with  |                         | David Hughes      | Governance                | Governance    | 2.3                |   |  |
| 63 | RIPSA Quarterly Report   | to present the quarterly Ripsa report  |                         | Alan Thomson      | Governance                | Governance    | 5.2                |   |  |
| 64 | Information Governance   | to present the annual report for he Council's  |                         | Caroline Anderson | Business Intelligence and | Commissioning | Remit 1.4          |   |  |
| 65 |  |  | <b>09 December 2020</b> |                   |                           |               |                    |   |  |
| 66 | SPSO Decisions,  | In order to provide assurance to Committee that  |                         | Lucy McKenzie     | Customer                  | Customer      | 6.9                |   |  |
| 67 | Internal Audit Progress  | To provide an update on progress for the 2018/19 and   |                         | David Hughes      | Governance                | Governance    | 2.4                |   |  |
| 68 | Internal Audit Follow Up   | To provide an update on where Services are with  |                         | David Hughes      | Governance                | Governance    | 2.3                |   |  |
| 69 | RIPSA Quarterly Report   | to present the quarterly Ripsa report  |                         | Alan Thomson      | Governance                | Governance    | 5.2                |   |  |
| 70 |  |  |                         |                   |                           |               |                    |   |  |
| 71 | <b>TBC</b>   |  |                         |                   |                           |               |                    |   |  |

|    | A  | B  | C  | D             | E  | F           | G                  | H   | I  |
|----|--|--|--|---------------|--|-------------|--------------------|---|--|
| 1  | <b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b><br>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 |
| 72 | 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." | Audit, Risk and Scrutiny 30 April<br>There has been progress at Marchburn Park however not all of the issues have been completed therefore a report will be submitted at the conclusion of the issues. In the Interim, where there have been significant developments in the project, Service Updates will be submitted. | Neil Carnegie | Early Intervention and Community Empowerment | Customer    | 6.2                |   |  |

## ABERDEEN CITY COUNCIL

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|                           |                                    |
|---------------------------|------------------------------------|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee |
| <b>DATE</b>               | 4 <sup>th</sup> December 2019      |
| <b>EXEMPT</b>             | No                                 |
| <b>CONFIDENTIAL</b>       | No                                 |
| <b>REPORT TITLE</b>       | Risk Management Policy             |
| <b>REPORT NUMBER</b>      | GOV/19/445                         |
| <b>CHIEF OFFICER</b>      | Fraser Bell                        |
| <b>REPORT AUTHOR</b>      | Vikki Cuthbert                     |
| <b>TERMS OF REFERENCE</b> | 1.1                                |

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### 1. PURPOSE OF REPORT

To present the Risk Management Policy for approval.

### 2. RECOMMENDATION(S)

That the Committee approve the Risk Management Policy.

### 3. BACKGROUND

3.1 Committee approved a Risk Management Framework in February 2018 following a review of the documentation in place at the time. The Committee agreed to receive an updated Framework one year later, reflecting changes required through implementation of transformational changes.

3.2 Since the Framework was approved, there have been some changes which have a bearing on the document:

- Governance Function established including an Assurance Team with a remit for risk management.
- Corporate Policy Review - all policies reviewed and catalogued, establishment of a policies register, and creation of guidance on writing policies and the content and language to be used to make these consistent. The primary purpose of this was to make sure that policies are retained only when needed. There may be scope to consolidate

policies and to re-commission them as procedures and guidance in some cases.

- Internal Audit of the Council's system of risk management, which recommended that the Policy and procedural content within the Framework should be separated out. This was reported to the Committee in September and all the recommendations were accepted and are now being progressed by officers.
- Continuing transformational change which has risk management woven through it.

3.3 The Framework has been re-written as a Policy, based on the guidance produced for the Corporate Policy Review. The document serves as a high-level articulation of the Council's vision for, and approach to, risk management. The tools required by the workforce to actively and proactively risk management will be set out within the Policy's supporting documentation, as follows:-

- Risk Register Templates - the corporate template used to record and maintain risk scores, controls and actions.
- Risk Management Process Guide – a guidance document describing the processes to be followed in effectively managing risk.
- Risk Appetite Statement - A description of the types and levels of risk the Council is willing to accept in the pursuit of its strategic outcomes. This recognises both threats and opportunities.

3.5 The Policy has been reviewed and approved by the Corporate Management Team and has also been reviewed by Internal Audit in light of their recommendations. Internal Audit are satisfied that the Policy implements this recommendation, and that the remaining recommendations will be implemented on time through the supporting documentation.

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

4.1 There are no direct financial implications arising from the recommendations of this report. The report introduces a Risk Management Policy that will facilitate the processes required in order to identify controls and assurances that finances are being properly managed.

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

5.1 There are no direct legal implications arising from the recommendations of this report. The Risk Management Policy will facilitate risk management processes allowing the Council to manage risks with implications for its legal position and statutory responsibilities.

#### **6. MANAGEMENT OF RISK**

6.1 The Risk Management Policy is an overarching document supporting the ongoing improvement of the Council's system of risk management. The risk management system will enable the Council to ensure that all risks attached to the Council's business and strategic priorities are identified, appropriately managed and are compliant with the Council's duties under the Equalities Act.

| <b>Category</b>     | <b>Risk</b>   | <b>Low (L)<br/>Medium (M)<br/>High (H)</b> | <b>Mitigation</b>   |
|---------------------|---|--|---|
| <b>Financial</b>    | The council will have no risk management system in place to identify and mitigate its risks | H  | Put a risk management system in place to allow staff to identify, mitigate and manage risks |
| <b>Legal</b>        | As above  | H  | As above  |
| <b>Employee</b>     | As above  | H  | As above  |
| <b>Customer</b>     | As above  | H  | As above  |
| <b>Environment</b>  | As above  | H  | As above  |
| <b>Technology</b>   | As above  | H  | As above  |
| <b>Reputational</b> | As above  | H  | As above  |

## 7. OUTCOMES

7.1 The risks contained with the Council's risk registers are aligned to one or more of the themes within Local Outcome Improvement Plan. This section will also be completed for the Cluster Risk Registers before they are reported to committees.

| <b>Design Principles of Target Operating Model</b> |   |
|--|---|
|  | <b>Impact of Report</b>   |
| <b>Organisational Design</b>                       | The Council's risk registers are aligned to functions and clusters within the interim transitional structure and supports the principles of organisational design.            |
| <b>Governance</b>                                  | Reporting to Committee on the Corporate Risk Register and Cluster Risk Registers allows members to scrutinise the system of risk management to help ensure its effectiveness. |
| <b>Process Design</b>                              | In reviewing our risk management processes, there is an opportunity to make sure that the risk to the Council is mitigated.   |
| <b>Technology</b>                                  | It is anticipated that risk registers and supporting processes will be updated using digital methods and  |

|                                   |   |
|-----------------------------------|---|
|                                   | will become integrated within a wider assurance framework.  |
| <b>Partnerships and Alliances</b> | Risks to the delivery of organisational objectives can at times be related to arms-length external organisations. These will be reflected in the appropriate risk register(s). Furthermore, risk is overseen by the Assurance Hub which reports to the Audit, Risk and Scrutiny Committee on a regular basis. |

## 8. IMPACT ASSESSMENTS

| Assessment   | Outcome                 |
|--|-------------------------|
| <b>Equality &amp; Human Rights Impact Assessment</b> | Full EHRIA not required |
| <b>Data Protection Impact Assessment</b>             | Not required            |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable          |

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES (if applicable)

Appendix A – Risk Management Policy

## 11. REPORT AUTHOR CONTACT DETAILS

|               |                               |
|---------------|-------------------------------|
| Name          | Vikki Cuthbert                |
| Title         | Assurance Manager             |
| Email Address | vcuthbert@aberdeencity.gov.uk |
| Tel           | 01224 522858                  |



# Risk Management Policy

## Document Control

|                                   |                                    |
|-----------------------------------|------------------------------------|
| <b>Approval Date</b>              | 4 <sup>th</sup> December 2019      |
| <b>Implementation Date</b>        | 5 <sup>th</sup> December 2019      |
| <b>Policy Number</b>              |                                    |
| <b>Policy Author(s) and Owner</b> | Ronnie McKean, Corporate Risk Lead |
| <b>Approval Authority</b>         | Audit, Risk and Scrutiny Committee |
| <b>Scheduled Review</b>           | Annual                             |
| <b>Changes</b>                    |                                    |

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## 1. Purpose Statement

- 1.1 Aberdeen City Council (“the Council”) delivers a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies.
- 1.2 Successful delivery of these services relies on a robust, clearly articulated and strongly embedded system of risk management. This policy and its supporting documents set out to achieve that purpose by:-
- Providing practical **guidance** on the approach required to effectively manage risk;
  - Setting out the Council’s approach to managing threats and opportunities through a **risk appetite statement**;
  - Providing practical **tools** with which to manage risk in way which supports the Council in its delivery plans and commissioning intentions. These tools, wherever possible, will be digitally enabling.
  - Nurturing a philosophy of **risk intelligence** and maturity through developing informed and proactive risk owners and managers.

## 2. Application and Scope Statement

- 2.1 This policy and its supporting documents are applicable to all members of the Council’s workforce. It is recognised that risk management is performed in all roles, at all levels, and across all Functions and Clusters, and that application will vary depending on numerous factors. The Risk Management Process Guide sets out the interaction which staff will have with risk and what is expected of them to support the delivery of sound risk management.
- 2.2 This policy does not apply to the Council’s Arms-Lengths External Organisations (ALEOs) as these organisations are responsible for their own risk management arrangements. These arrangements are monitored through the ALEO Assurance Hub and reported by exception to the Audit, Risk and Scrutiny Committee.
- 2.3 This policy does not replace any statutory risk assessment or risk management reporting requirements, which is embedded within the Risk Management Process Guide.
- 2.4 Risk management is a key component of strong governance arrangements and as such the Council’s Scheme of Governance recognises this policy and its supporting documentation.
- 2.5 The Annual Governance Statement reports publicly on the extent to which the Council complies with the Local Code of Corporate Governance and provides assurance on the effectiveness of our internal controls. This includes our system of risk management as set out in this policy and its supporting documents.

## 3. Responsibilities

- 3.1 The Audit, Risk and Scrutiny Committee is responsible for ensuring the effectiveness of the Council’s system of risk management and as such is the approval authority for this policy.

- 3.2 The Chief Officer – Governance is responsible for the development, management and maintenance of this policy. Approval of all supporting documentation is delegated to the Chief Officer – Governance following its development by the Corporate Risk Lead.
- 3.3 All Directors and Chief Officers are responsible for implementing the policy and for ensuring that appropriate and adequate resource is in place within their service areas to deliver on its requirements. Support on applying the policy is provided by the Corporate Risk Lead.
- 3.4 The Corporate Management Team (Stewardship) manages and monitors the strategic risks that could impact on the delivery of the Council’s outcomes.
- 3.5 The Senior Information Risk Owner (SIRO) is responsible for monitoring the Council’s information risks.
- 3.6 Chief Officers and managers across the council are required to actively manage the risks associated with the performance of their day to day operations and delivery of Commissioning Intentions.
- 3.7 All members of staff across the Council are expected to assist with risk management including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council’s outcomes.
- 3.8 Users of this policy can communicate feedback to the Corporate Risk Lead.

## 4. Supporting Procedures and Documentation

- 4.1 This policy is supported by the following documents:-
  - **Risk Appetite Statement** – A description of the types and levels of risk the Council is willing to accept in the pursuit of its strategic outcomes. This recognises both threats and opportunities.
  - **Risk Management Process Guide** – a guidance document describing the processes to be followed in effectively managing risk.
  - **Risk Register Templates** – the corporate template used to record and maintain risk scores, controls and updates.

## 5. Policy Statement

### General

- 5.1 The Council recognises that there are inherent risks in all areas of operation that may have an adverse impact on people, finance, assets, data and information and compliance with the law.
- 5.2 This policy and supporting documentation will embed risk management in the Council to enable a culture where risk is understood and effectively managed.
- 5.3 It is the Council’s policy to be risk aware not risk averse and as such identify potential opportunities arising from the evaluation of risk in the delivery of services.

## Risk Management Vision

- 5.4 It is our vision to deliver a fully integrated risk management system which:-
- ✓ supports the Council's business processes and decision making;
  - ✓ allows the Council to identify and mitigate emerging risks whilst exploiting opportunities;
  - ✓ is fully embedded and thereby provides evidence of a risk intelligent organisation; and
  - ✓ supports improvements to operational performance and delivery of the Council's objectives.

## Risk Management Approach

- 5.5 The Council's approach to risk management is set out within the Risk Management Process Guide and will:-
- ✓ Enable officers to identify and manage risks at all levels by sharing the tools and training required.
  - ✓ Assign risk ownership to the correct officers to ensure that the most effective risk management techniques are utilised including;
    - Risk assessment and scoring for Inherent, Current and Target risks;
    - Identification and status of risk controls;
    - Creation of actions and activities required to mitigate the risk;
    - Assurance mapping using "Three Lines of Defence" model
  - ✓ Create risk registers and assurance maps that reflect emerging risks, operational requirements and business objectives across the organisation and allows for the escalation and de-escalation of risks between the risk registers.
  - ✓ Ensure that all risk registers and assurance maps are regularly reviewed by risk owners and managers and are available for review by the Citizens of Aberdeen, Council's Committees, Internal and External Auditors.
  - ✓ Establish risk management linkages to the following:
    - Health and Safety
    - Business Continuity
    - Emergency Planning
    - Strategy Framework
    - Policy Framework
    - Scheme of Governance
    - Information Management
    - Commissioning Intentions and Delivery Plans
    - Performance Management Framework
    - Portfolio and Project Management

## 6. Definitions

The following terms and definitions are used within this policy and supporting documentation

- **Annual Governance Statement** – annual published statement on the extent to which the Council complies with the Local Code of Corporate Governance.

- **Arms-Length External Organisations (ALEO's)** – A company, trust or partnership used by the Council to deliver services. ALEO's operate independently from the Council but remain subject to an element of Council control or influence.
- **Assurance** – Assurance is the objective examination of data for the purposes of providing an assessment on risk. Assurance is provided through various sources across the three lines of defence.
- **Assurance Map** – A tool that provides decision makers with a visual representation of the sources of assurance across the three lines of defence.
- **Control / Control Measures** – A measure that is designed to reduce a Risk. A control will either be preventative or detective and could include:
  - Documentation - policy, procedure and process
  - Activities – working practice, training and techniques
  - Equipment – technology, systems and other equipment
- **Current Risk** – The exposure / level arising from an identified risk during implementation of measures designed to manage the risk.
- **Initial Risk** – The exposure / level arising from an identified risk before any measures have been taken to manage it.
- **Internal Controls** – Systems, activities and mechanisms which are designed to provide reasonable assurance about our risks.
- **Outcomes** – what we strategically plan to deliver as an organisation.
- **Risk** – The possibility of threat of damage, injury, loss or other negative occurrence.
- **Risk Appetite** – The amount of risk or part of risk that the Council is willing to accept.
- **Risk Appetite Statement** – A description of the types and levels of risk the Council is willing to accept in the pursuit of its strategic outcomes. This recognises both threats and opportunities.
- **Risk Escalation** – The transfer of risk ownership and accountability to the next tier of risk register when the level and severity of the risk increases.
- **Risk De-escalation** – The transfer of risk ownership and accountability to a lower tier risk register when the level and severity of the risk reduces.
- **Risk Manager** – An individual or role that is appointed by the Risk Owner to manage and control of all aspects of a risk.
- **Risk Owner** – An individual or role that is the owner of a risk and appoints a risk manager.
- **Risk Management** – The application of techniques, processes and activities to the tasks of identifying and assessing risks, planning and implementing controls and monitoring progress.
- **Risk Management Process Guide** – a guidance document describing the processes to be followed in effectively managing risk

- **Risk Register** – a template used to record and maintain risk scores, controls and updates.
- **Target Risk** – The exposure / level of the identified risk after the full implementation and completion of all measures required to manage it.
- **Three Lines of Defence** – A model for achieving assurance within an organisation by identifying the sources of assurance as follows:
  - **First Line** – The day-to-day control environment operated by the business owners (do-ers) following established procedures and processes
  - **Second Line** – Management Teams and Committees (helpers) providing oversight and support to the (do-ers) by setting policies, procedure and providing training
  - **Third Line** – High level independent assurance provided by inspectors, regulatory bodies and auditors “checkers” providing assurance on the first and second levels of defence.

## 7. Risk

- 7.1 The policy and supporting documentation specified within Section 4 details how the Council implements its risk management activities at all levels in order to accept, reduce and/or eliminate risks across the council.
- 7.2 There are no unintended effects, consequences or risks directly resulting from the introduction or update of the policy
- 7.3 The risks identified by the Council through its risk management activities will be managed in accordance with the supporting document specified within Section 4.
- 7.4 The risk management policy and supporting documentation will support the Councils “PREVENT” obligations as the risk management activities will allow Council staff and Elected Members to identify and manage risks through effective mitigation controls.

## 8. Policy Performance

- 8.1 The effectiveness of the policy and supporting documentation will be determined by the reduction or elimination of the negative impacts of unplanned events which could damage citizens, staff, assets, finances, reputation or service delivery.
- 8.2 We will monitor our performance against this policy and associated processes in a number of ways, including -
- ✓ Annual reporting of the Corporate Risk Register and Assurance Map to the Audit, Risk and Scrutiny Committee.
  - ✓ Monthly reporting of the Corporate Risk Register to Corporate Management Team (Stewardship) and publication to the Council’s website.
  - ✓ Regular review of Cluster Risk Registers by Senior Management Teams and Director/Convener meetings.

## 9. Design and Delivery



- 9.1 This policy and supporting documentation fully supports the delivery of the strategic outcomes contained the LOIP as the Council's risk management activities focus on the mitigating effects risk that may prohibit or hinder achievement the outcomes.

## 10. Housekeeping and Maintenance

- 10.1 The supporting documentation specified within this policy will be reviewed and updated as and when required.
- 10.2 Unless otherwise required, this policy will be subject to a planned annual review.
- 10.3 This policy and its supporting documentation replaces the Council's Risk Management Framework document.

## 11. Communication and Distribution

- 11.1 This policy and supporting documentation will be shared directly with the Extended Corporate Management Team to enable communication and distribution in accordance with the responsibilities set out in Section (3)
- 11.2 The policy and documentation will be available for review on the organisation's shared areas on the Network.

## 12. Information Management

- 12.1 Data relating to risk and risk management will be stored and managed in accordance with the Council's Corporate Information Policy.

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## ABERDEEN CITY COUNCIL

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|                           |                          |
|---------------------------|--------------------------|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny |
| <b>DATE</b>               | 4 December 2019          |
| <b>REPORT TITLE</b>       | ALEO Assurance Hub       |
| <b>REPORT NUMBER</b>      | GOV-19-449               |
| <b>CHIEF OFFICER</b>      | Fraser Bell              |
| <b>REPORT AUTHOR</b>      | Vikki Cuthbert           |
| <b>TERMS OF REFERENCE</b> | Remit - 1.2              |

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### 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;
- 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; and
- 2.3 Note the workplan for the ALEO Assurance Hub in 2020.

### 3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's most recent 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 10 October 2019 with ALEO Service Leads in attendance as advisors to the Hub. The following key areas were identified for reporting, in accordance with the workplan previously agreed by the Committee:-

#### **Governance**

1. Implementation of General Data Protection Regulation
2. **Aberdeen Performing Arts** – Payment of Scottish Living Wage
3. **Aberdeen Performing Arts** – Recruitment to post of Chief Finance Officer
4. Composition and Capacity of Board Members
5. Induction and Training Programme for Board Members

#### **Finance**

1. Quarterly Trading Accounts
2. Medium Term Financial Planning
3. Audited Accounts 2019/20 (except Aberdeen Sports Village whose financial year-end is 30<sup>th</sup> June)
4. **Sport Aberdeen and Aberdeen Sports Village** – Financial Regulations

#### **Risk**

1. Risk Management (risk registers)
2. EU Exit Preparedness
3. External and Internal Audit
4. **Sport Aberdeen** – Business Continuity Planning

- 3.4 The Hub's assessment of each ALEO has been attached within summary reports at **Appendix B**. The Assurance Standards and Risk Ratings are set out at **Appendix A**. **Appendices C-G** provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings.
- 3.6 The workplan for ALEO scrutiny in 2020 is included as a further appendix (**Appendix H**) to this report and the Committee is asked to note its contents. This has been written with reference to the ALEO Assurance Hub Terms of Reference, also appended (**Appendix I**). These determine the areas of oversight within the Hub's remit. The workplan is built around these, as well as any areas of oversight which the Hub considers would benefit from additional assurance based on risk ratings during 2019 and matters known to be likely to affect ALEOs. The Terms of Reference have been reviewed by the Chief Officer – Governance in accordance with the requirement for these to be reviewed annually and no amendments are proposed at this time.
- 3.7 The Assurance Hub is one component of the ALEO Assurance Framework which enables the Council to oversee and support its arms-length bodies. It is intended that the Hub will meet twice next year, with the option for additional meetings should exception reporting be considered necessary. The Assurance Hub will report, as a minimum, to the May and October meetings of this Committee.

## **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 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim, amongst other things, to facilitate the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.

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

|                  | <b>Risk</b>  | <b>Low (L),<br/>Medium<br/>(M), High<br/>(H)</b> | <b>Mitigation</b>  |
|------------------|--|--|--|
| <b>Financial</b> | 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. |
| <b>Legal</b>     | ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.<br><br>GDPR Compliance. | (L)  | Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.<br><br>The Strategic Commissioning Committee has oversight of how ALEOs are achieving                                     |

|                     |  |     |  |
|---------------------|--|-----|--|
|                     |  |     | <p>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>    |
| <b>Employee</b>     | No direct risks arising from the report's recommendations.   |     |  |
| <b>Customer</b>     | No direct risks arising from the report's recommendations.   |     |  |
| <b>Environment</b>  | No direct risks arising from the report's recommendations.   |     |  |
| <b>Technology</b>   | GDPR Compliance.   | (M) | <p>Each ALEO has demonstrated awareness of GDPR and have reported implementation plans to their Boards for scrutiny and approval.</p> <p>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.</p> |
| <b>Reputational</b> | ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation. | (M) | <p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk</p>  |

|  |  |  |                        |
|--|--|--|------------------------|
|  |  |  | of governance failure. |
|--|--|--|------------------------|

## 7. OUTCOMES

| <b>Design Principles of Target Operating Model</b> |   |
|--|---|
|  | <b>Impact of Report</b>   |
| <b>Governance</b>                                  | 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.  |
| <b>Partnerships and Alliances</b>                  | 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

| <b>Assessment</b>                                    | <b>Outcome</b>                                       |
|--|--|
| <b>Equality &amp; Human Rights Impact Assessment</b> | Sections 1,6 and 8 of the EHRIA have been completed. |
| <b>Privacy Impact Assessment</b>                     | Not required   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable                                       |

## 9. BACKGROUND PAPERS

None.

