

Public Document Pack



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

Town House,
ABERDEEN 04 February 2020

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, 12 FEBRUARY 2020 at 2.00 pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

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DETERMINATION OF EXEMPT BUSINESS

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- 6.1 Committee Business Planner (Pages 15 - 20)

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- 7.1 Notice of Motion

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- 8.4 Internal Audit Plan 2020/21 - IA/20/003 (Pages 73 - 148)
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- 8.7 School Catering Income and Expenditure - IA/AC/2013 (Pages 179 - 200)
- 8.8 Customer Access Points and Service Centre - IA/2/2012 (Pages 201 - 216)
- 8.9 Timesheets and Allowances - IA/AC/2023 (Pages 217 - 238)
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- 8.11 External Audit Strategy (Pages 255 - 294)

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Scrutiny

8.13 Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions - CUS/20/023 (Pages 333 - 338)

EXEMPT/CONFIDENTIAL BUSINESS

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

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DECLARATIONS OF INTEREST

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

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

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

OR

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

OR

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

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

OR

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

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

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 4 December 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 Duncan), Bell (as substitute for Councillor Lumsden), Jackie Dunbar, Graham, Houghton (as substitute for Councillor Reynolds), Avril MacKenzie and Mennie.

The agenda and 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 25 SEPTEMBER 2019

2. The Committee had before it the minute of their previous meeting of 25 September 2019.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

3. The Committee had before it the Committee Business Planner as prepared by the Chief Officer Governance.

The Committee resolved:-

to note the content of the business planner.

RISK MANAGEMENT POLICY

4. The Committee had before it a report by the Chief Officer Governance which presented the Risk Management Policy.

The report recommended:-

that the Committee approve the Risk Management Policy.

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2019

The Committee resolved:-

to approve the recommendation as contained in the report.

ALEO ASSURANCE HUB

5. The Committee had before it a report by the Chief Officer Governance which provided 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.

The report recommended:-

That the Committee –

- (a) notes the level of assurance provided by each ALEO on risk management, financial management and governance;
- (b) 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
- (c) notes the workplan for the ALEO Assurance Hub in 2020.

The Assurance Manager advised that Appendix A contained the assurance rating rather than the risk rating and would be amended for future reports and Appendix B, for Aberdeen Performing Arts, the colours provided in the chart were wrong however the text was correct.

The Committee resolved:-

- (i) to note the update provided by the Assurance Manager in relation to Appendices A and B; and
- (ii) to otherwise approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/19/013

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

The report recommended:-

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

The Chief Internal Auditor advised that the audits within the 2018/19 audit plan were now complete. He then provided an update in relation to audit reports that were due before the Committee today.

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2019

The Committee resolved:-

- (i) to note the update provided by the Chief Internal Auditor in relation to some of the audit reports that were due to be presented to this meeting; and
- (ii) to otherwise note the content of the report.

INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS - IA/19/014

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

The report recommended:-

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

The Chief Internal Auditor provided as an update that audits AC1912 (Data Security in a Cloud-Based Environment) and AC1823 (Fixed Asset Register) were now complete; and audit AC1806 (Corporate Landlord Responsibilities) was almost complete with Internal Audit undertaking the final check of the information provided by the cluster.

The Committee resolved:-

- (i) to note the update provided from the Chief Internal Auditor in relation to audits AC1912, AC1806 and AC1823; and
- (ii) to otherwise note the content of the report.

CONTRACT MANAGEMENT - IA/AC1926

8. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Capital Contract Management which was undertaken to determine whether or not the processes in place for the management of high risk contracts were adequate and that projects were being suitably managed.

The report recommended:-

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

The Committee resolved:-

- (i) in relation to a question regarding the £991,000 developer contributions that were no longer available, to note that the Director of Resources would circulate a response via email to the Committee providing the reasons why the funding was no longer available; and

AUDIT, RISK AND SCRUTINY COMMITTEE

4 December 2019

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

STOCK CONTROL - IA/AC2007

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Stock Control which was undertaken to provide assurance that procedures were adequate and stock movements were adequately accounted for.

The report recommended:-

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

In response to a question from Councillor Jackie Dunbar as to where obsolete stock was sold, the Chief Officer Operations and Protective Services advised that all obsolete stock was sold via Thainstone Auctions.

The Committee resolved:-

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

IJB DIRECTIONS - IA/AC1924

10. The Committee had before it a report by the Chief Internal Auditor which presented the outcome of an audit that was presented to the Integration Joint Board (IJB) Audit and Performance Systems Committee. The audit was undertaken to provide assurance that the arrangements in place for issuing Directions and the Directions themselves were appropriate and that adequate procedures were in place for monitoring performance.

The report recommended:-

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

In response to a question from Councillor Jackie Dunbar on whether this Committee would be updated on the progress of completing the audit recommendations, the Chief Internal Auditor advised that the IJB Audit and Performance Systems Committee would monitor the progress of the audit recommendations.

The Committee resolved:-

to note the content of the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2019

ANNUAL ACCOUNTS 2019/20 - ACTION PLAN AND KEY DATES

11. The Committee had before it a report by the Director of Resources which provided 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.

The report recommended:-

that the Committee note that the Chief Officer Finance should complete the tasks within the defined deadlines.

The Committee resolved:-

to approve the recommendation as contained in the report.

RIPSA QUARTERLY REPORT

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 the policy remained fit for purpose.

The report recommended:-

that the Committee note the update within the report.

The Committee resolved:-

to approve the recommendation as contained in the report.

SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS

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, together with details of the SPSO Local Authority 2018/19 annual statistics tables, to provide assurance to the Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

The report recommended:-

that the Committee note the details in the report.

The Committee resolved:-

to approve the recommendation as contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2019

- **COUNCILLOR STEPHEN FLYNN, Convener**

AUDIT, RISK AND SCRUTINY COMMITTEE
4 December 2019

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	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3			12 February 2020						
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	Internal Audit Plan 2020/21	To present the Internal Audit Plan for 2020/21	a report is on the agenda	David Hughes	Governance	Governance	2.1		
8	Internal Audit Charter	To seek approval of the update Internal Audit Charter	a report is on the agenda	David Hughes	Governance	Governance	2.1		
9	External Audit Strategy	To present the External Audit Strategy	a report is on the agenda	Andy Shaw	Governance	Governance	3.1		
10	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	D	Delayed due to delays progressing other audits. A report will be submitted in May 2020.
11	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	D	The commencement of this audit has been delayed due to delays in progressing other audits and delays with Internal Audit getting access to the required systems. A report will be submitted in May 2020.
12	School Catering Income and Expenditure	To provide assurance over income and procurement expenditure relating to school catering operations	a report is on the agenda	David Hughes	Governance	Governance	2.2		
13	Financial Ledger System	To provide assurance over system controls, business continuity and contingency plans.		David Hughes	Governance	Governance	2.2	D	Delays in Cluster providing Auditor with access to system and shared drives / availability of Cluster staff. A report will be submitted in May 2020

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14	Gas Servicing Contract	To provide assurance that contractual and operational issues are being complied with		David Hughes	Governance	Governance	2.2	D	The commencement of this audit has been delayed due to the Auditors involvement in an ongoing court case. A report will be submitted in May 2020
15	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	The commencement of this audit has been delayed due to delays with other audits. A report will be submitted in May 2020.
16	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	The commencement of this audit has been delayed due to delays with other audits and a delay with management identifying the appropriate lead officer. A report will be submitted in May 2020.
17	Voids - Housing Repairs	To provide assurance regarding the process for re-letting void properties and compliance therewith.	a report is on the agenda	David Hughes	Governance	Governance	2.2		
18	Cash Collection (Customer Access Points)	To provide assurance over procedures in operation relating to sample of cash collection locations.	a report is on the agenda	David Hughes	Governance	Governance	2.2		
19	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 will be submitted to the IJB Risk, Audit and Performance Committee in February 2020 and thereafter to this Committee.
20	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	Commencement delayed due to delays with other audits. A report is expected in May 2020.
21	Timesheets and Allowances	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	a report is on the agenda	David Hughes	Governance	Governance	2.2		

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22	Travel Policy	To provide assurance that the Council has appropriate arrangements in place and that these are being complied with.	a report is on the agenda	David Hughes	Governance	Governance	2.2		
23	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	Reminders have been issued to Finance requesting information, which to date has not been received.
24	Income Generation	To provide assurance that budgeted income generation is based on robust assumptions and is being realised	a report is on the agenda	David Hughes	Governance	Governance	2.2		
25	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 recently commenced on this audit. It was delayed due to availability of Internal Audit resource. A report will be submitted in May 2020.
26	RIPSA Annual Report	To present the RIPSA annual report for 2019/20	a report is on the agenda						
27	6 May 2020								
28	Internal Audit Progress Report	To provide an update on progress for the 2018/19 and 2019/20 audits		David Hughes	Governance	Governance	2.4		
29	Internal Audit Follow up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
30	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		
31	Unaudited Annual Accounts	To present the unaudited annual accounts for ACC and registered charities for 2019/20		Lesley Fullerton	Finance	Resources			
32	RIPSA Quarterly Report	to present the quarterly Ripsa report			Governance	Governance	5.2		

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33	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		David Hughes	Governance	Governance	2.2		
34	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.		David Hughes	Governance	Governance	2.2		
35	Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data		David Hughes	Governance	Governance	2.2		
36	Craft Workers' Terms and Conditions	To provide assurance that new Terms and Conditions have been implemented and are being complied with.		David Hughes	Governance	Governance	2.2	R	To be included in the 2020/21 Internal Audit Plan. Negotiations have been delayed and there is insufficient data to analyse to complete an audit as this time.
37	Commissioned Services	To provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.		David Hughes	Governance	Governance	2.2		
38	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		
39	Fostering and Adoption Payments	To provide assurance over Fostering and Adoption Allowances being paid.		David Hughes	Governance	Governance	2.2		
40	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		
41	30 June 2020								

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42	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		
43	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		
44	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
45	RIPSA Quarterly Report	to present the quarterly Ripsa report		Alan Thomson	Governance	Governance	5.2		
46	External Audit Annual Audit Report	to present External Audit's Interim position in relation to the audit of the annual accounts.		Andy Shaw	Governance	Governance			
47	Audited Annual Accounts 2019/20	To present the Audited Annual Accounts for ACC nad registered charities		Lesley Fullerton	Finance	Resources			
48			08 October 2020						
49	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		
50	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		
51	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
52	RIPSA Quarterly Report	to present the quarterly Ripsa report		Alan Thomson	Governance	Governance	5.2		
53	Information Governance Annual Report	to present the annual report for he Council's Information Governance.		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	Remit 1.4		
54			09 December 2020						

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1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
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55	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		
56	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		
57	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		David Hughes	Governance	Governance	2.3		
58	RIPSA Quarterly Report	to present the quarterly Ripsa report		Alan Thomson	Governance	Governance	5.2		
59									
60	TBC								
61	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 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

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/20/001
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2 and 2.4

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2018/19 and 2019/20 Internal Audit plans.

2. RECOMMENDATIONS

The Committee is requested to:

- 2.1 Approve the removal of the audit relating to Craft Workers Terms and Conditions from the 2019/20 Internal Audit Plan, and otherwise
- 2.2 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 shows progress with the audits contained in the 2019/20 plan. A summary is shown in the following table.

2019/20 Planned Audit Status	As at 30 January 2020 by Original Target Committee Date						%age
	Jun 19	Sep 19	Dec 19	Feb 20	May 20	Total	
Complete	1	6	2	1	0	10	37.0
Draft Report Issued	1	2	1	3	0	7	26.0
Work in Progress	0	0	3	1	3	7	26.0
To Start	0	0	1	0	1	2	7.4
Removal Proposed	0	0	0	0	1	1	3.6
Total	2	8	7	5	5	27	100.0

- 3.3 There is one audit referred to in the above table and attached appendix relating to the provision of assurance that payments through the payroll system are in accordance with agreed Craft Workers' Terms and Conditions. The Committee will be aware from Internal Audit's reports on the follow up of agreed recommendations that there have been delays in the negotiation and consultation on these terms and conditions. The latest position is that formal consultation is due to commence at the beginning of February 2020. In view of this, there will be insufficient data available in 2019/20 to be tested on which assurance can be provided. It is, therefore, proposed that this audit be removed from the 2019/20 Internal Audit Plan and that a proposed audit contained in the 2020/21 Internal Audit plan relating to Timesheets and Allowances contain specific testing of Craft Workers' payments.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

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

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

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

9. APPENDICES

- 9.1 Appendix A – Progress with 2018/19 Internal Audit Plan.
- 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
 (01467) 537861

APPENDIX A

PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN

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

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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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.	<i>Draft report due to be issued</i>	<i>30.04.19</i>	<i>Amber</i>	See below:
		<i>Changed to</i>	<i>05.07.19</i>		
		<i>Changed to</i>	<i>19.12.19</i>		
		<i>Draft report issued</i>	<i>19.12.19</i>		
		Management response due	10.01.20		
		Management response received	21.01.20	Amber	
		Updated draft report issued	24.01.20	Green	
		Management response received	TBC		
		<i>Original target Committee date</i>	<i>26.06.19</i>	<i>Amber</i>	
		<i>Revised Committee Date</i>	<i>25.09.19</i>		
		<i>Changed to:</i>	<i>04.12.19</i>		
			<i>12.02.20</i>		
			<i>07.05.20</i>		

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 30 January 2020	Red Amber Green	Comment where applicable
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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.	<i>Draft report due to be issued</i>	<i>30.04.19</i>	<i>Amber</i>	<i>Due to delays in information received from Services.</i>
		<i>Changed to</i>	<i>28.06.19</i>		
		<i>Draft report issued</i>	<i>28.06.19</i>	<i>Red</i>	
		<i>Management response due</i>	<i>19.07.19</i>		
		<i>Reminders sent:</i>	<i>09.09.19</i>		
		<i>Management response received</i>	<i>27.09.19</i>		
<i>Updated draft report issued</i>	<i>18.11.19</i>	<i>Green</i>			
<i>Management response received</i>	<i>02.12.19</i>	<i>Amber</i>			
<i>Final report issued</i>	<i>03.12.19</i>	<i>Green</i>			
<i>Original target Committee date</i>	<i>26.06.19</i>	<i>Amber</i> <i>Red</i>			
<i>Revised Committee Date</i>	<i>25.09.19</i>				
<i>Changed to:</i>	<i>04.12.19</i>				
<i>Actual submission to Committee</i>	<i>12.02.20</i>				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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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.	<i>Draft report due to be issued</i> Draft report issued	20.01.20 16.01.20	Green	Difficulties were encountered in identifying appropriate points of contact for this audit. Subsequently, the allocated auditor has been signed off work. Allocated Auditor now back to work but has an involvement in an ongoing court case which will delay completion.
		Management response due Management response received	06.02.20 TBC		
		<i>Original target Committee date</i> <i>Revised Committee date</i> <i>Changed to</i>	25.09.19 04.12.19 07.05.20	Amber	
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.	<i>Draft report due to be issued</i> <i>Draft report issued</i>	04.10.19 14.10.19	Amber	Work has recently commenced on this audit. Delay due to availability of Internal Audit resource.
		<i>Management response due</i> Management response received	11.11.19 22.11.19	Amber	
		Updated draft report issued Management response received	26.11.19 15.01.20	Green Amber	
		Final draft issued Management response received	15.01.20 TBC	Green	
		Final report issued	TBC		
		<i>Original target Committee date</i> <i>Revised Committee date</i> <i>Changed to</i>	25.09.19 04.12.19 12.02.20 07.05.20	Amber Red	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for September 2019 Committee (continued)

Travel Policy	To provide assurance that the Council has appropriate arrangements in place and that these are being complied with.	<i>Draft report due to be issued</i>	<i>30.07.19</i>	<i>Green</i>	See below:
		<i>Draft report issued</i>	<i>26.07.19</i>		
		<i>Management response due</i>	<i>09.08.19</i>	<i>Amber</i>	
		<i>Reminder sent</i>	<i>09.09.19</i>		
		<i>Management response due</i>	<i>27.09.19</i>	<i>Red</i>	
		<i>Reminders sent:</i>	<i>01.10.19</i>		
			<i>16.10.19</i>		
		<i>Management response received</i>	<i>15.11.19</i>	<i>Green</i>	
		<i>Updated draft report issued</i>	<i>19.11.19</i>		
		<i>Management response received</i>	<i>22.11.19</i>	<i>Amber</i>	
<i>Final draft report issued</i>	<i>26.11.19</i>				
<i>Management response received</i>	<i>20.01.20</i>	<i>Green</i>			
<i>Final report issued</i>	<i>20.01.20</i>				
<i>Original target Committee date</i>	<i>25.09.19</i>	<i>Amber</i>			
<i>Revised Committee date</i>	<i>04.12.19</i>				
<i>Changed to</i>	<i>12.02.20</i>				
<i>Actual submission to Committee</i>	<i>12.02.20</i>				
<p><i>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.</i></p> <p><i>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.</i></p>					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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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.	<i>Draft report due to be issued</i>	31.10.19	Amber	See below:
		<i>Deferred pending receipt of responses to queries issued by Internal Audit</i>	31.12.19		
		Draft report issued with queries included	19.12.19		
		Management response due	10.01.20	Amber	
		Management response received	14.01.20		
		Updated draft report issued	15.01.20	Amber	
		Management response received	24.01.20		
Final report issued	27.01.20	Green			
		<i>Original target Committee date</i>	25.09.19	Amber	
		<i>Revised Committee date</i>	04.12.19		
		<i>Changed to</i>	12.02.20		
		<i>Actual submission to Committee</i>	12.02.20		
<p><i>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.</i></p> <p><i>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.</i></p> <p>09.12.19 – partial response received to queries issued on 28.10.19.</p>					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for December 2019 Committee

Fostering and Adoption Payments	To provide assurance over Fostering and Adoption Allowances being paid.	<i>Original target Committee date</i> <i>Revised Committee date</i>	<i>04.12.19</i> <i>07.05.20</i>	<i>Amber</i>	Not yet commenced. See below:
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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.	<i>Draft report due to be issued</i>	<i>14.12.19</i>	<i>Amber</i>	<i>Commencement delayed due to delays with other audits.</i>
		Changed to <i>Draft report issued</i>	<i>17.01.20</i> <i>29.01.20</i>		
		Management response due Management response received	<i>21.02.20</i> TBC		
		<i>Original target Committee date</i> <i>Revised Committee date</i> Changed to	<i>04.12.19</i> <i>12.02.20</i> <i>07.05.20</i>	<i>Amber</i>	

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.	Draft report due to be issued by	06.03.20	Green	See below:
		<i>Original target Committee date</i> <i>Revised Committee date</i>	<i>04.12.19</i> <i>07.05.20</i>	Amber	

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 30 January 2020	Red Amber Green	Comment where applicable
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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.	<i>Draft report due to be issued</i> Changed as initial meeting not held until 05.12.19 due to availability of nominated lead contact and delays in the provision of requested data	08.11.19 31.03.20	Amber	<i>Commencement delayed due to delays with other audits and delay with management advising of lead contact for audit.</i>
		<i>Original target Committee date</i> <i>Revised Committee date</i> Changed to	04.12.19 12.02.20 07.05.20	Amber	
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 Draft report issued	06.03.20 TBC		See below:
		<i>Original target Committee date</i> <i>Revised Committee date</i> Changed to	04.12.19 12.02.20 07.05.20	See below	
<p><i>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.</i></p> <p>Due to delays with other audits and the provision of documentation for this audit, this will now be presented to the May 2020 meeting of the Audit, Risk and Scrutiny Committee.</p>					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for December 2019 Committee (continued)

Voids – Housing Repairs	To provide assurance regarding the process for re-letting void properties and compliance therewith.	<i>Draft report due to be issued</i>	<i>11.10.19</i>	<i>Green</i>	
		<i>Draft report issued</i>	<i>10.10.19</i>		
		<i>Management response due</i>	<i>31.10.19</i>	<i>Amber</i>	
		<i>Reminder sent</i>	<i>05.11.19</i>		
		<i>Management response received</i>	<i>07.11.19</i>		
		<i>Final draft issued to management</i>	<i>08.11.19</i>	<i>Green</i>	
<i>Management confirmation received</i>	<i>26.11.19</i>	<i>Amber</i>			
		<i>Final report issued</i>	<i>26.11.19</i>	<i>Green</i>	
		<i>Original target Committee date</i>	<i>04.12.19</i>	<i>Amber</i>	
		<i>Revised Committee date</i>	<i>12.02.20</i>		
		<i>Actual submission to Committee</i>	<i>12.02.20</i>		
Cash Collection	To provide assurance over procedures in operation relating to sample of cash collection locations.	<i>Draft report due to be issued</i>	<i>18.10.19</i>	<i>Green</i>	<i>The Cluster requested an extension to respond to the draft report due to annual leave of key staff.</i>
		<i>Draft report issued</i>	<i>17.10.19</i>		
		<i>Management response due</i>	<i>31.10.19</i>	<i>Amber</i>	
		<i>Reminder sent</i>	<i>05.11.19</i>		
		<i>Management response received</i>	<i>13.11.19</i>		
		<i>Final draft issued to management</i>	<i>15.11.19</i>	<i>Green</i>	
<i>Management confirmation received</i>	<i>17.01.20</i>	<i>Amber</i>			
		<i>Final report issued</i>	<i>23.01.20</i>	<i>Green</i>	<i>Internal Audit was awaiting confirmation regarding one response.</i>
		<i>Original target Committee date</i>	<i>04.12.19</i>	<i>Amber</i>	
		<i>Revised Committee date</i>	<i>12.02.20</i>		
		<i>Actual submission to Committee</i>	<i>12.02.20</i>		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for February 2020 Committee

Gas Servicing Contract	To provide assurance that contractual and operational issues are being complied with	Draft report due to be issued	31.03.20		Delayed due to Auditors involvement in on-going court case.
		Original target Committee date Revised Committee date	12.02.20 07.05.20	Amber	
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.	Draft report due to be issued	17.01.20	Green	Delays in progressing other audits and Internal Audit getting access to systems necessary to complete testing.
		Draft report issued	17.01.20		
		Management response due Management response received	07.02.20 TBC	Amber	
Original target Committee date Revised Committee date	12.02.20 07.05.20				
School Catering Income and Expenditure	To provide assurance over income and procurement expenditure relating to school catering operations	<i>Draft report due to be issued</i>	29.11.19	Green	
		Draft report issued	29.11.19		
		Management response due	29.12.19	Amber	
		Reminders sent	08.01.20		
		Management response received	20.01.20	Green	
		Final draft issued to management Management confirmation received	23.01.20 24.01.20	Green	
Final report issued	27.01.20	Green			
		Original target Committee date	12.02.20	Green	
		Actual submission to Committee	12.02.20		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for February 2020 Committee (continued)

Financial Ledger System	To provide assurance over system controls, business continuity and contingency plans.	Draft report due to be issued	11.12.19	Green Amber	Delays in Cluster providing Auditor with access to system and shared drives / availability of Cluster staff.
		Changed to Draft report issued	15.01.20 15.01.20		
		Management response due Management response received	31.01.20 TBC		
		Original target Committee date Revised Committee date	12.02.20 07.05.20	Amber	

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.	Draft report due to be issued	14.01.20	Green	Delayed due to delays in progressing other audits
		Draft report issued	14.01.20		
		Management response due Management response received	28.01.20 TBC		
		Original target Committee date Revised Committee date	12.02.20 07.05.20	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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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.	Draft report due to be issued	21.02.20		
		Original target Committee date	07.05.20		
Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data	Draft report due to be issued	12.03.20		
		Original target Committee date	07.05.20		
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	07.05.20		See below:
<p>The Service has confirmed that negotiations on terms and conditions is continuing with formal consultation due to commence at the beginning of February 2020. In view of this, there will be insufficient data available to be tested in 2019/20. It is, therefore, proposed that this audit be removed from the 2019/20 plan and that a proposed audit of Timesheets and Allowances in the 2020/21 Internal Audit plan specifically include testing of Craft Workers payments.</p>					
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.	Draft report due to be issued	28.02.20		
		Original target Committee date	07.05.20		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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Originally Planned for May 2020 Committee (continued)

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	07.05.20		Not yet commenced
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 January 2020	Red Amber Green	Comment where applicable
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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> <i>ACE Retrofitting Project ACC Partner Claim for reporting period 4 certified.</i></p> <p><u>May 2019:</u> <i>BEGIN Partner Claim for reporting period 4 certified.</i></p> <p><u>June 2019</u> <i>HyTrEc 2 Partner Claim for period reporting period 4 certified.</i></p> <p><u>July 2019</u> <i>HyTrEc 2 Lead Beneficiary Claim for period reporting period 4 certified.</i></p> <p><u>August 2019</u> <i>HeatNet Partner Claim for reporting period 4 certified.</i></p> <p><u>September 2019</u> <i>SCORE Project Partner Claim for reporting period to 30.06.19 certified.</i> <i>ACE Retrofitting Project Partner Claim for period to 30.06.19 certified.</i> <i>HECTOR / HyWAVE Project Partner Claim for period to 30.06.19 certified.</i></p> <p><u>November 2019</u> <i>BEGIN Partner Project Claim for reporting period to 31.10.19 certified.</i> <i>HyTrEc 2 Project Partner Claim for reporting period to 30.06.19 certified</i></p> <p>HyTrEc 2 Lead Beneficiary Claim for reporting period to 30.06.19 certified</p>		
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/20/002
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.3

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress made by Services with implementing recommendations that have been agreed in Internal Audit reports.

2. RECOMMENDATIONS

- 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
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result

	of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Appendix A – Position with Agreed Recommendations – Summary.
- 9.2 Appendix B – Position with Agreed Recommendations – Cross Service.
- 9.3 Appendix C – Position with Agreed Recommendations – 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 30 JANUARY 2020

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

On 4 December 2019, the Committee was advised that, as at 21 November 2019, there were 13 recommendations which were due to have been completed by 30 September 2019 which were not fully complete. This has now reduced to 9.

The total not fully complete, which had an original due date of before 31 December 2019, is shown in the following table. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

FUNCTION	Agreed in reports shown in Appendices B to G	Due for completion by 30.09.19	Confirmed complete by Service	New in October to December 2019	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
Cross Service	27	22	22	3	1	2	0	2	0
Customer	39	28	27	8	3	6	0	5	1
Operations	68	34	29	14	7	12	1	9	2
Resources	16	9	6	7	7	3	0	3	0
Health & Social Care	22	14	14	4	4	0	0	0	0
Governance	6	0	0	5	5	0	0	0	0
Total	178	107	98	41	27	23	1	19	3

KEY TO COLOURING USED IN FOLLOWING APPENDICES

Recommendation Grading:

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

Length of time overdue

Over 12 months
6 to 12 months
Less than 6 months

APPENDIX B

CROSS SERVICE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1914	Procurement Compliance	April 2019	15	15	15	0	0
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AC1918	Health and Safety	February 2019	12	10	8	2	2 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Governance	The identified policies and procedures should be updated, approved and made available to staff and the Health and Safety Committee web page should be updated (2.1.17a)	Significant December 2019	The Service has advised that policies and procedures have been draft and will be presented to the Staff Governance Committee in February 2020.
Governance	A system should be put in place to ensure all staff responsible for carrying out risk assessments and for reporting and investigating incidents, undertake the relevant training (2.2.12)	Significant October 2019	The Service has advised that a training needs analysis has been completed and this recommendation will be fully implemented by the end of February 2020 once CMT has had the opportunity to consider the requirement for mandatory risk assessment and incident investigation training.

APPENDIX C

CUSTOMER

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1909	Timesheets and Allowances	August 2018	7	6	5	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Customer Experience	Non-Standard Working Week Allowances should be set up on the new Payroll System based on current rotas provided by employees' line managers (2.7.6a)	Significant December 2019	The Service has advised that it is currently exploring all options to allow managers to review employee rotas and to determine if this can be undertaken in February. A full updated response will be provided for the final version of this report.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1912	Data Security in a Cloud- Based Environment	May 2019	14	14	12	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Digital and Technology	Information Governance should liaise with D&T to establish a revised Information Asset Register that reflects all Council systems, describing the nature of the data held in Council systems and the adequacy of technical and physical measures to secure that data (2.3.14)	Significant December 2019	The Service has advised that the revised IAR now reflects all Council systems and contains information that describes the nature of data held in Council systems. The data on the adequacy of technical and physical measures to secure the data held in Council Systems has still to be integrated with this and the target completion date is end of February 2020. The Service is also investigating more efficient ways of updating and maintaining this data.
Digital and Technology	Disaster recovery testing should be scheduled with the Council's data centre provider for business-critical systems. (Child protection register and Carefirst booked for Nov 19) (2.5.7a)	Significant November 2019	No update has been provided to Internal Audit.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1917	NPS Housing System	February 2019	14	12	10	2	1 Significant 1 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Early Intervention and Community Empowerment	The Service should carry out an annual review of users and amend access accordingly (2.4.7b)	Important	The Service has advised that progress is being made with this and a test file has been provided by payroll. At present, this contains insufficient data for the required purpose and work continues to make improvements. This will be resolved by the end of February 2020.
		October 2019	
Digital and Technology	System recovery testing should be scheduled for the housing system and outcomes of testing documented (2.10.2)	Significant	No update has been provided to Internal Audit.
		December 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC2006	Housing Rent Collection & Arrears Management	September 2019	4	4	3	1	1 Significant
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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 September 2019	<ul style="list-style-type: none"> Committee advised on 4 December 2019 that this would be complete by 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 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	9	8	1	1 Major
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service should renegotiate the Agreement based on current working practice (2.2.6)	Major 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 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

(AC1602AW – Craft Workers Terms and Conditions – Continued)

In December 2019, the Committee was advised that 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.

Update 16 December 2019 – Meaningful discussions with staff and TU’s is ongoing, the two options were presented to staff and it was agreed that the preferred option would be to go forward with the option proposed by staff. There will be further discussions with staff and TU’s to agree any changes to the proposal and these meetings will be arranged for January. It is anticipated that the formal consultation period will commence at the beginning of February 2020.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1817	Vehicle Usage	January 2018	8	8	6	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	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"> Committee advised on 26 June 2019 that these recommendations would be complete by October 2019. Committee advised on 4 December 2019 that these recommendations would be complete by December 2019. <p>The latest update from the Service is that the procurement of a Telematics recording system was put out for tender using the YPO framework. There has been delay to the original timescale because a number of matters required to be resolved during tender evaluation. This included alignment of the contract with Scots' Law, clarifications and agreement of items given in the submissions. The tender will be awarded in February 2020. It is expected that implementation will start in March 2020.</p>
		April 2019	
Operations and Protective Services	Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)	Significant	
		April 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1903	Devolved School Management	November 2018	7	7	5	2	2 Significant
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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"> Committee advised on 25 September 2019 that this would be complete by October 2019. Committee advised on 4 December 2019 that this would be complete by May 2020.
		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"> The Committee was advised on 26 June 2019 that Internal Audit was awaiting an update from the Service. Committee advised on 4 December 2019 that this would be complete by May 2020.
		March 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	
AC1922	Pupil Equity Fund	April 2019	6	6	6	0	0

AC1925	Music Service	May 2019	22	18	11	7	5 Significant 2 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Integrated Children's and Family Services	The spreadsheet should record the actual fee due per term (2.5.4b)	Significant October 2019	The Service has advised that, due to limitations with the digital system and a change in staff, they have revised the completion status of some recommendations and are working to ensure that they are complete as soon as possible. In view of this, the recommendations will be complete by August 2020.
Integrated Children's and Family Services	A reconciliation between the attendance and payments records should be carried out before the issue of the termly payment request (2.5.4d)	Significant October 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

(AC1925 – Music Service – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Integrated Children's and Family Services	Differences in payments made compared to fees due should be investigated (2.5.4e)	Significant	The Service has advised that, due to limitations with the digital system and a change in staff, they have revised the completion status of some recommendations and are working to ensure that they are complete as soon as possible. In view of this, the recommendations will be complete by August 2020.
		October 2019	
Integrated Children's and Family Services	A termly reconciliation between the cash receipting system and the pupil spreadsheet should be carried out and any differences timeously investigated and corrected (2.6.3)	Significant	
		October 2019	
Integrated Children's and Family Services	The pupil spreadsheet should be updated to capture the outstanding debt balance for each pupil / parent (2.8.4)	Significant	
		October 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

(AC1925 – Music Service – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Integrated Children's and Family Services	The Service should introduce a process whereby the transfer of instruments between staff and pupils is fully documented (2.10.7)	Important	The Service has advised that, due to limitations with the digital system and a change in staff, they have revised the completion status of some recommendations and are working to ensure that they are complete as soon as possible. In view of this, the recommendations will be complete by August 2020.
		December 2019	
Integrated Children's and Family Services	The system in place for managing the new annual hire charges should address all the weaknesses of the current tuition fees payment system (2.10.8)	Important	
		October 2019	

AC2007	Stock Control	November 2019	16	0	0	0	0
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APPENDIX E

RESOURCES

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1806	Corporate Landlord Responsibilities	September 2017	9	9	6	3	3 Significant
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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 June 2018	<ul style="list-style-type: none"> • Committee advised on 25 September 2018 that this would be complete by October 2018. • Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. • Committee advised on 26 June 2019 that Internal Audit was awaiting a copy of the completed procedure before marking the recommendation off as complete. <p>The latest update from the Service is that a matrix of responsibilities has been agreed with other Services who undertake cyclical maintenance activities. This identifies all activities required, extent of works required, duty holder, contract manager, contractor and location of supporting information. Internal Audit has requested sight of the matrix before marking the recommendation off as complete.</p> <p>Progress with this recommendation is being discussed between the Service and Internal Audit.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	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 data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8)	<p>Significant</p> <p>June 2018</p>	<ul style="list-style-type: none"> • Committee advised on 25 September 2018 that this would be complete by October 2018. • Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. • Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019. <p>The latest update from the Service is that this has been addressed as part of matrix referred to against recommendation 2.2.3. Internal Audit has requested sight of the matrix before marking the recommendation off as complete.</p> <p>Progress with this recommendation is being discussed between the Service and Internal Audit.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	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 June 2018	<ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019. <p>The latest update from the Service is that a formal reporting system has been developed for assurance (live from December 2019) until such times as a technical solution can be introduced. This will be supported by evidence of compliance being undertaken within future Fire Risk Assessments. Internal Audit has requested details of the system before marking this recommendation off as complete.</p> <p>Progress with this recommendation is being discussed between the Service and Internal Audit.</p>

AC1926	Capital Contract Management	November 2019	7	7	7	0	0
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APPENDIX F

HEALTH AND SOCIAL CARE **PARTNERSHIP**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	
AC1908	Non-Residential Care Charging Policy	June 2019	6	3	3	0	0
AC1919	Criminal Justice	April 2019	8	8	8	0	0
AC1920	National Care Home Contract	January 2019	8	6	6	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 31.12.19	Confirmed Implemented by Service	Not implemented by original due date	
AC2004	Risk Management	August 2019	6	5	5	0	0

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Charter
REPORT NUMBER	IA/20/004
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2 and 2.4

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement to amending the Internal Audit Charter with effect from 12 February 2020.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Charter for implementation from 12 February 2020.

3. BACKGROUND / MAIN ISSUES

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

- 3.2 The Standards define the Charter as follows:

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

- 3.3 In relation to the public sector, it must:

- define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- 3.4 There is a requirement that the Internal Audit Charter be reviewed annually. The current Internal Audit Charter was approved by the Audit, Risk and Scrutiny Committee on 26 June 2018. The Charter has been reviewed annually by the Chief Internal Auditor and considered to still be appropriate. However, some minor changes have been proposed as detailed in the attached appendix (shown in red text) following the outcome of the periodic external assessment of the Aberdeenshire Council Internal Audit arrangements and organisational changes within the Council.
- 3.5 The Internal Audit Charter, which is attached as an appendix to this report, is based on the requirements of the PSIAS, the main requirements of which are:
- 3.5.1 Relationships between the chief audit executive (Chief Internal Auditor), chief financial officer, chief executive, the audit committee and other key officers are defined.
- 3.5.2 The purpose, authority and responsibility of Internal Audit must be formally defined in the Charter which must be consistent with the Definition of Internal Audit, the Code of Ethics and the Standards.
- 3.5.3 The nature of assurance services provided to the organisation must be defined.
- 3.5.4 The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter.
- 3.6 Other important considerations include establishing Internal Audit’s independence and ensuring that it is free from interference in determining the scope of internal auditing, performing work and communicating results. This includes the reporting of any impairment to that independence (either in fact or appearance), scope limitations, and restrictions on access to records, etc to appropriate parties.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

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

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

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

9. APPENDICES

- 9.1 Appendix A – Aberdeen City Council Internal Audit Charter.

10. REPORT AUTHOR DETAILS

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Appendix A

ABERDEEN CITY COUNCIL INTERNAL AUDIT CHARTER

INTRODUCTION

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

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

DEFINITION OF INTERNAL AUDITING

PSIAS defines Internal Auditing as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

ROLE

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

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

PROFESSIONALISM

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

AUTHORITY

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

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

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

ORGANISATION

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

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

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

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

INDEPENDENCE AND OBJECTIVITY

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

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

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

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

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

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

RESPONSIBILITY

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

It shall be the responsibility of Council management to ensure that adequate and appropriate systems of internal control are in operation which help ensure that the Council's objectives are fulfilled in a manner which complies with the Council's policies and procedures and in accordance with the law. Council management will ensure that access is provided to records, personnel and assets of the Council as required by Internal Audit, and that responses are provided to Internal Audit as required by the Council's Financial Regulations.

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

- (a) ensure an effective internal audit function is resourced and maintained
- (b) ensure that the authority has put in place effective arrangements for internal audit of the control environment
- (c) support the authority's internal audit arrangements, and
- (d) ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

The Council's Financial Regulations require that ~~the Head of Finance and Head of ICT and Transformation be advised of any suspected irregularity affecting the finances, property, services or policy of the Council and that the Head of ICT and Transformation investigate such matters as appropriate~~ Chief Officers immediately notify the Chief Officer – Finance and Chief Officer – Governance of any circumstances which may suggest an irregularity affecting the finances, property, services or policy of the Council and that the Chief Officer – Finance or Chief Officer – Governance may investigate such incidents as they consider appropriate.

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

INTERNAL AUDIT PLAN

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

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

REPORTING AND MONITORING

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

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

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

PERIODIC ASSESSMENT

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

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

Approved by the Audit, Risk and Scrutiny Committee on ...

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
REPORT TITLE	Internal Audit Plan 2020/21
REPORT NUMBER	IA/20/003
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2020/21.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2020/21.

3. BACKGROUND/MAIN ISSUES

- 3.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The proposed plan for 2020/21 is attached as appendix B and includes the Aberdeen City Integration Joint Board and North East of Scotland Pension Fund for information.
- 3.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, which is expressed in an annual report, and provide assurance to the Audit, Risk and Scrutiny Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.
- 3.3 The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

- 3.4 When the shared Internal Audit Service was introduced between Aberdeenshire and Aberdeen City Councils it was planned to have rolling three-year plans, with those of both Councils linked as far as possible to improve efficiency and help share best practice. This has not, at present, been possible to achieve. The Councils have different risk profiles and assurance needs (although Internal Audit needs to gain its own assurances in order to complete its annual report). This means that, although similar services are being provided, the timing of reviews often varies. However, it is still possible to draw on and share best practice where this is identified.
- 3.5 The Audit, Risk and Scrutiny Committee agreed at its meeting on 26 June 2018 that single year plans continue to be developed as, due to the pace of change facing Local Government, it was considered too early to start developing three-year plans. It was agreed that this would result in agreed plans being subject to constant change as new risks were identified and addressed in a climate of constant change.
- 3.6 During the planning process, Internal Audit reviewed the Council's approved Risk Registers (where available) and consulted with the Chief Executive, Directors, and Chief Officers (specifically through Internal Audit attending Extended Corporate Management team on 14 November 2019) to ensure that areas which Officers consider to be of risk to their business operations were considered for inclusion in the plan. Each of the planned audits have been allocated to a target Committee date. The plan was circulated to Chief Officers on 12 December 2019 and CMT on 13 December 2019, discussed with the Chief Executive on 17 December 2019, and members of CMT between 18 December 2019 and 8 January 2020.
- 3.7 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion.
- 3.8 During the drafting of the plan it was too soon to determine whether progress with the 2019/20 Internal Audit Plan would impact on the resources available for 2020/21. Internal Audit progress reports to the Audit, Risk and Scrutiny Committee during 2019/20 have stated that there have been delays with progressing work for a variety of reasons. If, nearer the end of the 2019/20 financial year, it becomes apparent that completion of the 2019/20 planned works would impact significantly on the resource available for 2020/21, a report will be submitted to the Audit, Risk and Scrutiny Committee on 7 May 2020 making proposals to resolve any issues.
- 3.9 When commencing each planned audit, Internal Audit contacts the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. They are reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of

assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern. Once fieldwork has been completed, a draft report is issued to the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. Prior to issuing the final report, Internal Audit seeks confirmation from the Director involved that they are satisfied with the report and actions agreed to address any identified issues.

- 3.10 Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Public Sector Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".
- 3.11 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2019/20 was £573,000 and it is anticipated that the budget for 2020/21 will provide for a similar level of resource. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. The purpose of this report is to seek approval for the Internal Audit plan
- 6.2 In order to ensure a risk-based approach to the Council's Internal Audit activities, reference has been made in compiling the Internal Audit Plan to the Corporate Risk Register and Cluster Risk Registers, overseen by CMT and Chief Officers respectively. It is acknowledged that these are live documents, from which risks are escalated and de-escalated depending on management's assessment of the effectiveness of controls. It is therefore expected that management will consider that the risks informing the Internal Audit Plan will become more or less significant over the course of the year. When responding to Internal Audit reports, Chief Officers have been instructed by CMT to refer to their current risk registers. This is intended to ensure that the management response to each audit is considered by management to be proportionate to the risk in that area. This may include Chief Officers proposing not to accept and implement an internal audit

recommendation.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

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

9. APPENDICES

- 9.1 Appendix A – Internal Audit Plan 2020/21 – Strategy and Risk Assessment.
- 9.2 Appendix B – Internal Audit Plan 2020/21 including process of development.

10. REPORT AUTHOR DETAILS

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APPENDIX A

INTERNAL AUDIT PLAN 2020/21 STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2020/21, which is the same as approved by the Audit, Risk and Scrutiny Committee previously when it considered plans for previous years.

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

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

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

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

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

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

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

KEY TO RISK RATING:

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

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

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

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

Key Area	Risk	Internal Audit’s Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit’s Risk Assessment Based on Evaluation of Mitigating Controls
Corporate Governance	Failure to have arrangements in place that specify the overall control environment and delegated authority across the whole Council.	High	Low
	Failure to comply with the requirements of the corporate governance arrangements including Financial Regulations, the Officers Scheme of Delegation, and other Council Policies.	High	Medium (due to compliance)

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Budget Setting	Failing to ensure that a sustainable budget is set which allows for delivery of a defined service including everything that will be required to deliver that service.	High	Low
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium	Low
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	Medium	Medium
	Failing to have outcome measures to demonstrate service provision.	Medium	TBC
	Failing to achieve Best Value / Value for Money.	High	Medium
Procurement	Failing to comply with procurement legislation.	High	Medium (due to compliance)
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High	Low
Payroll	Failing to ensure that employees are paid their basic pay correctly.	Medium	Low
	Failing to ensure that employees are paid allowances / enhancements correctly.	Medium	Medium (due to compliance)

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High	Low
	Failing to identify and recover sundry debts due to the Council.	Medium	Medium
	Failing to control cash income received.	Medium	Medium (based on limited testing)
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium	Medium (based on limited testing)
Bond Governance	Failing to ensure that the Council has appropriate governance arrangements and practice to minimise the risk to the Council.	High	Low
	Failing to ensure compliance with the London Stock Exchange requirements.	High	Low
Cyber Security	Failing to have adequate arrangements in place to safeguard the Council's ongoing business arrangements.	High	Medium (due to dynamic nature of risk)
Health and Safety	Failing to have adequate arrangements in place to safeguard the Council's workforce and clients.	High	Medium
Business Operations	Failing to have appropriate measures in place to ensure that services are provided in accordance with regulatory requirements.	Medium	TBC

Internal Audit Plan 2020/21

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

- Various aspects of procurement, payroll, and income collection will be reviewed on an annual basis.
- Various aspects of Budget Setting, Monitoring and Management will be covered across all Functions on a rolling basis over a three-year period.
- The main IT systems of the Council (Financial Ledger, Council Tax System, Business Rates, Receivables, Housing Rents, Payroll, Payables, Housing Benefit, Care First, etc) will each be covered once every four to five years.
- Main financial systems (eg Treasury Management, Bank Reconciliations, Payment of Housing Benefits / CTR, Housing Rent Collection, Council Tax / Business Rates Billing & Collection) will each be covered once every three to four years.

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

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

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

The outcome from all audits will feed into an overall evaluation of the Council's framework of governance, risk management and control, and compliance therewith.

ABERDEEN CITY COUNCIL – INTERNAL AUDIT PLAN 2020/21

(Incorporating Aberdeen City IJB and NESPF)

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PROCESS FOLLOWED IN DEVELOPING THE PLAN

All Chief Officers were requested to input to the planning process and offered a meeting with their management teams with a deadline of 31 October 2019.

Current versions of Risk Registers were obtained and analysed.

Internal Audit attended Extended Corporate Management Team on 14 November 2019 to describe the Internal Audit planning process and seek input to the plan for 2020/21. Outline suggestions were made by officers which have been considered and, in some cases, included in the plan or combined with other suggestions to form a more substantive review.

KPMG provided input to planning consideration.

Internal Audit Plan proposals submitted to CMT on 19 December 2019

Meetings offered to Vice-Convenor of Audit Risk and Scrutiny Committee and Co-Leaders to discuss planning process and content in early January 2020

**AREAS TAKEN FORWARD FOR CONSIDERATION FOR
INCLUSION IN 2020/21 INTERNAL AUDIT PLAN**

CROSS SERVICE

Area	Scope	Objective	Source	Target Committee Date
Financial Sustainability	Risk identified in Corporate RR Corp001	To provide assurance that the Controls and Assurance Actions detailed in the Corporate Risk Register are operating as expected in ensuring that the identified risk is adequately mitigated. Where controls have been examined by Internal Audit recently, assurance will be taken from that previous work.	Corporate RR Corp001	February 2021
Climate Change	Actions being taken by the Council to mitigate the effects of climate change as detailed in Corporate RR Corp 008	To provide assurance that the Council is taking appropriate measures to comply with its statutory obligations in addressing climate change and that progress is being monitored.	Corporate RR Corp008	December 2020
Vehicle Usage	Use of Council Vehicles	<p>To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. To include a review of non-business use, including the business case for such use and authorisation thereof.</p> <p>The review will also review procedures, and vehicle and driver records to ensure that appropriate arrangements are in place to safeguard the Council's goods vehicle operator's licence. This will include procedures relating to driver self-declarations and management controls relating to fitness to drive.</p>	<p>ECMT</p> <p>Operations RR O&PS 10</p>	June 2020

Area	Scope	Objective	Source	Target Committee Date
Agency Staff	Procurement of Agency Staff by all Functions	<p>To provide assurance that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. This will involve reviewing written procedures; authorisation of agency staff requests; procurement processes and agency staff induction.</p> <p><i>(Links to Internal Audit Strategy to include aspects of Procurement in each year's Internal Audit plan.)</i></p>	Internal Audit	December 2020
Timesheets and Allowances	Timesheets and Allowances paid to Council staff including Craft Workers, but excluding Teachers	<p>To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.</p> <p><i>(Links to Internal Audit Strategy to include aspects of Payroll in each year's Internal Audit plan. The 2019/20 review of this area is identifying a higher number of errors and some issues with processes.)</i></p>	Internal Audit	May 2021

CUSTOMER

Area	Scope	Objective	Source	Target Committee Date
Housing	Waiting List and Allocations	<p>To provide assurance that the Housing Waiting List is maintained efficiently and allocations are made in accordance with policy.</p> <p><i>(Proposed for inclusion in 2019/20 Internal Audit Plan but removed following additional proposals from management. AR&SC was keen that this audit be included at that time.)</i></p>	Internal Audit	May 2021
Academy System	Control over Academy System used for Revenues and Benefits	<p>To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).</p> <p><i>(Links to Internal Audit strategy of including Main IT Systems in each year's plan with each system being reviewed once in every four to five years. This system has not been reviewed previously.)</i></p>	Internal Audit	October 2020

Area	Scope	Objective	Source	Target Committee Date
Teachers Payroll	Payments made via the Payroll System to Teachers	<p>To provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees. To cover new starts, change of circumstance, and leavers along with the payment of additional hours and allowances (previous review April 2016).</p> <p><i>(Links to Internal Audit Strategy to include aspects of Payroll in each year's Internal Audit plan (not covered by proposed or previous audits of Timesheets and Allowances)).</i></p>	Internal Audit	December 2020
Housing Benefit and Council Tax Reduction	Housing Benefit and Council Tax Reduction	<p>To provide assurance that entitlement is being calculated correctly based on appropriate documentary evidence and recorded accurately for subsidy purposes.</p> <p><i>(Links to Internal Audit strategy of including main financial systems in each year's plan with each system being reviewed once in every three to four years. Previous review – July 2017).</i></p>	Internal Audit	February 2021

OPERATIONS

Area	Scope	Objective	Source	Target Committee Date
Health and Safety	Health and Safety arrangements within Operations and Protective Services	<p>To provide assurance that appropriate processes are being employed in managing health and safety within the Cluster. This follows on from a corporate review and is intended to provide assurance that corporate processes are being employed in managing the risks.</p> <p>This review will also cover two aspects of public safety – water safety and cemetery headstones – to provide assurance that the Council has appropriate arrangements in place to manage these areas.</p>	Corporate RR Corp002	May 2021
Recruitment	Recruitment of teachers	To provide assurance that appropriate processes are being employed in the recruitment of teaching staff and that arrangements are in place to address the risks identified in the Operations Risk Register (ICFS005).	Operations RR ICFS005	February 2021
Vehicle Replacement	Vehicle Replacement Policy and Procurement	<p>To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.</p> <p><i>(Links to Internal Audit Strategy to include aspects of Procurement in each year's Internal Audit plan.)</i></p>	Internal Audit	February 2021

Area	Scope	Objective	Source	Target Committee Date
School / Pupil Security	School Estate / Pupil Safety	<p>To provide assurance that the Council has adequate arrangements regarding school security to include those in place to:</p> <ul style="list-style-type: none"> • Control access to schools • Ensure that knives / weapons are not brought into schools • Know where pupils are during the school day • Escort vulnerable young people 	ECMT	February 2021
Garden Waste Income	Payments through on-line payment option	To provide assurance that payments received through on-line only option are adequately managed and controlled.	ECMT	October 2020

RESOURCES

Area	Scope	Objective	Source	Target Committee Date
Treasury Management	Treasury Management	To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with. <i>(Links to Internal Audit strategy of including main financial systems in each year's plan with each system being reviewed once in every three to four years. Previous review – February 2017).</i>	Internal Audit	October 2020
Bank Reconciliations	Bank Reconciliations	To provide assurance that the Council's main bank accounts are reconciled on a regular and timely basis and that the methodology is robust. <i>(Links to Internal Audit strategy of including main financial systems in each year's plan with each system being reviewed once in every three to four years. Previous review – November 2016).</i>	Internal Audit	June 2020
Land and Property	Sale of Land and Property	To provide assurance over the processes in place for the sale of land and property assets. Review to include arrangements made for security of vacant properties.	Resources RR – CL02	February 2021
Capital Project Management	Capital Project Management	To provide assurance that the management and reporting of on-going capital projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.	Management	May 2021

Area	Scope	Objective	Source	Target Committee Date
Consilium System	Control over Consilium System (HRA Building maintenance System)	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans). <i>(Links to Internal Audit strategy of including Main IT Systems in each year's plan with each system being reviewed once in every four to five years. This system has not been reviewed previously.)</i>	Internal Audit	October 2020

GOVERNANCE

Area	Scope	Objective	Source	Target Committee Date
Licensing	Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications. <i>(Links to Internal Audit Strategy to include aspects of income collection in each year's Internal Audit plan.)</i>	Internal Audit	December 2020

PLACE

Area	Scope	Objective	Source	Target Committee Date
Income	Planning and Building Standards fee income	<p>To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.</p> <p><i>(Links to Internal Audit Strategy to include aspects of income collection in each year's Internal Audit plan.)</i></p>	<p>Place RR SPP003</p> <p>Internal Audit</p>	February 2021
Interreg Projects	Interreg Projects where Aberdeen City Council is involved as a Lead Partner and / or Project Partner	<p>To certify required grant claims in accordance with Programme Secretariat requirements:</p> <ul style="list-style-type: none"> • ACE Retrofitting • BEGIN • Fuel Cell Cargo Pedelec (FCCP) • HeatNet • HECTOR / HyWAVE • HyTrEc2 • SCORE • Smart HY Aware <p><i>There will be no specific reporting to management and / or Audit, Risk and Scrutiny Committee in relation to these grant claims unless a significant issue is identified.</i></p>	Place RR CG001	Not applicable

HEALTH AND SOCIAL CARE PARTNERSHIP

Area	Scope	Objective	Source	Target Committee Date
Contributing to Your Care Policy	Contributing to Your Care Policy	<p>To provide assurance that the Contributing to Your Care Policy has been implemented and that the requirements of the Policy are being complied with. This will include ensuring that adequate training has been provided and that progress is being made with completing new financial assessments for all clients based on the new Policy requirements.</p> <p><i>(The inclusion of a review to provide assurance over progress with implementing the new Policy in the 2020/21 Internal Audit Plan was agreed at the Audit, Risk and Scrutiny Committee on 25 September 2019.)</i></p>	<p>Management</p> <p>AR&SC</p>	October 2020
Information exchange between Housing / IJB	Information exchange between Housing / IJB (Adult Protection)	To provide assurance regarding the flow of data regarding the customer journey through Council systems and consider possible misunderstandings relating to the requirements of GDPR.	Management	June 2020
Mental Health and Substance Abuse	Mental Health and Substance Abuse	To provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled, including approval / management of discretionary support.	Management	December 2020
Bon Accord Care	Budget Monitoring to include monitoring of savings programme.	To provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.	Management	October 2020

ABERDEEN CITY INTEGRATION JOINT BOARD

Area	Scope	Objective	Source	Target Committee Date
Performance Management	Performance Management Reporting via the Tableau System	To provide assurance that data is robust and is reported accurately and timeously to the Board in order to provide an appropriate level of assurance regarding service performance and delivery of the IJB Strategic Plan.	Management	To be reported to the Aberdeen City Integration Joint Board Audit and Performance Systems Committee prior to the Audit, Risk and Scrutiny Committee

NORTH EAST OF SCOTLAND PENSION FUND

Area	Scope	Objective	Source	Target Committee Date
Pensions Payroll	Pensions payroll	To provide assurance that appropriate arrangements are in place to ensure the accuracy and appropriateness of payments made to scheme members. This will include testing of new and on-going pensions, and transfer and termination of pension payments.	NESPF RR 22 Internal Audit	To be reported to the Pensions Committee only.

GENERAL

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

ANALYSIS OF RISK REGISTERS: CONSIDERATION FOR 2020/21 INTERNAL AUDIT PLAN

Key

	No Previous IA Coverage
	Some Previous IA Coverage
	Previous IA Coverage as Detailed
	Proposed Inclusion in 2020/21 IA Plan

CORPORATE RISK REGISTER

As at 6 November 2019

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2020/21 Internal Audit Plan
Corp001	Financial Sustainability	The Council must deliver significant savings over the next five years and beyond to ensure continued financial sustainability. A transformation portfolio has been established with programmes of work to align finite financial resources to desired outcomes.	Fully Effective – 9 Partially Effective – 3 <i>Six Assurance Actions detailed in RR ranging from 20% to 80% complete.</i>	Budget Setting (May 2017) and Budget Monitoring (Nov 2016).	As the Council has undergone significant change since the audits referred to have been completed, it is proposed that a high-level audit covering the Controls and Assurance Actions detailed in the Risk Register is undertaken. Links to Internal Audit Strategy of including various aspects of Budget Setting, Monitoring and Management in each year's plan.
Corp002	Health and Safety Compliance	The council must comply with Health and Safety legislation to prevent harm to employees and/or members of the public	Fully Effective – 2 Partially Effective – 4 <i>Three Assurance Actions detailed in RR ranging from 70% to 92% complete.</i>	Health and Safety Arrangements (February 2019)	The 2019/20 Internal Audit plan referred to the fact that there was a corporate review of H&S being undertaken by Internal Audit and that this would help inform future Cluster specific reviews. Recommended improvements are due to be complete by July 2020 and it is proposed that a review of Health and Safety arrangements in a "higher risk" Cluster – Operations and Protective Services – be undertaken.

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2020/21 Internal Audit Plan
Corp003	Workforce of the future	The Council must ensure that it has a workforce with the capability and capacity to deliver our Strategic Outcomes	Fully Effective – 8 Partially Effective – 6 <i>Five Assurance Actions detailed in RR ranging from 25% to 75% complete.</i>	2019/20 Internal Audit Plan has a review of Workforce Planning that is due to be reported to the Audit, Risk and Scrutiny Committee in May 2020.	None
Corp004	Civil Contingencies	The Council must ensure that it puts in place adequate training, planning and testing for civil contingency events and other incidents	Full Effective – 4 Partially Effective – 4 <i>Five Assurance Actions detailed in RR ranging from 70% to 80% complete.</i>	Business Continuity Planning (Aug 2017). 2019/20 Internal Audit Plan has a review of Civil Contingencies that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	None
Corp005	Information Governance	Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture.	Fully Effective – 8 Partially Effective – 1 <i>Three Assurance Actions detailed in RR ranging from 19% to 100% complete.</i>	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018). 2019/20 Internal Audit Plan has a review of Information Governance that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	None

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2020/21 Internal Audit Plan
Corp006	Cyber Security	Cyber Security threats must be mitigated to protect the Council, its essential functions and customer data.	Fully Effective – 12 Partially Effective – 4 <i>Six Assurance Actions detailed in RR ranging from 50% to 100% complete.</i>	Major Business systems (Dec 2017). Data Security in a Cloud Based Environment (May 2019) Cyber Security (August 2019)	None
Corp007	Contract Management	There is a need to have effective contract management across the Council, undertaken by skilled staff working and working to a consistent and proportionate model.	Fully Effective – 4 Partially Effective – 3 <i>One Assurance Action detailed in RR 90% complete.</i>	Reports to AR&SC: February 2017 – 3 rd Don Crossing and Gas Central Heating Contract, June 2017 – Photovoltaic Panels. National Care Home Contract (January 2019). Capital Contract Management (October 2019). 2019/20 Internal Audit Plan has a review of H&SCP Commissioned Services – Contract Monitoring that is due to be reported to the Audit, Risk and Scrutiny Committee in May 2020.	None

Risk No.	Risk	Definition	CMT Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2020/21 Internal Audit Plan
Corp008	Climate Change	ACC must comply with a duty under the Climate Change (Scotland) Act 2009, to reduce emissions to contribute to national targets, adapt to climate change in contribution to the national adaptation programme and report annually on this work. Climate change will increase the severity and frequency of severe weather events, in Aberdeen (heavy winter rainfall, flooding, a rise in sea level, reduction summer rainfall, higher temperatures).	Fully Effective – 2 Partially Effective – 5 <i>Nine Assurance Actions detailed in RR ranging from 25% to 95% complete.</i>	None	Proposed review to provide assurance that appropriate action is being taken by the Council to ensure that its statutory responsibilities are being addressed and that progress is being monitored.

COMMISSIONING RISK REGISTER

As at 7 November 2018

Risk No.	Risk	Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
Corp005	Information Governance	Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture.	Fully Effective – 5 Partially Effective – 1 <i>Four Assurance Actions detailed in RR ranging from 25% to 70% complete.</i>	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018). 2019/20 Internal Audit Plan has a review of Information Governance that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	See Corp005 in Corporate Risk Register.

COMMERCIAL AND PROCUREMENT

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
Corp007	Contract Management	There is a need to have effective contract management across the Council, undertaken by skilled staff working and working to a consistent and proportionate model.	Fully Effective – 2 Partially Effective – 4 <i>Four Assurance Actions detailed in RR ranging from 30% to 70% complete.</i>	Reports to AR&SC: February 2017 – 3 rd Don Crossing and Gas Central Heating Contract, June 2017 – Photovoltaic Panels. National Care Home Contract (January 2019). Capital Contract Management (October 2019). 2019/20 Internal Audit Plan has a review of H&SCP Commissioned Services – Contract Monitoring that is due to be reported to the Audit, Risk and Scrutiny Committee in May 2020.	None

BUSINESS INTELLIGENCE AND PERFORMANCE MANAGEMENT

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

CUSTOMER RISK REGISTER

As at 13 November 2019

CUSTOMER EXPERIENCE

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
CEXP001	Customer Experience Service Delivery	Risk to delivery of key front-line services in the event of failures of systems or processes	Fully Effective – 1 Partially Effective – 4	<i>No Control Actions detailed</i>	Business Continuity Planning (Aug 2017). Major Business systems (Dec 2017). Data Security in a Cloud Based Env (May 2019) Cyber Security (August 2019)	See Corp006 in Corporate Risk Register

DIGITAL AND TECHNOLOGY

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
DT001	Digital and Technology Service Delivery	The impact of IT service disruption on the ability of the Council to deliver key services to customers.	Fully Effective – 10 Partially Effective – 3	<i>No Control Actions detailed</i>	Business Continuity Planning (Aug 2017). Major Business systems (Dec 2017). Data Security in a Cloud Based Env (May 2019) Cyber Security (August 2019)	See Corp006 in Corporate Risk Register

EARLY INTERVENTION AND COMMUNITY EMPOWERMENT

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
EICE001	Universal Credit	Universal Credit full roll out may reduce tenancy sustainment and increase rent arrears and homeless applications.	Fully Effective – 3 Partially Effective – 4 <i>No Control Actions detailed</i>	Housing Rent Collection and Arrears (September 2019). Housing Rent – Management of Impact of UC (August 2018). Housing Support Budget (April 2018). Housing Rent Collection (April 2016)	None.
EICE002	Void Properties	Level of void properties affecting rental income and availability of homes available to let	Partially Effective – 3 <i>No Control Actions detailed</i>	Voids – Housing Repairs (November 2019)	None.
EICE003	Commissioning Intentions – Children and Young People	Failure to meet commissioning intentions may lead to increased demand on services	Effective – 4 Partially Effective – 3 <i>No Control Actions detailed</i>	Partially covered by 2019/20 planned audit of Social Work Commissioning	None.
EICE004	Commissioning Intentions – Adults	Failure to meet commissioning intentions may lead to increased demand on services	Effective – 4 Partially Effective – 3 <i>No Control Actions detailed</i>	Partially covered by 2019/20 planned audit of Social Work Commissioning	None.