## **10. APPENDICES**

**Appendix A** – Assurance Standards and Ratings

**Appendix B** – Summary of ALEO Assurance

**Appendix C** – Aberdeen Heat and Power

**Appendix D** – Aberdeen Performing Arts

**Appendix E** – Aberdeen Sports Village

**Appendix F** – Bon Accord Care

**Appendix G** – Sport Aberdeen

**Appendix H** – 2020 Workplan

**Appendix I** – ALEO Assurance Hub Terms of Reference

## **11. REPORT AUTHOR CONTACT DETAILS**

Vikki Cuthbert

Assurance Manager

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**Appendix A**

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

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Appendix B

|                                 | Overall Risk Rating |        |        |        |        |        |          |        |          |        |
|---------------------------------|---------------------|--------|--------|--------|--------|--------|----------|--------|----------|--------|
|                                 | Mar-18              |        | Sep-18 |        | Feb-19 |        | June-19  |        | Dec-19   |        |
| <b>Aberdeen Heat and Power</b>  | Low                 | Medium | Low    | Medium | Low    |        | Very Low | Low    | Very Low | Low    |
| <b>Aberdeen Performing Arts</b> | Low                 | Medium | Low    |        | Low    | Medium | Low      | Medium | Low      | Medium |
| <b>Aberdeen Sport Village</b>   | Low                 | Medium | Low    | Medium | Low    | Medium | Low      |        | Very Low | Low    |
| <b>Bon Accord Care</b>          | Low                 | Medium | Low    | Medium | Low    | Medium | Very Low | Low    | Very Low | Low    |
| <b>Sport Aberdeen</b>           | Low                 | Medium | Low    |        | Low    |        | Very Low |        | Very Low | Low    |

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**Aberdeen Heat and Power - Appendix C**

|                   | <b>Assurance Request</b>                                  | <b>ALEO Response</b>   | <b>Risk Rating</b> |
|-------------------|---|--|--------------------|
| <b>Governance</b> | <b>General Data Protection Regulation</b>                 | Policies, procedures and controls in place and provide adequate assurance. AHP board considered GDPR policy on 15/11/19.   | <b>Very Low</b>    |
|                   | <b>Workforce Planning</b>                                 | Aberdeen Heat and Power have recently entered the recruitment marketplace to source a project engineer and a CEO, whilst they undertake in-house training across all areas to cover absence etc we would utilise the services of a specialist recruitment company to fulfil specialist roles in the future.  | <b>Low</b>         |
|                   | <b>Composition and Capacity of the Board</b>              | The current AHP board covers a wide spectrum of age and is split evenly on gender. We adapt presentations etc currently to cope with any disabilities of Board members.<br>On completion of the Wylie & Bisset quality audit we will be reviewing all governance procedures and will ensure an inclusiveness policy is developed and adopted for the next recruitment process for board members.   | <b>Low</b>         |
|                   | <b>Induction and Training Programme for Board Members</b> | Documentation in this area is being revised and updated following an external audit carried out by Wylie and Bisset. The full report will be shared with the Board on 15th November. In the meantime, Board members are aware of their obligations in terms of conflicts of interest including annual sign off of a form which includes members interests.<br>We are currently awaiting the full report from the auditors on our governance procedures and this shall be shared with the Board members on 15th November and a suitable action plan shall be adopted. | <b>Low</b>         |
| <b>Risk</b>       | <b>Risk Register</b>                                      | A copy of the June 2019 Risk Register was provided and reviewed. The Risk Register has been updated following the review and recommendations from Wylie and Bisset. The register contains reviews being reported to AHP's Policy and Operations Group on 29/10/19 and so will be reviewed in the next cycle. In addition the Hub was provided with copies of the new Risk Policy document and new Risk Procedure documents.  | <b>Very Low</b>    |
|                   | <b>Risk Register - (EU-Exit)</b>                          | The updated Risk Register now contains EU-Exit specific risks. Risks identified by the organisation are identified, categorised and contains mitigation and review details. The hub also noted that staff have attended EU-Exit related seminars.  | <b>Very Low</b>    |
|                   | <b>Internal Audit</b>                                     | The hub was provided with a copy of the internal audit plan prepared by Wylie and Bisset covering April 2019 to March 2022. The audit plan for 19/20 is noted and the hub will request progress on this plan during the next cycle. The internal audit conducted in August on the organisations I.T. systems rated this area as "weak" the report contained 8 recommendations. Feedback received provides assurance that all "high" graded recommendations on the I.T. systems have been actioned and closed out.  | <b>Very Low</b>    |
|                   | <b>External Audit</b>                                     | Feedback received provides clarification that external auditors are appointed and that final accounts are submitted to companies house.  | <b>Very Low</b>    |
| <b>Finance</b>    | <b>Quarterly Trading Accounts</b>                         | Provided and assessed as providing adequate assurance.   | <b>Very Low</b>    |
|                   | <b>Medium Term Financial Planning</b>                     | The Business Plan shall be updated at the first P&O meeting in 2020 for presentation and approval at the February Board meeting. AHP shall forward a copy tom ACC on board approval.   | <b>Low</b>         |
|                   | <b>Audited Annual Accounts 2018-19</b>                    | Provided and assessed as providing adequate assurance.   | <b>Very Low</b>    |

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Aberdeen Performing Arts - Appendix D

|            | Assurance Request                                  | ALEO Response  | Risk Rating |
|------------|--|--|-------------|
| Governance | General Data Protection Regulation                 | APA advised that they continually review their position in relation to the General Data Protection Regulation. A GDPR internal audit was conducted on 21 October 2019 to ensure compliance. APA will implement any recommendations from the report upon receipt. In the meantime, a wide range of technical controls have been implemented, and APA has reviewed its policies and procedures in relation to data protection law. APA has also undertaken regular training since GDPR came into force. Most recently, between 15-16 August 2019, three refresher workshops were held with staff to keep them updated on GDPR and how it relates to our business. The workshops were led by the Head of Business Transformation (also APA's Data Protection Officer) and APA's Marketing Manager. Over 50 staff have attended this training. In addition, APA have made GDPR awareness training a mandatory part of the induction process for all new members of staff.  | Low         |
|            | Zero Hours Contracts/Scottish Living Wage          | APA advise - as we begin to build our budgets for 20/21 we will be ensuring our budgets factor in a projected national living wage increase, and qualify this once the rate has been announced. As an organisation we are committed to paying as a minimum the national living wage to all staff regardless of their age. We have considered adopting the Scottish Living Wage previously, but felt this could not be adopted at this time due to financial commitments and funding cuts. We will consider Scottish Living Wage in the future, but this is likely impossible in the coming year given the financial landscape.   | Low         |
|            | Composition and Capacity of the Board              | APA advise they have recently reviewed and updated their Memorandum and Articles of Association - approved by OSCR and ACC. There are 11 Board members who have governance, business, charitable sector, academic, financial, legal, HR, capital projects, local authority expertise and knowledge and expertise of the cultural sector. Most Board members currently or have previously served on other Boards. 5 female, 6 male including 3 elected members and one employee director. They have had guidance and information on the Equality Act and are aware of the 9 protected characteristics and their obligations. Disability and sexual orientation are directly represented on the Board from Board members who are activists. APA advise they are currently recruiting for 2 or 3 new Board members having increased Board membership to 16. This includes active recruitment within BAME communities. Recruitment pack provided to Hub. APA Board is aware of its obligations and has the capacity to take well informed decisions and minimise risk to the Council. APA hold 4 Board meetings a year, 4 Finance, Audit and Property Sub Committees, 4 Organisational Development Sub Committee and one development day annually. | Very Low    |
|            | Induction and Training Programme for Board Members | APA Board members receive a half day board induction with a board pack. This induction is conducted by the Chief Executive and members of the Leadership Team, along with the Board Chairman. In addition, a minimum of one development day per year is scheduled for all board members, to ensure board members are fully aware of their obligations, responsibilities, and understanding of the organisation. Furthermore, Board members are provided an annual appraisal with the Chair to discuss their role, and development needs.   | Low         |
|            | Recruitment to post of Chief Finance Officer       | APA appointed to this post following open recruitment and the successful candidate took up post on the 28th October 2019.  | Very Low    |

|         |  |  |            |
|---------|--|--|------------|
| Risk    | <b>Risk Register</b>                   | The risk register provided was updated in October for presentation to the Board in November. The register contains the risks identified by the organisation and are categorised by "Financial", "Operational" and "Management and Governance". Risks are scored and mitigating actions are identified and allocated to an owner with a review date.  | Low        |
|         | <b>Risk Register</b>                   | We have reviewed workforce demography, have continued to provide information and education to all staff regarding EU-Exit and requirements for EU citizens around applying for settled status. This has included signposting to local workshops, information sessions and online information about how to apply and when. We continue to encourage staff to apply for settled or pre-settled status as soon as possible to avoid delays or issues. We have considered the potential impact on our business, such as visiting artists and companies, and are keeping abreast of updates and changes to the possible visa requirements should they be required following our exit from the EU.   | Low        |
|         | <b>Internal Audit</b>                  | Four internal audits have been conducted during the last cycle and a fifth has been commissioned. Noted that recommendations relating to network security have been implemented and that GDPR audit report is pending. Further details of the internal audit plan will be requested in the next cycle.   | Low        |
|         | <b>External Audit</b>                  | Scott Moncrieff undertook an annual external audit for 18/19. It was a clean audit with no recommendations   | Low        |
| Finance | <b>Quarterly Trading Accounts</b>      | Management accounts are reviewed internally on a monthly basis by both Finance and the Leadership Team. They are also presented quarterly to the Finance, Audit and Property Sub Committee and annually to the main board. The accounts are tracked against budget and the position is managed in line with objectives and policies. Accounts for the 6 months to the end of Sep19 have been provided. The Hub noted that the quarterly trading accounts presented to the Board confirmed the year end position, and that quarter 2 was a quiet period in the run up to the busier quarter 3 where substantial additional income is normally generated. This is being reviewed by the Board which receives regular monitoring reports.                                   | Low-Medium |
|         | <b>Medium Term Financial Planning</b>  | APA advised the Hub that they are mid year two of a three year business plan spanning 18/19 - 20/21. This Plan is reviewed quarterly by APA's Finance, Audit and Property Sub Committee and quarterly by the Aberdeen Performing Arts Board. Management accounts are reviewed monthly by the Leadership Team. APA are undertaking an externally facilitated Board session on business and financial planning prior to the Board meeting on 18th November 2019 which will include reviewing options and financial models going forward based on various core funding scenarios including local authority funding and Creative Scotland funding pressures. As part of business planning, APA assess the consequence of any core funding changes on programming activities. | Low-Medium |
|         | <b>Audited Annual Accounts 2018-19</b> | The audited annual accounts for the financial year ending 31st March 2019 were reviewed. Audited Annual Accounts indicate a deficit of £270k in General Reserves, reflecting the one off nature of the Music Hall redevelopment works. These should be between £100k and £400k. This was a deliberate decision of APA and they now plan a 24 month programme to build these up again.  | Low-Medium |



**Aberdeen Sports Village - Appendix E**

|                   | <b>Assurance Request</b>                                  | <b>ALEO Response</b>   | <b>Risk Rating</b> |
|-------------------|---|--|--------------------|
| <b>Governance</b> | <b>General Data Protection Regulation (GDPR)</b>          | ASV have employed a part-time Data Protection Officer and have an approved Data Protection Policy in place. Other procedures in place include; Subject Access Handling Procedure, Data Breach Reporting Procedure, DPIA Template Documents and a Data Sharing Agreement Template Document. GDPR is a standard item on the Board Agenda with next report due in December 2019.  | <b>Very Low</b>    |
|                   | <b>Zero Hours Contracts/Scottish Living Wage</b>          | ASV will introduce the Scottish Living Wage (SLW) with effect from its contract year 01 August 2020 to 31 July 2021.   | <b>Very Low</b>    |
|                   | <b>Composition and Capacity of the Board</b>              | The Business Plan shall be updated at the first P&O meeting in 2020 for presentation and approval at the February Board meeting. AHP shall forward a copy to ACC on board approval.  | <b>Low</b>         |
|                   | <b>Induction and Training Programme for Board Members</b> | ASV Board member induction pack was provided and assessed as providing adequate assurance.   | <b>Very Low</b>    |
| <b>Risk</b>       | <b>Risk Register</b>                                      | No updates to risk register. The Hub will review the risk register updates presented to the Board in December at the next reporting cycle.   | <b>Low</b>         |
|                   | <b>Risk Register (EU-Exit)</b>                            | EU-Exit preparedness is identified on the risk register and is being monitored. Updates on EU-Exit will be requested in the next reporting cycle.  | <b>Low</b>         |
|                   | <b>Internal Audit</b>                                     | Quest internal audit was conducted on Tuesday 5th November 2019. Audit improvement plan will be presented to the ASV Board in December 2019 and will be reviewed in the next reporting cycle.  | <b>Low</b>         |
|                   | <b>External Audit</b>                                     | External audit is currently underway by Johnson and Carimichael. Approved audited accounts and supporting report will be provided to the ASV Board in December 2019 and reviewed in the next reporting cycle.  | <b>Low</b>         |
| <b>Finance</b>    | <b>Financial Regulations</b>                              | The current financial regulations cover all aspects of ASV's financial governance including Financial Control (Audit, Budgets, Accounting Policies, Accounting Records), Income & Banking, Expenditure, Salaries, Assets and Inventories, Risk Management, Insurance, Taxation, Security and include within its appendices Purchasing Policy and Tender Procedures, Expenses and Benefits Policy and Inventories and Disposal of Assets. They have been subject to a provisional review by the new Director of Finance and are considered adequate and fit for purpose. Not specifically, although a number of areas within the Financial Regulations will be subject to audit e.g. accounting policies, accounting records, income and banking, authority levels etc. | <b>Medium</b>      |

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Bon Accord Care - Appendix F

|            | Assurance Request                                  | ALEO Response   | Risk Rating |
|------------|--|---|-------------|
| Governance | General Data Protection Regulation (GDPR)          | BAC have a nominated GDPR Officer who leads on and monitors compliance within BAC. 95% of staff have completed GDPR Training. A new Data Protection – Incident Reporting Procedure has been issued in November and monthly reports on data incidents are provided to manage and reduce risk of non compliance.  | Low         |
|            | Composition and Capacity of the Board              | The Board currently consists of 5 NED (Non Executive Director), MD (Managing Director) and FD (Finance Director). Of the 5 NED, to account for newly recruited NED on 31.10.19 and forthcoming retirement, there 2 x Females and 3 x Males. Further work will be undertaken during 2020 to consider equalities representation on the Board.                                       | Low         |
|            | Induction and Training Programme for Board Members | An induction and training programme is currently being refreshed to support induction of the newly appointed Non Executive Director. A refresh of a Board Development programme is planned for 2020 once new Board members are in post, using Developing Remarkable Boards framework. Update and progress will be requested at the next reporting cycle.                          | Low         |
| Risk       | Risk Register                                      | The Risk Register is due to be updated and reviewed in November 2019 and will be reviewed at the next reporting cycle.  | Very Low    |
|            | Risk Register (EU-Exit)                            | The Brexit risk assessment document was provided. Brexit is scored as a medium risk and specifies the Brexit related risks identified by the organisation and actions taken to reduce the effects of the risk and provides sufficient assurance. BAC attended EU-Exit meeting chaired by Derek McGowan in September and provided input that has been reflected in ACC EU-Exit RR. | Very Low    |
|            | Internal Audit                                     | All internal audits have been completed as per BAC Schedules and outcomes will now be reviewed via BAC Corporate Management Team. This will be reviewed at the next reporting cycle.  | Very Low    |
|            | External Audit                                     | External Audits have been completed by; Care Inspectorate, EHO, Fire Service, Global Group (ISO 9001:2015) progress on resulting action plans will be reviewed at the next reporting cycle.   | Very Low    |
| Finance    | Quarterly Trading Accounts                         | Provided and assessed as providing adequate assurance   | Low         |
|            | Medium Term Financial Planning                     | A draft Medium Term Financial Plan was provided and will be updated in December. This will be reviewed at the next reporting cycle.   | Low         |
|            | Audited Annual Accounts 2018-19                    | Provided and assessed as providing adequate assurance   | Low         |

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Sport Aberdeen - Appendix G

|                 | Assurance Request   | ALEO Response   | Risk Rating |
|-----------------|---|---|-------------|
| Governance      | General Data Protection Regulation  | SA provided Data Protection Policy and advised there were 18 breaches since the DPA 2008 came into effect. All were assessed as low risk. None were identified as requiring reporting to the ICO. GDPR is a standing item on both the Senior Leadership Team fortnightly meeting and on the bi-monthly Corporate Governance Committee meeting. They also feature as part of induction training, for both all new staff and board directors. Refresher training periodically takes place. Privacy notices are kept under constant review and made available on the website.  | Very Low    |
|                 | Composition and Capacity of the Board   | <p>The present board of directors has a very broad range of skills, experience and expertise and this has been incrementally formed by recruiting proactively to ensure strength in the field of governance, financial acumen and business development. Several of the board are company directors and leaders in their respective professional fields of employment and Sport Aberdeen benefits greatly from their expertise.</p> <p>Away from the main board meetings, the most important committee of the company is Corporate Governance. The company AGM was in September and there was a refresh and increase in committee membership from 6 to 8 company directors. This reflects both the interest in the committee's work as well as its importance to the overall scrutiny and stewardship of the charity's business. This should provide absolute assurance to ACC that well informed decision making is at the forefront of consideration, minimising any potential risk to Sport Aberdeen and the council.</p> <p>In 2018 the board took specific steps to improve the composition with the priority recruiting younger trustees that were female to reflect a better gender balance. Two new trustees were appointed and they have both added significant value to the board and committees' business.</p> <p>In terms of equalities groups, the board has not sought to recruit in a targeted way, but has been open to any individual joining the board providing they are able to meet the appropriate trustee role specification. The process of encouraging co-optees to the board's committees remains open and we continue to build on the benefits of having service users and other interest groups involved in what the company plans and delivers.</p> | Low         |
|                 | Induction and Training Programme for Board Members  | SA provided documents that form part of the trustee induction programme as well as a guidance pack on expectations. In addition, a declaration of interest is sought from all trustees and co-optees at the commencement of business, should there be a requirement to do so. In terms of training, consideration is being given trustees attending a range of refresher courses offered by the Institute of Directors.   | Low         |
| Risk Management | Risk Register   | The Strategic Risk Register was updated 30th August 2019 and approved by the Corporate Governance Committee. The Register contains the Strategic Risks identified by the organisation. The risks are cross-referenced to a Strategic Objective (where applicable) and identifies the further actions required in order to mitigate each risk.   | Very Low    |
|                 | Risk Register - Can you provide an update on your EU-Exit preparedness on the basis of EU-Exit 31st October | The Brexit Action plan was provided and reviewed. The plan contains the risks identified by the organisation and actions required. Actions with a target date of December 2019 will be followed up at the next reporting cycle.   | Very Low    |
|                 | Business Continuity Plans   | The BCP testing planned for Q2 has been delayed until Q4. This will be followed up during the next cycle.   | Low         |
|                 | Internal Audit  | The company has a rolling 3 year programme of internal audit. The appended report was presented to the Corporate Governance Committee on 6 November 2019 which confirmed that it was satisfied with the audit and management actions that were identified to ensure improvement.  | Very Low    |
|                 | External Audit  | The company's retained External auditors Johnston Carmichael completed a full 2018/19 audit based on timescales to comply with ACC reporting. A clean audit report was issued and no adjustments were made to the internal accounts, other than the revised pension liabilities that were recalculated at end of May 2019. Johnston Carmichael were reappointed at the AGM on 25 September 2019 for a further 12 months.  | Very Low    |
|                 | Quarterly Trading Accounts  | Provided and assessed as providing adequate assurance.  | Very Low    |

|         |  |   |                 |
|---------|--|---|-----------------|
| Finance | <b>Financial Regulations</b>           | Sport Aberdeen's Financial Regulations and Financial Procedures (updated in September 2019) were provided and assessed as providing adequate assurance.   | <b>Very Low</b> |
|         | <b>Audited Annual Accounts 2018-19</b> | Provided and assessed as providing adequate assurance.  | <b>Very Low</b> |
|         | <b>Medium Term Financial Planning</b>  | Commentary on a forecasted position has already been submitted to the Council as part of routine budget reporting and to tie in with the with financial reporting to City Growth and Resources Committee. Budget based scenario planning is underway in conjunction with the Head of Commercial and Procurement Services. | <b>Low</b>      |

| Area of Assurance      | Item                                       | Purpose   | Aberdeen Heat and Power | Aberdeen Performing Arts | Aberdeen Sports Village | Bon Accord Care | Sport Aberdeen |
|------------------------|--|---|-------------------------|--------------------------|-------------------------|-----------------|----------------|
| <b>Governance</b>      | Information Governance and Data Protection | Assurance on compliance with GDPR.  | May                     | May                      | May                     | May             | May            |
|                        | Workforce Planning                         | Assurance that the organisation has adequate workforce and succession planning arrangements in place.   | May                     | May                      | May                     | May             | May            |
|                        | Training and Development Programmes        | Assurance on training and development of Board members and workforce to align the needs of the organisation to skillset.  | October                 | October                  | October                 | October         | October        |
|                        | Governance Documentation                   | Assurance that all governance documentation is regularly reviewed and supports the organisation's governance framework.   | May                     | May                      | May                     | May             | May            |
| <b>Risk Management</b> | Risk Register                              | Assurance that risk registers are in place, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. | May<br>October          | May<br>October           | May<br>October          | May<br>October  | May<br>October |
|                        | EU Exit                                    | Assurance that the organisation is preparing for EU Exit, that risks are identified and controls are in place.  | May<br>October          | May<br>October           | May<br>October          | May<br>October  | May<br>October |
|                        | Internal and External Audit                | Assurance that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations.   | May<br>October          | May<br>October           | May<br>October          | May<br>October  | May<br>October |
|                        | Business Continuity Planning and Testing   | Assurance that appropriate business continuity arrangements are in place including testing and exercising.  | May<br>October          | May<br>October           | May<br>October          | May<br>October  | May<br>October |
|                        | PREVENT Strategy                           | Assurance that ALEOs have appropriate procedures in place to work effectively with the Council to ensure it can meet its PREVENT obligations.   | May                     | May                      | May                     | May             | May            |
|                        | Policies and Procedures                    | Assurance that key policies are in place and kept under review. This would include emergency planning and health and safety.  | October                 | October                  | October                 | October         | October        |

**Finance**

|                                 |  |                |                |                |                |                |
|---------------------------------|--|----------------|----------------|----------------|----------------|----------------|
| Quarterly Trading Accounts      | Assurance that accounts are being managed within budget and the level of financial risk to the Council is low.   | May<br>October | May<br>October | May<br>October | May<br>October | May<br>October |
| Medium-Term Financial Planning  | Assurance that ALEOs have prepared a medium-term financial plan or had incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. | May<br>October | May<br>October | May<br>October | May<br>October | May<br>October |
| Audited Annual Accounts 2018-19 | Assurance that accounts are being managed within budget, are in line with statutory requirements and that the level of financial risk to the Council is low.   | October        | October        | May            | October        | October        |



## **Appendix I - Terms of Reference**

### **ALEO Assurance Hub**

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence.

The purpose of the Assurance Hub is to receive assurance from ALEOs that appropriate systems and policies are in place to mitigate and manage risks to the organisation and to the Council. For the avoidance of doubt, the ALEO Assurance Hub shall provide high level, strategic oversight of ALEOs but will not undertake quality checks on the operation of ALEOs.

The Assurance Hub shall promote the principles of accountability and transparency as set out in the Following the Public Pound Guidance.

- 1) The Assurance Hub is one component of the ALEO Assurance Framework which will be the basis for how the Council oversees and supports its arms-length bodies. The Framework will consist of:-
  - a. Regular performance review of ALEOs by the Strategic Commissioning Committee. The Aberdeen City Integration Joint Board (IJB) shall have an oversight role in relation to Bon Accord Care
  - b. Quarterly financial reporting for ALEOs within the Council's Financial Performance Report to the City Growth and Resources Committee to provide assurance on the Council's bond issue;
  - c. Six weekly meetings of the ALEO Strategic Partnership as a forum for senior Council and ALEO representatives to discuss high level strategic issues such as business planning and horizon scanning; and
  - d. Representatives of the Head of Commercial and Procurement Services, known as Service Leads are assigned to each ALEO to provide them with a single point of contact at the Council. Service Leads will be the Council's primary liaison officer with ALEOs and will be in regular contact with ALEOs to discuss strategic, operational and performance matters.
- 2) The membership of the Hub shall consist of:
  - a. The Assurance Manager;
  - b. The Corporate Risk Lead
  - c. A representative of the Chief Officer - Finance; and
  - d. A representative from Democracy.
- 3) The Assurance Manager shall be the Chairperson of the Assurance Hub.
- 4) The Director of Commissioning or his or her nominee shall be invited to attend meetings as advisers to the Hub as required.
- 5) The Hub may co-opt additional advisors as required.
- 6) The Hub shall scrutinise each ALEO within its remit at least once a year.
- 7) The Hub shall have the authority to increase or reduce its oversight of ALEOs based on the level of assurance it has received.

- 8) The Hub may invite ALEO representatives to attend Hub meetings to provide information and assurance on relevant matters as requested.
- 9) The Hub shall report its level of assurance on ALEOs to the Audit, Risk and Scrutiny Committee.
- 10) The Hub shall be responsible for setting its own programme of scrutiny.
- 11) The Conveners and Vice Conveners of the following committees and Board shall be consulted on the Hub's areas of intended scrutiny prior to any Assurance Hub meeting:
  - a. Audit, Risk and Scrutiny;
  - b. Strategic Commissioning Committee;
  - c. City Growth and Resources; and
  - d. Integration Joint Board;
- 12) An open invitation shall be extended to the Council's internal and external auditors to attend Hub meetings as appropriate in order for them to meet their audit objectives.
- 13) To ensure that risk posed to the Council by ALEO operations is monitored, the Hub shall oversee ALEO risk management arrangements including:
  - a. Risk management policy;
  - b. Management of risk registers;
  - c. Risk identification structures, including horizon-scanning;
  - d. Business continuity planning; and
  - e. ALEO internal and external audit reports.
- 14) To ensure compliance with Following the Public Pound guidance, the Hub shall oversee ALEOs:
  - a. Financial governance;
  - b. Financial management;
  - c. Accounting practices; and
  - d. Financial performance.
- 15) The Hub shall review ALEO decision making structures including:
  - a. Reporting arrangements, including powers reserved to the Board and powers delegated to executive officers;
  - b. Compliance with key governance standards, such as codes of conduct;
  - c. The composition and capacity of the board;
  - d. Transparency and accountability;
  - e. Induction and ongoing training programmes for Board members;
  - f. Ongoing assurance around information governance arrangements and data protection compliance; and
  - g. Progress against recommendations made within Audit Scotland's report on *How councils use arms-length organisations*.
- 16) The Hub shall receive assurance on ALEOs risk management, financial management and governance arrangements through exception reporting and officers will assess ALEO governance and management of risk through a scoring matrix.

- 17) The Hub may monitor high level employment practices.
- 18) The Hub shall monitor reports relating to ALEOs from the Council's internal and external auditors and address any recommendations which are within the remit of the Hub's terms of reference. The Hub shall monitor best practice guidance from organisations such as Audit Scotland and the Standards Commission for Scotland on the development of guidance relating to ALEOs.
- 19) The Hub shall monitor co-ordination arrangements between ALEO partners where the Council is not the sole shareholder.
- 20) The Hub shall receive assurance that ALEOs are supporting the Council to meet its obligations under the PREVENT Strategy.
- 21) The following organisations have been deemed to be ALEOs and will be subject to the Hub's oversight arrangements:
  - a. Aberdeen Heat and Power;
  - b. Aberdeen Performing Arts;
  - c. Aberdeen Sports Village;
  - d. Bon Accord Care; and
  - e. Sport Aberdeen.
- 22) The Chief Officer Governance will review these Terms of Reference annually to ensure their ongoing appropriateness in monitoring ALEO governance.

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## ABERDEEN CITY COUNCIL

|                           |                                    |
|---------------------------|------------------------------------|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee |
| <b>DATE</b>               | 4 December 2019                    |
| <b>EXEMPT</b>             | No                                 |
| <b>CONFIDENTIAL</b>       | No                                 |
| <b>REPORT TITLE</b>       | Internal Audit Progress            |
| <b>REPORT NUMBER</b>      | IA/19/013                          |
| <b>DIRECTOR</b>           | N/A                                |
| <b>REPORT AUTHOR</b>      | David Hughes                       |
| <b>TERMS OF REFERENCE</b> | 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 and 2019/20 Internal Audit plans.

### 2. RECOMMENDATIONS

- 2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached 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 and that for 2019/20 was approved on 14 February 2019. The plans included an indicative date by when it was planned to report each audit to Committee and progress against the plan has been reported to each subsequent meeting of the Committee.
- 3.2 Appendix A to this report provides details relating to the final audit contained in the 2018/19 plan which is reported elsewhere on today's agenda.
- 3.3 Appendix B to this report shows progress with the audits contained in the 2019/20 plan. A summary is shown in the following table.

| 2019/20<br>Planned<br>Audit Status | As at 21 November 2019<br>by Original Target Committee Date |          |          |          |          |           | %age         |
|------------------------------------|---|----------|----------|----------|----------|-----------|--------------|
|                                    | Jun 19  | Sep 19   | Dec 19   | Feb 20   | May 20   | Total     |              |
| Complete                           | 0   | 4        | 0        | 0        | 0        | 4         | 14.8         |
| Draft Report<br>Issued             | 1   | 2        | 2        | 0        | 0        | 5         | 18.5         |
| Work in<br>Progress                | 1   | 2        | 3        | 2        | 0        | 8         | 29.6         |
| To Start                           | 0   | 0        | 2        | 3        | 5        | 10        | 37.1         |
| <b>Total</b>                       | <b>2</b>  | <b>8</b> | <b>7</b> | <b>5</b> | <b>5</b> | <b>27</b> | <b>100.0</b> |

**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**

| <b>Assessment</b>                                    | <b>Outcome</b>  |
|--|---|
| <b>Equality &amp; Human Rights Impact Assessment</b> | 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. |
| <b>Data Protection Impact Assessment</b>             | Not required  |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable  |

**9. APPENDICES**

- 9.1 Appendix A – Progress with 2018/19 Internal Audit Plan.
- 9.2 Appendix B – Progress with 2019/20 Internal Audit Plan.

**10. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861

**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<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

**Originally Planned for April 2019 Committee (continued)**

|  |  |   |  |  |   |              |
|--|--|---|--|--|---|--------------|
| Management of high-risk contracts.<br><br>The title of this audit has been changed to Capital Contract Management. | To focus on recent identified issues:<br>- 3 <sup>rd</sup> Don Crossing<br>- Photovoltaic Panels | Draft report due to be issued<br>Draft report issued    | 05.07.19<br>15.08.19   | Amber  | <i>Work commenced on this review but there were delays in identifying the appropriate officers to discuss it with and obtaining supporting information from various services.</i><br><br>See below: |              |
|  |  | Management response due<br>Management response received | 05.09.19<br>23.08.19   | Green  |   |              |
|  | To include data / intelligence used for monitoring and escalation of risk.                       | Final draft issued to management<br>Reminders sent:     | 23.08.19<br>25.09.19<br>03.10.19<br>17.10.19<br>25.10.19   | Green<br>Amber<br>Red                                    |   |              |
|  |  | Management confirmation received                        | 28.10.19   | Green  |   |              |
|  |  | Final report issued                                     | 28.10.19   | Green  |   |              |
|  |  |   | Original target Committee date<br>Revised Committee date<br>Changed to<br>Changed to<br>Actual submission to Committee | 30.04.19<br>26.06.19<br>25.09.19<br>04.12.19<br>04.12.19 |   | Amber<br>Red |

*The Director of Resources had instructed officers not to respond to anything at the time relating to one of the sampled projects as they were in the process of concluding the building contract and gaining access rights for the operator and the team were under extreme pressure to ensure delivery of the new venue. Virtually every day or two there was a critical path deadline that cannot be missed. Information was provided shortly after the draft Internal Audit report was issued and has been incorporated into the final draft.*



**APPENDIX B**

**PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN**

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

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

**Originally Planned for June 2019 Committee**

|                                 |  |                                |          |              |            |
|---------------------------------|--|--------------------------------|----------|--------------|------------|
| Shutdown of Non-essential Spend | To provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with. | Draft report due to be issued  | 30.04.19 | Amber<br>Red | See below: |
|                                 |  | Changed to                     | 05.07.19 |              |            |
|                                 |  | Changed to                     | TBC      |              |            |
|                                 |  | Draft report issued            | TBC      |              |            |
|                                 |  | Original target Committee date | 26.06.19 | Amber<br>Red |            |
|                                 |  | Revised Committee Date         | 25.09.19 |              |            |
|                                 |  | Changed to:                    | 04.12.19 |              |            |
|                                 |  |                                | 12.02.20 |              |            |

*Not all data requested from Finance, which was to be provided to Internal Audit by 24.05.19, has been received – delayed by year-end process.*

*Reminders have been sent but, as at September 2019, data / information requested from Finance to complete this audit is still to be received.*

Further reminders have been sent but, as at 21.11.19, there has been no response from Finance to requests for information.

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

**Originally Planned for June 2019 Committee (continued)**

|                   |  |  |  |              |  |
|-------------------|--|--|--|--------------|--|
| Income Generation | To provide assurance that budgeted income generation is based on robust assumptions and is being realised. | Draft report due to be issued<br>Changed to<br>Draft report issued             | 30.04.19<br>28.06.19<br>28.06.19             | Amber        | <i>Due to delays in information received from Services.</i>  |
|                   |  | Management response due<br>Reminders sent:<br><br>Management response received | 19.07.19<br>09.09.19<br>27.09.19<br>15.11.19 | Red          | Internal Audit has issued reminders and assurances have been provided by management regarding provision of a response to the draft report. |
|                   |  | Updated draft report issued<br>Management response received                    | 18.11.19<br>TBC                              |              |  |
|                   |  | Original target Committee date<br>Revised Committee Date<br>Changed to:        | 26.06.19<br>25.09.19<br>04.12.19<br>12.02.20 | Amber<br>Red |  |

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for September 2019 Committee

|   |  |                                  |          |       |   |
|---|--|----------------------------------|----------|-------|---|
| Car Parking and Bus Lane Enforcement Income | To provide assurance that procedures regarding income collection and the management of fines are adequate. | Draft report due to be issued    | 20.01.20 |       | <i>Difficulties were encountered in identifying appropriate points of contact for this audit. Subsequently, the allocated auditor has been signed off work.</i>   |
|   |  | Draft report issued              | TBC      |       |   |
|   |  | Original target Committee date   | 25.09.19 | Amber | Allocated Auditor now back to work but has an involvement in an ongoing court case which will delay completion.   |
|   |  | Revised Committee date           | 04.12.19 |       |   |
|   |  | Changed to                       | 07.05.20 |       |   |
| Building and Road Services Stock Control    | To provide assurance that procedures are adequate and stock movements are adequately accounted for.        | Draft report due to be issued    | 20.09.19 | Amber | <i>Commencement delayed due to additional work being required to progress the 2018/19 audit of High Risk Contracts. There were subsequent delays in the Service nominating contact officers and arranging initial meetings / providing information.</i> |
|   |  | Changed to                       | 25.10.19 |       |   |
|   |  | Draft report issued              | 25.10.19 | Green |   |
|   |  | Management response due          | 13.11.19 | Green |   |
|   |  | Management response received     | 28.10.19 |       |   |
|   |  | Final draft issued to management | 31.10.19 | Green |   |
|   |  | Management confirmation received | 18.11.19 |       |   |
|   |  | Final report issued              | 18.11.19 | Green |   |
|   |  | Original target Committee date   | 25.09.19 | Amber |   |
|   |  | Revised Committee date           | 04.12.19 |       |   |
|   |  | Actual submission to Committee   | 04.12.19 |       |   |

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for September 2019 Committee (continued)

|                     |   |                                |          |              |   |
|---------------------|---|--------------------------------|----------|--------------|---|
| 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. | Draft report due to be issued  | 04.10.19 | Amber<br>Red | <i>Work has recently commenced on this audit. Delay due to availability of Internal Audit resource.</i> |
|                     |   | Draft report issued            | 14.10.19 |              |   |
|                     |   | Management response due        | 11.11.19 |              |   |
|                     |   | Management response received   | TBC      |              |   |
|                     |   | Original target Committee date | 25.09.19 |              |   |
|                     |   | Revised Committee date         | 04.12.19 |              |   |
|                     |   | Changed to                     | 12.02.20 |              |   |

|               |   |                               |          |       |            |
|---------------|---|-------------------------------|----------|-------|------------|
| Travel Policy | To provide assurance that the Council has appropriate arrangements in place and that these are being complied with. | Draft report due to be issued | 30.07.19 | Green | See below: |
|               |   | Draft report issued           | 26.07.19 |       |            |
|               |   | Management response due       | 09.08.19 | Amber |            |
|               |   | Reminder sent                 | 09.09.19 |       |            |
|               |   | Management response due       | 27.09.19 | Red   |            |
|               |   | Reminders sent:               | 01.10.19 |       |            |
|               |   |                               | 16.10.19 |       |            |
|               | Management response received  | 15.11.19                      |          |       |            |
|               | Updated draft report issued   | 19.11.19                      |          |       |            |
|               | Management response received  | TBC                           |          |       |            |
|               | Original target Committee date  | 25.09.19                      | Amber    |       |            |
|               | Revised Committee date  | 04.12.19                      |          |       |            |
|               | Changed to  | 12.02.20                      |          |       |            |

*When the draft report as issued, the Cluster advised that it would be unable to respond until w/c 19.08.19 due to annual leave in the team. The Internal Auditor will then be on annual leave, resulting in a delay to completion of the audit.*

In response to the reminder issued by Internal Audit on 16.10.19, the Chief Officer – Customer Experience advised that responsibility for providing a response to the draft report had been reassigned.

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for September 2019 Committee (continued)

|                           |   |   |          |       |            |
|---------------------------|---|---|----------|-------|------------|
| Timesheets and Allowances | To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented. | Draft report due to be issued   | 31.10.19 | Amber | See below: |
|                           |   | Deferred pending receipt of responses to queries issued by Internal Audit | TBC      |       |            |
|                           |   | Draft report issued   | TBC      |       |            |
|                           |   | Original target Committee date  | 25.09.19 | Amber |            |
|                           |   | Revised Committee date  | 04.12.19 |       |            |
|                           |   | Changed to  | 12.02.20 |       |            |

*Start of audit delayed as auditor on jury service. Access to Payroll System requested on 30.07.19. Full access not provided as at September 2019. Cluster has also had difficulties downloading payroll data from CoreHR to facilitate testing.*

Access to CoreHR was provided on 04.10.19 and Internal Audit managed to download required data from the general ledger. Testing has progressed and queries have been passed to Payroll on 10.10.19 (partial response received as at 21.11.19) and 28.10.19 to respond to before draft report is issued.

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for December 2019 Committee

|                                 |   |  |                      |       |                                  |
|---------------------------------|---|--|----------------------|-------|----------------------------------|
| Fostering and Adoption Payments | To provide assurance over Fostering and Adoption Allowances being paid. | Original target Committee date<br>Revised Committee date | 04.12.19<br>07.05.20 | Amber | Not yet commenced.<br>See below: |
|---------------------------------|---|--|----------------------|-------|----------------------------------|

Initially delayed due to delays with other audits. The Cluster has subsequently requested that the audit be delayed further as it is dealing with a section 21 notice from the Scottish Child Abuse Inquiry in respect of the fostering service. This has to be submitted by the end of January 2020.

|   |  |  |                      |       |   |
|---|--|--|----------------------|-------|---|
| 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. | Draft report due to be issued                            | 14.12.19             | Amber | Commencement delayed due to delays with other audits. |
|   |  | Draft report issued                                      | TBC                  |       |   |
|   |  | Original target Committee date<br>Revised Committee date | 04.12.19<br>12.02.20 | Amber |   |

|                     |   |  |                      |  |            |
|---------------------|---|--|----------------------|--|------------|
| HR / Payroll 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. | Original target Committee date<br>Revised Committee date | 04.12.19<br>07.05.20 |  | See below: |
|---------------------|---|--|----------------------|--|------------|

*The Cluster requested that this audit be delayed until January 2020 to allow the team to further embed the system and remain focussed on the current rollout of additional functionality.*

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

**Originally Planned for December 2019 Committee (continued)**

|                |   |  |   |  |  |
|----------------|---|--|---|--|--|
| Transformation | To provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations. | Draft report due to be issued<br>Changed to              | 08.11.19<br>TBC –<br>awaiting<br>receipt of<br>requested<br>information |  | Commencement<br>delayed due to<br>delays with other<br>audits and delay with<br>management<br>advising of lead<br>contact for audit. |
|                |   | Original target Committee date<br>Revised Committee date | 04.12.19<br>12.02.20  |  |  |

|                     |  |  |                      |           |            |
|---------------------|--|--|----------------------|-----------|------------|
| 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. | Draft report due to be issued                            | TBC                  |           | See below: |
|                     |  | Original target Committee date<br>Revised Committee date | 04.12.19<br>12.02.20 | See below |            |

The Cluster has requested that conclusion of this audit be delayed as they are completing a stocktake of emergency planning arrangements, with a report due to be presented to the Public Protection Committee on 12 December. In order that Internal Audit findings can take account of this stocktake, the Internal Audit report will be submitted to the February meeting of the Audit, Risk and Scrutiny Committee.