OPERATIONS RISK REGISTER

As at 6 November 2019

INTEGRATED CHILDREN’S AND FAMILY SERVICES

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
ICFS002	Performance management arrangements are not robust	Performance management supports an effective compliance culture and change and continual improvement processes.	Fully Effective – 2 Partially Effective – 2 <i>No Control Actions detailed</i>	2019/20 Internal Audit Pan has a review of Performance Management that is due to be reported to the Audit, Risk and Scrutiny Committee in May 2020.	None.
ICFS005	Service delivery is hindered by staff recruitment and retention issues	The quality of the workforce is key to the delivery of high quality services and to implementing the transformation and improvement agendas. With high staff vacancies the pace of change may be slowed and more pressure put on the staff in post.	Fully Effective – 4 <i>No Control Actions detailed</i>	November 2015 – IA Report AC1601 – Council wide “Recruitment and Selection”	See Corp003 – Cross Service review of Workforce Planning Proposed review of teacher recruitment process in view of reported difficulties in this area.

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
ICFS007	Growing demographic demands result in service delivery pressures	Services are increasingly delivering to a greater number of looked after and accommodated children and to a greater number of school aged pupils.	Fully Effective – 3 Partially Effective – 1 <i>No Control Actions detailed</i>	December 2017 – IA Report AC1815 – Pre-school Commissioned Places. April 2018 – IA Report AC1826 – Out of Authority Placements	None
ICFS008	Financial planning is not robust	The Council faces continuing and increasing pressure to deliver services in an environment of reducing financial resources. Robust financial planning is essential to ensure that high class services are delivered to the citizens of Aberdeen.	Fully Effective – 4 Partially Effective – 1 <i>No Control Actions detailed</i>	May 2017 – IA Report AC1719 “Revenue Budget Setting” “Partially Effective” control relates to DEM Scheme which was reported on by Internal Audit in November 2018 (report AC1903).	See Corp001 in Corporate Risk Register

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
ICFS009	Major CareFirst systems failure	Secure, well-functioning IT systems are critical to carrying out statutory Education and Children's Social Work functions.	Fully Effective – 1 Partially Effective – 2 <i>No Control Actions detailed</i>	November 2016 – IA Report AC1709 "Care First System" October 2017 – Draft IA Report AC1810 "Major IT Business Systems"	Proposed review of controls over the CareFirst System to incorporate the accuracy of financial forecasting at year-end from data held within the system. Links to Internal Audit strategy of including Main IT Systems in each year's plan with each system being reviewed once in every four to five years.
ICFS010	Failure to deliver statutory obligations for early learning and childcare	Local authorities are required to deliver 600 hours per year of early learning and childcare for all 3 & 4 year olds and 27% of eligible 2 year olds and by 2020 this will increase to 1,140 per year by 2020.	Fully Effective – 2 Partially Effective – 3 <i>No Control Actions detailed</i>	December 2017 – IA Report AC1815 – Pre-school Commissioned Places 2016/17 IA Plan which included consideration of plans in place to deliver the Scottish Government's expansion in early education and childcare which comes into force in August 2020	None
ICFS011	Unaccompanied Asylum Seeking Children	UK Government keen for the dispersal of UASC from two English authorities to other parts of Country to allow for more equal distribution	Fully Effective – 2 Partially Effective – 2 <i>No Control Actions detailed</i>	None	None

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
ICFS012	Foster Carers being granted employment status.	Following a Court judgement in England this called into question the employment status of certain foster carers. Full implications of this judgement as it applies in Scotland is still to be determined.	Fully Effective – 2 <i>No Control Actions detailed</i>	None	None
ICFS014	Increase in School Roll	There is a cost pressure of £500,000 resulting from an increase in school roll	Partially Effective – 3 Not Yet Effective – 1 <i>No Control Actions detailed</i>	None	None
ICFS015	Major SEEMIS systems failure	Secure, well-functioning IT systems are critical to carrying out statutory Education functions.	Fully Effective – 2 Partially Effective – 4 <i>No Control Actions detailed</i>	2019/20 Internal Audit Plan has a review of the SEEMIS System that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	None

OPERATIONS AND PROTECTIVE SERVICES

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
O&PS001	Commodities market fluctuations	Commodities market fluctuations for Recyclate and RDF and impact of Deposit Return Scheme (DRS). Fluctuation in commodities markets impacting on budgets	Partially Effective – 4 Not assessed – 1 <i>No Control Actions detailed</i>	None	None
O&PS002	Brexit – Trans-frontier shipment of waste	End/delay of transfrontier shipment of waste within EU	Partially Effective – 2 Not assessed – 3 <i>No Control Actions detailed</i>	None	None
O&PS003	End of existing Suez Waste Management Contract	Impact of current contract coming to an end without a suitable replacement service in place	Fully Effective – 1 Partially Effective – 3 <i>No Control Actions detailed</i>	None	None
O&PS004	Failure of sea defences	Failure of sea defences within ACC's remit	Fully Effective – 2 Effective – 2 <i>No Action detailed in RR.</i>	None	None

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
O&PS005	Sustainable Urban Drainage System (SUDS) Section 7	Increased costs to ACC due to change in Policy by Scottish Water	Effective – 3 <i>No Action detailed in RR.</i>	None	None
O&PS006	Inability to respond to flooding and Winter incident	The Council must be aware and plan for and respond to Flooding instances across the City	Not Assessed – 3 <i>No Action detailed in RR.</i>	None	None
O&PS007	Reduction in partnership / collaboration working	Reduction in joint working with internal/external resources and Environmental Services	Fully Effective – 1 Partially Effective – 3 <i>No Action detailed in RR.</i>	None	None
O&PS008	Food Growing	<i>No page in RR covering this risk</i>	<i>No page in RR covering this risk</i>	N/A	None
O&PS009	Loss of UKAS accreditation	The Laboratory losing, temporarily, its external UKAS accreditation following findings raised at either an annual, or unannounced UKAS visit	Fully Effective – 5 <i>No Action detailed in RR.</i>	None	None

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
O&PS010	Loss of operator's licence	Effect of services inability to use goods vehicles through loss of operator's licence	Fully Effective – 4 <i>No Action detailed in RR.</i>	April 2016 – IA Report AC1618 – Vehicle and Driver Records. March 2017 – IA Report AC1720 - Vehicles	Proposed review to provide assurance that arrangements in place to mitigate the risk of loss of operator's licence are adequate
O&PS011	Fuel shortage	Fuel Shortage and rising costs leading to loss service	Fully Effective – 4 Partially Effective – 1 <i>No Action detailed in RR.</i>	None	None

RESOURCES RISK REGISTER

As at 6 November 2019

FINANCE

Risk No.	Risk	Definition	Cluster Effectiveness Assessment	Control Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
Fin001	Failure to deliver key services in the event of failures of plans, capabilities, systems and processes	Failure to deliver key services in the event of failures of plans, capabilities, systems and processes	Effective – 2 Partially Effective – 4	<i>Four Control Actions detailed in RR ranging from 30% to 50% complete.</i>	Budget Setting (May 2017) and Budget Monitoring (Nov 2016) have been reviewed. Various other audits that have reviewed compliance with Financial Regulations, etc.	See Corp001 in Corporate Risk Register There will be elements of financial compliance testing in various proposed audits which will be testing systems and processes.

CAPITAL

As at 9 January 2019

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
CP001	That management failures / slippage in the delivery of capital projects / failure to secure and or retain funding from external sources, impacts negatively on the Council's financial stewardship.	Failure to deliver a particular project could have an adverse impact on LOIP expectations, and could have an adverse impact on any external funding opportunities.	Partially Effective – 6 <i>No Action detailed in RR.</i>	February 2018 – Capital Contracts (AC1819).	None
CP002	Lack of staff resources which impacts on the delivery of capital projects	Failure to deliver the Council's strategic and capital planning priorities within time scale is a highly significant risk to the expectations as set out within the LOIP. Failure to deliver a particular project due to staff resource issues will have an adverse impact on LOIP expectations.	Partially Effective – 5 <i>No Action detailed in RR.</i>	None	See Corp003

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

PEOPLE AND ORGANISATION As at 23 January 2019

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
N/A	Risk to delivery of key services in the event of failures of systems, processes or capabilities.	Risk to delivery of key services in the event of failures of systems, processes or capabilities.	Partially Effective – 4 <i>Five Control Actions detailed in RR ranging from 0% to 80% complete.</i>	August 2017 – Business Continuity Planning 2019/20 Internal Audit Plan has a review of Workforce Planning that is due to be reported to the Audit, Risk and Scrutiny Committee in May 2020.	None

CORPORATE LANDLORD As at 9 January 2019

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

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

PLACE RISK REGISTER

As at 6 November 2019

STRATEGIC PLACE PLANNING

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
SPP001	Failure to deliver key strategic plans – staff and process restructuring risks	Failure to deliver key strategic plans – staff and process restructuring risks	Effective – 2 Partially Effective – 1 <i>Three Control Actions detailed in RR, all 60% complete.</i>	None	None
SPP002	Failure to manage relationships with partners and stakeholders	Failure to manage relationships with partners and stakeholders	Effective – 2 <i>Two Control Actions detailed in RR, both at 60% complete.</i>	None	None
SPP003	Failure to maximise funding opportunities and achieve projected fee income	Failure to maximise funding opportunities and achieve projected fee income	Effective – 2 <i>Two Control Actions detailed in RR, both at 60% complete.</i>	None	Proposed review of Planning and Building Standards fee income. Links to Internal Audit strategy of including Income Collection in each year's plan.

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
SPP004	That SPP development, transport and natural environment decisions fail to support the delivery of low emission and resilient places. That SPP fails to ensure compliance with the Climate Change (Scotland) Act 2009.	That SPP development, transport and natural environment decisions fail to support the delivery of low emission and resilient places. That SPP fails to ensure compliance with the Climate Change (Scotland) Act 2009.	Partially Effective – 5 <i>Five Control Actions detailed in RR ranging from 20% to 85% complete.</i>	None	See CORP008 – Climate Change – in Corporate Risk Register

CITY GROWTH

Risk No.	Risk	Definition	Cluster Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
CG001	Failure to maximise funding opportunities resulting in the vision for the City of Aberdeen not being realised	Failure to maximise funding opportunities resulting in the vision for the City of Aberdeen not being realised	Effective – 3 Partially Effective – 1 <i>Four Control Actions detailed in RR ranging from 50% to 100% complete.</i>	None – other than acting as “First Level Controller” in relation to European Interreg Projects.	Allocation of time to undertake First Level Controller work in relation to the following projects: <ul style="list-style-type: none"> • ACE Retrofitting • BEGIN • FCCP • HECTOR / HyWAVE • HeatNet • HyTrEc2, • SCORE • Smart HY Aware <p>There will be no routine reporting to Committee unless significant control issues are identified.</p>
CG002	Oil price fluctuation resulting in economic uncertainty and lower investor confidence	Oil price fluctuation resulting in economic uncertainty and lower investor confidence	Effective – 3 <i>Four Control Actions detailed in RR ranging from 60% to 75% complete.</i>	None	None
CG003	Brexit threat to the economy of Aberdeen	Brexit threat to the economy of Aberdeen	Effective – 1 Partially Effective – 2 <i>Three Control Actions detailed in RR ranging from 40% to 80% complete.</i>	None	None

ABERDEEN CITY HEALTH AND SOCIAL CARE PARTNERSHIP RISK REGISTER

as at 12 November 2019

Risk No.	Risk Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
1	There is a risk that there is insufficient capacity in the market (or appropriate infrastructure in-house) to fulfil the IJB's duties as outlined in the integration scheme. This includes commissioned services and general medical services.	N/A	Review of National Care Home Contract in 2018/19	None
2	There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and projects an overspend.	N/A	Review of budget setting and monitoring in 2018/19	None
3	There is a risk that the outcomes expected from hosted services are not delivered and that the IJB does not identify non-performance through its systems. This risk relates to services that Aberdeen IJB hosts on behalf of Moray and Aberdeenshire, and those hosted b those IJBs and delivered on behalf of Aberdeen City.	N/A	None	Monitoring of hosted services

Risk No.	Risk Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
4	There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council & NHS Grampian) are not managed to maximise the full potentials of integrated & collaborative working. This risk covers the arrangements between partner organisations in areas such as governance; corporate service; and performance.	N/A	Health & Social Care Integration AC1609 January 2016; Post Integration Review AC1724 September 2017	None
5	There is a risk that the IJB, and the services that it directs and has operational oversight of, fail to meet both performance standards/outcomes as set by regulatory bodies and those locally-determined performance standards as set by the board itself. This may result in harm or risk of harm to people.	N/A	Post Integration Review AC1724 September 2017	None
6	There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care.	N/A	Post Integration Review AC1724 September 2017	None
7	Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.	N/A	December 2017 – IA Report AC1807 – Transformational Funding	
8	There is a risk that the IJB does not maximise the opportunities offered by locality working.	N/A	2018/19 review of New Models of Delivery / Co-location of Staff	None

Risk No.	Risk Definition	Function Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
9	There is a risk of failure to recruit and that workforce planning across the Partnership is not sophisticated enough to maintain future service deliver	N/A	November 2015 – IA Report AC1601 – Council wide “Recruitment and Selection” Cross Service review of Workforce Planning in 2019/20	See Corp003 – Cross Service review of Workforce Planning
10	There is a risk that ACHSCP is not sufficiently prepared to deal with the impacts of Brexit on areas of our business, including affecting the available workforce and supply chain.	N/A	None	None

NORTH EAST OF SCOTLAND PENSION FUND RISK REGISTER

as at 29 November 2019

Risk No.	Risk	Definition	NESPF Control Effectiveness Assessment	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
1	Lack of effective risk controls	Failure to implement risk management framework could result in operational, financial and reputational issues	Pension Fund Risk Register is reviewed and updated by management, and considered by Committee quarterly	Audit of Pensions Governance & Risk Management (March 2019)	None
2	Poor Governance	Lack of a robust and effective governance framework and suitable policies/procedures could create regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk	The Fund has in place an annual review of its governance statement and supporting policies and procedures, adherence to Council's Scheme of Governance, and a new Committee Effectiveness report to support good governance.	2018/19 audit of Pensions Governance & Risk Management AC1725 Pension Fund Payroll October 2017; AC1620 Pensions Investment Strategy & Management May 2016.	None
3	Lack of Performance Measures	Failure to develop performance reporting framework may result in a lack of transparency and poor performance could go unaddressed.	The Fund has in place both statutory and local KPI's, the Pension Administration Strategy is published quarterly, investment performance (against benchmark) is reported to Committee quarterly.	Looked at partly in AC1620 Pensions Investment Strategy & Management May 2016 (reporting of fund managers' performance)	None

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
4	Failure of Pensions Committee and Pension Board to operate effectively	Poor attendance / commitment to role, high turnover of members, lack of training may result in non-compliance with regulatory requirements, inability to make decisions or policies, and reputational risk.	Publication of Pension Board Annual Report, training policy reviewed annually and training register in place, nomination and appointment procedure, and a new Committee Effectiveness report introduced.	Partially covered (training) in 2018/19 review of Pensions Governance	Review of annual reports as reported to Committee – no specific IA reporting.
5	Operational disaster, unable to access the workplace	A major incident / natural disaster could result in loss of service delivery and loss of staff downtime.	ACC Disaster Recovery Policy in place, NESPF Business Continuity Plan to address loss / disruption to benefit administration system	ACC Business Continuity Planning (Aug 2017). ACC 2019/20 Internal Audit Plan has a review of Civil Contingencies that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	See Corp004 in Corporate Risk Register

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
6	Failure to recruit, retain and develop staff	Limited pool of resources / competition with private sector, lack of training / development opportunities, resource drain from wider priorities could result in loss of Service delivery and risk to succession planning.	Individual staff training plans reviewed annually, training register in place, training staff and programme in place, future focused staffing structure subject to ongoing review.	ACC 2019/20 Internal Audit Plan has a review of Workforce Planning that is due to be reported to AR&SC in May 2020.	See Corp003 in ACC Corporate Risk Register
7	Pay and price inflation valuation assumptions either higher or lower	Economic factors could result in a potential increase in employer contribution rates and liabilities.	Funding updates reported to Committee quarterly (using FSM), tri-ennial valuation, individual employer contribution rates.	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None
8	Failure to adhere to relevant pensions legislation and guidance	Political and legislative changes, increased administrative complexity, and staff training issues could result in audit criticism, legal challenge, reputational risk, financial loss / penalties	Six monthly compliance review and annual report to Committee, active participation at LGPS events, Testing Working Party for administrative software updates, established process for staff training, regular benefit admin team meetings to share knowledge.	Audit of Pensions Governance & Risk Management (March 2019)	None

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
9	Failure to comply with FOI or SAR requests	Missed statutory deadlines due to training or resource issues could result in audit criticism, legal challenge, reputational risk	Internal written procedures in place, FOI / SAR log to record and monitor	None	None
10	Conflicts of Interest	Competing professional and personal interests of staff, Committee and Board members could result in audit criticism, legal challenge, reputational risk	Regular discussions between CO-Finance and Pension Fund Manager. Standing item at meetings. Conflicts policy and register in place with conflicts declared annually.	Audit of Pensions Governance & Risk Management (March 2019)	None
11	Requirement to complete GMP reconciliation	End of contracting out due to reforms of state pension could result in failure to calculate future benefits correctly, audit criticism, financial loss	Dedicated GMP project team reporting to Operations Manager and regular updates to Committee and Board.	None	None
12	Fraud/Negligence	Dishonesty or human error by staff, Scheme members could result in overpayment / unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	Segregation of duties for staff authorising / submitting lump sum payments, pension payments signed off by benefits senior, participation in National Fraud Initiative exercise, overseas pensioner existence checking, Breaches Policy and register, Internal Audit control reviews.	Audit of Pensions Payroll (October 2017).	None

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
13	Insufficient assets to meet the Fund's long term liabilities	Failure of investment strategy or fund managers to produce expected returns could result in increase in employer contribution rates, investment risk, audit criticism, legal challenge, and financial loss	Quarterly assessment of investment performance and funding updates, triennial valuation and investment strategy review, diversification of assets, due diligence of fund managers, external advisor for specialist guidance on strategy.	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None
14	Failure to monitor investment managers and assets	Lack of internal procedures could result in audit criticism, legal challenge and reputational risk	Quarterly assessment and reporting of asset performance and regular meetings with investment managers	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None
15	Failure of work stock markets	Increase in employer contribution rates, financial loss	Diversification of scheme assets, triennial valuation and investment strategy review	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
16	Negligence / fraud / default	Dishonesty by fund managers, lack of care or human error could result in financial loss, reputational damage	Due diligence on appointment and appropriate clause in legal agreements, fund management monitoring, SAS 70 reports	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None
17	Failure of Global Custodian	Financial market crisis, regulatory / political could result in loss of assets or control of assets	Regular meetings with custodian, receipt of SAS 70 reports and monitoring	Audit of Pensions Investment Strategy & Management (May 2016) Planned audit of Investment Strategy and Performance in 2019/20	None
18	Failure to fulfil fiduciary duties with appropriate regard to ESG responsibilities	Lack of skills / knowledge, lack of transparency on practices or clear policy could result in reputational damage	Member training on roles and fiduciary duties and Policy incorporated within SIP.	Partially covered (training) in 2018/19 review of Pensions Governance.	None
19	Poor financial reporting	Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues could result in qualified accounts	Comprehensive policies and procedures in place and review of the Code, attending CIPFA meeting and reviews, regular reconciliations eg fund managers, custodian, Internal and External audits.	None	None. This would be picked up by external audit.

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
20	Failure to secure and manage personal data in line with Data Protection requirements	Cyber-attack, human processing error could result in audit criticism, legal challenge, reputational risk, financial penalties	Annual information governance training for staff, policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule), secure physical storage measures, admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3 rd party penetration testing etc	Public Records (Scotland) Act Compliance (Aug 2016). Data Protection (Sept 2016). GDPR (Sept 2018). 2019/20 Internal Audit Plan has a review of Information Governance that is due to be reported to the Audit, Risk and Scrutiny Committee in February 2020.	See Corp005 in Corporate Risk Register.
21	Failure of the Fund's administration system	Outages, hardware and software failures and cyber-attacks could result in staff downtime, loss of service delivery	The administration system is hosted externally with back-up in separate location, regular software updates, business continuity plan in place.	Audit of Pensions System (March 2018).	None
22	Failure to track member status and trace information	Poor record keeping could result in incorrect pension payments made, incorrect assessment of actuarial liabilities, tPR action.	Tracing Service in place (ATMOS), use of "Tell Us Once" service, data quality improvement plan in place including measures to trace, existing checking.	Audit of Pensions Payroll (October 2017).	Proposed review of Payroll to test calculation and payment of new and on-going pensions, and transfer and termination of pension payments.

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
23	Failure to monitor employer covenant	Failure of internal procedures could result in orphaned liabilities falling on remaining employers.	Continued implementation of Covenant Assessment and Monitoring Policy (within FSS)	None	None
24	Changes in early retirement strategies by employers	Public service cuts to funding could result in pressure on cash flows	Management through Covenant Assessment and Monitoring Policy (within FSS)	None	None
25	Employers leaving Scheme / closing to new members	Public service cuts to funding, increased pension contribution costs could result in orphaned liabilities falling to remaining employers	Management through Covenant Assessment and Monitoring Policy (within FSS), Cost Cap mechanism introduced in LGPS regulations	None	None
26	Longevity	Increasing life expectancy rates could result in increase in employer contribution rates and liabilities	Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases	None	None
27	Employer contributions not received, collected or recorded accurately	Lack of staff resources, training issues could result in orphaned liabilities falling to remaining employers	Internal escalation procedures, Breaches Policy and register, monthly data submission reconciled by ERT, quarterly PAS reporting to Committee & Board, ongoing training provided by dedicated ERT to Scheme employers	Audit of Pensions System (March 2018).	None

Risk No.	Risk	Definition	NESPF Mitigating Controls	Previous Internal Audit Coverage	Proposed Inclusion in 2019/20 Internal Audit Plan
28	Failure to maintain member records; data incomplete or inaccurate	Lack of staff resources, training issues could result in incorrect pension payments made, incorrect assessment of actuarial liabilities, reputational damage, TPR action	Monthly data from employers which is reconciled by ERT, quarterly PAS reporting to Committee & Board, data quality improvement plan implemented	Audit of Pensions System (March 2018).	None

MANAGEMENT PROPOSALS NOT COVERED BY RISK REGISTERS

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Key

	Proposed Inclusion in IA Plan
	Proposed No Specific Inclusion in IA Plan
	Further Information Required

EXTENDED CORPORATE MANAGEMENT TEAM

Area	Scope	Objective	Internal Audit Comment
School / Pupil Security	School Estate / Pupil Safety	To provide assurance that the Council has adequate arrangements regarding school / pupil security to include those in place to: <ul style="list-style-type: none"> • Control access to schools • Ensure that knives / weapons are not brought into schools • Know where pupils are during the school day • Escort vulnerable young people 	Propose including in plan.
Garden Waste Income	Payments through on-line payment option	To provide assurance that payments received through on-line only option are adequately managed and controlled.	Propose including in plan.
Vehicle Usage	Use of Council Vehicles	To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. To include a review of non-business use, including the business case for such use and authorisation thereof. This will include procedures relating to driver self-declarations and management controls relating to fitness to drive.	Propose including in plan.
CareFirst	CareFirst Data	To provide assurance from a financial perspective regarding commitments / financial monitoring. The system is due to be replaced in the coming years and this review will help identify weaknesses that need to be considered in commissioning a replacement system.	Following further discussion, management decided that a management review of the system prior to re-commissioning would be adequate

Area	Scope	Objective	Internal Audit Comment
Information exchange between Housing / IJB	Information exchange between Housing / IJB (Adult Protection)	To provide assurance regarding the flow of data regarding the customer journey through Council systems and consider possible misunderstandings relating to the requirements of GDPR.	Propose including in plan.
Public Safety	Water safety and safety relating to cemetery headstones	To provide assurance that the Council has adequate arrangements in place to manage these aspects of public safety.	Propose inclusion in Operations and Protective Services review of Health and Safety.
Financial Inclusion Team	Accreditation under Scottish National Standards for Information and Advice Providers: A Quality Assurance Framework.	<p>A recent review completed by the Scottish National Standards for Information & Advice Providers (SNSIAP) recommended that an independent review and evaluation is undertaken at least once every three years which considers the relevance, efficiency and effectiveness of the advice service. The Service has requested that Internal Audit undertake such a review in 2020/21 for the following reasons:</p> <ul style="list-style-type: none"> • At reaccreditation, the Council may not obtain accreditation, and • If the Council requires other funded projects to adhere to the standards it could have an impact on the organisation's credibility. <p>SNSIAP has stated that such an independent review could be carried out by a senior member of staff who is not directly involved in the Financial Inclusion Team.</p>	It has been agreed that an independent senior manager will undertake the necessary review of this area.

HEALTH AND SOCIAL CARE PARTNERSHIP

Area	Scope	Objective	Internal Audit Comment
Contributing to Your Care Policy	Contributing to Your Care Policy	To provide assurance that the Service is adhering to legal and procedural requirements, that eligibility criteria is being applied appropriately, and to compare against best practice. Review to include consideration of data flow regarding the customer journey through Council systems and consider whether data sharing arrangements comply with the requirements of GDPR. <i>(The inclusion of a review to provide assurance over progress with implementing the new Policy in the 2020/21 Internal Audit Plan was agreed at the Audit, Risk and Scrutiny Committee on 25 September 2019.)</i>	Propose including in plan.
Adult Support & Protection	Adult Support & Protection	To provide assurance that the Service is adhering to legal and procedural requirements, that eligibility criteria is being applied appropriately, and to compare against best practice.	Following further discussion, it was agreed that this falls within the remit of the Care Inspectorate.
Mental Health and Substance Abuse	Mental Health and Substance Abuse	To provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled, including approval / management of discretionary support.	Propose including in plan.
Learning Disabilities	Learning Disabilities	To provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled.	Not included in plan as management re-considered impact of the number of suggested reviews on same group of staff.

INTEGRATION JOINT BOARD

Area	Scope	Objective	Internal Audit Comment
Integration Scheme	Integration Scheme	To provide assurance that the planned review of the Integration Scheme is completed appropriately.	Assurance will be provided by Scottish Government sign-off of scheme.

INTERNAL AUDIT PROPOSALS NOT COVERED BY RISK REGISTERS

Key

	Proposed Inclusion in IA Plan
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CROSS SERVICE

Area	Scope	Objective
Timesheets and Allowances	Timesheets and Allowances paid to Council staff	<p>The 2019/20 review of this area identified a higher number of errors and some issues with processes. In view of this it is proposed that a further review be completed to provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.</p> <p>Links to Internal Audit Strategy to include aspects of Payroll in each year's Internal Audit plan.</p>
Agency Staff	Agency Staff	<p>To provide assurance that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. This will involve reviewing written procedures; authorisation of agency staff requests; procurement processes and agency staff induction.</p> <p>Links to Internal Audit Strategy to include aspects of Procurement in each year's Internal Audit plan.</p> <p><i>(This area was last reviewed by Internal Audit in February 2017 and there were issues relating to compliance procurement regulations and governance.)</i></p>

CUSTOMER

Area	Scope	Objective
Housing	Waiting List and Allocations	<p>To provide assurance that the Housing Waiting List is maintained efficiently and allocations are made in accordance with policy.</p> <p><i>(Proposed for inclusion in 2019/20 Internal Audit Plan but removed following additional proposals from management. AR&SC was keen that this audit be included at that time.)</i></p>
Housing Benefit and Council Tax Reduction	Housing Benefit and Council Tax Reduction	<p>To provide assurance that entitlement is being calculated correctly based on appropriate documentary evidence and recorded accurately for subsidy purposes (previous review – July 2017).</p>
Academy System	Control over Academy System used for Revenues and Benefits	<p>To provide assurance over system controls, business continuity and contingency plans.</p> <p>Links to Internal Audit strategy of including Main IT Systems in each year’s plan with each system being reviewed once in every four to five years. This system has not been reviewed previously.</p>

OPERATIONS

Area	Scope	Objective
Teachers Payroll	Payments made via the Payroll System to Teachers	<p>To provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees. To cover new starts, change of circumstance, and leavers along with the payment of additional hours and allowances (previous review April 2016).</p> <p>Links to Internal Audit Strategy to include aspects of Payroll in each year's Internal Audit plan (not covered by proposed audit of Timesheets and Allowances).</p>
Vehicle Replacement	Vehicle Replacement Policy and Procurement	<p>To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.</p> <p>Links to Internal Audit Strategy to include aspects of Procurement in each year's Internal Audit plan.</p>

RESOURCES

Area	Scope	Objective
Land and Property	Sale of Land and Property	To provide assurance over the processes in place for the sale of land and property assets. <i>(Proposed for inclusion in 2019/20 Internal Audit Plan but removed following additional proposals from management.)</i>
Treasury Management	Treasury Management	To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with (previous review – February 2017).
Bank Reconciliations	Bank Reconciliations	To provide assurance that the Council's main bank accounts are reconciled on a regular and timely basis and that the methodology is robust (previous review – November 2016).
Consilium System	Control over Consilium System used for Revenues and Benefits	To provide assurance over system controls, business continuity and contingency plans. Links to Internal Audit strategy of including Main IT Systems in each year's plan with each system being reviewed once in every four to five years. This system has not been reviewed previously.

GOVERNANCE

Area	Scope	Objective
Licensing	Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications. Links to Internal Audit strategy of including Income Collection in each year's plan.

GENERAL

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

OUTCOME FROM CONSULTATION WITH KPMG (EXTERNAL AUDIT)

Key

	Proposed Inclusion in IA Plan
	Proposed No Specific Inclusion in IA Plan
	Further Information Required

External Audit Comment	Internal Audit Comment
TECA and all it encompasses is a new income source with various arrangements with the service providers. At some point a review of the arrangements to ensure completeness and accuracy of the income would be welcome, including sources of information and data integrity. Perhaps either end of 2020-21 or beginning of 2021-22.	Internal Audit has been making some enquiries regarding this in a current audit of Industrial and Commercial Property Income. Perhaps a review in a year's time when things have settled in would be more appropriate.
Also in respect of TECA, will there be a post-implementation review in respect of the capital spend and revenue streams? There is the opportunity for a review around actual cost and expected income to support future financial projections.	Internal Audit covered this project in a recent review of Capital Contract management. It is proposed that Post Implementation reviews in general be included in a review of Capital Project Management proposed by management.
The energy centre will also bring a new source of income/new energy purchase arrangements. Similar to the above, at some point a review of the arrangements would be welcome (governance, oversight and monitoring, robustness of financial information).	Again, probably something to look at in 2021/22, possibly along with some other projects.
The Council has a new performance management dashboard, the use of which external audit can see will contribute much to real-time monitoring of many aspects of the Council's performance. Perhaps a review of its use and data integrity would be helpful.	Internal Audit has a planned review of Performance Management in this year's plan which is due to the May 2020 meeting of AR&SC. Objective: "To provide assurance that the Council has effective performance management arrangements in place which produce accurate data". Hopefully this will cover this off.
I have seen Information Governance risks at IJBs being raised, not specific to AC IJB, with a suggestion that an internal audit may be helpful in this area. i.e. using information as an enabler for service redesign.	Internal Audit has reviewed transformation / service redesign progress previously. This will be considered for the 2021/22 plan.

External Audit Comment	Internal Audit Comment
<p>An Audit Scotland focus area for 2019-20 and 2020-21 is in respect of fraud risks in procurement functions. Not sure when you last performed a fraud prevention and detection arrangements audit in respect of procurement/contracting.</p>	<p>It's not separately documented but it is a consideration in testing of procurement (within overall procurement audit and individual service areas). The systems and processes are there and if applied would reduce the risk but are currently insufficiently well adhered to to prevent or detect fraud. It's difficult to say at the moment whether omissions (e.g. from contracts registers etc) are indicative of fraud, capacity issues, or lack of care and attention. We'll likely be including something to this effect in the current Council-wide procurement audit.</p>
<p>We see a sustained level of cyber-attacks at our clients, via emails, with many threats being dormant on systems for months before being activated to monitor and then copy emails for fraudulent intent. I think you performed a cyber security review not long ago but highlight the continued cyber risks where the first line of defence is staff awareness.</p>	<p>Internal Audit has looked at this area recently but would accept this is one where ongoing monitoring is relevant due to constantly evolving cyber security threats, but it's probably too soon for us to revisit. Mandatory Information Governance training monitoring arrangements provide assurance in relation to staff awareness and, from previous reviews, management appear to have a good grasp on this area.</p>

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2010 – Housing Repairs - Voids
REPORT NUMBER	IA/AC2010
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

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

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 Housing Repairs - Voids.

3.2 Management Comments

- 3.2.1 Management had no further comments to add.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC2010 – Housing repairs - Voids.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Housing Repairs - Voids

Issued to:

Andy MacDonald, Director of Customer
Rob Polkinghorne, Chief Operating Officer
Derek McGowan, Chief Officer – Early Intervention & Community Empowerment
Mark Reilly, Chief Officer – Operations and Protective Services
Neil Carnegie, Communities & Housing Area Manager
Graham Williamson, Operations Manager – Operations and Protective Services
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

According to the Council's Local Housing Strategy 2018-2023, the Council has a stock of 22,041 houses. A large proportion of its stock was built between 1965 and 1982 (41%) with 7% being built since 1982. Stock turnover is low with current lettings averaging about 140 properties per month, equating to an annual turnover of around 7.6%. As at 23 September 2019 there were 391 void properties, 197 of which (50.4%) had an accepted or under offer status. The loss of income due to voids in 2018/19 was £1.230 million compared to a budget of £1.106 million.

The objective of this audit was to provide assurance regarding the process for re-letting void properties and compliance therewith.

Whilst improvements were made up to 2017/18 following implementation of a Void Transformation Action Plan in 2015, the Council's performance in relation to average time to re-let properties, void rent loss, and tenant satisfaction with property condition, worsened in 2018/19 with this remaining below the Scottish average.

The Service has advised that some properties are difficult to let because of their location and nature, including the fact the Council has the second highest proportion of high-rise dwellings amongst benchmarked authorities. Performance monitoring in relation to the void process is being undertaken regularly to address void delays, however instances were identified where required action had not been progressed in a timely manner. The Service has agreed to address this.

A sample of terminations, with and without notice, were reviewed to establish if the properties concerned were re-let in a timely manner. Delays were identified at a number of stages, including completion of the necessary property inspections, commencement and completion of repairs, and in signing leases with new tenants once repairs were completed, the latter being due to delays receiving keys following completion of repairs. In addition, record keeping was not always complete, affecting the ability to monitor performance and ensure delays are addressed. The Service has agreed to improve record keeping, including reasons for delays and to carry out all void actions in a timely manner. The Service has also agreed to review repairs which are causing delays with a view to re-scheduling these until after the property has been let where possible.

1. INTRODUCTION

- 1.1 According to the Council's Local Housing Strategy 2018-2023, the Council has a stock of 22,041 houses. A large proportion of its stock was built between 1965 and 1982 (41%) with 7% being built since 1982. Stock turnover is low with current lettings averaging about 140 properties per month, equating to an annual turnover of around 7.6%.
- 1.2 As at 23 September 2019 there were 391 void properties, 197 of which (50.4%) had an accepted or under offer status. The loss of income due to voids in 2018/19 was £1.230 million compared to a budget of £1.106 million.
- 1.3 The objective of this audit was to provide assurance regarding the process for re-letting void properties and compliance therewith.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Derek McGowan, Chief Officer – Early Intervention and Community Empowerment, Neil Carnegie, Communities & Housing Area Manager, and Graham Williamson, Operations Manager – Operations and Protective Services.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Policies & 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 Policies governing Void Control include the Local Housing Strategy 2018-2023, the Lettable Standard Policy, and the Recharge Policy. These are available on the Zone and accurately describe the current processes. However, the Lettable Standard Policy dates from 2013 and according to a report to the Operational Delivery Committee in May 2019 is due to be reviewed. The Recharge Policy dates from January 2014 and the policy advises it should be reviewed annually.

Recommendation

The Service should ensure that policies are reviewed as scheduled and that this is recorded through version control.

Service Response / Action

Agreed. Recharge Policy to be reviewed in conjunction with Housing Management.

Implementation Date

March 2020

Responsible Officer

Communities & Housing
Area Manager / Locality
Inclusion Manager

Grading

Important within audited
area

Recharge Policy –
Operations Manager –
Operations and Protective
Services

- 2.1.3 Guidance documents for staff dealing with voids are held on the Zone and in the team's shared drive. New or updated procedures are distributed by email or through monthly team meetings of the Voids Performance Group. Staff are trained in the procedures through a tailored induction process and through one-to-one training on the job; training and materials are provided by the Service Development Officer. Copies of training materials were provided and were up-to-date and comprehensive. Records of training provided have been maintained by the Development Officer.
- 2.1.4 Documents available on the Zone include a Voids Process Flowchart, Voids Guidance, and the Housing system (NPS) Handbook. These cover the administration of data within the Housing system and are clear and readily available. However, the Voids Guidance document refers to two members of staff by name rather than role; if these officers leave or change their role there is a risk that information will not be sent to the correct person.

Recommendation

Job titles should be used in guidance rather than staff names.

Service Response / Action

Agreed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Operations Manager – Operations and Protective Services	Important within audited area

2.1.5 Further procedures and template documents are available in the Housing team’s shared drive. Procedures covering standard checks and abandoned tenancies are comprehensive and up-to-date, with template documents attached.

2.2 Tenancy Termination Notices

2.2.1 Tenants are required to give 28 days’ notice of termination in writing, although a shorter period may be agreed with the Council. If less notice is given, the Service has the right to continue to charge for the full 28 day period. Once notification of termination has been received, a void record is created in the Housing system by a Void Control Officer and set as provisional until the termination date has been reached and the keys returned by the tenant. Before the termination date, a pre-termination inspection should be carried out to identify works required to ready the property for re-let and any actions that need to be taken by the tenant before leaving.

2.2.2 A sample of 25 notified terminations was selected at random from the Housing System and these were reviewed to confirm that procedures had been correctly followed.

2.2.3 In 3 cases less than four weeks’ notice was given by the tenant. In the first case the tenant had requested a transfer on health grounds some time previously; when they were offered a place outwith the Council area a shorter notice period was accepted in order to facilitate the move. Similarly, a short notice period was permitted due to the tenant’s health in the second case. For the third case, the tenant returned the keys to the office when notifying of the termination of tenancy. In this instance the tenancy should have continued for the 28 day notice period and rent charged for this period.

<u>Recommendation</u> Former tenants should be charged for the termination notice period of 28 days unless there’s express agreement.		
<u>Service Response / Action</u> Agreed. The tenancy should run for the 28 day notice period with rent continuing to be paid.		
<u>Implementation Date</u> March 2020	<u>Responsible Officer</u> Locality Inclusion Manager	<u>Grading</u> Important within audited area

2.2.4 In all cases reviewed, all keys had been returned on or before the termination date. In two cases, personal possessions were left by the tenant; these were recorded and disposed of appropriately.

2.2.5 Pre-termination inspections were not recorded in the Housing system for sixteen of the properties sampled. These checks are described as a “Critical Event” in the Voids Guidance and should be carried out wherever possible, recorded in the system, and a reason provided if no inspection was possible. If pre-termination inspections are not carried out there is a risk that work which should be carried out by the tenant before leaving will have to be undertaken by the Council after the tenancy ends, increasing the void period, and it may not be possible to recover costs incurred.

Recommendation

The Service should ensure that pre-termination inspections are carried out and recorded for every property and reasons are recorded if not possible.

Service Response / Action

Agreed. Voids guidance has been revised and will be issued to staff with further instructions on its use.

Implementation Date

December 2019

Responsible Officer

Locality Inclusion
Manager

Grading

Significant within audited
area

2.3 Terminations Without Notification

- 2.3.1 Terminations may not be notified to the Service by the tenant in some cases, for example deaths, evictions and abandonments. The Service request that they are notified of deaths as soon as possible, either in a Council Notification of Death form or through the "Tell Us Once" Service provided by the Council's Registrars Service on behalf of the DWP, who will notify all relevant Government bodies of the death. If someone is eligible to inherit the tenancy through succession this can be applied for using a specific form; otherwise the estate has 14 days to clear the property after which a charge equivalent to the rent due for the period will be imposed for a "licence to occupy".
- 2.3.2 Abandoned properties are identified through neighbour reports or officer visits; an Abandonment Notice must be served by two officers giving 28 days to prove occupation, after which a Termination Notice will be served, again by two officers, and the locks changed.
- 2.3.3 Evictions terminate the tenancy on the first Sunday after the date of eviction; a tenant can only be evicted after a Notice of Proceedings has been served and a court order granted. Any items left in the property will be inventoried then disposed of or stored for six months, depending on value; this is currently at the assessing officer's discretion. Tenants will be recharged the cost of storage or disposal and their forwarding address should be obtained wherever possible.
- 2.3.4 Eight of 25 sampled terminations (2 deaths, 2 evictions, 4 abandonments) were not fully supported by scanned paperwork, meaning that it was not possible to verify that data input to the system was accurate and that procedures had been correctly followed. These are considered in more detail below.

Recommendation

The Service should ensure that all paperwork relating to tenancy terminations and void control is fully completed, retained and scanned into the Housing system.

Service Response / Action

Agreed.

Implementation Date

December 2019

Responsible Officer

Locality Inclusion
Manager

Grading

Significant within audited
area

Deaths

- 2.3.5 Eight of the voids reviewed were caused by the death of the tenant. In all these cases the death was promptly notified and acted upon. For six cases, data from submitted

paperwork had been input to the system accurately and verification checks were recorded; in two cases the paperwork had not been scanned into the system. In one case, no events had been entered into the Void screen with the exception of the termination date. Dates were identified from the scanned paperwork attached to the associated tenancy. If Void Events are not entered into the system there is no evidence that the appropriate process was followed or targets achieved.

<u>Recommendation</u>		
The Service should ensure that all Void Events are entered into the Void Record in the Housing System.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Locality Inclusion Manager	Significant within audited area

- 2.3.6 In six cases there was no succession and a rent relief period of fourteen days was allowed for the property to be cleared. The property was not cleared within the given period in three cases and was not recorded as cleared in one. Only one of these showed a charge being made for the additional period (as detailed in paragraph 2.3.1, above). For another, the property was cleared by the Council; for the remaining two, there was no paperwork to indicate whether a charge had been applied. The Service advised that in these cases the deceased tenant had left little or no estate and the family circumstances meant that clearance within fourteen days was not possible. The Terminations procedure states that a senior member of staff has discretion over whether a licence fee should be raised in these circumstances.

<u>Recommendation</u>		
The Service should ensure that charges are applied for licences to occupy where the 14 day rent relief period after the death of a tenant has expired, or ensure that the reasons for not making a charge are detailed in the system.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Locality Inclusion Manager	Important within audited area

Eviction

- 2.3.7 Nine of the reviewed voids were the result of an eviction. In all cases a court order had been obtained appropriately and timeously. In seven cases the notices were dated appropriately; in two, the Eviction Notices and court documents had not been scanned into the system and so dates could not be confirmed. In both of these cases there was no record of whether items had been left by the tenants and, if so, how these had been disposed of.

Abandonment

- 2.3.8 Eight of the reviewed voids were due to abandonment of the tenancy. In one case no paperwork relating to the abandonment had been scanned into the system so it was not possible to confirm that procedure had been followed. For all other cases the report of abandonment was followed up promptly and the first Abandonment Notice was authorised

and hand delivered by two members of staff. However, in two cases there was no record of a Termination Notice being issued or delivered.

<u>Recommendation</u>		
The Service should ensure that both the Abandonment Notice and the Termination Notice are issued and delivered as required and are both fully recorded in the Housing system.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Locality Inclusion Manager	Significant within audited area

- 2.3.9 Possession was taken timeously and the property secured for all abandoned properties where records were available, and details were accurately recorded in the system. Where possible, attempts were made to recharge costs incurred by the former tenants. Inventories were made of items left in six of the abandoned properties where records were scanned, although in one case only one member of staff had signed the inventory. In another two cases no paperwork related to inventories had been scanned into the system. If inventories are not taken, or only one member of staff signs the inventory sheet, staff are not adequately protected.

<u>Recommendation</u>		
The Service should ensure that inventory sheets are signed by two members of staff and scanned into the Housing system.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Locality Inclusion Manager	Significant within audited area

2.4 Void Repairs & Re-Letting

- 2.4.1 The Allocations and Building Services teams should be alerted as soon as a void has been created, whether this is through the tenant giving notice, the death of the tenant, or through Council action such as notice of eviction or abandonment. The Allocations and Building Services teams are emailed when the void is created, with this date recorded in the Housing system, and are then sent automatic alerts by the system when trigger void events such as “Keys Returned By Repairs” are input. This is in order to identify a suitable new tenant and make an offer as quickly as possible, the goal being to have a provisional offer accepted before the property is ready to be re-let, and have arrangements in place for the new tenancy to begin as soon as the property has been brought to a lettable standard. The works required to reach this standard should be established by Building Services through a pre-termination inspection and the subsequent initial void inspection (see paragraph 2.4.5).
- 2.4.2 The nature of the required works identified during pre-termination and void inspections determines the appropriate void path to be input by Housing. Void paths are ROUT or routine voids; DETH for all terminations due to the death of the tenant; and MAJW for properties requiring rewiring, a central heating upgrade, or conversion to “amenity standard” which is similar to sheltered housing but in a single property. Critical void events are automatically assigned target dates by the system depending on the void path chosen.

- 2.4.3 Target dates for Void Events as set by the system appear in the Void Events screen while the actual completion date should be manually input when confirmed by Building Services or Housing officers, as appropriate, and will then appear in the next column in the record. According to the Voids Guidance, all delays to completion of critical void events must be input to the Void Events record with extension dates and reasons.
- 2.4.4 Void works cannot begin until the keys have been returned by the outgoing tenant, or possession has been obtained through court order. In all cases locks should be changed as soon as the keys have been returned in order to maintain the security of the property.
- 2.4.5 As soon as the property becomes void a Termination Pack with the new keys and a Change of Tenancy (CoT) form should be provided to the Building Services team in order for them to carry out a full void inspection and identify necessary repair or maintenance works before the property is ready to re-let. This form is kept in the paper file during the works then scanned to the former or new tenant's record in the Housing system, depending on when the works are completed. If works are being carried out post-void the incoming tenant should approve this. Once the works are completed a Final Inspection should be carried out, following the Final Inspection Checklist, and the date recorded on the CoT form.
- 2.4.6 The 50 properties selected for review were checked to confirm that the void was processed timeously and appropriately and that the void period was kept to a minimum. In all cases both Allocations and Building Services were informed when the void was created; offers were made by Allocations promptly thereafter in all but one case, and works were scheduled by Building Services.
- 2.4.7 As of 30 September 2019, only one property reviewed had not been offered to a prospective tenant; it was noted in the Housing system record that this property was a "sensitive let" with particular requirements for a suitable tenant and there was no-one suitable on the waiting list. Three other properties were still void, all of which had been provisionally accepted but were waiting for the keys to be returned from Building Services in order for the tenant to inspect the property and confirm the acceptance.
- 2.4.8 In all cases where a full inspection was required, this was carried out once the property was in the Council's possession. However, in thirteen cases the first void inspection was made more than seven days after the termination date. Failure to begin works within the target timescale leads to properties being void for longer and increases loss of income.

Recommendation

The Service should ensure that properties are inspected by Building Services as soon as they become void.

Service Response / Action

Agreed. Housing Management in partnership with Building Services will develop a process to ensure operational teams inspect properties as soon as they come void.

Implementation Date

December 2019

Responsible Officer

Operations Manager –
Operations and Protective
Services

Grading

Significant within audited
area

Locality Inclusion Manager

- 2.4.9 The Housing system automatically assigns a target date of 14 days for routine voids to repair and a further 7 days to re-let. 43 voids were classed as routine but only 5 of these were repaired to lettable standard within 14 days. A further 13 were repaired within 31

days; the remaining 25 were repaired between 32 and 149 days after the termination date. In most cases it was not clear why there was a delay as no reason or extended target date was input to the Voids Event tab as required in the Voids Guidance.

<u>Recommendation</u>		
The Service should ensure that where target dates for Void events are amended or not met, the appropriate extension code is used and reasons provided in the Notes field.		
<u>Service Response / Action</u>		
Agreed		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Operations Manager – Operations and Protective Services	Significant within audited area

- 2.4.10 The Service advised that in all but two of these 38 cases, details of the works required had been retained and were significant, though not sufficient to qualify as Major Works. However, the Void Events timescales had not been amended or reasons input. In the other two cases no reason for the delay was given.

<u>Recommendation</u>		
The Voids repairs process should be reviewed to identify repairs causing delays and where possible schedule these to begin after the new tenancy has commenced.		
<u>Service Response / Action</u>		
Agreed. Void categories will be reviewed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Operations Manager – Operations and Protective Services	Significant within audited area

- 2.4.11 In all cases where scanned paperwork was available, repairs had been checked and approved by a Building Services Team Leader and safety certificates recorded.

- 2.4.12 In 20 cases, re-letting took over 7 days once repairs were completed. No explanation was provided in the Housing system for these delays but notes in five of the records indicated that multiple offers had been refused while a sixth required a new set of keys after the works had been completed, causing a minor delay. However, nine over-ran after a delay between the offer being accepted and the lease being signed, while for the remaining five no explanation was found in the system. The Service advised that in all fourteen of these cases the delay was due to a shortage of Admin staff to accept keys and input Void Events to the system.

<u>Recommendation</u>		
The Service should ensure that leases are signed as soon as possible after offers are accepted.		
<u>Service Response / Action</u>		
Agreed. Established timescales are already in place and will be reinforced to staff.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2019	Locality Inclusion Manager	Significant within audited area

2.5 Monitoring and Reporting

- 2.5.1 Void and performance monitoring is undertaken at least weekly by the Quality Assurance and Performance Management (QA&PM) team. Monitoring reports which show overdue void events are produced every Monday by the QA&PM team and sent to the relevant local management team for action. A report is also run showing voids by area and this is recorded in a tracking spreadsheet. Copies of reports were provided by the Service and were detailed and comprehensive, with lists and numbers of void properties.
- 2.5.2 The Service has a “Task Tracker” which is used to monitor staff performance. Void Performance meetings are held at least once a month to review key performance indicators and also consider reports on void numbers and statistics. Regular reports are made to the Operational Delivery Committee as part of overall performance monitoring for Operations. The task tracker and copies of meeting schedules, minutes and reports were reviewed and were regular, detailed and comprehensive.
- 2.5.3 However, while actions were identified to address performance issues, they were not always carried out effectively. For example, task 131/18 was created in August 2018 in response to delays in key handovers between Housing and Building Services. A representative from Customer Experience was to be invited to the Voids Performance meeting in July 2019 to provide input to a new process map but did not attend until the meeting in September 2019, meaning that no further progress could be made on this task.
- 2.5.4 Further, task 165/19 concerns a review of Void path categories and timescales and was created in April 2019. The meeting on 17 July 2019 noted that documents of a meeting between Housing and Building Services on revised timescales would be distributed “by the end of the week” i.e. 19 July. However, at the meeting on 14 August 2019 it was advised that documents had still not been distributed and no progress had been made, and the Service advised that this was still the case in September 2019.
- 2.5.5 Although monitoring is detailed, with issues and actions being identified and responsibilities appropriately assigned, if actions are not followed up promptly and fully there is a risk that performance will not improve.

Recommendation

The Service should ensure that where tasks are created to address identified performance issues, they are carried out fully and timeously.

Service Response / Action

Agreed

Implementation Date

Implemented

Responsible Officer

Communities & Housing
Area Manager

Grading

Significant within audited
area

- 2.5.6 In a report to the Communities Housing and Infrastructure Committee in October 2015 it was identified that the Council’s performance had declined year on year until average time to re-let was more than twice that of the average of the benchmarking group of other Scottish Local Authorities reporting to the Scottish Housing Regulator. The Council’s average time was 92.5 days, as opposed to an average of 36.88, with the next highest number of days being 77.5 and 66.
- 2.5.7 As a result, a Void Transformation Action Plan was implemented. The aim was to analyse processes and performance to create an evidential basis for improvement planning; to establish specialist teams and enhance employee development and training; and increase the number of inspections and completed checklists to increase efficiency and tenant

satisfaction. In a report to the Communities, Housing and Infrastructure Committee on 19 May 2016 it was reported that this approach had succeeded in reducing void rent loss as a percentage from 1.92% (£1.53m) in 2014/15 to 1.66% (£1.36m) in 2015/16. By 2018/19 the percentage was 1.47% (£1.23m) compared to the target for the year of 1.0%.

2.5.8 The Council uses standards and outcomes set by the Scottish Social Housing Charter (SSHC), introduced by the Housing (Scotland) Act 2010, to measure performance. Data is submitted to the Scottish Housing Regulator who collates data from all Councils for benchmarking purposes. The following table shows the data for 2017/18 and 2018/19:

Measure	Target	ACC 2017/18	ACC 2018/19	Scottish Average 2018/19
Average time to re-let	46.0 days	49.9 days	53.8 days	31.9 days
Void rent loss	1.00%	1.19%	1.47%	0.88%
New tenant satisfaction with property condition	75.0%	64.4%	63.8%	90.8%

2.5.9 The above indicates that significant performance improvements were made up to and including 2017/18 but that the position worsened in 2018/19.

2.5.10 The Service advised that some properties are difficult to let because of the location or the nature of the property. For example, the Council has the second highest proportion of high-rise dwellings amongst benchmarked authorities, many of which are designated as sheltered housing, which are particularly difficult to let. Some incentives are available, for example assistance with moving or a decoration allowance, but as the overall budget for this is £50,000 per year these are kept to a minimum. Properties are occasionally advertised through the HomeHunt network, in partnership with Castlehill Housing Association, as a means of alternative advertising.

AUDITORS: D Hughes
A Johnston
L Jarvis

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2001 – Income Generation
REPORT NUMBER	IA/AC2001
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

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

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 Income Generation.

3.2 Management Comments

- 3.2.1 Management had no further comments to add.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC2001 – Income Generation.

10. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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(01467) 537861



Internal Audit Report

Cross Service

Income Generation

Issued to:

Steven Whyte, Director of Resources
Andy MacDonald, Director of Customer Services
Rob Polkinghorne, Director of Operations
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
External Audit

EXECUTIVE SUMMARY

The Council is required under section 108(2) of the Local Government (Scotland) Act 1973 and Section 93(3) of the Local Government Finance Act 1992 to set a balanced budget each year.

As part of this process the Council has sought to identify new ways of generating additional income, or making savings, to cover rising costs of providing services.

The agreed options for doing so are presented in appendices as part of the annual revenue budget and approved by Council in February / March each year. As part of the options, income generation opportunities amounted to £2,317,000 in 2017/18, an additional £1,775,000 in 2018/19, and a further £1,644,000 from the 2019/20 budget.

The objective of this audit was to provide assurance that budgeted income generation is based on robust assumptions and is being realised. This has not always been the case.

Not all proposals were sufficiently clear, and there is limited evidence of detailed planning in advance for the delivery of projects to raise additional income, putting achievement of planned savings and associated budgets at risk. Whilst budgets are regularly monitored, there has been no specific monitoring of detailed options in 2019/20.

Finance has stated that a new process is in place for documenting plans for 2020/21 budget proposals, and it will be implementing additional monitoring of delivery of milestones for significant material budget options (those in excess of £250,000).

Changes to the budget were agreed by Corporate Management Team (CMT) in June 2017, amounting to £11.386 million, which included reversing some of the savings and income generating options which had been agreed by Council in February 2017, and replacing them with alternatives. Further post-budget adjustments were made during 2018/19 relating to restructuring and the allocation of procurement savings.

Although Committees were advised as part of the Quarterly Financial Statements during 2017/18 and 2018/19 that virements had been made, they have not been provided with the detail, nor have they been asked to approve the reinstatement of budgets which had, through the application of savings / income generation options, been deleted or otherwise adjusted as part of the budget setting process. These changes were insufficiently transparent, and represent a breach of Financial Regulations in respect of budget virements.

Finance has stated that the adjustments have been reflected in the forecast out-turns and the total financial statements and monitoring position were not compromised. As part of the review of Financial Regulations the virements treatment will be reviewed and a new process put in place to ensure that this is complied with

1. INTRODUCTION

- 1.1 The Council is required under section 108(2) of the Local Government (Scotland) Act 1973 and Section 93(3) of the Local Government Finance Act 1992 to set a balanced budget each year.
- 1.2 As part of this process the Council has sought to identify new ways of generating additional income, or making savings, to cover rising costs of providing services.
- 1.3 The agreed options for doing so are presented in appendices as part of the annual revenue budget and approved by Council in February / March each year. As part of the options, income generation opportunities amounted to £2,317,000 in 2017/18, an additional £1,775,000 in 2018/19, and a further £1,644,000 from the 2019/20 budget.
- 1.4 The objective of this audit was to provide assurance that budgeted income generation is based on robust assumptions and is being realised.
- 1.5 The following sample was reviewed to establish whether; the budgeted income was evidence based, that plans were in place to implement the new income stream, that the income stream was appropriately monitored, that action was taken where income streams were not producing the required level of income, whether the income generated met the budgeted income, and that lessons learned from previous years' were factored into the production of subsequent budgets.

Agreed Income Option	Budgeted Value
2017/18	
Building Services Trading Account additional income	£1,000,000
Building Standards additional income	£50,000
Council Tax additional recoveries	£200,000
City Wi-fi sponsorship	£200,000
Beach Ballroom franchise opportunity	£324,000
2018/19	
Sponsorship / Advertising	£150,000
2019/20	
Graphic Design	£170,000
Education Transport – out of zone charges	£83,000
Garden Waste collection charges	£816,000
Naming Rights for Council buildings	£75,000

- 1.6 Detailed findings in respect of the selected sample are presented in Appendix 1.
- 1.7 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; Jonathan Belford, Chief Officer – Finance; and Carol Smith, Accounting Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Planning and Assumptions

- 2.1.1 Internal Audit anticipated that income generation opportunities would only have been put forward where there was a reasonable expectation that they could be achieved, with a clear audit trail of options appraisal, on which Officer and Council approval could place reliance. However, the nature of the budget setting process and the presence of additional cost pressures and external factors mean that estimates have to be made, and plans put in place to meet budgeted expectations may not fully align with the original estimates.
- 2.1.2 Plans may therefore change from those envisaged before the budget is set, but without sufficiently detailed plans, in advance of or sufficiently early in the new financial year, income streams may not be achieved in full, presenting a risk to the achievement of the budget.
- 2.1.3 There is limited evidence of detailed planning in advance for the achievement of additional income. Plans / project teams were in place for only two of the four agreed new revenue streams / cost savings for 2019/20 selected by Internal Audit. Two of six previous years' options had not progressed, indicating they had also not been through rigorous planning and project management in order to deliver the anticipated outcomes.
- 2.1.4 In some cases, a prudent estimate had been calculated based on knowledge of the potential market. In others it was not clear that the viability of the option had been fully explored in advance. Supporting calculations were only available for four out of the ten options. For the remainder, officers charged with their delivery were unclear of the basis for the budget adjustment due to service and staff changes, or were otherwise unable to provide supporting detail.
- 2.1.5 It will be more difficult to ensure savings or additional income are delivered if plans are not put in place timeously, providing clarity on the operational, financial and risk assumptions.

Recommendation

Clear plans should be produced timeously for all agreed income generation options.

Service Response / Action

Agreed. This process is in place for all 2020-21 budget proposals in the budget setting approach.

Implementation Date

March 2020

Responsible Officer

Chief Officer – Finance

Grading

Significant within audited area

- 2.1.6 It is important that planned material changes to the budget are set out clearly for consideration as part of the budget process. Changes in the format of the budget setting papers between 2017 and 2019, and progressing with existing planned saving / income generation options agreed in previous years, meant that fewer additional options were set out in 2018/19 than had been the case in 2017/18. The 2019/20 budget set out the list of options in more detail. Using a similar format in future years would continue to provide more clarity on plans for change. Finance has stated that this approach is ongoing.
- 2.1.7 Further changes to the budget were agreed by Corporate Management Team (CMT) in June 2017, amounting to £11.386 million, which included reversing some of the savings and income generating options which had been agreed by Council in February 2017, and replacing them with alternatives. Further post-budget adjustments have been made during 2018/19 relating to restructuring and the allocation of procurement savings.

- 2.1.8 Although Committees were advised as part of the Quarterly Financial Statements during 2017/18 and 2018/19 that virements had been made, they have not been provided with the detail, nor have they been asked to approve the reinstatement of budgets which had, through the application of savings / income generation options, been deleted or otherwise adjusted as part of the budget setting process. These changes were insufficiently transparent, and represent a breach of Financial Regulations in respect of budget virements.

Recommendation

All material changes to budget options should be reviewed by Council / Committees in accordance with the scheme of virement set out in the Financial Regulations.

Service Response / Action

Agreed as follows: These adjustments have been reflected in the forecast out-turns and the total financial statements and monitoring position were not compromised. As part of the review of Financial Regulations the virements treatment will be reviewed and a new process put in place to ensure that this is complied with.

Implementation Date

June 2020

Responsible Officer

Chief Officer – Finance

Grading

Major at a Corporate Level

- 2.1.9 The Building Services budget sets out plans which in light of recent deficits, despite planned savings, mean that it is unlikely to break even over a three-year period as required by the Local Government in Scotland Act 2003.

Recommendation

Building Services should review its budget plans to ensure it can break even over a three year period.

Service Response / Action

For management accounting purposes, the reduction in income did not result in a deficit but the surplus was not achieved at the level anticipated. For statutory accounting purposes, because of the statutory accounting adjustments (primarily pension related) the Building Services service did not achieve a 3-year rolling surplus over the last 3 years.

Further to consideration of the nature of the service, that it primarily provides building repairs for council Housing Revenue Account properties, the service has been designated as an 'other' trading account and not a significant trading account. Hence it is not required to meet the breakeven test. The external auditors have agreed this change for our final accounts 2018/19.

Agreed: The Building Services function with Finance continues to review its profitability and cost recovery position. This review will be completed as part of the 2020-21 budget setting process.

Implementation Date

March 2020

Responsible Officer

Chief Officer – Finance

Grading

Significant within audited area

2.2 Realisation and Monitoring

- 2.2.1 Budget holders are regularly provided with budget monitoring information from the financial system, and are supported by Finance to identify and take action to address any forecast variances from budget.

- 2.2.2 Finance had additional savings tracking mechanisms in place during 2018/19. These largely focused on staff changes through transformation, and the allocation of procurement savings, but also included review of asset management, and elements of income generation. The tracker showed that the identified income generation opportunities were not being achieved and plans were not being sufficiently progressed to achieve them. There were no records on the tracker of mitigations being applied.
- 2.2.3 Except in limited instances, Services have not separately monitored delivery of their income generation options. There is a risk that focus on the bottom-line budget for a function could lead to alternative actions taking place in lieu of the originally agreed action. These may not be sustainable or achieve the intended outcomes.
- 2.2.4 Without specific monitoring in place, it may be difficult to tell whether the expected income is being achieved, and to put in place countermeasures should this not be the case. Finance has stated that for 2019/20 progress with delivering income generation projects is being tracked and updated regularly using a new process and system. It was not possible to obtain evidence of this in operation.

Recommendation

Savings / income generation delivery should be monitored, and relevant action taken in the event of anticipated variances.

Service Response / Action

Agreed.

All material budget options are monitored through overall budget monitoring, although there has not been specific monitoring of detailed options in 2019-20.

It is proposed that significant material budget options be separately monitored with milestones for 2020-21 budget proposals by Finance – proposed de minimis £250k.