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for December 2019 Committee (continued)

|                              |   |                                  |          |       |   |
|------------------------------|---|----------------------------------|----------|-------|---|
| Voids – Housing Repairs      | To provide assurance regarding the process for re-letting void properties and compliance therewith. | Draft report due to be issued    | 11.10.19 | Green |   |
|                              |   | Draft report issued              | 10.10.19 |       |   |
|                              |   | Management response due          | 31.10.19 | Amber |   |
|                              |   | Reminder sent                    | 05.11.19 |       |   |
| Management response received | 07.11.19  |                                  |          |       |   |
|                              |   | Final draft issued to management | 08.11.19 | Green |   |
|                              |   | Management confirmation received | TBC      | Amber |   |
|                              |   | Original target Committee date   | 04.12.19 | Amber |   |
|                              |   | Revised Committee date           | 12.02.20 |       |   |
| Cash Collection              | To provide assurance over procedures in operation relating to sample of cash collection locations.  | Draft report due to be issued    | 18.10.19 | Green | The Cluster requested an extension to respond to the draft report due to annual leave of key staff. |
|                              |   | Draft report issued              | 17.10.19 |       |   |
|                              |   | Management response due          | 31.10.19 | Amber |   |
|                              |   | Reminder sent                    | 05.11.19 |       |   |
| Management response received | 13.11.19  |                                  |          |       |   |
|                              |   | Final draft issued to management | 15.11.19 | Green |   |
|                              |   | Management confirmation received | TBC      | Amber |   |
|                              |   | Original target Committee date   | 04.12.19 | Amber |   |
|                              |   | Revised Committee date           | 12.02.20 |       |   |



| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for February 2020 Committee

|  |   |                                |          |       |                   |
|--|---|--------------------------------|----------|-------|-------------------|
| Gas Servicing Contract                 | To provide assurance that contractual and operational issues are being complied with  | Original target Committee date | 12.02.19 |       | Not yet commenced |
| 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. | Original target Committee date | 12.02.19 |       | Not yet commenced |
| School Catering Income and Expenditure | To provide assurance over income and procurement expenditure relating to school catering operations   | Draft report due to be issued  | 29.11.19 | Green |                   |
|  |   | Original target Committee date | 12.02.19 |       |                   |
| Financial Ledger System                | To provide assurance over system controls, business continuity and contingency plans.   | Draft report due to be issued  | 11.12.19 | Green |                   |
|  |   | Original target Committee date | 12.02.19 |       |                   |
| 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.                            | Original target Committee date | 12.02.19 |       | Not yet commenced |

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### Originally Planned for May 2020 Committee

|   |  |                                |          |  |                   |
|---|--|--------------------------------|----------|--|-------------------|
| Workforce Planning                                | 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.      | Original target Committee date | 07.05.19 |  | Not yet commenced |
| Performance Management                            | To provide assurance that the Council has effective performance management arrangements in place which produce accurate data   | Original target Committee date | 07.05.19 |  | Not yet commenced |
| Craft Workers Terms and Conditions                | To provide assurance that payments through the payroll system are in accordance with agreed Craft Workers' Terms and Conditions.   | Original target Committee date | 07.05.19 |  | Not yet commenced |
| Procurement Compliance                            | 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. | Original target Committee date | 07.05.19 |  | Not yet commenced |
| Contract Monitoring – H&SCP Commissioned Services | To provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.   | Original target Committee date | 07.05.19 |  | Not yet commenced |

| SUBJECT / SCOPE | OBJECTIVE | Progress as at<br>21 November 2019 | Red<br>Amber<br>Green | Comment where<br>applicable |
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|
|-----------------|-----------|------------------------------------|-----------------------|-----------------------------|

### No Planned Reporting to Committee

|   |  |   |  |  |
|---|--|---|--|--|
| <p>Interreg Projects where Aberdeen City Council is involved as a Lead Partner and / or Project Partner</p> | <p>To certify required grant claims in accordance with Programme requirements.</p> <p><i>There will be no specific reporting to management or the Audit, Risk and Scrutiny Committee in relation to these grant claims unless a significant issue is identified.</i></p> | <p><u>April 2019:</u><br/>ACE Retrofitting Project ACC Partner Claim for reporting period 4 certified.</p> <p><u>May 2019:</u><br/>BEGIN Partner Claim for reporting period 4 certified.</p> <p><u>June 2019</u><br/>HyTrEc 2 Partner Claim for period reporting period 4 certified.</p> <p><u>July 2019</u><br/>HyTrEc 2 Lead Beneficiary Claim for period reporting period 4 certified.</p> <p><u>August 2019</u><br/>HeatNet Partner Claim for reporting period 4 certified.</p> <p><u>September 2019</u><br/>SCORE Project Partner Claim for reporting period to 30.06.19 certified.<br/>ACE Retrofitting Project Partner Claim for period to 30.06.19 certified.<br/>HECTOR / HyWAVE Project Partner Claim for period to 30.06.19 certified.</p> <p><u>November 2019</u><br/>BEGIN Partner Project Claim for reporting period to 31.10.19 certified.<br/>HyTrEc 2 Project Partner Claim for reporting period to 30.06.19 certified</p> |  |  |
|---|--|---|--|--|

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## ABERDEEN CITY COUNCIL

|                           |  |
|---------------------------|--|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee                           |
| <b>DATE</b>               | 4 December 2019  |
| <b>EXEMPT</b>             | No   |
| <b>CONFIDENTIAL</b>       | No   |
| <b>REPORT TITLE</b>       | Internal Audit Reports – Follow-up of Agreed Recommendations |
| <b>REPORT NUMBER</b>      | IA/19/014  |
| <b>DIRECTOR</b>           | N/A  |
| <b>REPORT AUTHOR</b>      | David Hughes   |
| <b>TERMS OF REFERENCE</b> | 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

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

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The 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 2019 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  |
|--|--|
| <b>Equality &amp; Human Rights Impact Assessment</b> | 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. |
| <b>Data Protection Impact Assessment</b>         | Not required   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b> | 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 – Customer.
- 9.4 Appendix D – Position with Agreed Recommendations – Operations.
- 9.5 Appendix E – Position with Agreed Recommendations – Resources.
- 9.6 Appendix F – Position with Agreed Recommendations – Health and Social Care Partnership.
- 9.7 Appendix G – Position with Agreed Recommendations – Governance.

**10. REPORT AUTHOR DETAILS**

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(01467) 537861

# APPENDIX A – SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 21 NOVEMBER 2019

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

On 25 September 2019, the Committee was advised that, as at 12 September 2019, there were 23 recommendations which were due to have been completed by 31 July 2019 which were not fully complete. This has now reduced to 11.

The total not fully complete, which had an original due date of before 30 September 2019, is 12. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

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| FUNCTION                        | Agreed in reports shown in Appendices B to G | Due for completion by 31.07.19 | Confirmed complete by Service | New in August to September 2019 | Confirmed complete by Service | <b>Not fully complete by original due date</b> | Major | Significant | Important |
|---------------------------------|--|--------------------------------|-------------------------------|---------------------------------|-------------------------------|--|-------|-------------|-----------|
| <b>Cross Service</b>            | 27   | 16                             | 15                            | 6                               | 6                             | <b>1</b>                                       | 0     | 1           | 0         |
| <b>Customer</b>                 | 39   | 24                             | 23                            | 4                               | 3                             | <b>2</b>                                       | 0     | 2           | 0         |
| <b>Operations</b>               | 52   | 24                             | 19                            | 10                              | 10                            | <b>5</b>                                       | 1     | 4           | 0         |
| <b>Resources</b>                | 16   | 16                             | 12                            | 0                               | 0                             | <b>4</b>                                       | 0     | 4           | 0         |
| <b>Health &amp; Social Care</b> | 22   | 11                             | 11                            | 3                               | 2                             | <b>1</b>                                       | 0     | 1           | 0         |
| <b>Governance</b>               | 6  | 0                              | 0                             | 0                               | 0                             | <b>0</b>                                       | 0     | 0           | 0         |
| <b>Total</b>                    | 162  | 91                             | 80                            | 23                              | 21                            | <b>13</b>                                      | 1     | 12          | 0         |



# 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.<br>Financial Regulations have been consistently breached.  |
| Significant | Addressing this issue will enhance internal controls.<br>An element of control is missing or only partial in nature.<br>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.<br>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 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |                               |            |    |    |    |   |               |
|---------------|-------------------------------|------------|----|----|----|---|---------------|
| <b>AC1914</b> | <b>Procurement Compliance</b> | April 2019 | 15 | 15 | 14 | 1 | 1 Significant |
|---------------|-------------------------------|------------|----|----|----|---|---------------|

The position with the overdue recommendation is as follows:

| Chief Officer                               | Recommendation  | Grading / Due Date | Position  |
|---|---|--------------------|---|
| Head of Commercial and Procurement Services | CPS should implement a system for delegated procurement authority (2.1.3) | Significant        | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2019 that this would be complete by January 2020.</li> </ul> |
|   |   | July 2019          |   |

|               |                          |               |    |   |   |   |   |
|---------------|--------------------------|---------------|----|---|---|---|---|
| <b>AC1918</b> | <b>Health and Safety</b> | February 2019 | 12 | 7 | 7 | 0 | 0 |
|---------------|--------------------------|---------------|----|---|---|---|---|

# **APPENDIX C**

# **CUSTOMER**

| Report Number  | Report Title   | Date Issued              | Number of Recommendations  |                                    |                                  |                                      | Grading of overdue recommendations |
|--|--|--------------------------|--|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|  |  |                          | Agreed in Report   | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |
| AC1909   | Timesheets and Allowances  | August 2018              | 7  | 5                                  | 5                                | 0                                    | 0                                  |
| AC1912   | Data Security in a Cloud- Based Environment                                      | May 2019                 | 14   | 12                                 | 11                               | 1                                    | 1 Significant                      |
| The position with the overdue recommendations is as follows: |  |                          |  |                                    |                                  |                                      |                                    |
| Chief Officer  | Recommendation   | Grading / Due Date       | Position   |                                    |                                  |                                      |                                    |
| Digital and Technology                                       | Data Protection Impact Assessments should be completed for Office 365. (2.3.20a) | Significant<br>July 2019 | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2019 that this would be complete by August 2019.</li> </ul> <p>The latest updated from the Service is that the scope for the Office 365 DPIA increased due to the implementation of additional Office 365 services that had to be included in the DPIA. The DPIA is almost complete and the Service will be in a position to sign-off the DPIA by the end of November 2019.</p> |                                    |                                  |                                      |                                    |
| AC1917   | NPS Housing System   | February 2019            | 14   | 10                                 | 10                               | 0                                    | 0                                  |

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |   |                |   |   |   |   |   |
|---------------|---|----------------|---|---|---|---|---|
| <b>AC2006</b> | <b>Housing Rent Collection &amp; Arrears Management</b> | September 2019 | 4 | 1 | 0 | 1 | 1 |
|---------------|---|----------------|---|---|---|---|---|

The position with the overdue recommendations is as follows:

| Chief Officer                                | Recommendation   | Grading / Due Date            | Position  |
|--|--|-------------------------------|---|
| Early Intervention and Community Empowerment | Former tenant write offs should be reported to City Growth and Resources Committee (2.6.3) | Significant<br>September 2019 | The Service has advised that a report is scheduled to go to the City Growth and Resources Committee in February 2020. |

# **APPENDIX D**

# **OPERATIONS**

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|                  |   |              |   |   |   |   |         |
|------------------|---|--------------|---|---|---|---|---------|
| <b>AC1602 AW</b> | <b>Craft Workers Terms and Conditions</b> | October 2015 | 9 | 9 | 8 | 1 | 1 Major |
|------------------|---|--------------|---|---|---|---|---------|

The position with the overdue recommendation 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<br>June 2016 | See below: |

- 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 this would be resolved by April 2019
- Committee advised on 30 April 2019 that this would be resolved by August 2019.
- Committee advised on 26 June 2019 that consultation on the proposed agreement, with Unions and employees, will commence in June 2019. Subject to the success of these negotiations it is intended that a report will be submitted to the 1 October 2019 meeting of the Staff Governance Committee for approval. The Service has stated that progress with this action has been delayed on several occasions due to circumstances out with its control, and it is anticipated that the current actions will resolve the outstanding action.

*Continued over page*



| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |   | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | <b>Not implemented by original due date</b> |                                    |

*(AC1602AW – Craft Workers Terms and Conditions – Continued)*

The latest update from the Service is that a report has been submitted to the meeting to be held on the 1 October 2019 of the Staff Governance Committee. This report details the progress to resolve the audit recommendation. During the summer of 2019 there have been several informal meetings between management and unions to resolve the outstanding audit recommendation. This is to ensure that the Service can deliver 24/7 whilst being fully compliant with the “Working Time Directive”. The Service has been working to the following timeline:

- i. Week Commencing 30 September 2019 - Meetings (6) with affected staff groups.
- ii. Monday 7 October 2019 - Paper sent to unions for formal consultation.
- iii. Friday 18 October 2019 - End of formal consultation period.
- iv. Week commencing 21 October 2019 - Outcome of consultation and implementation details shared with affected staff.

The meetings with staff have taken place and the management proposal has been put forward to staff. Staff have been invited to come forward with their proposals in conjunction with their Trade Unions. At the Staff Governance Committee on the 1 October the Committee resolved that “there would be a degree of flexibility in terms of the timescales for the formal consultation period”. Meetings with the TU’s are ongoing, and it is anticipated that the formal consultation period can be commenced following Trade Union meeting on 30 October 2019.

Update 25 November 2019 – Meetings between management and TU’s are ongoing. Staff were invited to come forward with an alternative proposal to that put forward by management. Although staff and TU had been working together on an alternative proposal, the TU requested additional time so that they could consult with their own legal team on the working time directive. A meeting is now scheduled for 27 November 2019 for the TU to present their legal advice. There are currently now two options on the table, one from management and one from staff, both working time directive compliant. It is hoped that, following on from meetings scheduled in the week commencing 25 November 2019, the Service shall meet with the affected staff group, agree on a preferred option, then enter into formal consultation in the week commencing 9 December 2019.

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |                      |              |   |   |   |   |               |
|---------------|----------------------|--------------|---|---|---|---|---------------|
| <b>AC1817</b> | <b>Vehicle Usage</b> | January 2018 | 8 | 8 | 6 | 2 | 2 Significant |
|---------------|----------------------|--------------|---|---|---|---|---------------|

The position with the overdue recommendations is as follows:

| Chief Officer                      | Recommendation   | Grading / Due Date | Position   |
|------------------------------------|--|--------------------|--|
| Operations and Protective Services | Fleet should ensure that all Services have access to regular reports on vehicle use, know how to check these and what issues to consider (2.2.7) | Significant        | <ul style="list-style-type: none"> <li>Committee advised on 26 June 2019 that this would be complete by October 2019.</li> </ul> <p>The latest update from the Service is that a “Telematics” recording system is currently being procured and the tender process is currently on-going through the YPO framework. A tender went live on 24 October with a closing date of 13 November. The reason the tendering process was delayed was due to legal anomalies which have now been resolved. It is intended to implement the system by Early December 2019. Once installed the Service will be issuing “vehicle use” reports to Services.</p> |
|                                    |  | April 2019         |  |
| Operations and Protective Services | Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)   | Significant        | <ul style="list-style-type: none"> <li>Committee advised on 26 June 2019 that this would be complete by October 2019.</li> </ul> <p>The latest update from the Service is that a “Telematics” recording system is currently being procured and the tender process is currently on-going through the YPO framework. A tender went live on 24 October with a closing date of 13 November. The reason the tendering process was delayed was due to legal anomalies which have now been resolved. It is intended to implement the system by Early December 2019. Once installed the Service will be issuing “vehicle use” reports to Services.</p> |
|                                    |  | April 2019         |  |

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |                                   |               |   |   |   |          |                      |
|---------------|-----------------------------------|---------------|---|---|---|----------|----------------------|
| <b>AC1903</b> | <b>Devolved School Management</b> | November 2018 | 7 | 7 | 5 | <b>2</b> | <b>2 Significant</b> |
|---------------|-----------------------------------|---------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer      | Recommendation  | Grading / Due Date | Position  |
|--------------------|---|--------------------|---|
| Corporate Landlord | The DSM framework should be updated to reflect current arrangements, finalised and approved by Committee (2.1.5)  | Significant        | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2019 that this would be complete by October 2019.</li> </ul> <p>The latest update from the Service is that a finance working group comprising head teacher colleagues (as budget holders), central education and finance officers has been established. The group meet weekly and hope to have a first draft of the new framework complete by the end of January 2020. Given how DSM ties with the budget setting process, the Chief Officer - Finance and Chief Education Officer have agreed that the updated framework should be presented to the Education Operational Delivery Committee in May 2020, following the Council budget meeting.</p> |
|                    |   | June 2019          |   |
| Corporate Landlord | The DSM Budget Allocation Formulae and Operational procedure and Quality Assurance Framework - Financial Management schools procedure should be updated to reflect current devolved budget arrangements (2.1.8) | Significant        | <ul style="list-style-type: none"> <li>The Committee was advised on 26 June 2019 that Internal Audit was awaiting an update from the Service.</li> </ul> <p>The latest update from the Service is that, as above, formula are currently being developed based on principles agreed by the finance working group. This work should have concluded by the end of May 2020.</p>  |
|                    |   | March 2019         |   |

| Report Number | Report Title             | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |                          |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |
| <b>AC1922</b> | <b>Pupil Equity Fund</b> | April 2019  | 6                         | 6                                  | 6                                | <b>0</b>                             | 0                                  |
| <b>AC1925</b> | <b>Music Service</b>     | May 2019    | 22                        | 4                                  | 4                                | <b>0</b>                             | 0                                  |

# **APPENDIX E**

# **RESOURCES**

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |  |                |   |   |   |          |                      |
|---------------|--|----------------|---|---|---|----------|----------------------|
| <b>AC1806</b> | <b>Corporate Landlord Responsibilities</b> | September 2017 | 9 | 9 | 6 | <b>3</b> | <b>3 Significant</b> |
|---------------|--|----------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer      | Recommendation  | Grading / Due Date       | Position  |
|--------------------|---|--------------------------|---|
| 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<br>June 2018 | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2018 that this would be complete by October 2018.</li> <li>Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service.</li> <li>Committee advised on 26 June 2019 that Internal Audit was awaiting a copy of the completed procedure before marking the recommendation off as complete.</li> </ul> <p>The completed procedure has not yet been forwarded to Internal Audit.</p> |
| Corporate Landlord | The Service should ensure data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8)                               | Significant<br>June 2018 | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2018 that this would be complete by October 2018.</li> <li>Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service.</li> <li>Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019.</li> </ul> <p>No further update has been provided.</p>  |

| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

(AC1806 – Corporate Landlord – Continued)

| Chief Officer      | Recommendation  | Grading / Due Date       | Position   |
|--------------------|---|--------------------------|--|
| 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<br>June 2018 | <ul style="list-style-type: none"> <li>Committee advised on 25 September 2018 that this would be complete by October 2018.</li> <li>Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service.</li> <li>Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019.</li> </ul> <p>No further update has been provided.</p> |

|               |                             |             |   |   |   |   |               |
|---------------|-----------------------------|-------------|---|---|---|---|---------------|
| <b>AC1823</b> | <b>Fixed Asset Register</b> | August 2018 | 7 | 7 | 6 | 1 | 1 Significant |
|---------------|-----------------------------|-------------|---|---|---|---|---------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation   | Grading / Due Date        | Position   |
|---------------|--|---------------------------|--|
| Finance       | Accounting transactions should be reflected in the ledger (2.6.1a) | Significant<br>April 2019 | <ul style="list-style-type: none"> <li>Committee advised on 26 June 2019 that this would be complete by September 2019.</li> </ul> <p>No further update has been provided.</p> |

# **APPENDIX F**

# **HEALTH AND SOCIAL CARE** **PARTNERSHIP**



| Report Number | Report Title | Date Issued | Number of Recommendations |                                    |                                  |                                      | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
|               |              |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date |                                    |

|               |   |           |   |   |   |   |               |
|---------------|---|-----------|---|---|---|---|---------------|
| <b>AC1908</b> | <b>Non-Residential Care Charging Policy</b> | June 2019 | 6 | 2 | 1 | 1 | 1 Significant |
|---------------|---|-----------|---|---|---|---|---------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation  | Grading / Due Date            | Position  |
|---------------|---|-------------------------------|---|
| Chief Officer | The Service should update procedures for the approval, recording and monitoring of financial assessment reviews, appeals and waive of charges (2.3.5) | Significant<br>September 2019 | The Service has advised that the updated procedures have not been finalised yet. The original September deadline was given in anticipation that CareFirst development would be completed by July. However, this was delayed until September which has delayed finalisation of the procedures. Full implementation of the Contributing to Your Care and Support Policy is scheduled to commence from 30 November 2019. Briefing sessions for staff have been arranged between 25 October and 7 November. Further in-depth training for staff will take place throughout November. The procedures will be further developed following the briefing sessions and training with input from staff. The final version will be available immediately prior to implementation on 30 November. |

|               |                         |            |   |   |   |   |   |
|---------------|-------------------------|------------|---|---|---|---|---|
| <b>AC1919</b> | <b>Criminal Justice</b> | April 2019 | 8 | 8 | 8 | 0 | 0 |
|---------------|-------------------------|------------|---|---|---|---|---|

|               |                                    |              |   |   |   |   |   |
|---------------|------------------------------------|--------------|---|---|---|---|---|
| <b>AC1920</b> | <b>National Care Home Contract</b> | January 2019 | 8 | 3 | 3 | 0 | 0 |
|---------------|------------------------------------|--------------|---|---|---|---|---|

# **APPENDIX G**

# **GOVERNANCE**

| Report Number | Report Title           | Date Issued | Number of Recommendations |                                    |                                  |   | Grading of overdue recommendations |
|---------------|------------------------|-------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
|               |                        |             | Agreed in Report          | Due for implementation by 30.09.19 | Confirmed Implemented by Service | <b>Not implemented by original due date</b> |                                    |
| <b>AC2004</b> | <b>Risk Management</b> | August 2019 | 6                         | 0                                  | 0                                | <b>0</b>                                    | 0                                  |

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## ABERDEEN CITY COUNCIL

|                           |  |
|---------------------------|--|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee                         |
| <b>DATE</b>               | 4 December 2019  |
| <b>EXEMPT</b>             | No   |
| <b>CONFIDENTIAL</b>       | No   |
| <b>REPORT TITLE</b>       | Internal Audit Report AC1926 – Capital Contract Management |
| <b>REPORT NUMBER</b>      | IA/AC1926  |
| <b>DIRECTOR</b>           | N/A  |
| <b>REPORT AUTHOR</b>      | David Hughes   |
| <b>TERMS OF REFERENCE</b> | 2.2  |

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Capital Contract Management.

### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Capital Contract Management.

#### 3.2 Management Comments

- 3.3 The audit demonstrates a strong improvement around the management and delivery of capital contracts but highlights the need to continually improve systems and processes on an ongoing basis ensuring that transparent governance arrangements continue to operate. Increased and improved reporting has also been achieved through the Capital Committee this year to ensure elected members are informed against the progress of ongoing projects. Post completion and occupation reviews will also prove key to demonstrating the effectiveness of project delivery.

### 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   |
|--|---|
| <b>Equality &amp; Human Rights Impact Assessment</b> | 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. |
| <b>Privacy Impact Assessment</b>                     | Not required  |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable  |

## 9. APPENDICES

9.1 Internal Audit report AC1926 – Capital Contract Management.

## 10. REPORT AUTHOR DETAILS

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[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861



## **Internal Audit Report**

### **Resources**

## **Capital Contract Management**

**Issued to:**

Steven Whyte, Director of Resources  
John Wilson, Chief Officer – Capital, Resources  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
Roddy MacTaggart, Programme Manager  
External Audit

## **EXECUTIVE SUMMARY**

The Council manages a range of capital projects through Programme Managers, Project Boards, the Capital Board and contracted external consultants. This includes planning, preparation of Business Cases, the preparation of and invitation to tender for construction works, obtaining statutory consents, and monitoring progress via regular meetings between relevant partners.

The objective of this audit was to determine whether or not the processes in place for the management of high risk contracts are adequate and that projects are being suitably managed. This included examination of the corporate instructions for project management, data / intelligence used for monitoring and escalation of risk, and review of documentation in respect of a sample of projects including: Crematorium Refurbishment, Kingsfield Childrens Home, Stoneywood Primary School, The Event Complex Aberdeen (TECA), and Tillydrone Community Hub.

In general procedures are clear and have been followed. However, governance arrangements could be improved through clarification of levels of delegated authority and escalation procedures in the event of changes to projects' scope, costs and timescales being required. These were not always being consistently documented in advance of the changes taking place. The governance arrangements and supporting processes are currently being reviewed and updated by the Service, which has agreed to take the recommendations from Internal Audit into account.

Minor errors and omissions were identified in supporting paperwork, including dates and financial values. A new system is being rolled out to capture project data more regularly and accurately.



# 1. INTRODUCTION

- 1.1 The Council manages a range of capital projects through Programme Managers, Project Boards, the Capital Board and contracted external consultants. This includes planning, preparation of Business Cases, the preparation of and invitation to tender for construction works, obtaining statutory consents, and monitoring progress via regular meetings between relevant partners. The governance arrangements and supporting processes are currently being reviewed by the Service.
- 1.2 The objective of this audit was to determine whether or not the processes in place for the management of high risk contracts are adequate and that projects are being suitably managed. This included examination of the corporate instructions for project management, data / intelligence used for monitoring and escalation of risk, and review of documentation in respect of a sample of five projects:
- Crematorium Refurbishment
  - Kingsfield Childrens Home
  - Stoneywood Primary School
  - The Event Complex Aberdeen (TECA)
  - Tillydrone Community Hub
- 1.3 Detailed findings in respect of the selected sample are presented in Appendix 1.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Steven Whyte, Director of Resources, and John Wilson, Chief Officer – Capital.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures and Documentation

- 2.1.1 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 A Project Toolkit, which is available to all staff via the corporate intranet, sets out in stages how a project should be managed from inception through to completion and thereafter appraisal. The toolkit is laid out in such a manner that a user is taken through the stages from consideration of whether or not the project should proceed, the requirement for a business plan, the required authorisation, the need to ensure that proper procurement routes are undertaken, the requirement to ensure that appropriate personnel are in place and that discussions occur regularly between all groups to discuss progress and any issues. The need for appropriate planning is highlighted, as is the requirement to report progress formally, and for risks to be identified and reported to appropriate Officers and / or Committees. More detailed guidance is cross-referenced, and the requirement to seek advice from appropriate personnel is reiterated at relevant stages.
- 2.1.3 However, the toolkit is out of date, as it refers to Committees which have changed following implementation of new governance arrangements in 2018. The Service has stated that the project toolkit is in the process of being reviewed to ensure that reporting arrangements and processes are current in light of further planned reporting structure changes during 2019.
- 2.1.4 The toolkit directs users to Project Status Report templates which should be completed on a monthly basis showing spend, progress and risks. Additionally, there is a risk and issues log template which should be completed on a monthly basis.
- 2.1.5 Change requests are required in the event that any major changes to the project occur, for which a template is also provided. However, there is limited guidance on the escalation process required in the event that time, costs or project scope need to change. The requirement to ensure changes obtained relevant approvals is not included in the checklists appended to the toolkit until the 'post project evaluation' stage.

#### **Recommendation**

The Service should ensure that the toolkit is updated to cover the procedures which should be followed in the event of potential overspends and overruns.

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

Agreed. The process and associated guidance are in the process of being finalised for issue.

#### **Implementation Date**

December 2019

#### **Responsible Officer**

Chief Officer – Capital

#### **Grading**

Important within audited area

- 2.1.6 The Change Request Document itself includes a description of the change and an assessment of its impact on the project benefits, scope, cost and timescales. However, it does not contain a section to record the authorisation obtained. Including the source, date and extent of approval would provide at a glance assurance that the appropriate

authorisation controls are being applied. Approvals are not currently recorded in project level documentation.

|  |                                   |                               |
|--|-----------------------------------|-------------------------------|
| <b><u>Recommendation</u></b>   |                                   |                               |
| The Service should add an authorisation section to the Change Request Document and ensure it is populated following relevant approvals being obtained. |                                   |                               |
| <b><u>Service Response / Action</u></b>  |                                   |                               |
| Agreed.  |                                   |                               |
| <b><u>Implementation Date</u></b>  | <b><u>Responsible Officer</u></b> | <b><u>Grading</u></b>         |
| December 2019  | Chief Officer – Capital           | Important within audited area |

## 2.2 Compliance

- 2.2.1 Documentation in respect of the sample of projects referred to at 1.2 above was sought and reviewed to ascertain compliance with the process in practice, including monitoring, change and escalation processes. A summary of the key findings and recommended actions is set out below. Further detail in respect of individual projects is provided in appendix 1.
- 2.2.2 Change requests are not always being completed in advance of changes being agreed with contractors to extend or delay works. In some cases, the request is made after actions have taken place (i.e. a delay or additional cost has already been incurred). Services have stated that requests may be delayed pending confirmation of final cost details. If change requests are to function as a control mechanism, rather than a notification, they need to be completed in advance, and approval obtained before committing to actions. This may mean seeking approval for estimated changes in advance and advising the Board of any changes to these at a later date. If projects continue without awaiting approval there is an increased risk of resources being committed in excess of those available.
- 2.2.3 It is acknowledged that some circumstances may lead to unavoidable delays or costs, which cannot wait for separate authorisation. The extent to which project managers, officers and groups (e.g. boards, Committees) have delegated (or reserved) authority to agree such changes is not explicitly documented. Clarifying the type and scale of changes which can be approved at each level would enhance the governance arrangements.

|  |                                   |                                 |
|--|-----------------------------------|---------------------------------|
| <b><u>Recommendation</u></b>   |                                   |                                 |
| Authorisation for anticipated changes to projects costs or timescales should be sought in advance, using a project change request form.  |                                   |                                 |
| Delegated authority to approve changes should be documented.   |                                   |                                 |
| <b><u>Service Response / Action</u></b>  |                                   |                                 |
| Agreed. Appropriate levels and the escalation process will be set out in the new guidance which is being developed by the Service. This will be supported by the new governance arrangements which are being put in place. |                                   |                                 |
| <b><u>Implementation Date</u></b>  | <b><u>Responsible Officer</u></b> | <b><u>Grading</u></b>           |
| December 2019  | Chief Officer – Capital           | Significant within audited area |

- 2.2.4 Capital projects regularly include contingencies for unanticipated additional costs, variations from estimates, and provisional sums. Approval to use these is normally

obtained from the contract administrator and evidenced in the form of architects' instructions, which are provided to the contractor in advance of a change taking place. Where contingencies are likely to be exceeded project level change controls need to be applied as set out above.

- 2.2.5 Where these sums are not used towards a contract, or cost savings are obtained, expenditure on the project may be less than originally anticipated. Any underspend should be returned for wider use as part of the relevant programme and / or capital plan. In one case, an anticipated underspend has been used to extend the scope of a project, with approval from a Chief Officer without further authorisation being sought from the Capital Board. Whilst in this case the amounts were not material, there is a risk that the use of this budget towards activities not included in the original business case has not been weighed up against alternative options: other projects may not have the resources available to deliver their objectives within budget. Pooling contingency funds could assist in delivering leaner projects, however this would need to be balanced against requirements for flexibility and projects' delegated authority.

|  |                                   |                               |
|--|-----------------------------------|-------------------------------|
| <b><u>Recommendation</u></b>   |                                   |                               |
| Anticipated underspends on projects should be subject to appropriate governance before being committed to alternate works. |                                   |                               |
| <b><u>Service Response / Action</u></b>  |                                   |                               |
| Agreed.  |                                   |                               |
| <b><u>Implementation Date</u></b>  | <b><u>Responsible Officer</u></b> | <b><u>Grading</u></b>         |
| December 2019  | Chief Officer – Capital           | Important within audited area |

- 2.2.6 Project Status Reports provide an overview of progress and forecast outcomes for each project. Project Managers are required to complete these, and Risk and Issues logs monthly. Generally, these were well completed, however in some cases the income section (where a shortfall was anticipated), had not been fully updated to reflect known changes. For two projects there were discrepancies between the financial data recorded on the Report and that recorded in the financial system. If the records are incomplete or inaccurate it is more difficult to gauge a project's progress and obtain assurance that it is on track for completion within time and budget.

|   |                                   |                               |
|---|-----------------------------------|-------------------------------|
| <b><u>Recommendation</u></b>  |                                   |                               |
| Project documentation should be fully completed with all available information and checked against other sources of data before being finalised.  |                                   |                               |
| <b><u>Service Response / Action</u></b>   |                                   |                               |
| Agreed. A new system is being rolled out to complement the new procedures and governance arrangements for capital projects. As part of this an independent check will be introduced to confirm data is complete and accurate. |                                   |                               |
| <b><u>Implementation Date</u></b>   | <b><u>Responsible Officer</u></b> | <b><u>Grading</u></b>         |
| December 2019   | Chief Officer – Capital           | Important within audited area |

- 2.2.7 Client Services are the main stakeholders in capital projects and are represented by appropriate lead officers during regular project progress meetings. There is however a risk that they are insufficiently well informed when asked to make decisions regarding changes to projects – for example in weighing up options to delay a project if it could potentially generate savings, there may be insufficient information on the costs associated with doing so. Whilst project management paperwork is generally in place covering the

business case for a project, and the preferred option, once a project has started changes to it are not typically subject to the same extent of option appraisal. Whilst many options will be binary (to do or not do something) it is important that decision makers have all of the facts and are aware of the risks associated with each option before they are asked to make a decision.

**Recommendation**

Decisions should be supported by clear evidence and options appraisals.

**Service Response / Action**

Agreed. Projects are required to deliver within the agreed budget. Where appropriate and material, supporting documentation should be in place. This will be reinforced through the new guidance.

**Implementation Date**

December 2019

**Responsible Officer**

Chief Officer – Capital

**Grading**

Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
D Henderson

## Appendix 1

### 3. Projects (Sample)

#### 3.1 Crematorium

- 3.1.1 Following approval of costs for the refurbishment of the Crematorium of £1.13 million by the Finance, Policy and Resources Committee as part of the Council's Condition and Suitability Programme in September 2017, a tender exercise was undertaken and a tender amount of £904,991 was accepted from the successful contractor with a start date of 4 June 2018. A consultancy firm was engaged to oversee the works and to perform regular valuations of the work undertaken prior to payments being made to the contractor.
- 3.1.2 Work commenced onsite on the intended date and there is evidence of regular meetings between the contractor, the consultancy and the Service to discuss progress with the project. Delays were identified at an early stage as a result of a previously unidentified water gully and delayed information regarding the structure, and at a later stage due to issues with audio cabling and acoustics. This delayed the completion date from 19 October 2018 to 16 November 2018. Whilst there was a change request on file dated 3 October this was only presented to the Capital Board on 21 November 2018.
- 3.1.3 As noted above these delays were identified at an early stage with Crematorium staff advised not to take bookings until the end of November. Reparations have not been sought from the Contractor as onsite drainage issues were discovered only on commencement of work and issues with electrical contractors were under the remit of the Council.
- 3.1.4 Payments to the contractor were self-billed on the advice of the consultancy following site inspections and valuation of materials and progress. Payments were correctly recorded on the financial system against the relevant project and were updated promptly on Project Status Reports.
- 3.1.5 A final statement has yet to be produced for the project, but it is expected to come in under budget. The Service has decided to rectify historical issues with the acoustics in the Crematorium by using the underspend from the initial budget. This has been discussed and approved by the Chief Officer although there is no written record of approval. While the amounts are relatively small in comparison to the overall cost of the project any authorisation to spend funds allocated to a specific project should be appropriately evidenced and should be considered in light of the impact on the overall capital programme.

#### 3.2 Kingsfield Childrens Home

- 3.2.1 A budget of £1.5 million was set out in the non-housing capital programme presented to Council in February 2015 for the purchase and refurbishment of the children's home. Further approval was sought and obtained from the City Growth and Resources Committee in June 2018 to spend £420,000 of this budget to purchase the building from the Landlord as per the terms of the lease which allowed for the Council to purchase outright at market value following a 10 year period of leasing.
- 3.2.2 The project itself is still at an early stage following the acquisition of the building and as such a provisional project plan timeline is currently in place. Actions noted in the provisional timetable such as the final brief, National Building Specification, architectural drawings and the start of the building application process have all been completed. The Bill of Quantities, pre-tender estimate and tender quality assessments are planned to be outsourced and completed shortly. Overall the Service considers that the provisional

timetable will be largely on track. The business case will be updated as required and subject to the relevant governance arrangements.

- 3.2.3 Management of the project is to be undertaken in-house with the Service confirming that following the completion of the tender process and the start of building works, monthly meetings will be held with the successful contractor. Payments will only be made following a Quantity Surveyor's report confirming the value of work completed. Progress reporting will follow the standard project management process.

### **3.3 Stoneywood Primary**

- 3.3.1 Following approval for the build of the new school and associated budget of £14.3 million by the Education and Children's Services Committee in June 2015, construction commenced as planned in March 2017. In order to aid monitoring and ensure completion of the project on a timely basis an external Architectural consultancy was engaged. Progress was managed by a Project Manager within Education and Children's Services supported by Aberdeen City Council Design Team and the external consultancy. Progress was additionally monitored by the Asset Board and Estates Programme Manager. Regular monthly meetings between the Service, the Architectural consultancy and the Construction company were evidenced in which progress and any issues arising were noted as being discussed. Payments to the Construction company were only made following advice from the Architectural Consultancy. Project Status Reports have been completed on a monthly basis.

- 3.3.2 Expenditure noted on Project Status Reports each month should match the information which is recorded on the financial system. Anomalies were noted across 7 months with the year-end expenditure for 2018/19 on the Project Status Reports showing £1.905 million, compared with financial system totals of £1.864 million.

- 3.3.3 The cost of construction and subsequent value of the tender award to the Contractor was noted as being £11.268 million. The cost of the building works to date has increased by £634,000 to £11.902 million. This increase is due to a combination of factors including having to amend the planning application to relocate the school entrance in May 2017 at a cost of £370,000 and installation of a crossing, upgrading of bus shelters and traffic management measures at the same time at a further cost of £110,000. A change request form noting these amendments was completed at this time with the Service stating that this was approved by the Capital Board.

- 3.3.4 It was noted that the Contractor had advised in September 2017 that the project was likely to overrun by 12 weeks and this was advised on a change request form promptly thereafter. Following discussion between parties an extension of 6 weeks was granted (as noted on a further change request form) with the financial implications of this being a further increase in the cost of the contract by £154,000. This cost was to be absorbed by the Service within the available budget for the project (i.e. from funds held for contingencies).

- 3.3.5 The Service noted that the accepted tender from the Contractor stated that it may be possible to realise savings of up to £800,000 by moving to a timber frame method of construction. The client Service was asked if it would like to further investigate this option in order to assess the potential cost savings and accept any delays that this could cause. The cost implications of investigation and delay were not clarified at this point. The Architectural Consultancy then investigated and presented different options in relation to construction and established that the cost savings would be £135,000. The Architect advised that investigative and redesign work to realise this saving had cost £65,000 meaning that the actual realised savings were only £70,000. This saving is likely to have been further diminished by the cost of time delays as noted above.

- 3.3.6 'Value engineering' is regularly used to reduce the cost of construction through approval of the use of alternate materials or methods where appropriate. As a significant element of the construction costs, the structure of the building was originally set by the Council in the invitation to tender documentation. Bids were therefore received on the basis of a particular building type and construction. Changes after the contract was awarded to make this a contractor designed element of the works could be seen by other bidders for the original contract as a fundamental change (beyond value engineering), for which they had not been afforded the opportunity to offer alternative bids. However, as noted above this was not taken forward after review of the proposed options.
- 3.3.7 As noted above the total budgeted cost of the project was £14.3 million. The April 2019 Project Status Report noted that this was likely to increase by a further £266,000 to £14.566 million due to construction costs, although the final cost is currently unknown and the Service has stated that a further change request form will be completed once the total costs have been established. Whilst there may be uncertainty regarding the exact figures, it is important that agreement is obtained in advance to changes which are likely to exceed the available budget, in order that appropriate arrangements can be made to mitigate them.
- 3.3.8 Of the £14.3 million budget for the project, £4.066 million was to come from external sources. It has been noted on Project Status Reports that £991,000 of developer obligation funding included in the original budget will not be available. While this is noted within the comments section of the Reports, the income section has not been updated to reflect the anticipated shortfall. To date only £307,000 of income has been applied to the project. Some sources of funding, including developer obligations, are time limited, therefore the Service needs to ensure they are applied promptly, and reflected appropriately in Project Status Reports as the project progresses to highlight if there are any associated risks to their achievement.

#### **3.4 The Event Complex Aberdeen**

- 3.4.1 In March 2015, Council approval was given for the business case for a replacement for the Aberdeen Exhibition & Conference Centre (AECC): The Event Complex Aberdeen, hereafter referred to as TECA. The cost of the project was estimated to be £383.12 million.
- 3.4.2 Overall responsibility for the running of the project and associated budget which includes the new arena, 2 hotels, an integrated energy centre, and a gas to grid project was allocated to a newly formed AECC Project Board. This Board is accountable to the Corporate Management Team to whom they submit reports who in turn submit any appropriate reports to Committee. The AECC Board is supported by a Delivery Group which manages meetings and submits various reports to the Board for consideration.
- 3.4.3 The Service has engaged the services of a Project Management Consultancy to monitor the project including the financial aspect and they were to provide monthly updates on progress. The Council's Development Partner for the project has employed an Employers Agent and Cost Control Consultant to monitor the Contractors costs and these costs are evaluated by the Project Management Consultancy before any instruction is given to the Council to pay any instalments. The Project Management Consultancy have their own spend profile which they compare to the Contractor's original spend profile. Monthly meetings were to be held between all parties to discuss progress and any issues which may have arisen.
- 3.4.4 There is evidence of monthly meetings showing construction progress which contain financial progress updates and updated forecasts. PSRs are also completed every month with separate reports being generated from these which are presented to the Strategic Asset & Capital Board highlighting issues which have been flagged as either amber or red



(in terms of their progress and / or financial implications). Payment certificates were also present showing payments made to contractors.

3.4.5 A report presented to the Capital Programme Committee on 3 June 2019 provided an overview of the project progress to date noting that construction had started in June 2016 with an expected build time of 3 years. Project milestones noted as having been achieved during this period included structural, mechanical, electrical works and interior finishing of the building. The project is expected to be handed over in stages starting in May 2019 and concluding in August 2019. The Gas to Grid project is expected to be complete in December 2019.

3.4.6 The total net budget for the project was £383.12 million of which, according to the above report, £325.96 million had been spent so far. The Committee report only reflected the construction phase of the project and the total cost of the project is yet to be fully calculated with the report noting that a full financial outturn will be provided by the Chief Officer – Capital as part of the post project evaluation procedure – no forecast was provided in the report. As with other projects, costs need to be forecast and approval sought for changes in advance, before projects are concluded and evaluated.

### **3.5 Tillydrone Community Hub**

3.5.1 This project is comprised of 2 parts, the first being the construction of the Tillydrone Community Hub and the second relating to the development of a commercial retail unit to be let. The Internal Audit review concentrated on the first part of the development as the second part has yet to commence and changes are anticipated which have yet to be fully detailed and agreed.

3.5.2 Funding for both elements of the project was estimated at a total cost of £6 million of which £4.1 million was to be funded by the Council and the remaining £1.9 million was to be provided by a Scottish Government grant for construction costs between October 2017 and March 2018. Delays to the start of the construction process however led to a change request being submitted to change the terms of the grant. Scottish Government agreement was evidenced and the grant income was received following award of the tender to the successful contractor.

3.5.3 Construction commenced in March 2018 following delays, for which a change request form was completed to extend the anticipated completion date from October 2018 to March 2019. Following commencement of the project there have been monthly minuted meetings between the contractor, the consultancy employed to assist with delivery of the project and the Service in which construction progress was discussed in detail.

3.5.4 The completion date for the project has been further extended by 2 months following the loss of 41 days construction time for inclement weather and a sub-contractor entering administration necessitating the appointment of a replacement. The minutes show that these problems were identified at the time they arose in March 2019, however a change request to extend the due date for construction was not submitted until June 2019.

3.5.5 The Service has employed a consultancy firm who inspect the site on a regular basis before advising the Service as to what payment should be made every month taking into account the value of materials onsite and the work performed. Monthly reports are comprehensive and payment certificates matched the amounts due.

3.5.6 Project Status Reports have been completed monthly. However, anomalies were noted across 4 months with the 2018/19 year-end total showing £2.647 million, compared with details from the financial system which showed expenditure of £2.595 million. A further error was noted on the May 2019 report which showed spend of £162,000, compared with

financial system data which presents a credit balance of £226,000, due to an accrual not having been taken into account.

- 3.5.7 Spend for the project is noted as being in line with forecast, although the Service has stated that there may be an underspend dependent on the options agreed in relation to the second part of the project.

## Appendix 2 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

|                           |  |
|---------------------------|--|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee           |
| <b>DATE</b>               | 4 December 2019                              |
| <b>EXEMPT</b>             | No   |
| <b>CONFIDENTIAL</b>       | No   |
| <b>REPORT TITLE</b>       | Internal Audit Report AC2007 – Stock Control |
| <b>REPORT NUMBER</b>      | IA/AC2007                                    |
| <b>DIRECTOR</b>           | N/A  |
| <b>REPORT AUTHOR</b>      | David Hughes                                 |
| <b>TERMS OF REFERENCE</b> | 2.2  |

### 1. PURPOSE OF REPORT

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

### 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 Stock Control.

#### 3.2 Management Comments

- 3.2.1 The Chief Operating Officer has acknowledged the helpfulness of the audit and his agreement with the recommendations made.

### 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   |
|--|---|
| <b>Equality &amp; Human Rights Impact Assessment</b> | 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. |
| <b>Privacy Impact Assessment</b>                     | Not required  |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable  |

## 9. APPENDICES

- 9.1 Internal Audit report AC2007 – Stock Control.