Implementation Date

April 2020

Responsible Officer

Chief Officer – Finance

Grading

Significant within audited area

- 2.2.5 In the absence of specific monitoring, income streams may continue to be included or added to in future budget assumptions when they are no longer viable. It is not clear that lessons are being learned and future budgets adapted based on previous planned income streams and the success or otherwise of their implementation.

Recommendation

Progress with achieving income generation options should be factored into future budget assumptions.

Service Response / Action

Agreed. The 2020-21 budget process includes a full review of all income streams to ensure that future budgets are adapted based on the latest information. This proposal has been implemented by the building of budgets in the ledger.

Implementation Date

Implemented

Responsible Officer

Chief Officer – Finance

Grading

Significant within audited area

- 2.2.6 Internal recharges have been included as ‘additional income’ in some areas of the budget. Whilst these will represent additional budget for those services, they represent an

additional cost to other parts of the Council. It was not clear in the budget setting papers that these were internal.

- 2.2.7 In one instance the addition of a new charge that was not approved by Council in the changes to fees and charges remained within the budget in error. The Service is reviewing this in conjunction with Finance, but there are no other available income options in this area. Had this income generation option been more transparently labelled it is less likely that this would have occurred.

Recommendation

Budget proposals should be sufficiently transparent.

Service Response / Action

Agreed. This process is in place for all 2020-21 budget proposals in the budget setting approach.

Implementation Date

March 2020

Responsible Officer

Chief Officer – Finance

Grading

Significant within audited area

AUDITORS: D Hughes
C Harvey
C Johnston

Appendix 1

3. INCOME GENERATION OPTIONS (Sample)

3.1 Building Services (2017-18 onwards)

- 3.1.1 It was not possible to obtain details from the Service regarding the basis for and delivery of the planned additional income from 2017/18 onwards.
- 3.1.2 Review of the financial system and the unaudited annual accounts for 2018/19 shows that whilst the 2017/18 budget indicated an additional £1,000,000 would be achieved by the Service, the revised 2017/18 income budget was amended by £1,371,000. For 2017/18 the actual outturn was £29,401,000 against budgeted income of £29,612,000, indicating the revised budgeted income was not fully achieved, although the original saving appears to have been accommodated.
- 3.1.3 For 2018/19 the outturn (provisional) was £30,264,000 against budgeted income of £29,612,000 indicating the saving was achieved.
- 3.1.4 Although the budget has generally accommodated the planned income generation option, in both years expenditure exceeded income for Building Services, resulting in overall deficits on the trading account. As a significant trading operation, it is a statutory requirement of the Local Government in Scotland Act 2003 that the account breaks even over a rolling three-year period. The unaudited accounts indicate an overall deficit over the three-year period 2016-2019. Finance has stated that Building Services has been moved to 'Other trading operations' in the audited annual accounts as a result.
- 3.1.5 The Service provides a range of services for emergency response, planned maintenance and improvement of buildings including the Council's housing stock and operational buildings. Whilst a proportion of the activity will be within the ring-fenced Housing Revenue Account, which is balanced through council house rental income, the remainder is a charge to the General Fund as revenue or capital expenditure. Only a small proportion of income is obtained from private parties. Additional income is therefore at the expense of other Council services, and does not present a recurring saving overall.
- 3.1.6 For 2019/20 the budget has reduced to £29,121,000 of income and £27,514,000 of expenditure. Whilst this indicates a planned surplus of £1,607,000, this will need to be exceeded if the trading account is to break even over the three years 2017-2020.

3.2 Building Standards (2017/18 onwards)

- 3.2.1 The majority of Building Standards fees and charges are statutory, leaving limited room for maximising income through increasing them. In 2017/18 the Service planned to utilise additional capacity in order to achieve £50,000 of income, by completing verification work for another local authority – for which a contract was in place.
- 3.2.2 Whilst income of £57,000 was generated between 2017/18 and 2018/19, £50,000 per annum was not achieved. The revenue stream came to an end in January 2018 due to changes in the capacity of the team to undertake this additional work.
- 3.2.3 The requirement to achieve £50,000 of additional income remains in the Building Standards budget for 2019/20, and the Service is looking at other areas for income generation but has no plans currently in place. In the absence of plans ready for implementation at the start of the financial year, it will be more difficult to achieve the full year's saving and budget.

3.3 Council Tax Recovery (2017/18 onwards)

- 3.3.1 It was intended to collect an additional £200,000 in Council Tax arrears through investment in additional staff. Specific plans to demonstrate how additional income would be generated, and monitoring to show how it had been, were not available.
- 3.3.2 Although Council Tax income increased between 2016/17 and 2017/18 it is not possible to separate any benefit obtained from additional staff from other changes including growth in the tax base and reductions in available discounts. The collection rate did not increase in respect of in-year or arrears of Council Tax, and overall income was lower than budgeted. The number of staff has since reduced, although the level of budgeted income has not.

3.4 Wi-fi Sponsorship (2017/18 onwards)

- 3.4.1 Free visitor Wi-fi within Aberdeen City was implemented in 2014 and the contract extended for 2017/18 at a cost of approximately £200,000. It was anticipated that this could be funded through sponsorship, however this was not achieved. Plans and supporting calculations / consideration of viability were not available.
- 3.4.2 The Service has stated that the budget line has been moved to IT / Digital and is no longer required to generate income. The Service is considering options for in-house management of the service to reduce costs.

3.5 Beach Ballroom (2017/18 onwards)

- 3.5.1 Reduction of the subsidy towards the Ballroom was identified as part of a suite of potential savings opportunities as part of a commercial income review in 2017, and revisions to the level of fees and charges were implemented.
- 3.5.2 The Beach Ballroom was intended to achieve a saving of £324,000 within 2017/18. During that year it was identified that this could not be delivered, and the savings requirement was reduced to £100,000 – a reduction of £224,000.
- 3.5.3 Finance has stated that this was part of £11 million of cost pressures identified by Chief Officers and agreed with Corporate Management Team (CMT) in June 2017, which were subsequently recognised in the budget with compensating new savings options built in elsewhere. In effect these reinstated or increased budgets in some areas where savings had originally been agreed by Council (including this one), whilst reducing them in others. In 2018/19 various further adjustments were made, although these generally related to service restructuring as part of implementation of the Target Operating Model, and allocation of third party spend savings.
- 3.5.4 In-year revisions to budgets and savings plans were not explicitly presented to Council or a Committee during 2017/18 or 2018/19. For example:
- 3.5.5 In October 2018 the City Growth and Resources Committee was advised as part of the Quarterly Financial Statement that *“Savings realisation and tracking at the half year point indicates significant progress being made towards achieving all the savings that were agreed, with over 75% so far captured”*. This related mainly to reductions in staffing, asset management costs and procurement savings. It was also told that *“there were cost and demand pressure areas highlighted in Quarter 1 reporting that at the end of Quarter 2 continue to be challenging to manage in-year”*. CMT was therefore advised by the Chief Officer – Finance to stop and reduce General Fund spending wherever possible.

- 3.5.6 The appendix to the Quarterly Financial Statements in October 2018 and February 2019 set out that *“It should be noted that the full year budgets reflected above differ from those set by Council in March 2018 for a number of reasons. This is normal practice during the year as virements are identified. The main changes at present relate to the allocation of third party spend savings which were held within Commissioning at the time the budget was set across other Functions.”* Similar notes regarding the stated budget being different from that originally set were included in each of the 2017/18 Quarterly Financial Statements.
- 3.5.7 The Financial Regulations require that virements (transfers between budgets) in excess of specified thresholds must be reported to, or approved by (dependent on type and value), Service Committees. Virements cannot be used to reinstate an item deleted by Council during budget considerations unless approved by the relevant Council Committee(s). Although there is reference within the Quarterly Financial Statements to areas of pressure being managed and compensating savings in other areas, there have been no specific requests for or reports of virement or reinstatement of savings, or their replacement with alternative options. As virements have been made and savings reinstated without recourse to Committee, Financial Regulations have been breached. The specific allocation of budgets and savings is less transparent as a result.
- 3.5.8 The Ballroom achieved a reduction in its deficit, with a year-end position for 2017/18 of £33,000 within the adjusted budget – though it did not meet the original target included in the budget approved by Council in February 2017. A further £63,000 of savings was deducted from the budget in 2018/19 and although fees and charges were increased the required level of savings was not achieved – there was a negative variance of £93,000.
- 3.5.9 Although previous targets had not been met, additional savings of £146,000 have been set for 2019/20, on the basis of a franchise arrangement being in place by October 2019. It was not possible to obtain assurance from the Service that plans are in place and progressing to achieve this target. Budget tracking data from Finance indicates that a £300,000 contingency has been set aside to cover the risk of cost pressures in this area.

3.6 Sponsorship / Advertising (2018/19 onwards)

- 3.6.1 A review of advertising opportunities was identified as a priority as part of a suite of potential savings opportunities as part of a commercial income review in 2017. The report highlighted that in previous years budgeted income had not been achieved, and proposed reducing budgeted income expectations in the short term, with a view to developing a strategy and taking it forward in the medium term to generate additional income. The budget was correspondingly reduced from £500,000 to £140,000 in 2017/18.
- 3.6.2 Whilst a saving of £150,000 was included in the budget papers to be generated from Advertising, additional income of £180,000 was added to the budget for sponsorship in 2018/19 and remains in the budget for 2019/20. This is in addition to a budget of £140,000 for sponsorship of roundabouts, which has been in place for several years but had not been fully achieved since 2016/17. Roundabout sponsorship is advertised on the Council’s website, which indicated that 36 out of 55 roundabouts were available (not currently sponsored and generating income) in June 2019. If the budget is based on a higher level of participation then it may be at risk.
- 3.6.3 The additional £180,000 from other sponsors was not achieved in 2018/19 and income of only £26,000 had been recorded at the end of June 2019 for 2019/20. If sponsorship cannot be obtained to the full level, the budget may not be achieved.

3.6.4 An advertising / sponsorship strategy has not yet been produced, and there is no list of available assets (except for roundabouts) on which sponsorship could be placed. This will make it difficult for the opportunities to be advertised and income to be generated.

3.6.5 In 2011 the Council had a contract with a third party to deliver a guaranteed minimum income from advertising and sponsorship. The five year contract was terminated after three years as it was no longer considered viable. This was not referenced in the 2017 income review, and lessons learned from this experience may not have been taken into account when setting new budgets.

3.7 Graphic Design (2019/20)

3.7.1 A saving of £170,000 is to be achieved for graphic design work in 2019/20. A plan is in place to achieve this, and the Service has considered capacity and available time in order to calculate the achievable income. However, it is based on an internal recharge to other Council Services. As a result, it is unlikely to result in a cashable saving.

3.8 Education Transport (2019/20)

3.8.1 This was referenced in the 2019/20 budget setting report as “Education – transport (pupils choosing to attend out of zone school)”. It was in respect of transport to a specific school, and was not agreed by Council in the list of fees and charges appended to the budget. The budget line was still reduced by £83,000 based on the original calculations of an anticipated number of travellers and an estimated fee level. The Service has stated that options for achieving an equivalent level of saving are limited and will be challenging. Alternative plans are not yet in place.

3.9 Garden Waste (2019/20)

3.9.1 An option to introduce a garden waste collection fee was identified as a potential priority as part of a suite of potential savings opportunities as part of a commercial income review in 2017. The review indicated potential additional revenue of £100,000.

3.9.2 Income of £816,000 is now anticipated through introduction of a permit scheme for garden waste collection. The Service was able to demonstrate that the agreed £30 per household annual charge could, based on the experience of scheme take-up by other councils, achieve the targeted level of income.

3.9.3 The charge was planned for implementation of the new service in September 2019. Although originally planned for June 2019, as the charge is for a full year, in advance, as long as the uptake is in line with expectations, there should be limited impact on the achievability of the budget. Clear plans are in place.

3.10 Naming Rights (2019/20)

3.10.1 The sale of naming rights to buildings has been budgeted to achieve £75,000 of income in 2019/20. There is no set plan, or a list of available buildings and anticipated levels of income which might be obtained through their naming / sponsorship. This could make it difficult for the opportunities to be advertised and income to be generated.

Appendix 2 – Grading of Recommendations

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

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2013 – School Catering Income & Procurement
REPORT NUMBER	IA/AC2013
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on School Catering Income & Procurement.

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 School Catering Income & Procurement.

3.2 Management Comments

- 3.2.1 The audit was welcomed by Facilities Management and the findings were helpful and identified areas where the service can improve.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC2013 – School Catering Income & Procurement.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Operations

School Catering Income & Procurement

Issued to:

Rob Polkinghorne, Chief Operating Officer
Andy MacDonald, Director of Customer Services
Mark Reilly, Chief Officer – Operations and Protective Services
Jacqui McKenzie, Chief Officer – Customer Experience
Andy Campbell, Facilities Manager
John Landragon, Catering Manager
Bruce Reid, Business Services Manager
Fraser Bell, Chief Officer - Governance
Jonathan Belford, Chief Officer - Finance
External Audit

EXECUTIVE SUMMARY

Catering services for all Aberdeen City Council schools are provided by the Catering Team within the Operations and Protective Services Cluster. Projected expenditure for school catering supplies and services in 2019/20 is £6.6 million, with projected catering income of £2.5 million, resulting in projected net expenditure of £4.1 million (2018/19 actual £3.99 million).

The objective of this audit was to provide assurance over income and procurement expenditure relating to school catering operations. In general, procedures were considered to be adequate although the following issues were identified which require action.

Procedures require that Business Services reconcile daily income returns to income recorded in the cashless catering system and process journals to reallocate income from the catering suspense account to school cost centres in the financial ledger. As at 29 November 2019 these tasks have not been completed since the employee who did them left the Council in August 2019. Customer Experience has agreed to work with Finance and the Catering Service to agree roles and responsibilities in relation to clearing the catering income suspense account and reconciling catering income banked to the cashless catering system, to aid financial monitoring, ensure VAT is remitted timeously, and ensure any banking errors are identified timeously.

Free school meal status is reviewed annually unless information is received during the year. The review is completed by school administration staff who either request proof from parents / guardians or receive verification through a list circulated by Education. The most recent list had multiple inaccuracies leading to families with valid claims being unable to claim while claims which were no longer valid were automatically renewed. Education will review the means of verifying and reporting FSM entitlement.

Primary schools have a legal obligation to ensure children are fed and therefore the system has been set up to ensure that primary school children will receive their chosen meal whether or not they have money in their school catering account. Some schools have taken independent action to recover outstanding debts by contacting parents or guardians to encourage accounts to be cleared, but this is not being approached consistently across all schools. The Service has agreed to work with the Corporate Recovery Team to establish a process for identifying and recovering debts arising from non-payment of school meals.

The cashless catering system was procured in 2001/02. There is no live contract currently recorded in the Council's Contracts Register and the contract with the current supplier has continued to be rolled over on an annual basis. The spend (approximately £40,000 per annum) is likely to exceed the EU procurement threshold. The Service has agreed to work with the Commercial and Procurement Shared Service (CPSS) to progress the tendering process for a cashless catering system.

Eight establishments were visited during the audit and it was identified that there was a lack of guidance relating to banking arrangements under the new cash collection contract; income returns were not always being verified by a second signatory acting as a witness to cash counts; keys for safes and load terminals were not being securely held and in one case a spare load terminal key was missing; and the transfer of funds between Catering staff and school office staff or into the safe not being documented. The Service has agreed to address these matters.

1. INTRODUCTION

1.1 Catering services for all Aberdeen City Council schools are provided by the Catering Team within the Operations and Protective Services Cluster. Projected expenditure for school catering supplies and services in 2019/20 is £6.6 million (actual spend to end November 2019 £4.39 million, 2018/19 actual £6.31 million), with projected catering income of £2.5 million (actual income to end November 2019 £1.70 million, 2018/19 actual £2.32 million), resulting in projected net expenditure of £4.1 million (2018/19 actual £3.99 million).

1.2 The Scottish Government carries out Healthy Living Surveys on an annual basis which include the number of pupils actually taking a school meal, free or paid for, on the day assessed as a percentage of the school roll, as well as the number of pupils registered for free school meals (FSM). The most recent survey was carried out in February 2019 and the percentage taking a meal for the Council, compared to national figures is shown below. It should be noted that all P1-3 pupils are automatically registered for free school meals and this is funded by the Scottish Government.

Pupils taking school meal as percentage of school roll	Aberdeen City Council	All Scottish Local Authorities
Meals taken – P4-P7	49.9%	46.7%
Meals taken – Secondary	40.5%	45.2%
Meals taken – Special	53.3%	72.4%
FSM – P4-P7	13.5%	19.3%
FSM – Secondary	12.3%	15.0%
FSM – Special	22.0%	66.9%

The low uptake of meals in special schools is attributed by the Service to the number of children on specialist diets.

1.3 The objective of this audit was to provide assurance over income and procurement expenditure relating to school catering operations. A review of the documentation relating to income and expenditure was undertaken along with stock records and budget monitoring. The schools visited as part of the audit were:

- Aberdeen Grammar School
- Airyhall Primary School
- Bucksburn Academy
- Cults Academy
- Kingswells Primary School
- Loirston Primary School
- Mile End Primary School
- Orchard Brae Special School

1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Chief Officer – Operations and Protective Services, Jacqui McKenzie, Chief Officer – Customer, Andy Campbell, Facilities Manager, John Landragon, Catering Manager, Bruce Reid, Business Services Manager, and Caroline Johnstone, Quality Improvement Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Policy and 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. This is important in the event of an experienced employee being absent or leaving.
- 2.1.2 School catering is managed by the Catering Team within Facilities which is part of the Operations Function. Guidance documents for catering staff are maintained and updated by the Catering Manager with copies held in a shared drive and in hard copy in each kitchen office. Procedures held in the shared drive were reviewed and were up to date and comprehensive. Hard copies of procedures were examined during establishment visits and in all cases matched the most recent version available; all catering staff interviewed during the audit were familiar with the procedures.
- 2.1.3 Any updates to these procedures are recorded in the version control data in each document and the Document Register maintained by the Catering Manager. Updated copies are distributed by the three Catering Team Leaders to the Cooks in Charge (CiC) for each school in their area. Distribution is recorded in the Document Distribution Record and accompanied by formal notification which should be signed by the CiC and returned to evidence receipt. The process was followed for all procedures reviewed.
- 2.1.4 School meals for students and staff are paid for through a cashless catering system known as Accord or CHIPS. Guidance and procedures for catering and school staff administering the cashless catering system are held by Business Services. These procedures are not widely available, and whilst Business Services has advised every school office and kitchen was provided with copies of guidance and procedures and that training was delivered, many catering and school staff advised they did not have copies of guidance and procedures and were not clear about how to carry out required tasks.
- 2.1.5 The Accord Primary School Catering System user manual was comprehensive but out of date; for example, reference is made to coloured wristbands for students to identify meal choices, which are no longer in use. The procedures have not been substantially updated since 2014 when the system was rolled out to Primary Schools; the Accord Administrator manual dates from 2012 and refers to the Accord Office, which no longer exists, as well as advising that Accord staff will assist with a twice-yearly validation of free school meals, while this process is actually carried out annually and is supported by a teams within Revenue and Benefits and Education.
- 2.1.6 Business Services was requested by Internal Audit to provide copies of their own guidance relating to the cashless catering system, including how to reconcile catering income banked to catering income received per the cashless catering system and how to process catering income journals. A procedure is in place for processing journals however procedures on the use of cashless catering system and the catering income reconciliation process were unavailable; the Service advised these are under review.

Recommendation

a) The CHIPS guidance should be reviewed and updated.

b) The CHIPS guidance should be made available to all users.

Service Response / Action

a) Agreed. Business Services will review, update and share guidance with Facilities Management (FM) and Integrated Children's & Family Services (IC&FS).

b) Agreed.

- FM will distribute revised guidance to all Cooks in Charge.
- IC&FS will distribute revised guidance to all school administrators who use the CHIPS system.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) February 2020	a) Business Services Manager	Important within audited area
b) February 2020	b) Quality Improvement Manager / Catering Manager	

2.2 Free School Meals

2.2.1 Since January 2015, all children in primaries 1 to 3 have had the option of taking a free school meal every day. In addition, children in other years whose parents or guardians are in receipt of certain benefits are entitled to free school meals, as are pupils aged between 16 and 18 who are entitled to benefits in their own right.

2.2.2 Children are identified as eligible for free school meals either through a direct application by their parent or guardian, or through an award of another benefit to the family; the application may be made through Firmstep, the Council's online customer portal, or to the Benefits Team or directly to the school. The application is passed to the relevant school office where staff are expected to review it and confirm eligibility before updating the child's records in SEEMiS and the cashless catering system (CHIPS).

2.2.3 Free school meal status is reviewed annually unless information is received during the year; this is done by school administration staff who request verification through a list produced by the Revenues and Benefits Team (snapshot position when report is run) which is then circulated to schools by the Education Support Officer. During establishment visits Internal Audit was advised that the list provided in 2019 from the Revenues and Benefits Team contained multiple inaccuracies at the time it was circulated, leading to families getting a FSM that didn't qualify. In addition, staff advised that they were uncomfortable with the responsibility of determining FSM status as they did not feel confident in assessing applications.

Recommendation

The means of verifying and reporting FSM entitlement should be reviewed.

Service Response / Action

Guidance on validating FSM eligibility will be reviewed in collaboration with the Revenues and Benefits Team and reissued to all schools once finalised.

The Education Support Officer will liaise with Revenues and Benefits colleagues to review the process for identifying eligible pupils and improve the accuracy of the information provided.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2020	Quality Improvement Manager	Significant within audited area

2.2.4 It was noted that one special school had not been added to the drop-down lists in online application forms for FSM meaning that it was not possible to make a claim.

<u>Recommendation</u>		
The Service should ensure that the identified school is included as an option in online application forms.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Business Services Manager	Important within audited area

- 2.2.5 A Free School Meals Policy is being developed and was due to be presented to the Education Operational Delivery Committee in November 2019 but has been delayed to “take cognisance of the recently approved [Scottish Government] Child Poverty Action Plan” and the impact of Universal Credit. The Service has advised that the report will be combined with the regular report on FSM numbers which is due to be made to the Committee in May 2020.

2.3 Catering Income

- 2.3.1 The principal source of income to the Service is the sale of school meals. Meal charges are proposed by the Service after considering costs and benchmarking against other local authorities and approved by Full Council during the annual budget meeting. Approved charges are input to the cashless catering system (CHIPS), which controls all sales of school meals, by Business Services and cannot be amended by other catering staff.
- 2.3.2 Other income may be generated through vending machines and provision of catering to internal meetings or external users of school facilities. The Service advised that currently non-school meal catering is only provided in some schools and for internal events such as teacher training days; orders are placed with the Catering Service and internal invoices are raised to recover the costs.
- 2.3.3 The system has been set up to ensure that primary school children will receive their chosen meal whether or not they have money in their catering account, which is accessed by a smartcard known as Kidz Cards. When the system was set up schools were advised that if the account went into debit parents would automatically be advised through the Balance Alerts system. This system allows the Council to contact parents by email or by text and is used to advise parents of the catering account balance and to top-up online. When the cashless catering system went live in schools, if SEEMiS held an email address or mobile phone number for the parent / carer, they were automatically set-up to receive balance alerts. However, not all parents will receive these alerts, since parents can opt out of receiving them and have to re-register for the alerts if they change email address or mobile phone number. As a result, some of the debts owed to schools have become significant (£434,000 for all Aberdeen City Council schools). Some schools have taken independent action to recover outstanding debts by contacting parents or guardians to encourage accounts to be cleared, but this is not being approached consistently or with the guidance of the Corporate Recovery Team.
- 2.3.4 Financial Regulation 5.2.1 requires that all income due to the Council is identified and maximised, and debtor accounts are properly and promptly updated. The failure to record and recover school meal debt is, therefore, a breach of Financial Regulations, as well as risking loss of income to the Council.

Recommendation

The Service should work with Finance to establish a process for identifying and recovering debts arising from non-payment of school meals.

Service Response / Action

Agreed. An initial review has been undertaken by the Service and Finance and the following action will be undertaken:

- a) A review of the current level of historic outstanding debt and treatment will be undertaken and actions will be established to address this.
- b) A future process to identify and recover debts on a regular basis will be established between the Service, Schools and Finance.

Implementation Date

a) April 2020

Responsible Officer

a) Business Services
Manager and
Accounting Manager

Grading

Significant within audited
area

b) June 2020

b) Facilities Manager

2.3.5 When pupils move up to secondary school a fresh catering account is created which is accessed by a personalised Accord Card for each pupil. Accord card accounts cannot be overdrawn and if primary school debt moved to the new account the child would not be able to use the card until the debt was cleared; the Service made the decision to freeze debt related to Kidz cards to enable the affected child to purchase meals at their secondary school as long as fresh payments are made.

2.3.6 The cashless catering system has been designed to identify student meals, which are not liable for VAT, and teacher or kitchen staff meals, which are VAT-able. However, it was observed during audit testing that a kitchen employee card was set up as a student. Failure to account for VAT on adult meals could lead to potential penalties from HMRC.

Recommendation

The Service should ensure that all staff cards are correctly set up within the cashless catering system.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited
area

2.3.7 Each Accord or Kidz Card is registered to a unique user and linked to their catering account in the CHIPS system. Children registered to begin P1, or those in P7 due to move up to a Council secondary school, are identified from a SEEMiS report run by Education and Accord card applications are sent to parents / guardians with a unique reference. The application process requires this reference as well as other identifying data to verify that the account is being created for the correct person; for secondary school pupils or staff, a photograph is printed on the card for additional verification when used. The smartcards are provided free of charge by the Improvement Service through the National Entitlement Card (NEC) Programme Office. If cards are lost or damaged, replacements may be ordered from the NEC Programme Office free of charge; temporary cards are provided and linked to the relevant account until replacements are received.

- 2.3.8 Accounts in the CHIPS system can be credited through online payments or by cash payments in schools. Online payments go through the cash receipting system (Civica) and a scheduled job is run twice a day which exports payment records to the CHIPS system. Payments are automatically allocated unless there is insufficient data to identify the account, in which case the transaction is flagged for manual intervention. Business Services must then allocate or refund the payment. Civica payments are checked and reconciled to bank statements and the financial ledger by the Finance Control Team.
- 2.3.9 Cash or cheque payments are accepted in both primary and secondary school offices, although this is discouraged. Primary school catering staff complete e-returns for cash / cheques collected in schools by logging into the cash receipting system and inputting the value received, which is generally low in value and irregular as parents are encouraged to use the online service. The data from the e-returns can then be reconciled by the Finance Control Team during their reconciliations of the cash receipting system to bank statement and the Ledger.
- 2.3.10 In secondary schools, cash payments should be made through networked “load terminal” machines which are emptied on a daily basis by Catering staff. The account holder presents their card to be read by the terminal and once their account has been identified the value of cash presented is added to their balance. The load terminal also records the number and denominations of notes and coins deposited. Where payments are made by cash or cheque to the school office, staff look up the account holder in the cashless catering system and input the value to their account, then store the cash / cheques to be collected by catering staff the next day at the same time as load terminals are emptied.
- 2.3.11 Receipts are not provided by load terminals but they show the updated balance on the account, while available funds are shown in “purses” on the cashless catering electronic point of sale (EPOS) laptops during transactions. Staff advised that on occasion load terminal users advised that payments had not been credited to their account and this was generally the result of notes or coins not being registered by the load terminals; these cases are investigated by checking the terminals for items which may have become stuck and by checking the cash collected from the machine against the electronic record. If this matches the user’s description of the missing funds their CHIPS account is credited manually by office staff.
- 2.3.12 Account holders spend funds in their account by tapping their Accord smartcard against a card reader device attached to a networked laptop with the electronic point of sale (EPOS) cashless catering software installed and active. This brings up their account in the cashless catering system on the laptop screen, along with sale options. For primary schools this is a choice of two or three complete meals. Secondary schools offer a variety of options including main meals, salads, sandwiches, drinks and dessert items. The member of staff operating the EPOS selects the screen options for the items being purchased and presses the “pay” button, which instantly debits the total value from the card holder’s account. In secondary schools, if there are insufficient funds in the account the sale will be refused and the card holder will have to abandon certain items or the whole transaction. Primary school meals will be provided without comment but the debt will be recorded in the cashless catering system.
- 2.3.13 The load terminals are reset every day after morning break when two members of catering staff collect and count the cash taken in by the machines, along with cash and cheques collected from the school office. At this point a report is sent automatically by each load terminal to the cashless catering system with details of cash taken in. Catering staff complete a form designed by the Service (SPF06) with the total values of cash and cheques collected. All income is then sealed inside bank bags and placed in the school safe. The SPF06 form is given to school administration staff and the total value of cash and cheques collected per the SPF06 form is input to the CML Access database used by Business Services for monitoring and reporting.

- 2.3.14 The Accord procedures contain some guidance for catering and school administration staff on completing income returns and carrying out reconciliations of income returns to reports from the cashless catering system, although the Business Services Manager advised that staff in schools are not expected to carry the reconciliations out in practice as they are the responsibility of Business Services.
- 2.3.15 It is possible to reconcile the automatic load terminal transactions to the values of cash and cheques recorded as having been collected per the SPF06 income returns input to the Business Services' database by school offices. This requires an extract from the cashless catering system showing load terminal data to be input to the CML database by Business Services after which a report can be run in the database to automatically reconcile the totals (cash collected according to SPF06 forms compared to that collected per CHIPS system) and flag discrepancies. This task was completed previously but has not been done since the employee who did it left the Council in August 2019. The Business Services Manager has stated that the reconciliation of income returns recorded in the CML database, to income per the CHIPS system, will recommence in February 2020, now that a technical problem has been resolved, which was preventing the CHIPS system from being updated with cash collection data.
- 2.3.16 The cashless catering system has its own bank account (9244 Education Smartcard) and banking bags should clearly identify that the value should be credited to that account. Bank statements received by the Finance Control Team show details of deposits received from each school and these could be checked against the income returns input to the Business Services' database by school office staff if the reports were being run following procedure.

Recommendation

Business Services should ensure that financial monitoring and reporting of Accord cash and cheque transactions resumes as soon as possible.

Service Response / Action

Agreed

Implementation Date

February 2020

Responsible Officer

Business Services
Manager

Grading

Significant within audited
area

- 2.3.17 On a daily basis electronic bank account files are received from the Council's bankers and are uploaded into the cash receipting system. When the Education Smartcard bank account statement is uploaded this generates a journal in the general ledger (debiting the bank code and crediting the Accord income suspense code with catering income where a school pay-in reference is present on the bank statement). Cheques are also paid out of the Education Smartcard bank account by Business Services to Bridge of Don Academy for vending supplies. When these cheques are drawn by Business Services, the Finance Control team is notified and the cash receipting system updated to reflect the payments, resulting in the bank code being credited and the Accord income suspense code being debited. Timing differences may arise between these vending supply charges hitting the ledger and hitting the bank statement.
- 2.3.18 Cheque payments relate to income generated via the school's vending machine. The Service has advised that the vending machine sells bottled water which is purchased by the school fund. Pupils use their Accord card at the vending machine to purchase bottled water. The cheque payments are to reimburse the school fund for pupil Accord card income relating to the purchase of bottled water which has been credited to the Education Smartcard bank account.
- 2.3.19 Monthly reconciliations between bank statements, the cash receipting system and the

financial ledger (bank code) are carried out by the Finance Control Team. The October 2019 bank reconciliation was completed timeously with a small number and value of reconciling differences.