## 10. REPORT AUTHOR DETAILS

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## **Internal Audit Report**

### **Operations**

### **Stock Control**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Mark Reilly, Chief Officer – Operations and Protective Services  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
Doug Ritchie, Roads Infrastructure Manager, Operations  
Graham Williamson, Operations Manager, Operations  
Colin Maclver, Surveying Manager, Operations  
Kenny Don, Contract Manager, Operations  
Neale Burrows, Roads Operations Manager  
External Audit

## **EXECUTIVE SUMMARY**

Building Stores are responsible for the issue of materials for maintenance and repair of the Council's housing stock. The main depot is located at Kittybrewster where the majority of stock is issued from and there are two further satellite depots located at Kincorth and Hilton. There are also a number of vans which carry items of commonly used stock.

Roads Stores are responsible for the issue of materials in relation to the upkeep of roads with the main store located at West Tullos and a further four satellite stores: Bucksburn, Culter, Mundurno, and Reedbed.

The total value of stock as reported at year end for all stores was £1.4 million. Operations is undertaking a review and redesign of the stores function, with a view to consolidating stores where possible, and amalgamating procedures. It is anticipated that this will be completed by December 2019.

The objective of this audit was to provide assurance that procedures are adequate and stock movements are adequately accounted for. This involved a review of written procedures and training, and of the application of stores functions including booking out of materials to jobs, stock counts, adjustments, write offs, and year-end procedures.

Procedures varied in terms of documentation and practice, which in some cases has impacted on the accuracy of stock management records. Although net differences between the system and stock counted at year-end were minimal in value, gross differences (the total value of errors, whether positive (additional stock) or negative (less stock)) were more significant in some areas. This does not necessarily represent missing stock items, but is representative of weaknesses in stock control processes. Adherence to year end procedures was also not always well evidenced.

Improvements have been recommended to the stock issue process; records of stock location; the frequency, follow up, approval and management reporting process for interim stock counts and associated adjustments; and to the Service's own year-end processes. The Service has also been asked to consider whether some items currently held in stock might better be managed as consumable items, or disposed of appropriately if no longer required, to reduce the administrative requirements of holding them on the stock system.

The Service has noted that the absence of key staff pending conclusion of the review of the function has had an impact, which will be addressed as staff are recruited and procedures reviewed to incorporate best practice from the combined Service, and as recommended by Internal Audit. Time is required to complete and implement the redesign, review procedures, and apply system upgrades, therefore some actions may not be fully complete until April 2020.



## **11. INTRODUCTION**

- 11.1 Building Stores are responsible for the issue of materials for maintenance and repair of the Council's housing stock. The main depot is located at Kittybrewster where the majority of stock is issued from and there are two further satellite depots located at Kincorth and Hilton. There are also a number of vans which carry items of commonly used stock.
- 11.2 Roads Stores are responsible for the issue of materials in relation to the upkeep of roads with the main store located at West Tullos and a further four satellite stores: Bucksburn, Culter, Mundurno, and Reedbed.
- 11.3 The total value of stock as reported at year end for all stores was £1.4 million.
- 11.4 The objective of this audit was to provide assurance that procedures are adequate and stock movements are adequately accounted for. This involved a review of written procedures and training, and of the application of stores functions including booking out of materials to jobs, stock counts, adjustments, write offs, and year-end procedures.
- 11.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Chief Officer – Operations and Protective Services, Colin MacIver, Surveying Manager (Building), and Doug Ritchie, Roads Infrastructure Manager.

## 12. FINDINGS AND RECOMMENDATIONS

### 12.1 System Guidance

- 12.1.1 Comprehensive system 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.
- 12.1.2 Both Building and Roads Services use the TOTAL stock control system to manage the movement of stock within stores. Roads Services' primary reference document is a training manual for the TOTAL system supplemented by desk-based training which is an appropriate methodology for ensuring staff are adequately trained and have appropriate forms of reference. However, the Service could not confirm when the training manual was last reviewed. It would provide further assurance were this to be regularly reviewed to ensure that it remains current.

#### **Recommendation**

The Service (Roads) should ensure that written procedures are reviewed on a regular basis.

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

Agreed. The stores functions are being merged as part of redesign of the Service, providing an opportunity to adopt best practice from both elements. Additional time is required to complete and implement the redesign, and apply system upgrades.

#### **Implementation Date**

April 2020

#### **Responsible Officer**

Roads Operations  
Manager

#### **Grading**

Important within audited  
area

- 12.1.3 Building Services primary written guidance consists of a series of flowcharts directing the user as to how to complete activities. These were up to three years old, however the Service stated that they are regularly reviewed and are only updated where practices have changed. A recommendation was made in Internal Audit report AC1829 Building Services Purchasing that these flowcharts were reviewed and this recommendation was subsequently evidenced as having been complete therefore no further recommendation is made here.

### 12.2 Issue of Materials

- 12.2.1 Generally, stock is only issued by Storemen (and a Yardman for outdoors Roads stock) for both Services. A requisition document is completed giving details of the job number and the required stock and this is signed by both the requisitioning Officer and the issuing Officer.
- 12.2.2 Within Building Services this job number is checked on the system prior to the issue of stock to ensure that it is legitimate and that the stock being requested matches the job description. Job numbers and the description of the job is not checked prior to the issue of materials within Roads, rather materials issued are processed afterwards.
- 12.2.3 Within Roads there are also satellite stores which are not staffed. Roads Operatives can access these stores with remote fobs and take required stock which should subsequently be recorded on a requisition document and thereafter entered on the system by Stores staff. As there is no requirement for advance notification, should the movement of items

not be recorded, it would be difficult to determine when this had occurred.

- 12.2.4 By adopting advance checks, similar to Building Services, Roads could have increased assurance that job numbers are correct and that materials issued are appropriate.

|  |  |   |
|--|--|---|
| <b><u>Recommendation</u></b><br>The Service (Roads) should check job numbers and descriptions prior to the issue of materials.   |  |   |
| <b><u>Service Response / Action</u></b><br>Due to the nature of the Service and the materials being issued it may not be possible to check and update the system prior to issue. The Service will review and consider the best way to address the identified issues. |  |   |
| <b><u>Implementation Date</u></b><br>April 2020  | <b><u>Responsible Officer</u></b><br>Roads Operations<br>Manager | <b><u>Grading</u></b><br>Significant within audited<br>area |

- 12.2.5 All Roads stock, including that held at satellite locations, is recorded under the main Tullos depot code. In the event that stock counts or attempts to draw stock which is not available identify stock levels that do not match the system, it will be more difficult to determine at which location an error has occurred. It will also be more difficult to count stock without having to visit every location.

|   |  |   |
|---|--|---|
| <b><u>Recommendation</u></b><br>The Service (Roads) should ensure the location of stocks is clearly recorded on the system.   |  |   |
| <b><u>Service Response / Action</u></b><br>Agreed. The Service will review current procedures and system functionality to determine the best way to address the identified issue. |  |   |
| <b><u>Implementation Date</u></b><br>April 2020   | <b><u>Responsible Officer</u></b><br>Roads Operations<br>Manager | <b><u>Grading</u></b><br>Significant within audited<br>area |

### 12.3 Adjustments / Write Offs

- 12.3.1 Regular interim stock checks should be performed in order to ensure that what is recorded in the system is present in the store. By performing regular checks Services may be able to identify weaknesses in the stock control system at an early stage and put in place alternative procedures or reinforce existing ones. It is good practice to ensure that all lines of stock are checked at least once during the year, and again at year-end – with the frequency of interim checks varied depending on the level of any variance identified.
- 12.3.2 Building Services performs weekly interim stock checks with the aim of checking 150 items per week along with 40 high value items. Documentation relating to these checks between 10 June 2019 and 12 July 2019 showed that over this 5 week period 151 items of stock had been checked 948 times, meaning that each item of stock had been checked an average of 6 times over this period, with some counted as many as 12 times. There was no evidence of recurring errors being followed up and corrected. This may not represent the most efficient use of resources.

**Recommendation**

The Service (Building) should review the efficiency of its interim stock check process.

**Service Response / Action**

Agreed. The Service will review the interim check process.

**Implementation Date**

February 2020

**Responsible Officer**

Quantity Surveying  
Manager

**Grading**

Significant within audited  
area

- 12.3.3 The items checked most frequently included screwdriver bits and batteries, with relatively insignificant values. Whilst these may be considered higher risk due to their portability and desirability, the additional administration involved in booking them in and out of stock is likely to outweigh the value of potential losses. It is also likely to be of limited benefit to job costing to book these to a particular job – particularly as a single item may be used across multiple jobs. It may be appropriate for such low value, frequently used items to be taken out of stock and considered as ‘consumables’ – and managed as an overhead cost.

**Recommendation**

The Service (Building) should consider whether or not a number of low value items should be considered consumables and taken out of the stock system.

**Service Response / Action**

Agreed. The Service will consider whether or not certain items may be able to be classed as consumables. This may require a review of rates to ensure jobs reflect the relevant cost of providing the service.

**Implementation Date**

April 2020

**Responsible Officer**

Quantity Surveying  
Manager

**Grading**

Significant within audited  
area

- 12.3.4 In contrast to Building Services, only two Roads interim stock takes had been undertaken between April and September 2019. A total of 21 lines of stock had been checked over the two counts from over 700 recorded lines. This is unlikely to be sufficient to provide assurance over the accuracy and completeness of stores and system records.

- 12.3.5 The Service stated that levels of stock are also monitored at the satellite stores by a Depot Superintendent who checks stock levels and determines when stock should be replenished. However, there are no details held of any checks performed at these stores. Performing recorded interim stock checks detailing materials held at these locations against recorded system totals may assist in overall stock control.

**Recommendation**

The Service (Roads) should schedule and record the results of regular interim stock checks at all locations.

**Service Response / Action**

Agreed. The Service was without a full time Storeman for 6 months however the post is being filled and interim checks will recommence, and results will be recorded. Procedures and practice are being updated through the stores review noted above.

**Implementation Date**

April 2020

**Responsible Officer**

Roads Operations  
Manager

**Grading**

Significant within audited  
area

- 12.3.6 Interim Building Stores checks are performed by the Senior Stores Officer within Building Services and system adjustments are performed by the same Officer. Adjustments are not checked and countersigned by another Officer. Whilst the system manual indicates that reasons for adjustments can be recorded on the system, data was not available.
- 12.3.7 Roads has stated that adjustments are checked by another Officer before being input, however the adjustment sheets only show one signature.
- 12.3.8 Neither Service regularly reviews the number and value of adjustments being made, to inform management action. Regular corrections can be indicative of issues with overall stock control, and the absence of an authorisation and monitoring procedure means that potential issues are not being highlighted to management.

**Recommendation**

The Service (Building & Roads) should ensure that adjustments made following interim checks are checked by a second Officer and that this is appropriately evidenced.

The Service (Building & Roads) should ensure that the results of interim checks are reviewed by appropriate Senior Officers on a regular basis.

**Service Response / Action**

Agreed. The Service will determine appropriate second Officers to review and agree adjustments.

The results of interim checks will be shared with appropriate Senior Officers on a periodic basis – frequency to be determined based on the results.

**Implementation Date**

April 2020

**Responsible Officer**

Quantity Surveying  
Manager, Roads  
Operations Manager

**Grading**

Significant within audited  
area

- 12.3.9 Where stock is broken or obsolete then it should be written off and disposed of or, if possible, it should be sold to attempt to realise value. It is important that records of this are maintained separately from other 'adjustments', as write-offs represent known movements, whereas adjustments reflect inaccurate stock records. Details of stock which has been written off since the start of the Financial year was requested from both Services.
- 12.3.10 Minimal stock had been written off by Building Services. In each case details of why stock was to be written off had been stated and the form had been appropriately authorised prior to adjustments being made in the system.
- 12.3.11 The Roads Service stated that it was not aware of any stock that has been written off this financial year and it does not have template forms in place showing the requirement for an authorising signatory and detailing reasons why stock has been written off. There is a risk that stock is being held unnecessarily, or that it is being disposed of without evidenced prior approval.

**Recommendation**

The Service (Roads) should ensure that appropriate template forms are developed and used for stock write offs.

**Service Response / Action**

Agreed. The stores functions are being merged as part of redesign of the Service, providing an opportunity to adopt best practice from both elements. Additional time is required to complete and implement the redesign, and apply system upgrades.

| <u>Implementation Date</u> | <u>Responsible Officer</u>                  | <u>Grading</u>                     |
|----------------------------|---|------------------------------------|
| April 2020                 | Roads Operations<br>Manager (Neale Burrows) | Significant within audited<br>area |

## 12.4 Year End Counts

- 12.4.1 Stocks need to be valued as at the end of the financial year (31 March) for inclusion in the Council's annual accounts. Due to tight deadlines, in practice this means that counts take place in advance of the financial year-end and estimates or adjustments are made to arrive at the balance declared.
- 12.4.2 Prior to the commencement of the year-end counts, written instructions are issued from Finance to Operations departments including Building Services and Roads. These detail best practice in performing the count including: ensuring the Service record all staff that will be involved, dates, confirmation that count staff are independent of the stores function, that adequate stock cut-off procedures are documented, that staff count items in a logical fashion and mark counted items thereafter, and that count sheets are printed without system totals on them.
- 12.4.3 In addition to the above, Services are also asked to ensure that third party stock is held and recorded separately if necessary. Slow moving and non-moving stock should also be identified to determine if it should be disposed of or if there is any methodology for realising value from it.
- 12.4.4 The Officer in charge of the stock counts for their Service should sign and return the instructions to Finance indicating they have read and understood them, and providing the required details of staff, dates and locations.
- 12.4.5 Signed sheets were available for Building Services giving the location, dates and names of the Officers who were involved in the stock count. Many of the staff involved were not independent of the stores function, and contrary to the written instructions there was no evidence of permission having been sought from the Head of Finance in advance of commencing the stock count with these staff.
- 12.4.6 The instructions had not been signed and returned to Finance from the Roads Service. Whilst the Service stated that all were independent of the stores function, in the absence of the signed paperwork there were no recorded details of staff who had taken part in the count.

| <u>Recommendation</u>  |   |                                    |
|--|---|------------------------------------|
| The Service (Building & Roads) should ensure that Corporate Year-End instructions are fully completed, signed by the appropriate Officer and returned to Finance ahead of the count commencing, and any required consents for variation from them are obtained in advance. |   |                                    |
| <u>Service Response / Action</u>   |   |                                    |
| Agreed.  |   |                                    |
| <u>Implementation Date</u>   | <u>Responsible Officer</u>  | <u>Grading</u>                     |
| April 2020   | Quantity Surveying<br>Manager (Colin Maclver),<br>Roads Operations<br>Manager (Neale Burrows) | Significant within audited<br>area |

- 12.4.7 The written instructions state that each Service should have written stock cut-off

procedures available prior to the commencement of the year-end count to ensure that there is no stock movement during the count save for emergency requirements. This was not in place for either Building or Roads Services. While there is no evidence of inappropriate activity in this respect, in the absence of these procedures, were key members of staff to be absent or inexperienced staff in place there is a possibility that appropriate procedure may not be followed.

**Recommendation**

The Service (Building & Roads) should ensure that stock cut-off procedures are developed and made available to appropriate Officers ahead of year-end counts.

**Service Response / Action**

Agreed. Stores functionality is to be amalgamed between the two Services therefore a common procedure will be developed which is appropriate for both.

**Implementation Date**

February 2020

**Responsible Officer**

Quantity Surveying  
Manager (Colin Maclver)

**Grading**

Important within audited  
area

- 12.4.8 Both Services advised that prior to commencement of the count, all officers involved were instructed as to best practice. This included ensuring that stock is counted by moving along shelves and not counted by the order on the count sheet, that count sheets are printed without totals on them, and that second hand and third-party stock are adequately separated and not included in year-end totals. The Roads Service did however confirm that items are not marked to indicate that they have been counted. In the absence of doing this, items may be missed or duplicated, resulting in errors or a need to re-count.

**Recommendation**

The Service (Roads) should ensure that items are marked to indicate that they have been counted.

**Service Response / Action**

Agreed. Procedures will be updated to include this requirement.

**Implementation Date**

February 2020

**Responsible Officer**

Roads Operations  
Manager (Neale Burrows)

**Grading**

Significant within audited  
area

- 12.4.9 Corporate instructions also note that slow or non-moving stock should be identified allowing Services to identify obsolete stock, realise value and free up space. Building Services stated that while there are reports to identify this type of stock within the TOTAL system, the Storeman is not confident of their accuracy. The Roads Department has not run similar reports but has stated that this is subject to periodic review - there are items not in common use which are retained for replacement / repairs, but items which are no longer required are disposed of appropriately.

**Recommendation**

The Service (Roads & Building) should develop clear methodologies for identifying slow / non-moving stock, run regular reports to identify such stock and attempt to either realise value from or dispose of such stock, subject to appropriate evidenced approval.

**Service Response / Action**

Agreed. Building Services will review reporting capability as part of the review of procedures.

| <u>Implementation Date</u> | <u>Responsible Officer</u>                    | <u>Grading</u>                     |
|----------------------------|---|------------------------------------|
| February 2020              | Quantity Surveying<br>Manager (Colin Maclver) | Significant within audited<br>area |

- 12.4.10 Year-end stock counts were undertaken within Building and Roads Services at the end of February and the start of March 2019. Internal Audit was not in attendance for these counts.
- 12.4.11 Quarterly stock values are submitted to Finance by Building Services and it is these values which are used rather than the year-end stock take figures. The quarterly return for Building Services showed a total stock value of £526,563 against the counted year-end stock amount on the above dates of £497,892. The £28,671 difference between the figures is not material (5.8%) in terms of financial reporting.
- 12.4.12 The year-end summary totals for Building and Roads Services are included in Appendix 2 below. For reference, items of stock referred not only to individual items but also to measured amounts in terms of length, e.g. metres of wood etc. When showing discrepancies, net figures show the value of stock which is in store, being that it is the total of both negative and positive corrections and gives the valuation of stock held. Gross figures show the cumulative total of both negative and positive corrections to demonstrate the combined difference between stock counted and that which was recorded on the system. The gross figure is therefore more indicative of the level of accuracy of stock control and records.
- 12.4.13 For reference, negative corrections reflect the fact that stock counted was less than that which was recorded on the system while positive corrections reflect the fact that stock counted was greater than that which is recorded on the system. It should be noted that despite the level of gross errors noted below, there is no suggestion of impropriety by either Service, rather the noted errors highlight instead the requirement for improved overall stock control.
- 12.4.14 For Building Services, records indicate minimal corrections were required overall – with net errors of £163 (0.03%). However, stock held in vans showed a gross difference of £23,878 (28%) being made up of negative corrections of £11,799 and positive corrections of £12,079 against an initial value of £85,174, indicating potential weakness in stock control within vans. The Service confirmed that due to resource issues van stocks have not been subject to the same level of checks as store stocks and it is the Service's intention to increase checks in a bid to reduce the level of anomalies with regards to van stocks. These proposed additional checks should be balanced against the issues raised in section 2.3 above.

|  |   |                                    |
|--|---|------------------------------------|
| <b><u>Recommendation</u></b>   |   |                                    |
| The Service (Building) should consider how best to address the identified anomalies within van stocks.                           |   |                                    |
| <b><u>Service Response / Action</u></b>  |   |                                    |
| Agreed. A review of interim checks for vans will be undertaken with a view to determining how regularly stock should be checked. |   |                                    |
| <b><u>Implementation Date</u></b>  | <b><u>Responsible Officer</u></b>             | <b><u>Grading</u></b>              |
| June 2020  | Quantity Surveying<br>Manager (Colin Maclver) | Significant within audited<br>area |

- 12.4.15 For Roads, records indicate total net differences of £44,751 from an initial system total of £934,142 (4.8%), however the gross anomalies total £285,171 (30.5%) which consisted of negative corrections of £120,210 and positive corrections of £164,961. Negative stock



amounts were shown on the system in some instances and the Service explained that this was because stock had likely not been booked in and had then been booked out leading to the negative balance, or that stock had been issued under the wrong code. In either case, this would indicate absence of appropriate controls over purchasing, receipting, logging and issue of stocks. All items should be ordered on an official purchase order raised through the system, matched on receipt, and logged on the system before invoices are matched and paid. If items are not being logged on the stock system on receipt, other elements of the purchase to payment system may not be being adhered to. If the correct items are not being booked out to relevant jobs, the cost of those jobs will be misrepresented. This also indicates that stock system balances may not be regularly reconciled with purchase details recorded on the financial system.

**Recommendation**

The Service (Roads) should investigate the reasons for the significant differences in stock counted and that which was recorded in the system and put in place procedures to prevent recurrence.

**Service Response / Action**

Agreed. The Service was without a full time Storeman for 6 months however the post is being filled and interim checks will recommence with a view to increasing stock control. Procedures and practice are being updated through the stores review noted above.

**Implementation Date**

June 2020

**Responsible Officer**

Roads Operations  
Manager (Neale Burrows)

**Grading**

Significant within audited  
area

- 12.4.16 For Roads, an estimate of materials usage was included between the count date and 31 March 2019. The basis of this estimate, and a subsequent review of its accuracy to inform future estimations, was not available.

**Recommendation**

The Service (Roads) should ensure its estimations for year-end stock movements are subject to evidenced review.

**Service Response / Action**

Agreed. The Service's year-end process will be updated giving the basis for these calculations.