- 2.3.20 Reconciliations of SPF06 income returns to bank statements are identified in Banking Reconciliation procedures as the responsibility of Business Services; the most recent version available is a draft dated October 2017. The bank statement for October 2019 was reviewed by Internal Audit and compared to income reported on SPF06 forms for schools visited during audit testing and all entries matched.
- 2.3.21 The Bank Recs 9244 Accord Account Procedure additionally requires Business Services to extract a report from the cashless catering system with details of all catering income broken down by school. This should be created as a journal spreadsheet and emailed to Finance in order to allocate income to each school cost centre, to support financial monitoring by the Service. As at 29 November 2019, this had not been done since the middle of June 2019 meaning it is was more difficult for income to be monitored. The Accord income suspense balance as at 29 November 2019 was £609,482 of which approximately £88,000 related to prior years. The VAT on non-student meals is accounted for as part of the clearing of this suspense account. Since the Accord income suspense account is not being cleared regularly, VAT is not being accounted for timeously. The balance in the catering income suspense account has since reduced to £271,732 as at 8 January 2020, following recommencement of work by Business Services to clear the suspense account.
- 2.3.22 The procedures for reporting and reconciliation involve Business Services acting as a liaison between the Catering Service and the Finance Control Team. The issues that affected financial reporting appear to have arisen from a lack of understanding across all three teams of roles and responsibilities.
- 2.3.23 The Service advised that it had been identified, separately from this Internal Audit, that reports from the cashless catering system (CHIPS) and Business Services' database, which would allow reconciliations to be carried out between income returns and cashless catering system reports, along with journals reallocating income to school cost centres in the financial ledger, were not being carried out as previously by Business Services as discussed above. As a result, income was not being recorded to allow accurate in-year budget forecasting and as a basis for preparing the 2020/21 budget.

Recommendation

- a) Business Services should work with Finance and the Service to ensure that all staff involved in financial monitoring, reporting and reconciliation of catering income are aware of their roles and responsibilities.
- b) The suspense account should be cleared on a regular basis to aid financial monitoring and ensure that VAT is remitted timeously.

Service Response / Action

- a) Agreed. A review process will be undertaken with all involved to ensure clarity of roles and responsibilities.
- b) Agreed.

Implementation Date

a) August 2020

b) Implemented

Responsible Officer

a) Business Services Manager

b) Business Services Manager

Grading

Significant within audited area

2.4 Cashless Catering System

- 2.4.1 There are two systems directly involved in administrating cashless catering: CHIPS (Cashless Health Initiative Programme for Schools), procured from an external supplier, and the Card Management Log (CML), also known as the Financial Records Log (FRL), which is an Access database, created and controlled by Business Services, used to report and reconcile card and financial transaction data. While CHIPS is supplied externally it is maintained by Business Services and ICT staff.
- 2.4.2 The CHIPS system was procured in 2001/02 to support the Council's smartcard applications, with the intention of providing access to concessionary travel, school meals, and catering and laundry services in supported accommodation.
- 2.4.3 There is no live contract currently recorded in the Contracts Register system; the most recent, which dates from November 2016, consists only of a Procurement Request report, and has been archived. The Procurement Request discusses system requirements and states that a report was to be made to the Finance Policy & Resources Committee in 2017; this recommended that a tender process be carried out for a two year contract with the possibility of a one-year extension, and that while this is carried out an exemption be given for a further year's contract with the current supplier, from October 2017 to October 2018. Approval was given for both recommendations.
- 2.4.4 Internal Audit was advised that the tender process has still not been completed and a new contract is not expected to be in place until December 2020 at the earliest. The contract with the current supplier has therefore continued to be rolled over on an annual basis and the spend (approximately £40,000 per annum) is likely to exceed the EU procurement threshold.

Recommendation

The Service should work with Commercial and Procurement Services to progress the tendering process for a cashless catering contract.

Service Response / Action

Agreed. FM will work with Commissioning and Scotland Excel to procure a replacement cashless catering system.

Implementation Date

December 2020

Responsible Officer

Catering Manager

Grading

Significant within audited area

2.5 Establishment Visits

- 2.5.1 Eight establishments were visited (4 secondary schools, 3 primary schools and 1 special school) and cash counts were observed in the four secondary schools. The Primary Schools visited advised that virtually all payments are made electronically with infrequent cash payments received. All staff were familiar with the requirements for counting cash and completing e-returns. However, staff in all 8 schools advised that they were not clear regarding banking arrangements following the change of cash collection contract. Only one kitchen had a copy of the guidance provided by the new contractor while 5 were following the procedure incorrectly or had not been given sufficient supplies of the three types of banking bags to comply with the contractor's requirements.

Recommendation

The Service should ensure that all staff responsible for banking are aware of the requirements set by the cash collection contractor and have sufficient guidance and banking supplies.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Facilities Manager

Grading

Significant within audited area

2.5.2 All secondary schools visited had two staff collecting and counting cash on the day of the audit visit, and all observed cash counts were verified by Internal Audit as correct. For the four secondary schools, income returns and banking slips for one month were reviewed; banking records were obtained from the Finance Control Team, cross-checked by Internal Audit to SPF06 income return forms, and these agreed. However, in one secondary school, not all SPF06 forms (for a month of prior SPF06 forms reviewed) were signed by both members of staff.

2.5.3 If SPF06 forms are not verified by a second member of staff there is a risk that errors may not be noticed, leaving the identified employee vulnerable should discrepancies be identified later.

Recommendation

The Service should remind staff that all SPF06 cash count forms should be signed by two members of staff.

Service Response / Action

Agreed. A reminder will be sent to all Cooks in Charge.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Significant within audited area

2.5.4 Financial Regulation 5.2.9 stipulates that keys to safes and similar security boxes should be held securely at all times, either in a secure key box or carried on the person of those responsible; the loss of such keys must be reported immediately. Not all schools were complying with this. In six of the schools visited, safe keys, the keys to access load terminals, or both, were held in open or unlocked desk drawers or in open containers.

Recommendation

The Service should ensure that load terminal and safe keys are held securely following corporate guidelines.

Service Response / Action

Agreed. All load terminal keys at Secondary Schools will be held by Catering Services and stored in locked key cabinets/boxes, while all safe keys will be held securely by School Administrators.

Implementation Date

February 2020

Responsible Officer

Catering Manager

Grading

Significant within audited area

2.5.5 An access record form is maintained for each terminal and this should be completed by the member of staff opening the machine; this can be compared to the machine's record of being accessed to confirm that the terminals are not being inappropriately opened. This form was not in use in two of the secondary schools visited.

Recommendation

The Service should ensure that all load terminals in academies have access record sheets completed whenever the machine is opened.

Service Response / Action

Agreed. A reminder will be sent to all Academy Cooks in Charge.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited area

2.5.6

Financial Regulation 5.2.5 states that every transfer of Council money should be evidenced in the records of the Services concerned by the signature of the receiving officer. The Service's Daily Banking Procedure states that this is evidenced through the completion of a banking record form which notes the value of the cash and cheques being transferred and the signature of the staff involved. However, in one primary school only one member of catering staff generally took cash from the kitchen to the school office to transfer to the safe, and there was no banking record form or other process in the school office to record the transfer, either from catering to office staff or into the safe by any member of staff. The Catering Manager advised that while catering staff followed the Daily Banking Procedure, this had not been formally agreed with school administration staff.

Recommendation

The Service should agree a procedure with Education to ensure that records are kept of cash transferred to another member of Council staff or into the safe

Service Response / Action

Agreed. The Catering Manager will work with the Quality Improvement Manager to agree a procedure and roll out to all schools.

Implementation Date

April 2020

Responsible Officer

Catering Manager

Grading

Significant within audited area

2.5.7

In another primary school the Cook in Charge carried out cash counts and banking on Fridays, meaning that cash may be held in the kitchen office for several days. While a locked drawer is used, this is not as secure as the school safe and is not insured against loss or theft.

Recommendation

The Service should remind staff that cash should be counted and banked on the day it is received.

Service Response / Action

Agreed. A reminder will be sent to all Cooks in Charge.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited area

2.5.8

Another Cook in Charge advised that their kitchen could not be kept secure as the shutter was damaged and could not be fully closed; as a result, non-kitchen staff had accessed the area when no catering staff were present. This had not been reported to Facilities Management.

<u>Recommendation</u> The Service should work with Facilities Management to ensure that the kitchen area in the identified school is secure.		
<u>Service Response / Action</u> Agreed.		
<u>Implementation Date</u> Implemented	<u>Responsible Officer</u> Catering Manager	<u>Grading</u> Important within audited area

2.5.9 All schools have at least one office administrator who is responsible for managing Accord or Kidz Cards for that school's students by adding or amending accounts in the cashless catering system, flagging them for free school meals where appropriate, assisting with requests for new and replacement cards, and issuing temporary cards when required. In secondary schools they are also responsible for inputting values from the SPF06 income return to Business Services' CML database. These arrangements were discussed with staff during establishment visits. In two schools, the administrators were not clear on how to use the cashless catering system or Business Services' database as they had not received sufficient guidance or training.

<u>Recommendation</u> Education should ensure that all school office staff with CHIPS / Accord administration responsibilities have sufficient training and guidance to carry out required duties.		
<u>Service Response / Action</u> Agreed.		
<u>Implementation Date</u> April 2020	<u>Responsible Officer</u> Quality Improvement Manager	<u>Grading</u> Important within audited area

2.5.10 All eight schools reported significant delays in receiving new or replacement Accord or Kidz Cards. Business Services advised that this was due to a failure in the process which transferred card request data to Business Services. The Service further advised that resources had now been assigned to address the backlog. A recommendation is included to track progress.

<u>Recommendation</u> Business Services should ensure that requests for new and replacement cards are processed timeously.		
<u>Service Response / Action</u> Agreed.		
A technical issue preventing the receipt of new / replacement card requests from users has now been resolved. The processing of applications for secondary school replacement cards and new user cards and primary school replacement cards has recommenced and the backlog of applications has been processed. There remain some primary schools who await new applications to be processed and a temporary solution has been implemented to allow pupils to order meals in school. The outstanding applications will be processed as soon as possible		
<u>Implementation Date</u> April 2020	<u>Responsible Officer</u> Business Services Manager	<u>Grading</u> Important within audited area

2.6 Procurement

- 2.6.1 Goods and services required by the Service are ordered through the PECOS procurement system. Only Cooks in Charge and their assistants should have access to PECOS. They should only order from a restricted catalogue of approved suppliers and products and have a set budget which is regularly reviewed by the Catering Advisor and Catering Manager. Non-catalogue or orders for over £1,000 are automatically sent to the Catering Manager for review and approval. Each user is associated with the relevant cost centre for their school. However, in some cases a default cost centre is being used instead, which is the first school on the list, Aberdeen Grammar. When invoices were reviewed during audit testing (discussed further below) two of the three selected for Aberdeen Grammar should have been allocated to a different school's cost centre. The Service does not currently regularly review cost centres for such mis-codings.

Recommendation

The Service should review spend allocated to cost centres to ensure that this has been carried out correctly.

Service Response / Action

Agreed. The Service will develop a Work Instruction for all Cooks in Charge to ensure that the correct cost centre is applied for each and every order.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited area

- 2.6.2 The Catering Advisor carries out quarterly audits of compliance with British Standards Institution (BSI) quality standards to maintain the Service's ISO 9001 Quality Management accreditation. This includes reviews of purchasing records to confirm that all goods have been procured following procedure. Where non-compliance is identified an investigation is carried out by a Catering Team Leader who is not responsible for supervising the school, and a Corrective Action Request (CAR) form is completed with details of the discrepancies found and recommended actions. These forms are saved in the Catering Team's shared drive and the actions are followed up by the Catering Manager during regular team meetings.
- 2.6.3 When deliveries are made to kitchens the Cook in Charge should receipt them in PECOS with notes of any issues such as change in price, incorrect goods supplied, or unacceptable use-by dates. Invoices should be sent to the central Accounts Payable team in Marischal College and will be auto-matched and paid if they have been receipted and the invoice is within tolerance of the purchase order; a tolerance limit of £2.00 has been set up in the system, with the exception of goods from Brakes, where a limit of £50 is in place.
- 2.6.4 Spending over the last two financial years was reviewed by extracting data from the financial ledger. In five cases spending with an individual supplier exceeded the threshold for a competitive tender or was likely to exceed it over three years. In all five cases an appropriate contract or framework agreement was in place; these were reviewed in the Contracts Register system (BOrganised) and had been procured appropriately. However, the contract for fresh meat and fish appeared to have expired after an extension to January 2019.
- 2.6.5 25 invoices were reviewed to confirm that procurement guidance had been followed and that there were appropriate orders, receipted on delivery, with invoices paid for timeously. In all but one case purchase orders existed and had been raised and authorised before the invoice was paid. An invoice for beverage supplies, was not supported by a purchase

order and the invoice required authorisation from the Catering Manager before payment. Placing orders without purchase orders is a breach of Financial Regulations.

Recommendation

The Service should ensure that all purchases are made through PECOS and from catalogue suppliers wherever possible.

Service Response / Action

Agreed. The Service will ensure that all Cooks in Charge are aware that orders are required to be placed via PECOS and to approved suppliers.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited area

- 2.6.6 The orders were appropriate in nature and value and in all but one case goods had been receipted through PECOS on delivery. An order for fresh fruit and vegetables, had not been receipted on delivery and the invoice payment was delayed while the AP team requested this be carried out through PECOS.
- 2.6.7 Segregation of duties was observed, with invoices being received and processed for payment centrally whilst ordering and receipting of goods was carried out by Catering staff. Payments to suppliers were fully supported by approved invoices, and no duplicate payments were observed for the sample.
- 2.6.8 However, seven of the twenty-five, including the invoice for beverages in 2.6.5 and the order for fresh fruit and vegetables referred to in paragraph 2.6.6, were not paid within thirty days. Of the remaining five, three invoices were paid late after processing delays and two payments were delayed due to the payments system detecting a mismatch outwith the tolerance between the order and the invoice value, due to VAT not being accounted for correctly in the purchase order value raised. Where a payment date is not specified, the Council has thirty days from receipt of the invoice to pay, as required by the supplier contracts and the Late Payment of Commercial Debts (Interest) Act 1998, which allows suppliers to charge 'statutory interest' of 8% plus the Bank of England base rate. Failing to pay invoices timeously risks reputational damage and financial charges.

Recommendation

The Service should ensure invoices are paid timeously including reminding staff to account for VAT correctly and promptly receipt deliveries.

Service Response / Action

Agreed. A reminder will be issued to all Cooks in Charge to ensure that goods are receipted timeously, to allow invoices to be paid timeously.

Implementation Date

Implemented

Responsible Officer

Catering Manager

Grading

Important within audited area

2.7 Stock

- 2.7.1 Cooks in Charge are encouraged to order only what they need over the coming weeks to ensure that only the required type and amount of stock is held; menus are set centrally and cover the entire term to allow cooks to plan ahead, with recipes and quantities being specified in the "Day Books" provided by the Catering Manager. Cooks in Charge advised that they perform regular informal stock checks and rotate stock, moving the newest goods to the rear of the storage area, to ensure waste and obsolescence is minimised.

- 2.7.2 All food waste is disposed of through recycling bins provided as part of the Council food waste disposal contract. The cost of collections per school varies in line with the volume of waste produced. Data on the volume of waste collected is reported to the Customer Experience team by the Catering Service on a weekly basis and recorded by the team in a spreadsheet in the Catering Team shared drive for review. The Service advised the review is carried out a minimum of termly and at the commencement of each menu planning cycle, in order to identify any unusually large volumes of waste; this also assists in determining if menu items are unpopular and should not be provided in future.
- 2.7.3 An annual stock check is carried out at year end and recorded on template forms. Informal checks are carried out at the discretion of the Cook in Charge to confirm that goods are present in expected quantities and condition. The Service advised that there is currently no formal system in which to record stock movements and that time pressures would make more frequent formal stock checks a significant burden on kitchen staff, while the risk of theft is perceived by the Service as low, as Cooks in Charge order only what is needed in the short term, and the value of the stock held is relatively low (£83,000 as at 31 March 2019).
- 2.7.4 Financial Regulations require that each Chief Officer maintain, on a continuous basis, an inventory of equipment, furniture, information technology hardware and software, etc. While some school buildings are not owned by the Council, and inventories are held by the facilities management company, no inventories of kitchen equipment or furniture are held by the Service; the Service advised that as all their equipment is in daily use, loss or damage would be immediately noticed.
- 2.7.5 Finance intends to revise Financial Regulations so that there will only be one inventory held by the Council for equipment, furniture, fixtures and fittings. In advance of revised inventory governance arrangements being formalised, Facilities Management has agreed to put in place an inventory for kitchen and servery equipment in line with current Financial Regulations. A recommendation is included to track progress.

Recommendation

Inventories should be completed and maintained in line with Financial Regulations.

Service Response / Action

Agreed. Inventories for all equipment over the value of £1,000 will be completed for each school kitchen and servery.

Implementation Date

July 2020

Responsible Officer

Catering Manager

Grading

Important within audited area

2.8 Budget Monitoring

- 2.8.1 The Facilities Manager receives monthly budget monitoring reports from Finance. These are passed to the Catering Manager for use during regular budget monitoring within the Service. The Service maintains detailed spreadsheets of catering expenditure by schools, which are populated from reports run from the purchasing system (PECOS) by the Catering Advisor, and discuss issues with Catering Team Leaders and school staff as they arise.
- 2.8.2 Budget monitoring meetings are held at least quarterly between the Service, represented by the Facilities Manager and other Catering staff, and Finance. Reports and minutes for 2019 were reviewed and detailed with appropriate actions being allocated and followed up.

2.8.3 The most recent full budget monitoring report available was for August 2019. The Service budget for the year is approximately £14.12m and the forecast outturn as at end August 2019 was £14.79m, a variance of £67,000, which is attributed to overspends on staff and premises costs and under-recovery of customer receipts. The issues were discussed at the meeting between the Service and Finance and actions were assigned to address them.

AUDITORS: D Hughes
A Johnston
L Jarvis

Appendix 1 – Grading of Recommendations

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2012
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2012 – Customer Access Points and Service Centre
REPORT NUMBER	IA/AC2012
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Customer Access Points and Service Centre.

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 Customer Access Points and Service Centre.

3.2 Management Comments

- 3.2.1 This audit has been useful in providing reassurance that there is good practice in place with regards to cash collection, whilst identifying where improvements can be made. The Chief Officer – Customer Experience is fully supportive of the recommendations and has already taken action to implement many of them.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Internal Audit report AC2012 – Customer Access Points and Service Centre.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Customer Access Points and Service Centre

Issued to:

Andy MacDonald, Director of Customer Services
Jacqui McKenzie, Chief Officer – Customer Experience
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Allan MacCreadie, Customer Service Operations Manager
External Audit

EXECUTIVE SUMMARY

The Council has three Customer Access Points (CAPs): Mastrick, Kincorth, and Woodside and a Customer Service Centre (CSC) at Marischal College. Each processes income from a number of sources including Council Tax, Business Rates, Housing Rents, and sundry debtors, using the Civica Icon Cash Receipting System. During 2018/19, £25.7 million was processed through the CAPs and CSC, relating to approximately 154,000 transactions.

The objective of this audit was to provide assurance over procedures in operation relating to a sample of cash collection locations. This included consideration of whether all income sources and income handling procedures are adequately controlled and completed. In general, this was found to be the case, with sample income collected at each of the offices visited as per the cash receipting system agreeing to the financial ledger and Council's bank account, whilst cash up differences since April 2019 have been minor. Recommendations have been agreed with the Service to improve cash collection procedures and controls as detailed below.

The Customer Access Points and Customer Service Centre are equipped with panic alarms in the event of staff being threatened by a member of the public. A scheduled fortnightly panic alarm test is carried out at the Marischal College CSC, however the CAPs do not have a regular schedule for testing. The Service has agreed to establish a testing schedule for all CAPs to address this.

The Marischal College safe is used by other Council Functions to hold prepared bankings for uplift by the cash collection contractor. In addition, Marischal College CSC staff are required to transfer cash from the till to the safe when it reaches £300, for security purposes. No record is maintained of these transfers other than CCTV footage held for 28 days. The Service has established a transfer schedule to improve the audit trail for cash transfers.

Each of the safes in the CAPs / CSC are different and have different insurance ratings. This rating indicates the level of security and the maximum amount of cash that an insurance company will cover if stored in the safe overnight. An analysis of income collected showed that insurance limits for Woodside and Kincorth CAPs were regularly exceeded while the Customer Service Centre at Marischal College safe limit had been exceeded also but less frequently. The Service has agreed to carry out a risk assessment of the safes in conjunction with the Council's Insurance Officer.

The 2017 Money Laundering Regulations require relevant organisations receiving cash to conduct a money laundering and terrorist financing risk assessment, the outcome of which will affect the need for "customer due diligence" checks, to verify the identity of customers. The Council's money laundering policy reflects these requirements and requires Clusters to carry out money laundering risk assessments and put in place appropriate measures, such as customer due diligence checks, where required. No such risk assessments had been carried out and Governance has agreed to ensure that each Cluster completes them.

The Council's Cash handling procedure and on-line training in relation to money laundering had not been updated to reflect the requirements of the money laundering policy, at the time of the audit. The cash handling procedure has since been updated and Governance has agreed to update the online course.

1. INTRODUCTION

- 1.1 The Council has three Customer Access Points (CAPs) at Mastrick, Kincorth, and Woodside, and a Customer Service Centre at Marischal College (Customer Points). Each processes income from a number of sources including Council Tax, Business Rates, Housing Rents, and sundry debtors, using the Civica Icon Cash Receipting System.
- 1.2 During 2018/19, £25.7 million was processed through the CAPs relating to approximately 154,000 transactions; a full breakdown can be found in Appendix 2. Within the current financial year to 30 September 2019, £12.1 million, has been collected relating to some 74,000 transactions.
- 1.3 The objective of this audit was to provide assurance over procedures in operation relating to a sample of cash collection locations. This included consideration of whether all income sources, income handling procedures, and inventories are adequately controlled and completed. During the audit, each of the CAPs were visited.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer Experience and Allan MacCreadie, Customer Service Operations Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff; important in the event of an experienced employee being absent or leaving.
- 2.1.2 Customer Access Points and the Customer Service Centre have basic cash handling and security procedures along with a clear and comprehensive user manual for the cash receipting system. These procedures are available electronically on a shared network drive. The administrative procedures do not cover the complete processes followed in each CAP / the CSC, e.g. refunds, recording corrections, procedures in event of a robbery, procedures in event of an evacuation. To ensure staff have accessible procedures covering the expected processes within CAPs / the CSC the current procedures should be reviewed and enhanced.

Recommendation

The procedures manual covering all CAPs / the CSC should be reviewed and enhanced to cover all processes.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.2 Office Security

- 2.2.1 The security arrangements at each of the offices visited was reviewed to establish the level of control in operation over access to the offices, safes and key holding arrangements, alarm systems, and cash handling procedures.
- 2.2.2 The risk of harm to Customer Service Advisors has been assessed for all CAPs and the CSC. Appropriate controls are identified to mitigate this risk including: the use of panic alarms; making telephones readily accessible to staff; "buddying" for staff with known difficult customers; use of kiosks for most cash payments; and the installation of CAP / CSC desks with sufficient width between staff and members of public.
- 2.2.3 A scheduled fortnightly alarm test is carried out at the Marischal College CSC. However, the CAPs do not have a regular schedule in place for testing. Regular testing provides assurance that the alarms will work when required.

Recommendation

Panic alarms should be tested on a specific schedule, preferably at least monthly, and included in the procedures.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.2.4 During each of the visits the Auditor was requested to show identification before being allowed into the cash handling area.

2.3 Office Safes

2.3.1 All safes are out of the view of the general public in a separate secured location. None of the safes have a drop down compartment accessible by external cash collection contractor staff only. As a result, income prepared for banking is accessible by all staff with access to the safe.

2.3.2 Each safe is key operated and each has a spare key. The keys are held on the premises in a locked key cabinet in the same room as the safe. They remain there overnight while the cabinet key is held elsewhere in the building.

2.3.3 With the exception of the Marischal College safe, the only monies being held were the income awaiting banking and the change floats. Marischal also holds prepared bankings which have been submitted by other Council Functions for uplift by the cash collection contractor. While these monies are not signed for by Customer staff when placed in the safe, the "deposit" is recorded on the office's CCTV footage. However, images from this should be overwritten after 28 days meaning that any missing income would have to be identified within this period for evidence to be available of whether a "deposit" was made or not. There is a risk that this may not be the case resulting in a loss of audit trail.

Recommendation

The Service should ensure that an adequate audit trail is in place relating to all deposits in the safe.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.3.4 On uplift, the cash collection contractor scans the deposit bags and provides an electronic receipt for the totals recorded on the bag. This is signed by the contractor and CAPs / CSC staff before being filed by the CAPs / CSC with the Icon reports relating to that banking. A review of receipts for uplifts in August 2019 confirmed that this was happening.

2.4 Insurance

2.4.1 Each of the safes in the offices are different and have different insurance ratings. This rating indicates the level of security and the maximum amount of cash that an insurance company will cover if stored in the safe overnight. The rating is determined by several factors including: resistance to being moved; thickness and strength of the walls and doors; the complexity of the lock and bolt mechanism; and, the general build quality.

2.4.2 The Council's current insurance limit for cash is £200,000 in a locked safe and in the custody or supervision of employees. However, this is reduced based on the rating of the safe. Within the computerised cash kiosks (explained further in section 2.5.1) insurance cover is £15,000 during opening hours and £5,000 overnight.

2.4.3 The Woodside and Kincorth safes are rated at £6,000 while Marischal and Mastrick are rated £35,000. An analysis of income collected in the period April to September 2019 was carried out for all offices, and it was confirmed that insurance limits for Woodside and Kincorth were regularly exceeded while Marischal had been exceeded on three occasions.

Recommendation

A risk assessment of the safes should be carried out in conjunction with the Council's Insurance Officer.

Service Response / Action

Agreed. A meeting has been planned with the Council's Insurance Officer to discuss current insurance requirements and complete a risk assessment.

Implementation Date

March 2020.

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.5 Cash Received Income

2.5.1 CAPs / the CSC have two ways of accepting income: automated kiosks or Customer Service Advisors (CSAs). A breakdown of how each office processes their income is as follows:

Office	Kiosks	CSAs (max)	Accepted by CSA
Marischal	2	4	Cash & cheque
Kincorth	1	2	Cheque
Mastrick	2	2	Cheque
Woodside	0	2	Cash, cheque & card

2.5.2 The kiosks are emptied by CAPs / CSC staff and balanced to a cash receipting system report of income for the day. The value is recorded on a bank pay in slip and placed in the contractor banking bags and sealed. The sealed bags are then placed in the office safe to await uplift by the contractor. Income paid directly to the CSAs is balanced to an Icon end of day report and then processed for banking in the same way, but separately from the kiosks.

2.5.3 During audit visits the cashing up process was observed from emptying kiosks and cash drawers through to completing the cash deposit process. In each occasion the monies

per the Icon cash receipting system or kiosk system balanced to the monies being banked.

- 2.5.4 Income collected for the week ending 30 August 2019 at each of the offices visited agreed to cash receipting system reports, kiosk end of day reports, bank pay in slips, bank account credits, and the financial ledger.
- 2.5.5 During the period April to September 2019 there were 5 cash up errors totalling £338 (where cash collected did not agree to system totals) across the four collection offices, relating to both kiosks and CSA. No particular pattern relating to staff was identified.
- 2.5.6 Procedures require that any cash difference is reported to a tier 3 officer / team leader before reporting the cash up balance, in order to investigate how the discrepancy occurred. Discrepancies over £50 should also be reported to the Customer Services Operations Manager for further investigation. Of the five differences, two exceeded £50 and related to known Icon system issues.
- 2.5.7 Procedures require that when the cash in the till reaches £300 it should be transferred into the safe. No record of these transfers is maintained, but the safe is monitored by CCTV. There is therefore no way to review whether this procedure is being complied with. Recording transfer details, and requiring these to be authorised, would help ensure cash held in drawers is limited in line with procedures. The Icon system also provides a partial cash up process for such transfers, but this is currently not being used.

<u>Recommendation</u>		
The Service area should introduce a cash drawer to safe cash transfer record or make use of the Icon partial cash up process.		
<u>Service Response / Action</u>		
Agreed		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Customer Service Operations Manager	Important within audited area

2.6 Refunds / Corrections

- 2.6.1 There are occasions where a Customer Service Advisor may process a payment inaccurately or a customer may change their mind after the transaction has been finalised, (eg paid into CTax instead of rent, paid by cash then changed mind and want to pay by card). In such instances a reversal will be processed and the correct transaction input. The correction will therefore show as a payment going out of the system against the method of payment being corrected, i.e. cash, cheque, credit or debit card. Refunds, where a repayment to the customer will not correspond directly to income being collected at the same time, is recorded on Icon in the same way as a correction. It is therefore reliant on the CSA to record a suitable narrative against both corrections and refunds to allow reasons for the transaction to be reviewed subsequently.
- 2.6.2 In the period 1 April to 30 September 2019, eighty seven different members of staff processed 1,460 transactions totalling £206,828 as correction / refunds, split over the following repayment methods:

	Transactions	Value
Cash	58	£6,271.00
Cheque	112	£106,032.82
Credit Card	360	£29,352.39
Debit Card	<u>930</u>	<u>£65,171.97</u>

Recommendation

- a) The Service should consider pre-set narratives to differentiate refunds from corrections and customer CSA errors.
- b) The Service should extract and analyse payments going out of the Icon system on a regular basis

Service Response / Action

- a) Agreed. An agreed specific narrative will now be distributed amongst cash handling staff.
- b) Agreed. Icon reports have been created for quarterly management analysis.

Implementation Date

- a) Implemented
- b) Implemented

Responsible Officer

- Customer Service
- Operations Manager

Grading

- Important within audited area

2.6.4

One set of refunds relating to laundry card balances is only processed at Woodside (30 transactions totalling £842.50). This appears to be a localised agreement with Housing as all other areas require such cards to be refunded via Housing. It was confirmed with Housing that there is no back office system that retains details of the value held on the cards issued to tenants. There is, therefore, no way to confirm the value refunded against the actual balance held on the card. If such refunds are to continue, then a procedure needs to be put in place to substantiate the balance on the card matches the refund issued.

Recommendation

The Service should introduce a process that confirms the value of such refunds matches the balances on the card.

Service Response / Action

Agreed. The local agreement is no longer in use and all refunds will be processed in line with other CAPs / the CSC via accounts payable.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Important within audited area

2.7 Cash Floats

2.7.1 Tier 3 and Team Leaders carry out regular random checks on cash floats at each of the offices, this ensures a good level of internal checking to ensure that floats are not being misused in any way. During site visits, cash floats were checked and compared with the relevant balance sheet codes. All the floats being held matched the financial ledger.

2.8 Money Laundering Regulations

2.8.1 Although local authorities are not directly covered by the requirements of the Proceeds of Crime Act 2002 or the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the Regulations), the Chartered Institute of Public Finance and Accountancy (CIPFA) advises that local authorities should comply with the underlying spirit of the legislation and regulations. The legislation and regulations are in place to help ensure that proceeds from crime are not passed through legitimate organisations' cash collection systems as a means of "laundering" those monies to prevent

detection of their origins. The regulations require relevant organisations receiving cash to conduct a money laundering and terrorist financing risk assessment, the outcome of which will affect the need for “customer due diligence” (CDD) checks, to verify the identity of customers.

- 2.8.2 The Council approved its Anti-Money Laundering Policy in June 2019. The policy is intended to ensure that the Council and its employees comply with Anti-Money Laundering legislation and that appropriate risk-based action is taken to prevent, wherever possible, the Council from being used as a vehicle to launder money. The Policy requires that *“Individual Clusters must assess the potential for their service delivery being used as a potential money laundering vehicle and include in their risk register as appropriate...In the event that the Cluster identifies that there is a substantial risk, then the Chief Officer must put in place suitable processes and systems for ensuring that controls, including customer due diligence, are in place to identify money laundering activities.”* At the time of the audit this had yet to be completed.

<u>Recommendation</u>		
Governance should ensure that each Cluster assesses the potential for their service delivery being used as a potential money laundering vehicle.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2020	Assurance Manager and Corporate Investigation Lead	Significant within audited area

- 2.8.3 The Policy states *“there is no single flag which would identify money laundering, however, the following may, in some cases, be an indication of money laundering activity”*. The first of these indicators is cash payments over £5,000. Testing of all cash transactions processed through the Icon system between 1 April and 30 September 2019 found that only one payment exceeded this amount (business rates - £10,210), processed on the 27 September 2019 at Marischal College. As the current procedures do not include any requirements relating to due diligence, no identity checks were carried out.

- 2.8.4 All CAPs / CSC staff are required to complete the OIL course Anti-Money Laundering – A guide for frontline staff. A review of the course found that although generally accurate it was now out of date based on the current legislation and also the revised Council policy.

<u>Recommendation</u>		
a) Procedures in relation to large cash payments should be formalised.		
b) The OIL course should be reviewed and updated as appropriate.		
<u>Service Response / Action</u>		
a) Agreed.		
b) Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) Implemented	a) Customer Service Operations Manager	Significant within audited area
b) March 2020	b) Solicitor	

2.9 Inventories

- 2.9.1 Financial Regulations require that each Chief Officer maintain, on a continuous basis, an inventory of equipment, furniture, information technology hardware and software, etc, however, CAPs have not been maintaining such a record.
- 2.9.2 Finance intends to revise Financial Regulations so that there will only be two inventories held by the Council: one for Information Technology (hardware and software) to be maintained by the Chief Officer – Digital and Technology, and one for equipment, furniture, fixtures and fittings to be maintained by the Chief Officer – Corporate Landlord. A recommendation is included for tracking purposes.

Recommendation

Inventories should be completed and maintained.

Service Response / Action

- a) IT inventory – Agreed. The IT (hardware and software) inventory is currently maintained within an IT database and Service Now. A process is currently underway to transfer all IT assets into Service Now and to use network updates to automate updates of IT asset location and user for the purposes of ensuring inventory data remains current.
- b) The Chief Officer – Finance in consultation with the Chief Officer – Corporate Landlord will review the inventory arrangements outlined within the Financial Regulations and design a new process for the management of inventories.

Implementation Date

a) December 2020 (update Service Now)

b) June 2020

Responsible Officer

b) Digital Operations Manager

b) Chief Officers – Finance and Corporate Landlord.

Grading

Important within audited area

AUDITORS: D Hughes
A Johnston
G Flood

Appendix 1 – Grading of Recommendations

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

Appendix 2 – Analysis of Transactions in Financial year 2018/19

	KIOSKS								CSA (including Woodside) #		Total	Total
	Marischal		Kincorth		Mastrick		Tillydrone *		No	£	No	£
Method of Payment	No	£	No	£	No	£	No	£	No	£	No	£
Refunds									116	-253,152	116	-253,152
Cash	18,982	1,455,639	5,285	446,558	20,434	1,930,404	1,649	121,390	19,518	1,972,647	65,868	5,926,638
Credit Card	2,472	197,255	352	20,537	496	41,707	100	6,318	2,887	24,091	6,307	289,908
cheque									20,312	11,271,268	20,312	11,271,268
Debit Card	17,686	2,515,574	3,885	594,153	8,186	1,308,935	1,351	213,330	30,322	3,791,420	61,430	8,423,412
Postal Order									15	747	15	747
Grand Total	39,140	4,168,468	9,522	1,061,248	29,116	3,281,046	3,100	341,038	73,170	16,807,021	154,048	25,658,821

* The Tillydrone kiosk was relocated to Mastrick in October 2018 resulting in Mastrick having two kiosks from that point.

Customer Service Advisors work across all CAPs.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2023 – Timesheets & Allowances
REPORT NUMBER	IA/AC2023
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Timesheets & Allowances.

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 Timesheets & Allowances.

3.2 Management Comments

- 3.2.1 The Chief Officer – Customer Experience is in agreement with the recommendations of this report and has already taken action to resolve many of the matters raised. It is welcomed that the report acknowledges that when new organisation-wide systems are introduced that all staff involved will take time to adapt to new processes being implemented during this period of transition. The audit has been a supportive and useful process to raise awareness to the wider business of the importance of the issues raised in the 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
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Internal Audit report AC2023 – Timesheets & Allowances.

10. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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Internal Audit Report

Timesheets and Allowances

Issued to:

Andy MacDonald, Director of Customer Services
Steven Whyte, Director of Resources
Jacqui McKenzie, Chief Officer – Customer
Isla Newcombe, Chief Officer – Organisational Development
Mark Reilly, Chief Officer – Operations and Protective Services
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Andrea Garden, Team Leader (HRSC & Payroll)
External Audit

EXECUTIVE SUMMARY

The objective of this audit was to review a sample of timesheets to ensure that they had been completed and paid correctly.

In most cases timesheets had been completed correctly. Where errors have been made in the completion of timesheets, these should be identified by the officer approving them for payment. Where they are not identified, it suggests that appropriate scrutiny is not being applied. The move to on-line timesheets should resolve any underlying issues and reduce the risk of further errors being made in this regard in the future. However, three of the more significant errors identified related to one establishment and Customer Experience has met with management at that location to provide guidance.

During the review, twelve errors were identified in the input of hours being claimed by employees to the new payroll system, compared with one during the previous review. In addition, a number of ledger coding errors were identified. Each of these is being addressed by Payroll. Input errors impact on individuals' pay, affect the allocation of costs in the financial ledger, and result in corrections having to be made which is inefficient. Customer Experience has noted that the payroll system is new to staff and there are new processes to follow and has agreed to provide additional or refresher training to those staff who are responsible for the input of timesheets.

In addition to the above, a number of issues were identified with the payment of additional holiday pay. These related to the categorisation of hours between Regular and Irregular on timesheets, an error being made in the parallel run of payrolls in April 2019 resulting in overpayment of holiday pay against an allowance which doesn't attract such payments, and the holiday pay element not being attached to some individual employees resulting in payments not being made. Customer Experience is working to address the issues identified.

The Council's Financial Regulations require that a list of officers appointed by Directors to authorise payroll information be prepared and maintained within each Function and that these be submitted to the Chief Officer – Customer Experience or their authorised officer. This is not currently being done and there were also issues with some timesheets being processed for payment that had not been signed as authorised. Customer Experience has agreed to address these issues.

1. INTRODUCTION

1.1 Council employees under Equal Pay & Modernisation terms and conditions are paid for any hours worked as part of their contracted hours at plain time (normal hourly rate). Contracted hours are paid automatically having been set up on the payroll system whilst additional hours and enhancements have to be claimed on a monthly timesheet, or by direct input to the YourHR System.

1.2 Work in excess of an employee's contracted hours is paid as follows:

- Where the employee is contracted to work less than 37 hours per week, additional hours up to 37 hours per week are paid at plain time. Any hours over 37 hours per week, unless part of an agreed rota where the average weekly hours are 37 hours or less, are defined as overtime.
- Where an employee is contracted to work over 37 hours per week (this can be up to 45 hours per week), all hours over the employee's contracted hours (except where this is part of an agreed rota where the average weekly hours covering the rota period are below the employee's contracted hours) are considered to be overtime.
- Overtime is paid at the rate of time and one half. However, for employees paid above Grade 12, overtime payments are restricted to the flat rate equivalent of the top point of Grade 13.

1.3 Where additional hours / overtime is considered to be "regular" the payment made attracts an additional holiday entitlement of 8.3%.

1.4 Certain hours that are not paid at the overtime rate attract a non-standard working week enhancement:

- Hours worked between 2000 and 0700, Monday to Friday attract an enhancement of one third.
- Hours worked on a Saturday and Sunday attract an enhancement of 40%.

This Allowance is either paid automatically based on rotas that were migrated from the old to new payroll systems or by timesheet.

1.5 Casual Workers are paid all of their hours at the basic hourly rate for the job undertaken. An additional 12.07% of the hourly rate for each hour worked up to 37 hours per week is paid in respect of the workers entitlement to annual leave. These workers are not employees of the Council and there is no 'mutuality of obligation' to offer or accept work.

1.6 Employees providing the Out of Hours Service in Social Work do not claim the enhancements for unsocial hours. They are, instead, paid a composite rate of 25% on all hours worked in lieu of the non-standard working time allowances. This was approved by the Corporate Policy and Performance Committee in December 2011.

1.7 Craft Workers have a separate set of Terms and Conditions, which are currently under review. These were not covered in this audit.

1.8 The objective of this audit was to review a sample of timesheets to ensure that they had been completed, authorised and paid correctly. This was undertaken in the form of a "desk top" exercise, reviewing a sample of timesheets that had been paid in June 2019 for reasonableness (without initial reference to supporting documentation held by Services) and, where appropriate, seeking further information from Services to support and justify the hours being claimed. Due to delays in Internal Audit being provided with access to the payroll system, resulting from delays in setting up a secure login for Audit

purposes on the new payroll system, a further small sample of payments made in the September 2019 payroll was also tested.

- 1.9 The factual accuracy of this report and action to be taken with the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer, Jonathan Belford, Chief Officer – Finance, Isla Newcombe, Chief Officer – Organisational Development, Mark Reilly, Chief Officer – Operations and Protective Services Operations, and Andrea Garden, Team Leader (Payroll & HRSC).

2. FINDINGS AND RECOMMENDATIONS

2.1 Review of Timesheets

2.1.1 To establish compliance with the Council's terms and conditions, timesheets relating to payments made to 150 employees in June 2019, were examined. A further sample of 20 timesheets paid in September 2019 and 20 payments from each of the spreadsheets that were uploaded to the payroll system in June 2019 in relation to Roads and Waste Services employees were also tested. Whilst most timesheets appeared to be completed appropriately some were queried with authorising officers and / or People and Organisation / Payroll for a number of reasons and the outcomes are detailed below.

2.2 Errors in Timesheet Completion

2.2.1 During the review, six errors were identified where the employee claiming the hours had completed the timesheet incorrectly, compared to seven in the previous audit of this area completed in August 2018. Details of these are shown in Appendix 1, which also shows the actions taken by Payroll to rectify the situation.

2.2.2 Where errors have been made in the completion of timesheets, these should be identified by the officer approving them for payment. Where they are not identified, it suggests that appropriate scrutiny is not being applied. The move to on-line timesheets should resolve any underlying issues and reduce the risk of further errors being made in this regard in the future. However, three of the more significant errors identified related to one establishment. There may be a training need that needs to be addressed.

Recommendation

Customer Experience should work with management at the identified establishment to ensure that timesheets are completed accurately.

Service Response / Action

Agreed. The Payroll Team has sent an email with the Local Pay and Conditions of Service to the relevant establishment explaining that an overpayment is currently occurring with the timesheets and has subsequently met with the line Manager to provide further training.

Implementation Date

Implemented

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited area.

2.3 Errors in Data Input

2.3.1 During the review, twelve errors were identified in the input of hours being claimed by employees to the new payroll system, compared with one during the previous review. Details of these are shown in Appendix 2, which also shows the actions taken by Payroll to rectify the situation. In addition, a number of ledger coding errors were identified – see Appendix 2 and paragraph 2.13.6, below.

2.3.2 Input errors impact on individuals' pay, affect the allocation of costs in the financial ledger, and result in corrections having to be made which is inefficient. Whilst the move to on-line timesheets should resolve any underlying issues and reduce the risk of input errors being made in the future, the Service should determine what can be done to improve data input accuracy in the meantime.

Recommendation

Customer Experience should determine what can be done to improve data input

accuracy.		
<u>Service Response / Action</u>		
Agreed. It should be noted that payroll system is new to staff and there are new processes to follow. However, additional or refresher training will be provided to those staff who are responsible for the input of timesheets.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Significant within audited area.

2.3.3 Some of the input errors resulted in significant (in terms of employee's normal pay) overpayments. None of the employees contacted Payroll to advise that they had been overpaid.

<u>Recommendation</u>		
The Chief Officer – Customer Experience should ensure that all employees are aware of their contractual responsibility to inform payroll of any overpayment of wages.		
<u>Service Response / Action</u>		
Agreed. The Chief Officer – Customer Experience has issued a communication to Chief Officers reminding all managers and employees about their responsibility to inform Payroll of any overpayment.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented.	Chief Officer – Customer Experience	Significant within audited area.

2.3.4 When additional hours are paid in April, the rate of pay for the previous year is correctly applied to those hours. However, where additional hours which were worked before April were paid in June 2019, they were paid at the current year's rate of pay. Although the actual amounts were not material, if an employee submitted timesheets for a lot of hours, the amount would be more material.

<u>Recommendation</u>		
Customer Experience should determine what can be done to ensure that hours claimed are paid at the correct rate.		
<u>Service Response / Action</u>		
Agreed. This will be covered in the training referred to at 2.3.2 to remind those inputting the data that they must change the date where the timesheet is for a previous month.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Important within audited area.

2.4 YourHR Timesheet Data Input

2.4.1 Data input to YourHR is downloaded into a spreadsheet which is then uploaded to CoreHR. The Service has confirmed that there is a reconciliation of the number of records transferred from YourHR to CoreHR and that CoreHR highlights any leavers. Specific testing on this will be undertaken by Internal Audit in an audit of the Payroll System.

2.5 Roads and Waste Services

2.5.1 Roads employees record all their hours on a Roads Service – Weekly Timesheet. The

job that they are working on is recorded along with the time spent, split between basic and overtime hours. The overtime hours are then transferred to a spreadsheet which is sent to Payroll, where the data is uploaded to the Payroll System. Testing undertaken during this audit confirmed that the data contained in the May 2019 spreadsheet was accurately recorded in the Payroll System for the June 2019 payroll, and that a sample of entries were supported by timesheets that had been signed by both the employee making the claim and by an officer approving it for payment.

2.5.2 Waste Services employees overtime is recorded on a daily timesheet per crew. This is only signed by one of the employees detailed on the timesheet (compared to other timesheets which cover only one employee and are signed by them) and then initialled as certified. The data is then entered into a spreadsheet which is forwarded to Payroll for upload into the Payroll System. Testing undertaken during this audit confirmed that the data contained in the May 2019 spreadsheet was accurately recorded in the Payroll System for the June 2019 payroll.

2.5.3 In compiling the spreadsheet, one timesheet entry for 0.50 hours was incorrectly input as 2.5 hours and one entry for 0.25 hours was paid to the wrong employee. The Service agreed to adjust these errors in their next submission to Payroll. Although the identified errors are small, the level of manual intervention gives rise to a risk of error which, as the spreadsheet submitted for payment is not authorised (see below), may not be identified. Customer Experience has advised that there are no current plans to move these employees onto the CoreHR online overtime functionality.

2.6 Authorisation

2.6.1 Timesheets are required to be signed by the employee making the claim, whereby they state that *“I confirm that the hours were worked by me and that prior approval by the appropriate officer was obtained. I confirm that the hours have been claimed at the correct rate.”* The timesheets then have to be authorised for payment by the appropriate manager who states that *“I confirm that the hours have been claimed at the correct rate and are due for payment.”* There is a slight variation in the wording on the Casual Workers Monthly Timesheet. However, there are no such declarations on Roads or Waste Services timesheets, the latter of which can cover several employees with only one signing the form.

2.6.2 The Council’s Financial Regulations state that time records shall be in a form prescribed or approved by the Chief Officer – Customer Experience and / or the Chief Officer – Finance. The current timesheets have been in use for a number of years but it is unclear whether they have been approved as required by Financial Regulations

<u>Recommendation</u>		
Timesheets currently in use should be formally approved for use by the Chief Officer – Customer Experience and / or the Chief Officer – Finance.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
February 2020	Business Services Manager	Significant within audited area.

- 2.6.3 Financial Regulations require that all requests and / or information relating to pay information, whether in paper or electronic format, be authorised by an authorised signatory, and state that no pay related documentation shall be processed unless authorised by an authorised signatory.
- 2.6.4 Approximately 1,200 physical timesheets were processed into the June 2019 payroll. These were examined and the following was identified:
- 19 timesheets had not been signed by the employee making the claim. 11 of these had been signed on behalf of the employee, signified by the letters “pp” being inserted before the signature.
 - 25 timesheets had not initially been signed as approved for payment. 13 of these were returned by to the employing service area and were subsequently signed as approved before payment. 5 had been signed on behalf of an authorising manager, signified by the letters “pp” being inserted before the signature. 7 had been processed and paid with no authorising signature.
- 2.6.5 Whilst, in percentage terms, the numbers are low, it is important that officers making claims sign the timesheet so that they are accountable for what they have claimed and that they are authorised for payment by an authorised signatory in accordance with the requirements of the Council’s Financial Regulations.
- 2.6.6 As stated above, timesheets relating to Roads and Waste Services employees are collated on a spreadsheet by the employing service area and these are forwarded to Payroll to be uploaded into the Payroll System. The spreadsheets are not signed by, or forwarded to payroll from the email account of, an authorised signatory. Therefore, Payroll has insufficient assurance that the details included in the spreadsheet are approved for payment.
- 2.6.7 Five Roads and five Waste Services employees were selected from the processed spreadsheets. All of the Roads timesheets had been signed as approved. There were 48 timesheets covering the overtime worked by the five sampled Waste Services employees (along with others detailed on the sheets). Eleven of these were not signed as certified by an authorised signatory meaning that 141.75 hours of overtime (approximately £2,500) were paid without the required authorisation, in contravention of the Council’s Financial Regulations.

Recommendation

- (a) Only timesheets that have been signed by both the claimant and an authorised signatory should be processed for payment.
- (b) Adequate evidence of approval for payment made by way of spreadsheet uploaded to the payroll system should be retained by Payroll.

Service Response / Action

- (a) Agreed. This will be covered in the training mentioned at 2.3.2, above.
- (b) Agreed. The Services sending spreadsheets will be contacted to advise them that adequate approval for the spreadsheet is required as part of the submission.

Implementation Date

February 2020

Responsible Officer

Business Services
Manager

Grading

Significant within audited
area.

- 2.6.8 The Council's Financial Regulations require that a list of officers appointed by Directors to authorise payroll information be prepared and maintained within each Function and that these be submitted to the Chief Officer – Customer Experience or their authorised officer. Internal Audit requested that the current authorised signatory lists held by Customer Experience be forwarded so that those signing timesheets could be confirmed as having the necessary delegated authority.
- 2.6.9 Two lists were returned: one for Children's Services dated June 2018 and an undated one relating to Communities, Housing and Infrastructure which contained names of officers who no longer work for the Council.
- 2.6.10 Based on the above, the requirements of Financial Regulations in respect of maintaining lists of authorised signatories are not being complied with.

<u>Recommendation</u>		
The Chief Officer – Customer Experience should ensure that up-to-date lists of authorised signatories are provided by each Function.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2020	Chief Officer – Customer Experience	Major at a Service Level.

2.7 Overtime Paid to Employees Paid Above Grade 12

- 2.7.1 As stated in paragraph 1.2, above, overtime payments for employees paid above Grade 12 are restricted to the flat rate equivalent of the top point of Grade 13. The previous payroll system dealt with these payments automatically. However, CoreHR does not do so. In view of this, Payroll has to run a specific query to identify all staff in this category who have claimed overtime and manually adjust the payroll. Having to do this is inefficient and increases the likelihood of errors.
- 2.7.2 Customer Experience has advised that they will investigate the possibility of configuring this process along with the overtime project, although there is currently no planned timeline for this.

2.8 Additional Holiday Pay

- 2.8.1 Where employees work additional hours / overtime / public holidays, and it can be demonstrated that their working arrangements in respect of such hours is undertaken on a regular basis, and therefore constitutes part of their normal pay, they are entitled to Additional Holiday Pay at a rate of 8.3%. Where such hours are not regular, additional holiday pay is not payable. Hours are claimed on timesheets as either "Regular" or "Irregular" to determine whether additional holiday pay is paid. Additional Holiday Pay is also payable on all stand-by payments, Mental Health Worker Allowance, and Registrars' Allowance as there is regularity to such payments. Casual workers receive 12.07% Additional holiday Pay on all hours worked up to 37 hours in a week.
- 2.8.2 In this respect, HR has previously issued the following Additional Holiday Pay guidance to Services:

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

- 2.8.3 Testing undertaken in previous audits identified that, whilst the majority of claims were being made correctly, there were occasions when staff were incorrectly claiming infrequent additional hours / overtime as Regular Hours and being paid Additional Holiday Pay. Conversely, some staff were failing to claim their additional hours / overtime against Regular Hours and were not being paid Additional Holiday Pay which they were entitled to. As a result, the above guidance was re-issued in order to make improvements with compliance. In addition, where additional hours / overtime is submitted to Payroll via YourHR, there is a “button” which provides a definition of “regular” which has to be chosen for Additional Holiday Pay to be made.
- 2.8.4 In response to a similar issue in Internal Audit report AC1909, issued in August 2018, the Service advised that implementation of the new CoreHR System was currently going through the testing phase and its capabilities regarding managing this aspect of payroll had yet to be explored. During this audit, the Service confirmed that, due to other priorities on the CoreHR project, the managing of this aspect of payroll has not yet been explored.
- 2.8.5 The results of testing in this audit have again identified similar issues to the above and it was also noted that all hours submitted by spreadsheet from Roads and Waste Services were set to be “Irregular” meaning that no Additional Holiday Pay is being made to these staff, despite many having regular claims for additional (overtime) hours.

Recommendation

- (a) Customer Experience should determine what can be done to improve accuracy in categorisation of additional hours claimed.
- (b) Roads and Waste Services should review their timesheet submissions to ensure that categorisation of hours is correct.

Service Response / Action

- (a) Agreed. As this is determined on a case-by-case basis, an email will be sent to all managers to remind them of the definition of Regular and Irregular in this regard.
- (b) Agreed. Operations and Protective Services will review timesheet submissions in conjunction with People and Organisation to ensure that they are appropriate and comply with Terms and Conditions.

Implementation Date

(a) February 2020

Responsible Officer

(a) Team Leader
(Payroll)

Grading

Significant within audited area.

(b) March 2020

(b) Chief Officer –
Operations and
Protective Services

- 2.8.6 One employee's pay for June 2019 included additional holiday pay of £2.69 against one of her posts where no additional hours were paid. This was queried with Payroll and the Service stated that they didn't know why this had been paid.
- 2.8.7 During testing it was identified that additional holiday pay had been calculated and paid on Non-Standard Working Week Allowance payments in the April 2019 payroll. Additional holiday pay was not paid on this allowance in previous or subsequent months.

<u>Recommendation</u>		
(a) Customer Experience should confirm why additional holiday pay was paid in these instances and identify whether other employees have been affected.		
(b) Where it is confirmed that additional holiday pay has been paid in error, this should be quantified and recovered.		
<u>Service Response / Action</u>		
(a) Agreed. A report will be created to find out if this issue has affected any other employees. During the parallel run in April 2019, an error was made in the configuration of the legacy system which resulted in the overpayment.		
(b) Agreed. The Payroll Team will review any payment adjustments required.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2020	Team Leader (Payroll)	Significant within audited area.

- 2.8.8 Three employees were identified in the sample tested where additional holiday pay was not paid in June 2019 for 4 additional regular hours, 14.90 and 30 relief hours respectively. The Service has confirmed that, in each case, the additional holiday pay or relief holiday pay element was not attached to the employee to trigger payment.

<u>Recommendation</u>		
Customer Experience should identify all affected employees and ensure that payments are made as appropriate.		
<u>Service Response / Action</u>		
Agreed. The Service will create a report to highlight any other non-payment of either of the elements listed above.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
April 2020	Team Leader (Payroll)	Significant within audited area.

2.9 Superannuation

- 2.9.1 Guidance on the North East of Scotland Pension Fund website regarding Pensionable Pay states that pensionable pay is an employees' normal pay and includes normal salary plus allowances, bonuses, and contractual overtime (but not other overtime).
- 2.9.2 In view of the above, Registrars Allowance was set up in the previous payroll system as pensionable pay as it is deemed to form part of normal pay for those in receipt. In the new payroll system, this is being treated as non-pensionable. The Service has confirmed that this was set up incorrectly in the new system and was not identified as part of testing undertaken. Customer Experience has confirmed that this element has now been amended and that affected employees have been contacted.

Recommendation

Customer Experience should ensure that all pay elements have been set up in the new payroll system correctly and that the treatment of each has been agreed with the North East of Scotland Pension Fund.

Service Response / Action

Agreed. All pay elements have been rechecked to ensure the appropriate application of pension payments. This was checked with the legacy system which had previously been checked with the NESPF.

Implementation Date

Implemented

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited area.

2.10 Working Time

- 2.10.1 The European Working Time Directive requires that employees receive certain rest breaks in and between their working hours. In general, although there are exceptions, if an employee works for continuous periods in excess of six hours, they should take a break of at least 20 minutes. Guidance relating to the Council's Working Time Policy states that a 30-minute break should be taken after 6 hours of work. The guidance goes on to state that whether such breaks are paid will depend on the terms of the employment contract. The timesheets for Casual Workers state that the minimum unpaid break if working more than six hours is 20 minutes.
- 2.10.2 During the 2015/16 and 2016/17 audits of Timesheets and Allowances, 18.5% and 7% of timesheets examined showed continuous periods in excess of six hours being recorded with no unpaid in-work rest break having been evidenced between the starting and finishing times recorded. This covered a range of staff in different Services. During the 2018/19 audit, following work having been undertaken by People and Organisation with Services, only timesheets relating to Children's Homes and the Aberdeen City Music School Halls of Residence showed continuous periods in excess of six hours being paid in full. People and Organisation advised that there may also be staff in the Criminal Justice Unpaid Work Service who are unable to take an unpaid in-work rest break.
- 2.10.3 When the 2018/19 audit was being completed in August 2018, People and Organisation were finalising arrangements in relation to these groups of staff which were to be included in revised Collective Agreements following implementation of the Target Operating Model. This work has not been concluded and a recommendation is made here to track progress.

Recommendation

People and Organisation should formalise arrangements regarding Working Time compliance in a collective agreement covering the affected employee groups.

Service Response / Action

Agreed. Arrangements will be made for a collective agreement to be compiled detailing the modifications and exclusions to the Working Time Regulations applying to specific groups of staff.

Implementation Date

September 2020

Responsible Officer

Policy and Advice Officer

Grading

Significant within audited area.

- 2.10.4 Regular monitoring of working hours in relation to the maximum of 48 hours per week over the appropriate reference period was agreed as part of Internal Audit report AC1705 (Roads Payroll). People and Organisation confirmed, as part of Internal Audit report AC1909, that this has been made the responsibility of managers who should be keeping

records of hours worked. As the Payroll System holds details of hours worked, it was recommended that the new Payroll system monitor working hours to ensure compliance with the 48-hour rule across the Council as it was considered that the control would be more robust and efficient if it could be digitised and would ensure a more consistent approach across the Council. The Service has confirmed that regular reports are now being produced and issued to Cluster contacts.

2.11 Non-Standard Working Week Allowance

- 2.11.1 Where staff work Non-Standard Working Week (NSWW) hours, ie between 2000 and 0700 on a weekday, or any hours at a weekend, they are entitled to payment of an enhanced rate. The additional payment made is 33% for the weekday hours and 40% for weekend hours. Where staff work such hours as part of a rota, they can be paid the additional allowances as a fixed element of pay so that they don't have to claim the enhancements on a timesheet. Whilst this is efficient in terms of processing, it does rely on People and Organisation and Payroll being advised of any changes to rotas so that adjustments can be made to fixed pay.
- 2.11.2 When this area was audited in 2016/17, there were 604 employees in receipt of a fixed NSWW Allowance each month, giving rise to payments of approximately £1 million per annum. Testing on a sample of 194 employees identified that 32% were being paid incorrectly. When tested again in the 2018/19 audit, significant improvements were noted but there were still errors and quarterly verification of the pre-set allowances had not been implemented as agreed. Due to the imminent change in payroll system, it was agreed that, as the replacement payroll system had rota management functionality, the Service would explore the full capabilities of monitoring this by December 2019, with verification of rotas being implemented from February 2020. In the meantime, there is a risk that rotas set up in the payroll system will not accurately reflect the working patterns of employees receiving the allowances.
- 2.11.3 During this audit it has been confirmed by Payroll that the rotas contained in the old system were migrated to the new one, meaning that any changes that had not been notified to Payroll would not be reflected in payments being made. Customer Experience has advised that they are currently exploring all options to allow managers to review employee rotas. Progress with this is being monitored by Internal Audit.

2.12 Standby and Disturbance Payments

- 2.12.1 Three employees contained in the sample of timesheets tested had been paid Standby Payments and one received Disturbance Payments. The documentation supporting these was obtained and the rates being paid were compared to COSLA Circular SJC-58 ("Salaries Agreement 1 April 2018 to 31 March 2021") and the Council's Local Terms and Conditions for Local Government Employees (August 2017) as updated for subsequent pay awards. The following issues were identified.
- 2.12.2 Where an employee is on standby for a complete week which includes a public holiday, an additional payment of £17.07 is payable in respect of the public holiday. One employee tested claimed separately for a public holiday that was included in a week on which he was on standby, and was paid an additional £52.57 (the rate for a public holiday not included in a complete week of standby is £26.28). As a result, the employee overclaimed and was overpaid £35.50 when compared to the COSLA rates. However, Payroll has confirmed that the rates paid are in accordance with the local agreement in place regarding public holiday payments and that they have discussed this with People and Organisation. In order to clarify what payments would be due, People and Organisation has agreed to update the Local Terms and Conditions, and Payroll is considering adding a new pay element to the system.

- 2.12.3 The same employee claimed for 3 disturbances whilst on standby. The rate payable for such instances in Circular SJC-58 is £14.52 per session. The payment made was £13.03 per session. Payroll has confirmed that the rate paid is the COSLA rate as at April 2013 which has not been updated by Payroll in line with subsequent pay awards. The rate has now been updated in the system and a report requested to determine amounts underpaid as a result.
- 2.12.4 One employee received payment for 6 Public Holiday Standby periods in the July 2019 payroll (regularly claims Sat / Sun Standby at £19.28 (x 6 = £115.68), paid £315.42). Payroll has confirmed that the claim related to Sat / Sun Standby and was processed in error as Public Holiday Standby. An overpayment letter is being sent to the employee to arrange recovery of the amount overpaid.

2.13 Other Payments

- 2.13.1 There are a range of pay elements through which employees can be paid. A majority of these relate to additional / overtime hours and enhancements on these. A sample of three payments made against each of the following sample of pay elements was tested to determine if the payments were appropriate and had been authorised:
- 2.13.2 Ex Gratia Payments. One payment related to a salary adjustment for higher grade duties that had not been processed timeously and the remaining two related to too many days being worked in the school year over a number of years. As these later two had a regularity to them, Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.
- 2.13.3 Misc. Payment 2 (not pensionable). Payments being made to two employees relate to regular additional hours being worked as a result of Pupil Equity Fund activities. As the hours are regular, Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.
- 2.13.4 The payment made to one employee was paid on the basis of an email. This stated that a number of employees were currently working for Finance on a casual basis to cover capacity issues arising in processing teams. Casual Worker timesheets are being completed by the employees and the number of hours transferred to a spreadsheet by Finance which calculates the amount to be paid based on various scale points on the grade for the work. Between April and September 2019, payments totalling £21,115 have been made but, because of the way they are being paid, Additional Holiday Pay of approximately £2,550, has not been paid.
- 2.13.5 It would be more efficient if the above employees were set up in the payroll system with casual worker posts relating to this work. The employees are also being paid at various points on Grade 9 as agreed between Finance and People and Organisation – casual workers are paid at the first point on a grade for the job.
- 2.13.6 The spreadsheet contains details of the ledger cost centre to be debited for this work. In the period from April to September, there were 57 payments made to 12 employees. 22 of these payments had been coded to the incorrect cost centre.

Recommendation

The Service should correct the mis-codings that have been made.

Service Response / Action

Agreed. These will be rectified through a journal posting to the E-Financial System.