**Implementation Date**

February 2020

**Responsible Officer**

Roads Operations  
Manager (Neale Burrows)

**Grading**

Important within audited  
area

**AUDITORS:** D Hughes  
C Harvey  
D Henderson

## Appendix 1 – Grading of Recommendations

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

## Appendix 2 – Year-end count details

### Notes

- 1) System Amount refers to the value of items which should be in the store according to the system.
- 2) Counted Amount refers to the value of items which were physically counted during the stock count.
- 3) Net Error amounts show the difference in value between that which was recorded as being in store by the system prior to the count and that which was actually counted.
- 4) Gross Error amounts are calculated by taking into account the number of positive and negative adjustments required.
- 5) Net percentage errors are calculated by dividing the net error amount by the System Amount.
- 6) Gross percentage errors are calculated by dividing the gross error amount by the System Amount.
- 7) Quantities are inclusive of individual items of stock as well as measured lengths.

| <b>Building Service – Value (£)</b> |                   |                    |                          |                            |
|-------------------------------------|-------------------|--------------------|--------------------------|----------------------------|
| Location                            | System Amount (£) | Counted Amount (£) | Net Error Amount (£) / % | Gross Error Amount (£) / % |
| Stores                              | £412,555          | £412,438           | -£117 / 0.03%            | £7,107 / 1.7%              |
| Vans                                | £85,174           | £85,454            | £280 / 0.33%             | £23,878 / 28%              |
| <b>Total</b>                        | <b>£497,729</b>   | <b>£497,892</b>    | <b>£163 / 0.03%</b>      | <b>£30,985 / 6.2%</b>      |

| <b>Building Service – Quantities</b> |                |                |                      |                        |
|--------------------------------------|----------------|----------------|----------------------|------------------------|
| Location                             | System Amount  | Counted Amount | Net Error Amount / % | Gross Error Amount / % |
| Stores                               | 182,925        | 182,661        | -264 / 0.14%         | 2,752 / 1.5%           |
| Vans                                 | 41,203         | 40,728         | -475 / 1.15%         | 10,764 / 26.1%         |
| <b>Total</b>                         | <b>224,128</b> | <b>223,389</b> | <b>-739 / 0.33%</b>  | <b>13,516 / 6%</b>     |

- 8) Roads – negative amounts were noted for some system amounts. The Service stated that this was because stock may not have been booked in but had then been booked out and that stock may have been booked out under the wrong code.

| <b>Roads Service – Value (£)</b> |                   |                    |                          |                            |
|----------------------------------|-------------------|--------------------|--------------------------|----------------------------|
| Location                         | System Amount (£) | Counted Amount (£) | Net Error Amount (£) / % | Gross Error Amount (£) / % |
| Stores                           | £658,701          | £620,148           | -£38,553 / 5.85%         | £201,867 / 30.2%           |
| Gas Oil/<br>Petrol/DERV          | -£6,503           | £5,200             | £11,703 / 180%           | £11,703 / 180%             |
| Salt                             | £281,944          | £353,545           | £71,601 / 25.4%          | £71,601 / 25.4%            |
| <b>Total</b>                     | <b>£934,142</b>   | <b>£978,893</b>    | <b>£44,751 / 4.8%</b>    | <b>£285,171 / 30.5%</b>    |

| <b>Roads – Quantities</b> |               |                |                       |                        |
|---------------------------|---------------|----------------|-----------------------|------------------------|
| Location                  | System Amount | Counted Amount | Net Error Amount / %  | Gross Error Amount / % |
| Stores                    | 43,899        | 61,862         | 17,963 / 40.91%       | 58,600 / 133%          |
| Gas Oil/<br>Petrol/DERV   | -9,414        | 8,000          | 17,414 / 185%         | 17,414 / 185%          |
| Salt<br>(tonnes)          | 7,964         | 9,987          | 2,023 / 25.4%         | 2,023 / 25.4%          |
| <b>Total</b>              | <b>42,449</b> | <b>79,849</b>  | <b>37,400 / 88.1%</b> | <b>78,073 / 183.8%</b> |

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## ABERDEEN CITY COUNCIL

|                           |   |
|---------------------------|---|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny Committee                                  |
| <b>DATE</b>               | 4 December 2019   |
| <b>EXEMPT</b>             | No  |
| <b>CONFIDENTIAL</b>       | No  |
| <b>REPORT TITLE</b>       | Internal Audit Report AC1924 – Integration Joint Board – Directions |
| <b>REPORT NUMBER</b>      | IA/AC1924   |
| <b>DIRECTOR</b>           | N/A   |
| <b>REPORT AUTHOR</b>      | David Hughes  |
| <b>TERMS OF REFERENCE</b> | 2.2   |

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the outcome of an audit that was included in the Aberdeen City Integration Joint Board Internal Audit plan.

### 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 Integration Joint Board – Directions.
- 3.2 The Aberdeen City Integration Joint Board Audit and Performance Systems Committee agreed on 11 August 2016 that outputs from audits relating to the IJB would be reported, for information, to the Audit Risk and Scrutiny Committee. The Audit and Performance Systems Committee subsequently decided that it wished to receive summary reports from Internal Audit rather than the full report. However, in this instance, they requested that the full version be presented to Committee. In view of this, the full report is appended to this report.

### 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   |
|--|---|
| <b>Equality &amp; Human Rights Impact Assessment</b> | 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. |
| <b>Privacy Impact Assessment</b>                     | Not required  |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable  |

## 9. APPENDICES

9.1 Internal Audit report AC1924 – Integration Joint Board – Directions.

## 10. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor  
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Aberdeen City Health & Social Care Partnership  
*A caring partnership*



# Internal Audit Report

## Aberdeen City Health & Social Care Partnership

### Integration Joint Board Directions

**Issued to:**

Sandra Ross, Chief Officer, Aberdeen City Health & Social Care Partnership  
Alex Stephen, Chief Finance Officer, Aberdeen City Health & Social Care Partnership  
Gail Woodcock, Lead Transformation Manager, Aberdeen City Health & Social Care Partnership  
Sarah Gibbon, Executive Assistant to Chief Officer, Aberdeen City Health & Social Care Partnership  
External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Health & Social Care Partnership (ACH&SCP) manages its strategy and operations via an Integration Joint Board (IJB), supported by Committees, an Executive Team, and officers within the Partners reporting to the Chief Officer. Resources and budgets have been delegated to the Partnership, which directs services from the Partners via official Directions in order to fulfil the requirements of its Strategic Plan. A Direction must be given in respect of every function that has been delegated to the IJB.

The objective of this audit was to provide assurance that the arrangements in place for issuing Directions, and the Directions themselves, are appropriate, and that adequate procedures are in place for monitoring performance.

The Partnership introduced new procedures for issuing and documenting Directions in 2018 which are clear and comprehensive. Since their introduction Directions have generally been consistently recorded. However, errors were identified including the budgeted values and dates of issue included in final printed and issued Directions. A reminder has been issued to report authors to ensure the correct information is recorded.

Directions are typically supported by proposals or business cases. These were not always clear as to the specific and measurable benefits and contributions a project or action would be expected to make towards each of the strategic priorities which had been listed. A reminder has been issued to report authors to ensure the rationale is clearly recorded.

Whilst budgets are monitored regularly and projects are subject to exception reporting, there is currently no periodic reporting to the IJB or its Audit and Performance Systems Committee regarding progress with implementing Directions. The Service plans to produce an annual monitoring report.



# 1. INTRODUCTION

- 1.1 Aberdeen City Health & Social Care Partnership (ACH&SCP) manages its strategy and operations via an Integration Joint Board (IJB), supported by Committees, an Executive Team, and officers within the Partners reporting to the Chief Officer. Resources and budgets have been delegated to the Partnership, which directs services from the Partners via official Directions in order to fulfil the requirements of its Strategic Plan. A Direction must be given in respect of every function that has been delegated to the IJB.
- 1.2 The objective of this audit was to provide assurance that the arrangements in place for issuing Directions, and the Directions themselves, are appropriate, and that adequate procedures are in place for monitoring performance.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Sandra Ross, Chief Officer, ACH&SCP, Gail Woodcock, Lead Transformation Manager, ACH&SCP and Sarah Gibbon, Executive Assistant to the Chief Officer, ACH&SCP.

## **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 The Service has a flow chart detailing the steps which should be undertaken prior to recommending to the IJB that a Direction be issued. These include details of information which should be present in supporting reports. The steps also emphasise the importance of ensuring that all relevant Officers are consulted and given the opportunity to query any issue. The instructions largely mirror the 'Good Practice Note: Directions from Integration Authorities to Health Boards and Local Authorities' produced by the Scottish Government.
- 2.1.3 COSLA in conjunction with the Scottish Government has recently (February 2019) completed a review of progress in relation to Health and Social Care Integration and has made proposals in relation to improvements in processes. One of these is that revised statutory guidance will be produced in relation to the use of Directions. It is anticipated that local guidance will be updated in the event that changes are required.

### **2.2 Directions**

- 2.2.1 Prior to a Direction being issued it should be evidenced that the underlying issue and reason for the Direction have been carefully considered and discussed with relevant parties and that appropriate authorisation has been given to proceed. The Directions themselves should tie in with the strategic priorities as noted in the ACH&SCP Strategic Plan.

#### 2016-19 Priorities:

- 1) Develop a consistent person centred approach that promotes and protects the human rights of every individual and which enable our citizens to have opportunities to maintain their wellbeing and take a full and active role in their local community.
- 2) Support and improve the health, wellbeing and quality of life of our local population.
- 3) Promote and support self-management and independence for individuals for as long as reasonably possible.
- 4) Value and support those who are unpaid carers to become equal partners in the planning and delivery of services, to look after their own health and to have a quality of life outside the caring role if so desired.
- 5) Contribute to a reduction in health inequalities and the inequalities in the wider social conditions that affect our health and wellbeing.
- 6) Strengthen existing community assets and resources that can help local people with their needs as they perceive them and make it easier for people to contribute to helping others in their communities.
- 7) Support our staff to deliver high quality services that have a positive impact on personal experiences and outcomes.

- 2.2.2 For a sample of eight Directions, background reports or business cases were presented to the IJB, showing that appropriate consideration had been given to them. In general, the proposals were clear, and set out their anticipated benefits, and a link to one or more of the Strategic Priorities. However, there were instances where some anticipated benefits could be difficult to accurately measure, and where links to further Strategic Priorities had been included without a clear explanation of how the project would directly affect them. This could make monitoring the effectiveness and impact of Directions more difficult.

**Recommendation**

The Service should ensure that the alignment of proposed Directions with its Strategic Priorities is clear.

**Service Response / Action**

Agreed. Officers have been reminded of the need to ensure a clear rationale for links to Strategic Priorities is set out to support each Direction.

**Implementation Date**

Implemented

**Responsible Officer**

Chief Finance Officer

**Grading**

Significant within audited area

- 2.2.3 Directions include the dates on which they have been approved by the IJB. However, in two instances the instruction from the IJB was that the Directions should only be issued following approval of Business Cases by the Executive Programme Board. In these instances, the date of the IJB's conditional approval was included on the Directions, rather than the date on which these conditions were met. As the core record of the IJB's instructions, Directions should be dated as of the date of issue.

- 2.2.4 In three cases the Directions included a different budget than that originally sought and approved. In one case an error resulted in the final printed Direction being issued for £191,500 instead of £189,500. In another case a late amendment to the report resulted in agreement to increase a budget to £84,000, but the Direction remained at £78,000. In the third case approval was given for a budget of £243,000, pending agreement from the Executive Programme Board, which agreed £211,000, but the Direction was issued for £243,000.

- 2.2.5 As the legal basis through which the IJB conducts its business and delivers its Strategic Priorities, Directions need to reflect its agreed intentions.

**Recommendation**

The Service should ensure that Directions accurately reflect the IJB's instructions.

**Service Response / Action**

Agreed. Officers have been reminded of the need to ensure values and dates of Directions are accurate.

**Implementation Date**

Implemented

**Responsible Officer**

Chief Finance Officer

**Grading**

Significant within audited area

**2.3 Monitoring**

- 2.3.1 There are various means of monitoring and reporting progress in respect of activity which is subject to a Direction – including budget monitoring, and governance arrangements put in place in respect of the transformation programme. A variety of supporting records is maintained in respect of these.

- 2.3.2 In addition to planned progress updates in respect of individual Projects, the Service maintains a Dashboard to which financial updates (figures and commentary) are input showing anticipated spend to year-end for Projects (which are generally subject to a Direction). Project Managers have access to the Dashboard and are responsible for ensuring that updates are provided timeously. It was noted that the Dashboard had not been updated in a number of instances. The Service explained that it is currently working on producing a new Dashboard and therefore there may currently be missing entries. Spend on the Dashboard is separated into financial years, and includes items not covered by Directions, therefore it is not currently in a suitable format to demonstrate that the scope of Directions is being adhered to.
- 2.3.3 The Service has also set up a spreadsheet showing Directions which have been issued since formation of the IJB. This contains the Direction title, the associated report title and budget, when it was approved, the Lead Officer and the effective dates of the Direction and a column for updates. Whilst the spreadsheet accurately reflected a sample of Directions and associated reports to the IJB in respect of specific transformation projects, it was not fully up to date: Directions issued as part of agreement of the 2018/19 Budget and Medium Term Financial Strategy were not included.
- 2.3.4 Therefore, although there are various records there is currently no consolidated overview of the implementation and status of all Directions issued by the IJB. As there is no regular monitoring, the IJB is not generally informed in advance of instances where a Direction is unlikely to be completed within the timeframe or budget initially projected – and therefore where a Direction may have to be amended – though depending on the scale this may be highlighted as part of budget monitoring or a specific report to the IJB or Audit and Performance Systems Committee. The Service has indicated plans to produce an annual monitoring report. More regular reporting would provide additional assurance.

**Recommendation**

The Service should develop and implement regular consolidated Directions progress monitoring for the IJB.

**Service Response / Action**

Agreed. This had not previously been progressed due to staffing changes in the Partnership. A report will be collated to demonstrate implementation of Directions as originally planned and presented to the IJB or an appropriate Committee.

**Implementation Date**

March 2020

**Responsible Officer**

Chief Finance Officer

**Grading**

Significant within audited area

**AUDITORS:** D Hughes  
C Harvey  
D Henderson

## Appendix 1 – Grading of Recommendations

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

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## ABERDEEN CITY COUNCIL

|                           |   |
|---------------------------|---|
| <b>COMMITTEE</b>          | Audit, Risk and Scrutiny                            |
| <b>DATE</b>               | 4 December 2019                                     |
| <b>REPORT TITLE</b>       | Annual Accounts 2019/20 – Action Plan and Key Dates |
| <b>REPORT NUMBER</b>      | RES/19/443  |
| <b>DIRECTOR</b>           | Steven Whyte, Director of Resources                 |
| <b>CHIEF OFFICER</b>      | Jonathan Belford, Chief Officer - Finance           |
| <b>REPORT AUTHOR</b>      | Lesley Fullerton                                    |
| <b>TERMS OF REFERENCE</b> | 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 2019/20 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 Chief Officer – Finance should complete the tasks within the defined deadlines.

### 3. BACKGROUND

- 3.1 The Annual Accounts 2019/20 will summarise the Council's transactions for the period, 1 April 2019 to 31 March 2020 and its financial position at the year-end 31 March 2020. 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 2019/20 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 previous years. This means that the unaudited Annual Accounts will be ready for audit by 30 April 2020 and signed audited Annual Accounts by 21 June 2020.

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

|                      |   |
|----------------------|---|
| 31 March 2020        | End of the financial year 2019/20   |
| Jan – June 2020      | Information from Group Entities (including ALEO's)  |
| 17 April 2020        | Public Notice for the Public Inspection Period to be issued   |
| 5 May 2020           | Signing of unaudited Annual Accounts by the Proper Officer  |
| 6 May 2020           | Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts  |
| 6 May 2020           | Submission of the Annual Accounts to Auditors   |
| 11 May – 1 June 2020 | Public Inspection Period for the unaudited Annual Accounts  |
| 30 June 2020         | Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature   |
| 30 June 2020         | Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.   |
| 30 June 2020         | Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies |
| 17 July 2020 (tbc)   | Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government  |
| 30 September 2020    | Deadline for submission of the signed audited Annual Accounts to the Auditor  |
| 30 September 2020    | Deadline for submission of the audited WGA to the Scottish Government   |
| 31 October 2020      | Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies               |
| 31 December 2020     | Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR   |

3.3.1 31 March 2020

Transactions relating to goods and services received or provided by the Council by 31 March 2020 should be recorded in the 2019/20 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 2020 – June 2020

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 17 April 2020, 11 May 2020 – 1 June 2020

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 5 & 6 May 2020

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 2019/20, 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 11 May 2020

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 30 June 2020

The Audit, Risk and Scrutiny Committee will receive the audited Annual Accounts for consideration. The Local Authority Accounts (Scotland) Regulations 2014 require that the committee aim to approve these accounts prior to their signature by the Proper Officer, Chief Executive and Council Leader having regard to any report made on the accounts and any advice given by the Proper Officer or the Auditor.

The committee will also receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2019/20 audit" for debate and consideration. This report provides observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process, and sets out the auditor's responsibilities in relation to the financial audit, the auditor's findings and conclusions from all audit activity undertaken during the year. It 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.

### 3.3.7 31 October 2020

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 2020/21" 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   |
| <b>Prosperous Economy</b>             | There are no direct implications on the economy arising from the recommendations of this report                                |
| <b>Prosperous People</b>              | A robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience |
| <b>Prosperous Place</b>               | There are no direct implications on the environment arising from the recommendations of this report.                           |
| <b>Enabling Technology</b>            | 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        |
|--|----------------|
| <b>Equality &amp; Human Rights Impact Assessment</b> | not required   |
| <b>Data Protection Impact Assessment</b>             | not required   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | not applicable |

## 9. BACKGROUND PAPERS

9.1 None

## 10. REPORT AUTHOR CONTACT DETAILS

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## ABERDEEN CITY COUNCIL

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|                           |   |
|---------------------------|---|
| <b>COMMITTEE</b>          | Audit, Risk & Scrutiny                  |
| <b>DATE</b>               | 4 December 2019                         |
| <b>EXEMPT</b>             | No                                      |
| <b>CONFIDENTIAL</b>       | No                                      |
| <b>REPORT TITLE</b>       | RIPSA Quarterly Report – Quarter 4 2019 |
| <b>REPORT NUMBER</b>      | GOV/19/291                              |
| <b>DIRECTOR</b>           | Chief Executive                         |
| <b>CHIEF OFFICER</b>      | Fraser Bell - Chief Officer Governance  |
| <b>REPORT AUTHOR</b>      | Jess Anderson                           |
| <b>TERMS OF REFERENCE</b> | 5.2                                     |

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### 1. PURPOSE OF REPORT

- 1.1 It is 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 is being used consistently with the local authority’s policy and that that policy remains fit for purpose.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the update within the report.

### 3. BACKGROUND

- 3.1 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), gives the Council powers to conduct two types of covert surveillance:
1. Directed Surveillance; and

2. the use of a Covert Human Intelligence Source (the use of an undercover officer).
- 3.2 The Council has a policy in place which governs the use and management of covert surveillance. Further, all members of staff wishing to use RIPSAs, are required to undertake training prior to being able to make an application under RIPSAs.
- 3.3 Various Council services use RIPSAs as an investigatory tool. It is considered the “tool of last resort” in light of its intrusiveness into the privacy of the person(s) being surveyed. Council services such as Trading Standards, Environmental Health and Benefit Fraud are most likely to use RIPSAs.

#### **QUARTER 4 - 2019**

- 3.4 In the period from October until 22 November 2019 (the deadline for this report), there have been two authorisations for Directed Surveillance.
- 3.5 Both applications relate to the sale of Tobacco/ Nicotine Vapour Products, with one of the applications also including Fireworks Test Purchasing.
- 3.6 Test purchases for underage sale of tobacco and nicotine products are part of an enforcement initiative promoted by the Scottish Government. One part of that enforcement activity is undertaking test purchases. This can either be a random check or as part of a planned operation after complaints have been made about the shop(s) targeted. A test purchase is the only way in which Trading Standards can ascertain whether the shop is selling age restricted goods or not, and thus proves necessary to continued education and enforcement with sellers of age restricted goods such as tobacco and nicotine.
- 3.7 An addition to the usual tobacco test purchasing, is the test purchasing of fireworks. It is an offence to sell certain categories of fireworks to a person under 18 years of age under the Pyrotechnics Articles (Safety) Regulations 2015. As with Tobacco/ Nicotine products, the only way to ascertain whether licensed retailers of fireworks are complying with their legal requirements is to undertake a test purchase carried out by a volunteer under the age of 18 years old.
- 3.8 The sale of age restricted goods, such as Tobacco and Vapour products is highly regulated with Trading Standards officers having delegated powers to enforce that legislation.
- 3.9 In respect of one application referred to in 3.4 above, that application was cancelled within the statutory three-month period. The authorisation was executed in accordance with the Council’s policy on covert surveillance and RIPSAs and has been audited by the Governance team- Legal Services as is normal practice. The other application was a live operation at the time of writing this report.
- 3.10 The use of covert surveillance is restricted to certain legal purposes; crime prevention and detection, public health and public safety. The continued ability

to use surveillance, in appropriate circumstances, for the investigation of offences such as the selling of age restricted goods is connected to the themes; Prosperous Place, Prosperous People and Prosperous Economy in the Local Outcome Improvement Plan (LOIP). The investigation and enforcement of regulatory laws (such as the sale of age restricted goods) by the Council, ensure that young people are protected, and communities can be assured that the Council is proactively enforcing its powers and making communities safe.

- 3.11 After an application for a covert surveillance operation is authorised by a senior officer, known as an Authorising Officer, it is sent through to the Chief Officer-Governance for logging and auditing. Members of the Governance Team within Legal Services then carry out an audit of the authorisation and raise any matters of good practice, policy or procedure with the Authorising Officer and the applicant. Officers within Legal services do not interfere with the authorisation as that responsibility lies with the Authorising Officer. This approach has been agreed and was supported by the Surveillance Commissioner.
- 3.12 There have been no further applications for covert surveillance made or approved within this quarter. Should any further applications be received prior to the Committee date, Committee will be updated at the meeting.
- 3.13 There have been no changes to the Protocol and it remains fit for purpose.

#### **TRAINING AND COMMUNICATIONS**

- 3.14 Training forms a large part of RIPSAs compliance and is something which all officers must have before they are permitted to carry out covert surveillance under RIPSAs. The Council's training regime is something which has been commended on by the Surveillance Commissioner on the last three inspections.
- 3.15 The mandatory course is run by solicitors in Governance, Legal Services and a senior Trading Standards officer. It consists of theory, practice and practical application of the rules and procedures around RIPSAs, with the aim that all attendees are equipped with the skills to apply for, and have granted, a covert surveillance application and that all attendees are trained to the same standard. There have been no training sessions delivered this quarter.
- 3.16 In October, there was a meeting with Authorising Officers where feedback on the authorisation process was shared and discussed and the possibility of creating a forum for discussion and learning was discussed. These meetings are an opportunity for officers to share practice with each other which can be a valuable tool to good and consistent practice. The next meeting is scheduled for the New Year.
- 3.17 The Governance Team, Legal Services is exploring new ways of communicating news/ case law and good practice to applicants and Authorising officers. It is anticipated that an update should be available to Committee in the New Year.

#### 4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising from this report.

#### 5. LEGAL IMPLICATIONS

5.1 The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSA on a quarterly basis. This is also a matter which is taken into account by the Investigatory Powers Commissioner when they carry out their inspections.

5.2 A review of the Council's RIPSA activity by elected members provides assurance that the Council's use of RIPSA is being used consistently and that the standards set by its policy remain fit for purpose.

5.3 The management, knowledge and awareness of those involved with RIPSA activity was something which was commended by the Commissioner in his inspection in 2017. The reporting of RIPSA activity to Committee provides another level of scrutiny and assurance on the use of RIPSA.

#### 6. MANAGEMENT OF RISK

|                  | Risk  | Low (L),<br>Medium<br>(M), High<br>(H) | Mitigation  |
|------------------|---|--|---|
| <b>Financial</b> | There are no financial risks arising from this report.  | L                                      |   |
| <b>Legal</b>     | Reporting on the use of RIPSA ensures that the Council continues to comply with the Code of Practice and that elected members continue to provide a level of scrutiny on matters of policy. | L                                      | Quarterly reporting on RIPSA activity and the related policy to members, mitigates the risks highlighted in this section. |
| <b>Employee</b>  | There are no employee risks related to this report.   | L                                      | Appropriate and mandatory training arms staff with the correct skills to carry out surveillance and thus, there           |



|                     |   |   |   |
|---------------------|---|---|---|
|                     |   |   | is little to no risk to staff . All requests for training are met   |
| <b>Customer</b>     | Failure to report to and update Committee on RIPSAs activity means that it would undermine public confidence in the Council and how it operates.  | L |   |
| <b>Environment</b>  | There are no environmental risks arising from this report.  |   |   |
| <b>Technology</b>   | There are no technological risks arising from this report   |   |   |
| <b>Reputational</b> | Failure to not update Committee on RIPSAs activity would mean that the Council would be at risk of negative reputational damage when this is raised by the Surveillance Commissioner in their inspection. |   | External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. The Inspection Report is shared with Committee and any Action Plan created, endorsed and approved by Committee. |

## 7. OUTCOMES

| Local Outcome Improvement Plan Themes |  |
|---------------------------------------|--|
|                                       | Impact of Report   |
| <b>Prosperous Economy</b>             | This report does not link to this theme directly. The use of RIPSAs activity by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action taken by services such as Trading Standard, e.g. such as in enforcing the law around counterfeit goods. |
| <b>Prosperous Place</b>               | Enforcement activity undertaken by the Council by using, where appropriate, its powers under RIPSAs, may have an impact on this theme by tackling the selling of counterfeit goods.  |

|  |  |
|--|--|
|  |  |
|--|--|

| <b>Design Principles of Target Operating Model</b> |   |
|--|---|
|  | <b>Impact of Report</b>   |
| <b>Governance</b>                                  | Reporting to this Committee on the Councils use of RIPSA ensures compliance with the Code of Practice and gives Committee assurances that the Council's use of RIPSA is being done according to its policy. |

## 8. IMPACT ASSESSMENTS

| <b>Assessment</b>                                    | <b>Outcome</b>   |
|--|--|
| <b>Equality &amp; Human Rights Impact Assessment</b> | The purpose of this report is to update Committee on the Council's use of RIPSA. This report does not propose or endorse any changes to the Councils policy on RIPSA not its procedure and as such, an EHRA is not required. |
| <b>Data Protection Impact Assessment</b>             | The purpose of this report is to update Committee on the Council's use of RIPSA. As such, a Privacy Impact Assessment is not required.   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | There is no requirement to consider the Fairer Scotland Duty as this report does not seek approval for any Strategic decisions and is merely providing Committee with an update RIPSA activity.                              |

## 9. BACKGROUND PAPERS

None

## 10. APPENDICES (if applicable)

None

## 11. REPORT AUTHOR CONTACT DETAILS

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## ABERDEEN CITY COUNCIL

|                           |  |
|---------------------------|--|
| <b>COMMITTEE</b>          | Audit Risk and Scrutiny  |
| <b>DATE</b>               | 4 December 2019  |
| <b>EXEMPT</b>             | No   |
| <b>CONFIDENTIAL</b>       | No   |
| <b>REPORT TITLE</b>       | Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions |
| <b>REPORT NUMBER</b>      | CUS/19/438   |
| <b>DIRECTOR</b>           | Andy MacDonald   |
| <b>CHIEF OFFICER</b>      | Jacqui McKenzie  |
| <b>REPORT AUTHOR</b>      | Lucy McKenzie  |
| <b>TERMS OF REFERENCE</b> | 6.9  |

### 1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting cycle, together with details of the SPSO Local Authority 2018-19 annual statistics tables, 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 Cremations 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 25 September 2019 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](http://www.aberdeencity.gov.uk/complaints)
- 3.3 There are no SPSO decision relating to Aberdeen City Council complaints since the last reporting period to notify the Committee of.
- 3.4 The SPSO have recently presented their 2018-19 annual complaint statistic tables, which are detailed in Appendix A to this report. The information demonstrates how many complaints the SPSO received about Aberdeen City Council. It should be noted that the statistical information contained in the tables do not necessarily match the information held by the council as complainants may contact the SPSO without the council's knowledge or before having gone through the council's complaint process.
- 3.5 Table 1 shows complaints received by the SPSO (but not necessarily looked into by the SPSO), both about Aberdeen City Council and overall in the sector for the past two financial years. The complaints are categorised by main subject area and are shown ranked from the most received to the least.
- 3.6 Table 2 shows the outcomes of 'determined' complaints for the same period. Determined complaints are those that the SPSO have looked at and for which they have closed their file. The SPSO will have given the complainant a decision by letter or public report or will have explained why they didn't investigate their complaint. The SPSO does not normally investigate 'premature' complaints where the complainant has not completed the Aberdeen City Council complaints process in the first instance.
- 3.7 As demonstrated in Table 1, there has been an overall reduction in the number of complainants approaching the SPSO regarding Aberdeen City Council which is positive (62 compared to 85 the previous financial year). The number of Aberdeen City Council complaints received by the SPSO as a percentage of the Sector totals were 4.1% in 2018-19 compared to 5.1% in 2017-18. For context, the population of Aberdeen City is 4.2% of the Scottish total.
- 3.8 The issues were consistent with previous years with Housing and Social Work at the top of the list. The number of complaints fully investigated by the SPSO has remained consistent at 8 in total both financial years. Of those that were investigated by the SPSO, 4 of the 8 complaints in 2018-19 were upheld/partially upheld (50%) which is less than the sector total (58.8%). Action to further improve complaint handling across the council continues throughout 2019-20.

## **Scottish Public Services Ombudsman (SPSO) Scottish Welfare Fund Review Decisions**

- 3.9 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>
- 3.10 There have been no SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period.
- 3.11 The 2018-19 annual SPSO Second Tier Review statistic tables are detailed in Appendix B to this report. As background, there were 14,875 claims in total handled by Aberdeen City Council in 2018-19. The SPSO received 7 review requests from Aberdeen City Council applicants (7 Crisis Grants and 0 Community Care Grants) compared to 3 review requests in 2017-18 (3 Crisis Grants and 0 Community Care Grants). The SPSO changed 2 decisions made by Aberdeen City Council (29%) and 5 remained unchanged (71%). This is an increase from zero unchanged decisions in the previous year, but below the national average of 32% changed decisions for Crisis Grants and 51% changed decisions for Community Care Grants.

### **Inspector of Cremations Decisions**

- 3.12 The Inspector of Cremations responds to complaints or queries from the public about cremations. There have been no decisions by the Inspector of Cremations 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

| Category            | Risk   | Low (L), Medium (M), High (H) | Mitigation   |
|---------------------|--|-------------------------------|--|
| <b>Financial</b>    | Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, 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. | L                             | The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.  |
| <b>Legal</b>        | There are no legal risks associated with this report.  | N/A                           | Not applicable   |
| <b>Reputational</b> | 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. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are handled correctly and there is a robust procedure in place to review decision making when necessary. |
| <b>Employee</b>     | Staff morale may be lowered as a result of a   | L                             | Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light,  |

|                    |  |     |   |
|--------------------|--|-----|---|
|                    | negative outcome of a SPSO decision.   |     | as a learning point going forwards.   |
| <b>Customer</b>    | 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 full training to ensure they have the necessary knowledge to undertake assessments. |
| <b>Environment</b> | There are no environmental risks associated with this report   | N/A | Not applicable  |
| <b>Technology</b>  | There are no technological risks associated with this report.  | N/A | Not applicable  |

## 7. OUTCOMES

The proposals in this report have no impact on the LOIP.

| <b>Design Principles of Target Operating Model</b> |  |
|--|--|
|  | <b>Impact of Report</b>  |
| <b>Customer Service Design</b>                     | 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. |

|                              |   |
|------------------------------|---|
| <b>Organisational Design</b> | The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.  |
| <b>Governance</b>            | The report ensures transparency around complaint and Scottish Welfare Fund application handling and provides assurances that informed decisions are being made.   |
| <b>Workforce</b>             | 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. |
| <b>Process Design</b>        | Processes may be redesigned as a result of lessons learnt from a complaint or an SPSO decision to better meet the needs of customers.   |
| <b>Technology</b>            | 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

| <b>Assessment</b>                                    | <b>Outcome</b>  |
|--|-----------------|
| <b>Equality &amp; Human Rights Impact Assessment</b> | Not required    |
| <b>Data Protection Impact Assessment</b>             | Not required    |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable. |

## 9. BACKGROUND PAPERS

N/A

## 10. APPENDICES (if applicable)

Appendix A – SPSO Annual Complaints Statistics 2018-19 compared to 2017-18  
Appendix B - SPSO Scottish Welfare Fund Annual Statistics 2018-19 compared to 2017-18

## 11. REPORT AUTHOR CONTACT DETAILS

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## Appendix A - SPSO Annual Complaints Statistics 2018-19 compared to 2017-18

Table 1

### Local Authority Complaints Received 2018-18

| Subject Group                          | Aberdeen City Council |      |                          | Sector Total | Rank | Complaints as % of total |
|--|-----------------------|------|--------------------------|--------------|------|--------------------------|
|  | Aberdeen City Council | Rank | Complaints as % of total |              |      |                          |
| Housing                                | 16                    | 1    | 30.19%                   | 251          | 1    | 19.29%                   |
| Social Work                            | 9                     | 2    | 16.98%                   | 206          | 2    | 15.83%                   |
| Education                              | 5                     | 3=   | 9.43%                    | 143          | 3    | 10.99%                   |
| Planning                               | 5                     | 3=   | 9.43%                    | 130          | 4    | 9.99%                    |
| Environmental Health & Cleansing       | 4                     | 5=   | 7.55%                    | 101          | 6    | 7.76%                    |
| Legal & Admin                          | 4                     | 5=   | 7.55%                    | 67           | 8    | 5.15%                    |
| Finance                                | 2                     | 7    | 3.77%                    | 98           | 7    | 7.53%                    |
| Roads & Transport                      | 1                     | 8=   | 1.89%                    | 111          | 5    | 8.53%                    |
| Recreation & Leisure                   | 1                     | 8=   | 1.89%                    | 26           | 9    | 2.00%                    |
| Land & Property                        | 0                     | -    | 0.00%                    | 16           | 10   | 1.23%                    |
| Building Control                       | 0                     | -    | 0.00%                    | 15           | 11   | 1.15%                    |
| Personnel                              | 0                     | -    | 0.00%                    | 7            | 12   | 0.54%                    |
| Other                                  | 0                     | -    | 0.00%                    | 6            | 13   | 0.46%                    |
| Economic Development                   | 0                     | -    | 0.00%                    | 5            | 14   | 0.38%                    |
| Valuation Joint Boards                 | 0                     | -    | 0.00%                    | 3            | 15=  | 0.23%                    |
| Welfare Fund - Community Care Grants   | 0                     | -    | 0.00%                    | 3            | 15=  | 0.23%                    |
| National Park Authorities              | 0                     | -    | 0.00%                    | 2            | 17   | 0.15%                    |
| Welfare Fund - Crisis Grants           | 0                     | -    | 0.00%                    | 1            | 18   | 0.08%                    |
| Subject unknown or Out of Jurisdiction | 6                     | -    | 11.32%                   | 110          | -    | 8.46%                    |
| <b>Total</b>                           | <b>63</b>             |      | <b>100.00%</b>           | <b>1,301</b> |      | <b>100.00%</b>           |
| Complaints as % of Sector              | 4.1%                  |      |                          | 100.0%       |      |                          |

### Local Authority Complaints Received 2017-18

| Subject Group                          | Aberdeen City Council |      |                          | Sector Total | Rank | Complaints as % of total |
|--|-----------------------|------|--------------------------|--------------|------|--------------------------|
|  | Aberdeen City Council | Rank | Complaints as % of total |              |      |                          |
| Housing                                | 30                    | 1    | 34.48%                   | 316          | 1    | 21.44%                   |
| Social Work                            | 18                    | 2    | 20.69%                   | 254          | 2    | 17.23%                   |
| Environmental Health & Cleansing       | 6                     | 3=   | 6.90%                    | 116          | 5    | 7.87%                    |
| Legal & Admin                          | 6                     | 3=   | 6.90%                    | 71           | 8    | 4.82%                    |
| Education                              | 5                     | 5=   | 5.75%                    | 151          | 3    | 10.24%                   |
| Finance                                | 5                     | 5=   | 5.75%                    | 112          | 6    | 7.60%                    |
| Planning                               | 3                     | 7=   | 3.45%                    | 134          | 4    | 9.09%                    |
| Roads & Transport                      | 3                     | 7=   | 3.45%                    | 104          | 7    | 7.06%                    |
| Land & Property                        | 2                     | 9    | 2.30%                    | 17           | 10   | 1.15%                    |
| Personnel                              | 1                     | 10   | 1.15%                    | 12           | 12   | 0.81%                    |
| Recreation & Leisure                   | 0                     | -    | 0.00%                    | 24           | 9    | 1.63%                    |
| Building Control                       | 0                     | -    | 0.00%                    | 16           | 11   | 1.09%                    |
| Welfare Fund - Community Care Grants   | 0                     | -    | 0.00%                    | 7            | 13   | 0.47%                    |
| Other                                  | 0                     | -    | 0.00%                    | 6            | 14   | 0.41%                    |
| Consumer Protection                    | 0                     | -    | 0.00%                    | 4            | 15=  | 0.27%                    |
| National Park Authorities              | 0                     | -    | 0.00%                    | 4            | 15=  | 0.27%                    |
| Fire & Police Boards                   | 0                     | -    | 0.00%                    | 3            | 17   | 0.20%                    |
| Economic Development                   | 0                     | -    | 0.00%                    | 2            | 18=  | 0.14%                    |
| Welfare Fund - Crisis Grants           | 0                     | -    | 0.00%                    | 2            | 18=  | 0.14%                    |
| Subject Unknown or Out Of Jurisdiction | 8                     | -    | 9.20%                    | 119          | -    | 8.07%                    |
| <b>Total</b>                           | <b>87</b>             |      | <b>100.00%</b>           | <b>1,474</b> |      | <b>100.00%</b>           |
| Complaints as % of Sector              | 5.9%                  |      |                          | 100.0%       |      |                          |

## Local Authority Complaints Determined 2018-19

| Stage                                | Outcome Group                           | 2018-19               |              |
|--------------------------------------|---|-----------------------|--------------|
|                                      |   | Aberdeen City Council | Sector Total |
| Advice                               | Not duly made or withdrawn              | 14                    | 255          |
|                                      | Out of jurisdiction (non-discretionary) | 0                     | 2            |
|                                      | Premature                               | 10                    | 244          |
|                                      | <b>Total</b>                            | <b>24</b>             | <b>501</b>   |
| Early Resolution                     | Not duly made or withdrawn              | 3                     | 45           |
|                                      | Out of jurisdiction (discretionary)     | 2                     | 70           |
|                                      | Out of jurisdiction (non-discretionary) | 1                     | 47           |
|                                      | Outcome not achievable                  | 2                     | 71           |
|                                      | Premature                               | 2                     | 55           |
|                                      | Proportionality                         | 20                    | 358          |
|                                      | Resolved                                | 0                     | 26           |
|                                      | <b>Total</b>                            | <b>30</b>             | <b>672</b>   |
| Investigation                        | Fully upheld                            | 4                     | 34           |
|                                      | Some upheld                             | 0                     | 23           |
|                                      | Not upheld                              | 4                     | 40           |
|                                      | Resolved                                | 0                     | 1            |
|                                      | <b>Total</b>                            | <b>8</b>              | <b>98</b>    |
| <b>Total Complaints</b>              |   | <b>62</b>             | <b>1,271</b> |
| <i>Total Premature Complaints</i>    |   | 12                    | 299          |
| <i>Premature Rate</i>                |   | 19.4%                 | 23.5%        |
| <i>Total Investigation Decisions</i> |   | 8                     | 97           |
| <i>Total Upholds</i>                 |   | 4                     | 57           |
| <i>Uphold Rate</i>                   |   | 50.0%                 | 58.8%        |

## Local Authority Complaints Determined 2017-18

| Stage                                | Outcome Group                           | 2017-18               |              |
|--------------------------------------|---|-----------------------|--------------|
|                                      |   | Aberdeen City Council | Sector Total |
| Advice                               | Not duly made or withdrawn              | 15                    | 253          |
|                                      | Out of jurisdiction (discretionary)     | 0                     | 3            |
|                                      | Out of jurisdiction (non-discretionary) | 0                     | 5            |
|                                      | Premature                               | 11                    | 381          |
|                                      | <b>Total</b>                            | <b>26</b>             | <b>642</b>   |
| Early Resolution                     | Not duly made or withdrawn              | 1                     | 38           |
|                                      | Out of jurisdiction (discretionary)     | 8                     | 99           |
|                                      | Out of jurisdiction (non-discretionary) | 8                     | 113          |
|                                      | Outcome not achievable                  | 7                     | 85           |
|                                      | Premature                               | 3                     | 53           |
|                                      | Proportionality                         | 22                    | 314          |
|                                      | Resolved                                | 2                     | 29           |
|                                      | <b>Total</b>                            | <b>51</b>             | <b>731</b>   |
| Investigation                        | Fully upheld                            | 2                     | 47           |
|                                      | Some upheld                             | 1                     | 49           |
|                                      | Not upheld                              | 5                     | 69           |
|                                      | Not duly made or withdrawn              | 0                     | 1            |
|                                      | Resolved                                | 0                     | 3            |
|                                      | <b>Total</b>                            | <b>8</b>              | <b>169</b>   |
| <b>Total Complaints</b>              |   | <b>85</b>             | <b>1,542</b> |
| <i>Total Premature Complaints</i>    |   | 14                    | 434          |
| <i>Premature Rate</i>                |   | 16.5%                 | 28.1%        |
| <i>Total Investigation Decisions</i> |   | 8                     | 165          |
| <i>Total Upholds</i>                 |   | 3                     | 96           |
| <i>Uphold Rate</i>                   |   | 37.5%                 | 58.2%        |
| <i>Old Uphold Rate Calculation</i>   |   |                       |              |
| <i>Total Cases 'Fit for SPSO'</i>    |   | 8                     | 169          |
| <i>Total Upholds</i>                 |   | 3                     | 96           |
| <i>Uphold Rate</i>                   |   | 37.5%                 | 56.8%        |

- **Advice** – initial receipt stage where the SPSO decide whether to progress (e.g. enough information and a matter allowed to look at)
- **Early Resolution** – where the complaint is in jurisdiction and has completed the organisation's complaint process. Cases may be closed at this point if the SPSO are able to resolve with the organisation or consider no achievable outcome or significant benefit from a full investigation.
- **Investigation** – where the SPSO conduct an investigation and reach a decision on the complaint.

**APPENDIX B - SPSO Scottish Welfare Fund Annual Statistics 2018-19 compared to 2017-18**

Cases closed pre-decision

| Outcome                    | 2018-19 Aberdeen City Council |          |          |
|----------------------------|-------------------------------|----------|----------|
|                            | Community Care                | Crisis   | Total    |
| Advice only                | 0                             | 0        | 0        |
| Out of jurisdiction        | 0                             | 0        | 0        |
| Premature                  | 0                             | 0        | 0        |
| Not duly made or withdrawn | 0                             | 0        | 0        |
| <b>Total</b>               | <b>0</b>                      | <b>0</b> | <b>0</b> |

Cases closed pre-decision

| Outcome                    | 2017-18 Aberdeen City Council |          |          |
|----------------------------|-------------------------------|----------|----------|
|                            | Community Care                | Crisis   | Total    |
| Advice only                | 0                             | 0        | 0        |
| Out of jurisdiction        | 0                             | 0        | 0        |
| Premature                  | 2                             | 1        | 3        |
| Not duly made or withdrawn | 0                             | 1        | 1        |
| <b>Total</b>               | <b>2</b>                      | <b>2</b> | <b>4</b> |

Total decisions 2018-19

| Application type | Total Decisions | Not Upheld<br>( <i>council decision unchanged</i> ) | Upheld<br>( <i>council decision changed</i> ) | Uphold Rate<br>( <i>council decision changed</i> ) | National Average Uphold Rate |
|------------------|-----------------|---|---|--|------------------------------|
| Crisis           | 7               | 5   | 2   | 29%  | 32%                          |
| Community Care   | 0               | 0   | 0   | 0%   | 51%                          |
| <b>Total</b>     | <b>7</b>        |   |   |  |                              |

Total decisions 2017-18

| Application type | Total Decisions | Not Upheld<br>( <i>council decision unchanged</i> ) | Upheld<br>( <i>council decision changed</i> ) | Uphold Rate<br>( <i>council decision changed</i> ) | National Average Uphold Rate |
|------------------|-----------------|---|---|--|------------------------------|
| Crisis           | 3               | 3   | 0   | 0%   | 35%                          |
| Community Care   | 0               | 0   | 0   | 0%   | 52%                          |
| <b>Total</b>     | <b>3</b>        |   |   |  |                              |

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