Implementation Date

Implemented

Responsible Officer

Senior Development
Officer

Grading

Important within audited
area.

- 2.13.7 Misc. Payment 3 (pensionable). Payments being made for additional hours being worked by non-teaching staff as a result of Pupil Equity Fund activities. In two cases the hours are regular, so Additional Holiday Pay would have been payable in line with Regular Additional Hours being claimed.

Recommendation

(a) Customer Experience should ensure that, in the situations detailed above (paragraphs 2.13.2 to 2.13.7), employees are paid in accordance with the Council's Terms and Conditions.

(b) Customer Experience should ensure that the employees are paid any additional holiday pay to which they are entitled.

Service Response / Action

Agreed. Meetings will be arranged with the appropriate Managers to discuss the above issues and to determine the most appropriate way forward. Progress is being made with this and the issue at paragraph 2.13.4 has been resolved.

Implementation Date

June 2020

Responsible Officer

Team Leader (Payroll)

Grading

Significant within audited
area.

- 2.13.8 Payments made through Misc. Payments 3 are treated as pensionable whilst those made through Misc. Payments 2 are not. Payroll has advised that allocation of payments between these elements is based on the information provided on the payment request. Guidance on allocation is provided by the Senior Payroll Officer or Team Leader (Payroll).
- 2.13.9 Pay Protection. The three payments related to preservation of salary following redeployments that were effective in April and May 2019. The payments being made complied with Council Policy relating to Pay Transition Arrangements.
- 2.13.10 Pay Transition. The three payments were made following job matching exercises or successful redeployment trials in July and October 2018. Where an employee is matched to a post which has a lower salary than the one they were originally on, the Council's Pay Transition Arrangements effectively cap the employee's basic pay at their original pay, on a cash conservation basis, for the first six months and then at 50% of the difference between their original and new basic pay for the following six months. National pay awards will reduce the value of the transition payment which will cease if the new basic pay is increased above the original basic pay by a pay award. The payments made complied with Council Policy relating to Pay Transition Arrangements.
- 2.13.11 Offset. In the August 2019 payroll there were adjusting entries relating to 22.5 hours originally paid at £19.71 for one employee which should have been paid at £11.80. This resulted in a net pay of minus £172.12. To compensate for this, an "Adjustment Offset" of £172.12 is applied to the pay resulting in a net nil pay. The employee's next pay didn't have this amount deducted, but it was recovered from the subsequent payroll. An "Offset Adjustment" of £761.42 was paid in September 2019 for one employee. Payroll has

advised that an overpayment letter was sent to the employee on 4 September 2019 but no response has been received. An invoice will now be raised for this amount.

AUDITORS: D Hughes
G Flood

Appendix 1 – Errors in Timesheet Completion

- An employee totalled their timesheet as 21 hours but the detail only supported 20 hours. It was confirmed by the officer authorising the timesheet that an error had been made and the employee had overclaimed and been overpaid 1 hour in the June 2019 payroll. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.
- One employee completed their timesheet as follows:

TYPE OF OVERTIME CLAIMED	HOURS TO BE PAID AT TIME AND A HALF (17)	HOURS WORKED ON A PUBLIC HOLIDAY (Part of normal day)		HOURS WORKED ON A PUBLIC HOLIDAY OUTWITH NORMAL WORKING DAY (No time in LIEU) (24)	HOURS (Sat/Sun) TO BE PAID AT 40% (AD40)	HOURS (before 7am) TO BE PAID AT A THIRD (AD33)	ADDITIONAL HOURS TO BE PAID AT PLAIN TIME (65)	P/T EMPLOYEES Number of hours normally worked per week (*)
		PAID IN PLAIN TIME (Plus time in LIEU) (13)	PAID AT DOUBLE TIME (No time in LIEU) (14)					
Regular Hours* (RH)							18	
Irregular Non Sick Absence Hours (NI)								
Irregular Sick Absence Hours (SI)							✓(4)	

The 18 hours, which should have been in the right hand column as they relate to the employee's contractual hours, were input to the payroll system and paid in June 2019 instead of the 4 hours. Therefore, an overpayment of 14 hours plus additional holiday pay on 18 hours has been made. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.

- One employee submitted a timesheet for payment in the September 2019 payroll where 2 hours overtime were also included in the totals for hours to be paid at plain time and those attracting the weekend enhancement of 40%. The 2 hours have therefore been overpaid at a rate of 1.4. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- This same employee submitted a timesheet for payment in the August 2019 payroll where 6 hours overtime were also included in the totals for hours to be paid at plain time. 4 of the hours were also included in the total of those hours attracting the weekend enhancement of 40%. 4 hours have therefore been overpaid at a rate of 1.4, and a further 2 hours at plain time. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- A further employee at the same location submitted a timesheet for payment in the August 2019 payroll where 9 hours overtime were also included in the totals for hours to be paid at plain time. 7.5 of the hours were also included in the total of those hours attracting the weekend enhancement of 40%. 7.5 hours have therefore been overpaid at a rate of 1.4, and a further 1.5 hours at plain time. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020. In addition, an email has been sent to the employee's line manager highlighting the relevant pay and conditions and offering a meeting.
- One employee submitted a timesheet for May 2019 which was paid in June 2019. The timesheet was incorrectly totalled by half an hour (12.5 hours rather than 12) resulting in a small overpayment. A further 3 hours was also paid for which no timesheet could be located by Internal Audit. Payroll has confirmed that the employee has been advised and the overpayment will be recovered in January 2020.

Appendix 2 – Errors in Data Input

- One employee submitted two timesheets – one for 7.5 additional hours as a PSA and one for 15.75 relief hours as an Escort. Both have been input to the June 2019 payroll against the Escort post which is paid at a lower rate than the PSA post. The Service has confirmed that this was a keying error. Payroll has confirmed that the employee has been advised and the underpayment will be paid in January 2020.
- One employee as paid 164.75 additional regular hours in June 2019. This was made up of three entries: 74.5 + 45 + 45. Internal Audit located two timesheets each for 45 hours (which appear to be copies of each other) but couldn't locate the one for 74.5 hours. The Service has confirmed that the employee has been overpaid by 45 hours and has subsequently obtained a copy of the timesheets totalling 74.5 hours from the employing establishment. Appropriate adjustments will be made.
- An employee was paid for two timesheets in June 2019, one of which was for 3.5 relief hours working as an Escort. This was paid through her PSA contract as she only appears to have one contract set up. The rate of pay for a PSA is higher than for an Escort. The Service has confirmed that the employee should have been set up in a separate post. Payroll has confirmed that an appropriate relief post has now been set up and correcting adjustments will be made through the payroll in January 2020.
- The timesheet for one employee had entries of 9.5 and 1 additional hours. Only the 9.5 hours was input to the payroll system resulting in an underpayment of 1 hour in June 2019. Payroll has confirmed that the underpayment will be corrected in January 2020.
- One employee was paid 121.50 additional regular hours in June 2019. This was made up of two entries: 81.25 + 40.25. Internal Audit located one timesheet for 81.25 hours but couldn't locate the one for 40.25 hours. The Service has stated that the timesheet has been scanned badly and that documentation supporting the payment of 40.25 hours has subsequently been obtained from the employing establishment.
- One employee submitted three timesheets as a relief Early Years Practitioner. One of these, for 46.25 hours, was input to the June 2019 payroll against her post as a Pupil Support Assistant, meaning she was paid for these hours at £10.49 per hour rather than £13.27. The Service has confirmed that an error has been made. Payroll has confirmed that the claim will be reversed and processed at correct Appointment ID in January 2020.
- An employee was for paid 60 relief hours in June 2019 based on two timesheets each for 30 hours being input to the system. These timesheets appear to be duplicates and, if so, she will have been overpaid for 30 hours. The Service has confirmed that the employee was overpaid by 30 hours and that this was recovered in the August 2019 payroll.
- One employee submitted four timesheets for relief work as a Casual Support Worker. She also has a contract as a Relief PSA which is paid at a higher rate. One of the timesheets, for 5.5 hours, was input to the June 2019 payroll against the PSA post. The Service has confirmed that this was a keying error. Payroll has confirmed that the claim will be reversed and processed at correct Appointment ID in January 2020.
- One employee's timesheet for 28.5 hours was input to the September 2019 payroll as 25.5 hours, resulting in an underpayment of 3.0 hours. The Service has confirmed that this was a keying error. Payroll has confirmed that this will be rectified in January 2020.
- One employee's timesheet for 8 hours overtime was input to the September 2019 payroll as 18 hours overtime resulting in an overpayment of 10 hours overpayment. The Service has confirmed that this was a keying error. Payroll has confirmed that the employee has been contacted and agreement reached to recover the overpayment over two months. In the same month's pay, a recovery of an overpayment that was made in the August payroll was being recovered (7.4 hours overtime had been input as 74.0 hours overtime resulting in an overpayment of 66.6 hours overtime).

- One employee submitted a timesheet containing a number of entries which included 36.5 additional irregular hours to be paid at plain time, with 14 of these hours to also receive the weekend enhancement of 40%. This was input to the September payroll as 36.5 hours being paid at the 40% enhancement only. Corrections were input to the payroll system to amend this in the October 2019 pay.
- This same employee submitted a timesheet for payment in the August 2019 payroll which included 6 hours overtime. These 6 hours were not input to the payroll system. There were errors in the completion of this timesheet which are detailed in Appendix 1, above.
- Coding errors were made in respect of two employees. This was confirmed by Payroll as a mis-keying. Payroll has confirmed that correcting entries will be made as detailed in paragraph 2.13.6 in the main body of this report.

Appendix 2 – Grading of Recommendations

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

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	4 December 2019
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2009 – Travel Policy
REPORT NUMBER	IA/AC2009
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

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

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Travel Policy.

3.2 Management Comments

- 3.2.1 Management had no further comments to add.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC2009 – Travel Policy.

10. REPORT AUTHOR DETAILS

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(01467) 537861



Internal Audit Report

Travel Policy

Issued to:

Steven Whyte, Director of Resources
Andy MacDonald, Director of Customer
Jonathan Belford, Chief Officer – Finance
Jacqui McKenzie, Chief Officer – Customer Experience
Fraser Bell, Chief Officer – Governance
Carol Smith, Accounting Manager
External Audit

EXECUTIVE SUMMARY

At its meeting on 4 December 2018, the Audit, Risk and Scrutiny Committee expressed concerns relating to booked travel and requested that Internal Audit include an audit in the 2019/20 Internal Audit Plan in relation to the Council's Travel Policy to give assurance that the Council had appropriate arrangements in place.

The current Council Policies for Staff and Members' Travel were approved in February and March 2019 respectively and are considered to be comprehensive. They cover all travel undertaken (with the exception of Teachers on school trips) including that which is fully or partly funded from external sources. The Policies require that travel outwith the Council's boundaries involving flights, trains, inter-city buses, car hire, visa costs, and accommodation must be booked by the Business Services Team.

During 2018/19, the Council spent in excess of £600,000 on foreign and domestic air travel, accommodation, rail travel, and car hire. Internal Audit tested a sample of 2019/20 travel applications relating to these areas and this identified the following issues:

- A lack of advance Committee approval for some foreign travel;
- Foreign accommodation being booked in excess of 110% of the HMRC guideline rates without the required approval from the Chief Officer – Finance;
- A lack of evidence that requested travel linked to the Local Outcome Improvement Plan Themes as required by Policy;
- Travel applications not being submitted sufficiently in advance to benefit from cheaper travel options;
- A lack of justification supporting car hire in preference to scheduled public transport;
- Requests for booking of local accommodation did not provide details supporting the "exceptional circumstances" to justify the booking in terms of Policy.

Where the Service considers the travel arrangements to be complex or high risk, the Council utilises the services of a Travel Partner to book travel and accommodation. Other arrangements are booked direct by the Business Services Team. Payments made to the Council's Travel Partners and various other accommodation and travel providers exceed the Council's procurement thresholds and, therefore, require appropriate contracts to be in place. However, there are no framework agreements or contracts in place covering the related expenditure. The Service has agreed to work with Commercial and Procurement Services to ensure that appropriate arrangements are in place to secure best value. In order to do this, the Service has stated that it may wish to research options for some spend types in more depth and this will take until December 2020 to conclude.

During the audit, it was possible to check the value for money of some flight bookings that had, at the time of audit testing, been booked for future dates. Where the Council's Travel Partner had booked the flights and those same flights were still available at the time of testing, Internal Audit would have been able to book them at a cheaper price, closer to the date of travel. This was not the case where the flights had been booked by the Business Services Team. In most cases, Internal Audit was able to identify cheaper alternative flights than those that had been booked. The Service has stated that whilst it does not believe that the tests performed are wholly comparable, the points raised are acknowledged and it intends, in addition to reviewing the procurement arrangements regarding its Travel Partner, to enhance written procedures with additional value for money checks.

Whilst most of the travel applications were approved, an electronic signature of the approving officer had been appended to many. If this is then supported by an email from that authorised signatory's Council email account, sent by that officer, then this would, in Internal Audit's opinion, provide sufficient assurance that the application was being appropriately approved. This was not always the case and this process fails to provide sufficient assurance that travel applications are being approved in accordance with the Council's Travel Policies. The Service has stated that whilst it is considered that a level of authorisation was in place for each booking, staff will be reminded to ensure that there are appropriate approvals in place.

1. INTRODUCTION

- 1.1 Internal Audit report AC1814, reported to the Audit, Risk and Scrutiny Committee on 23 November 2017, related to a review of travel costs. This focused primarily on travel and subsistence claims submitted for payment by officers of the Council. However, the same audit also looked at booked travel to a lesser extent.
- 1.2 At its meeting on 4 December 2018, the Audit, Risk and Scrutiny Committee requested that Internal Audit include an audit in the 2019/20 Internal Audit Plan in relation to the Council's Travel Policy to give assurance that the Council had appropriate arrangements in place. The Committee approved the inclusion of the audit when it approved the Internal Audit Plan at its meeting on 14 February 2019.
- 1.3 In view of the above, the focus of this audit was on booked travel. In order to provide assurance over this area, Internal Audit reviewed the Council's policies, requested that the Business Services Team's written procedures relating to booked travel be provided, and reviewed a sample of travel applications covering foreign travel, accommodation (both abroad and in Aberdeen), domestic flights, rail travel, and car hire.
- 1.4 Following the above mentioned audit, the Council approved new Travel Policies – one for Staff (approved by the City Growth and Resources Committee on 7 February 2019), and one for Members (approved by Full Council on 4 March 2019). These Policies contained changes recommended by Internal Audit and were implemented from 1 April 2019.
- 1.5 The Business Services Team maintains detailed records of travel booked through them. This includes an overall spreadsheet with links to electronic folders for each booking made which hold details of the application, approval and bookings. These showed that the cost of travel and accommodation booked in relation to 2018/19 was as follows:

Category	Cost
Accommodation	£162,008
Bus	£6,743
Car Hire	£64,147
Flights	£161,258
Rail	£209,192
Total	£603,348

- 1.6 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Steven Whyte, Director of Resources, Andy MacDonald, Director of Customer, Jonathan Belford, Chief Officer – Finance, Jacqui McKenzie, Chief Officer – Customer Experience, and Fraser Bell, Chief Officer – Governance.

2. FINDINGS AND RECOMMENDATIONS

2.1 Policy and Written Procedures

- 2.1.1 The current Council Policies for Staff and Members Travel were approved in February and March 2019 respectively. They cover all travel undertaken (with the exception of Teachers on school trips) including that which is fully or partly funded from external sources. The Policies require that travel outwith the Council's boundaries involving flights, trains, inter-city buses, car hire, visa costs, and accommodation must be booked by the Business Services Team.
- 2.1.2 Where foreign travel is involved, this must be approved in advance by the relevant Service Committee. All travel outwith the Council's boundaries requires full disclosure of the purpose and intended outcomes of the travel and the applicant must demonstrate that these link with the Local Outcome Improvement Plan Themes. Officers' travel must be authorised in advance by the relevant budget holder; Chief Officers' arrangements must be authorised by their Director; Directors by the Chief Executive; and the Chief Executive by the Chief Officer – Finance. Members' travel arrangements must be authorised by the relevant Chief Officer, although they can delegate this responsibility to a direct report.
- 2.1.3 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. No such procedures were available during the audit.

Recommendation

The Business Services Team should develop written procedures / flowcharts which explain their processes.

Service Response / Action

Agreed. The travel policies include detailed guidance as an appendix that has been used by the team to administer travel arrangements. More detailed travel procedures and flowcharts will be written by the team. This will include references to any of the recommendations below.

Implementation Date

December 2020

Responsible Officer

Accounting Manager

Grading

Significant within audited area

2.2 Foreign Travel

- 2.2.1 Between implementation of the new Travel Policies on 1 April 2019, and commencement of this audit, fourteen applications relating to foreign travel had been processed. These were checked by Internal Audit to confirm whether they complied with the requirements of the revised Policies.
- 2.2.2 Nine of the fourteen bookings had been approved in advance by the relevant Service Committee as required, although one travel application referred to the incorrect Committee report reference.
- 2.2.3 Two further applications referred to Committee reports that did not give appropriate approval. One only gave approval for foreign travel in 2018/19 (travel booked related to 2019/20) and the other did not refer to the travel booked. The travel for both was booked by 10 April 2019 and was subsequently approved by the City Growth and Resources Committee on 25 April 2019.

- 2.2.4 Three were not approved by Committee. One related to a study visit where the travel costs were part funded by the Erasmus+ Programme, another related to taking a young person on holiday, and the third related to travel to a European project AGM where Committee approval had been obtained in relation to the project, but not the related travel.

Recommendations

- (a) Officers approving foreign travel requests should ensure that the travel has been approved in advance by Committee.
- (b) The Business Services Team should ensure that there is adequate evidence that foreign travel has been approved in advance by Committee before booking travel.

Service Response / Action

- (a) Agreed. Staff will be reminded of the importance of the Committee check. The process will be revised so that travel requests cannot be progressed without the appropriate Committee reference. Services will be reminded of the necessity of Committee approval.
- (b) Agreed. Staff will be reminded of the need to ensure there is adequate evidence. The process will be revised so that travel requests cannot be progressed without the appropriate Committee reference.

Implementation Date

Responsible Officer

Grading

(a) March 2020

(a) Accounting Manager

Significant within audited area.

(b) March 2020

(b) Accounting Manager

- 2.2.5 The Policy attempts to limit the cost of foreign hotel accommodation by allowing the Business Services Team to book accommodation that costs up to 110% of the HMRC guideline rates before having to obtain approval from the Chief Officer – Finance prior to making the booking.

- 2.2.6 On five occasions within the sample tested the cost of accommodation was more than 110% of the HMRC guideline rate. There was evidence that one had been referred to the Chief Officer – Finance, that the choice of accommodation had been challenged, and then approved following receipt of explanations. The Business Services Team has stated that another had been approved although the evidence to support this was not available. The other three instances did not have the required approval from the Chief Officer – Finance.

Recommendation

The Business Services Team should ensure that accommodation costing in excess of 110% of the HMRC guideline rate is approved by the Chief Officer – Finance prior to being booked.

Service Response / Action

Agreed as follows: The Business Services Team uses relevant searches to find the most cost-effective accommodation that is within a practical distance from the destination (to minimise on costs such as taxi fares). Business Services team members will be reminded of the importance of exceptions being reported to the Chief Officer – Finance. It is proposed that the 110% threshold set in the policy will be reviewed in cases where the accommodation is the most cost effective available.

Implementation Date

Responsible Officer

Grading

June 2020

Accounting Manager

Significant within audited area.

- 2.2.7 There is no reporting back to Committee to demonstrate the value gained from the travel that had originally been approved. It would be good practice to produce a post-trip evaluation report to demonstrate the value obtained compared to the cost incurred.

Recommendation

Post-trip cost / benefit reports should be presented to the Committee that approved the travel.

Service Response / Action

Agreed. A requirement will be added to the travel policy that cost/benefit reports will be presented annually to Committees. Relevant Committees will receive an annual report for approval of future programmes of foreign travel and summarising cost/benefit of those approved in the prior year.

Implementation Date

June 2020

Responsible Officer

Accounting Manager

Grading

Significant within audited area

2.3 Domestic Flights

- 2.3.1 The Policies allow the use of domestic flights within the United Kingdom, but outwith Scotland, taking into account the opportunity cost of time resource lost to other priority activities for staff.

- 2.3.2 Ten travel applications relating to domestic flights were examined relating to domestic air travel. All provided a detailed reason for the requested travel although none specifically linked these to the Local Outcome Improvement Plan Themes as required by the Policies.

Recommendation

The travel application form should be amended so that it is easier for applicants to comply with the Policy requirement of linking requested travel to the Local Outcome Improvement Plan Themes.

Service Response / Action

Agreed as follows: On reflection of the implementation of the new policy, it can be difficult to determine the appropriate link to the LOIP for certain types of travel or the link could just be defined as 'All' currently. Therefore, it is proposed that the policy be reviewed to clarify a more appropriate requirement to justify travel.

Implementation Date

June 2020

Responsible Officer

Accounting Manager

Grading

Important within audited area.

2.4 Value for Money

- 2.4.1 It is generally accepted that booking flights closer to the date of travel will result in higher costs being incurred. The Travel Policies state that the timeliness of travel booking is a key factor in cost effectiveness. Therefore, all travel applications should be completed as soon as the travel need is identified to make best use of cost effective travel options. Within the sample tested relating to air travel, there is evidence of delays between the date that it was known that travel would be required and that travel being applied for and approved. In one case where two officers were travelling together, but their applications were approved separately, the same flights were booked five days apart at a cost of £232.84 and £307.58 respectively. It was anticipated following the previous audit of travel costs that the revised Policies would help improve this area.

Recommendation

Services should be reminded to ensure that travel applications are forwarded to the Business Services Team as soon as possible to ensure that cost effective travel arrangements can be made.

Service Response / Action

Agreed. Staff will be reminded of the importance of ensuring applications are forwarded in a timely manner.

Implementation Date

March 2020

Responsible Officer

Accounting Manager

Grading

Significant within audited area.

2.4.2 At the time of Internal Audit testing, there were seven processed applications relating to future travel arrangements. It was, therefore, possible to determine whether the cost of flights booked was reasonable. The results of this testing show that:

- Where the Council's Travel Partner booked flights for the Council and those same flights were still available at the time of testing, Internal Audit would have been able to book them at a cheaper price, closer to the date of travel;
- In two of the three instances where the Travel Partner had booked flights, Internal Audit was able to identify cheaper alternative flights, closer to the date of travel;
- Where the Council booked flights direct and those same flights were still available at the time of testing, Internal Audit would not have been able to book them at a cheaper price;
- In three of the four instances where the Council had booked flights direct, Internal Audit was able to identify cheaper alternative flights.

2.4.3 The Business Services Team has stated that the Travel Partner is used where travel destinations are obscure or the requested travel requires many changes, and that they can also give support to travellers outwith office hours. However, it appears that this may be at additional cost which it might be possible to avoid if the in-house team were to complete all bookings.

2.4.4 Some routine hotel accommodation is also booked through a Travel Partner. There were a small number of future hotel bookings that had been made at the time of audit testing being undertaken. Three of these were examined and one appeared to be reasonable. For the remaining two (relating to accommodation in Inverness and Stirling), the Service could not provide any justification for the specific accommodation booked and Internal Audit could have booked similar alternative accommodation closer to the required dates at a cheaper price.

Recommendations

- (a) The Business Services Team should monitor prices quoted by Travel Partners to determine whether value for money is being obtained.
- (b) Should it be confirmed that value for money is not being achieved, alternative arrangements should be made for the booking of travel.
- (c) The Business Services Team should ensure that cheaper alternative flights or accommodation are booked where available, as long as these do not impact significantly on the applicant's travel arrangements.

(d) Evidence of available flights or accommodation should be retained to demonstrate that due consideration has been given and that best value has been obtained.

Service Response / Action

The Service believes that the tests performed by Internal Audit are not wholly comparable however the points raised are acknowledged and, in relation to all the above recommendations, the following action is proposed:

1) Value for money checks are currently undertaken and alternative quotes are sought when travel is booked, these also consider safety arrangements such as travel for a single lone female. Currently evidence for the checks is not retained.

More specific value for money checks will be written into the procedure guidance as set out in recommendation 2.1.3. These will include:

- Clearer criteria for travel types that will be referred to travel partners;
- Specified tests at the time of booking to check alternative travel quotes;
- Summary evidence of available quotes and other considerations in the booking of travel e.g. safety to be retained; and
- A quarterly management review of value for money of booked travel and secondary check of a sample of travel costs.

2) Ensuring value for money with the Travel Partnering arrangements and other significant supplies will be incorporated into the procurement compliance review set out in recommendation 2.4.8.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
1) December 2020.	1) Accounting Manager.	Significant within audited area.
2) December 2020.	2) Accounting Manager.	

2.4.5 Payments made to the Council's Travel Partners and various other accommodation and travel providers exceed the Council's procurement thresholds and, therefore, require specific governance arrangements to have been complied with.

2.4.6 The Commercial and Procurement Shared Service has confirmed to Internal Audit that there are no framework agreements or contracts in place covering this area of expenditure.

Recommendation

The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure.

Service Response / Action

Agreed. There are payments made for a number of specific spend types in relation to booked travel, most significantly travel solutions providers, flights, train fares, hotels and car hire. During the booking process there are a number of value for money checks undertaken.

There has not been a recent review that the procurement arrangements for each type of spend comply with procurement regulations.

The Service has been advised by Commercial and Procurement Service that there are framework options that may be able to be put in place fairly quickly and we will address

this as soon as possible where appropriate. The implementation date has been set at December 2020 in the light of the fact management may wish to research options for some of the spend types in more depth in order to ensure that the procurement solution is best value based on future travel needs.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2020	Accounting Manager	Significant within audited area.

2.5 Rail Travel

2.5.1 The Travel Policies have train travel listed as the first means of ground transport. Ten travel applications relating to rail travel in June 2019 were examined by Internal Audit and all provided a detailed reason for the requested travel although none specifically linked these to the Local Outcome Improvement Themes as required by the Policies. (See recommendation at paragraph 2.3.2, above.)

2.6 Car Hire

2.6.1 The Travel Policies state that car hire should be used where the cost of group travel by public transport is excessive, the destination is inaccessible by public transport, or personal safety, travel time, and weight of luggage are considerations.

2.6.2 The Policies also include a section on Environmental Impact of Travel which encourages travellers to use modes of transport that result in the least environmental impact. Scheduled trains and buses will be travelling according to their schedule, so, booking a hire car will have a greater environmental impact than travelling by public transport.

2.6.3 Ten travel applications relating to car hire in June 2019 were examined and only three provided an explanation regarding why a car was required rather than public transport.

Recommendations

(a) Travel applications should provide an explanation regarding why a car is more appropriate for the required journey than public transport.

(b) The Business Services Team should ensure that there is appropriate justification prior to processing the application.

Service Response / Action

(a) Agreed. Staff will be reminded of the importance of explanations. Often car hire is the most value for money option when compared to public transport.

(b) Agreed. Staff will be reminded to ensure there are appropriate justifications.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
(a) March 2020.	(a) Accounting Manager.	Significant within audited area.
(b) March 2020.	(b) Accounting Manager.	

2.7 Accommodation

2.7.1 In June 2016 the Travel Policy was amended to include a provision which allows the booking of local accommodation in exceptional circumstances where, because of operational needs, the traveller would be required to undertake travel during unreasonable

anti-social hours and / or where it could expose the employee to an inappropriate level of personal risk.

- 2.7.2 In the period April to June 2019 there have been a number of bookings made for accommodation in Aberdeen. Most of these related to bookings for a range of Social Work client issues or third party suppliers of services to the Council.
- 2.7.3 Four bookings related to employees of the Council. These were approved by the appropriate Chief Officer and gave reasons for booking the accommodation (attendance at meetings) but did not explain the exceptional circumstances that justified the booking in terms of the Policy provision.
- 2.7.4 A sample of bookings made in 2017/18 and 2018/19 was also examined and these did not provide details of the exceptional circumstances that justified the bookings. Although each was signed as authorised by someone other than the applicant, some were not authorised by a “budget holder” or “manager” as required by the Policy that was in place between 2016 and 2019. Such applications are now authorised appropriately.

Recommendation

Where accommodation is booked in Aberdeen for an employee of the Council the exceptional circumstances justifying the booking in terms of the Policy should be recorded.

Service Response / Action

Agreed. Staff will be reminded to ensure there are appropriate justifications

Implementation Date

March 2020

Responsible Officer

Accounting Manager

Grading

Significant within audited area.

2.8 Authorisation

- 2.8.1 Travel expenses are required to be approved by the approved budget holder although those relating to Members need to be approved by the relevant Chief Officer responsible for the budget to which the travel will be charged.
- 2.8.2 Whilst most of the travel applications were approved, an electronic signature of the approving officer had been appended to many (approximately 33% of the sample tested). If this is then supported by an email from that authorised signatory’s Council email account, sent by that officer, then this would, in Internal Audit’s opinion, provide sufficient assurance that the application was being appropriately approved. However, the Business Services Team has stated that as long as there is a signature on the travel application, they would not seek further evidence to support the authenticity of the authorisation, and there was no evidence available of who had sent the application. Within the samples tested, there were six travel applications that had no signature on them, four of which were supported by an email direct from an authorised signatory whilst two were supported by an email sent from the authorised signatory’s Council email account by another officer with delegated authority to access that account.
- 2.8.3 The process, as detailed above, fails to provide sufficient assurance that travel applications are being approved in accordance with the Council’s Travel Policies.

Recommendation

Appropriate arrangements should be put in place to provide assurance that travel applications are being approved as required by the Travel Policies.

Service Response / Action

Agreed. Whilst it is considered that there was a level of authorisation backing up each booking, staff will be reminded to ensure that there are appropriate approvals in place. This will include ensuring that it is the authorised signatory who has authorised travel and keeping records as evidence, whether electronic or paper

Implementation Date

January 2020

Responsible Officer

Accounting Manager

Grading

Significant within audited area

AUDITOR: D Hughes

Appendix 1 – Grading of Recommendations

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



Aberdeen City Council

Audit strategy

Year ending 31 March 2020

For Audit, Risk and Scrutiny Committee consideration on 12 February 2020

3 February 2020

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About this report

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

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

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

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

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Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Michael Wilkie, who is the engagement leader for our services to Aberdeen City Council, telephone 0141 300 5890 email: michael.wilkie@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Dianne McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Introduction

2019-20 is the fourth year of our external audit appointment to Aberdeen City Council (“the Council”), having been appointed by the Accounts Commission as auditor of the Council under the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2020-21, inclusive. This five year period is also the maximum permitted for an engagement leader for an EU Public Interest Entity (“EU-PIE”). Our appointment includes the audit of the Aberdeen City Council Charitable Trusts.

Our planned work in 2019-20 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
 - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom (“the 2019-20 Code”) of the state of the affairs of the Council as at 31 March 2020 and of the income and expenditure of the Council for the year then ended; and
 - have been prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2019-20 Code, the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- participation in the shared risk assessment as part of the local area network;
- completion of returns to Audit Scotland and grant claims;
- a review and assessment of the Council’s governance arrangements and review of the governance statement;
- a review of National Fraud Initiative arrangements;
- a review of arrangements for preparing and publishing statutory performance information; and
- contributing to the audit of wider scope and Best Value through performance of risk assessed work.

Adding value

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

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

Our team

The team involved in the external audit has significant experience in the audit of local authorities. Matthew Moore continues as engagement manager and Michael Wilkie returns to the audit team of the Council as the engagement leader. Their relevant contact details are provided on the back page of this report. The team is supported by specialists, all of whom work with a variety of local government and public sector bodies. Due to the Council’s status as an EU-PIE, we are also required to include an engagement quality control reviewer.



Michael Wilkie
Engagement leader – Audit director



Matthew Moore
Manager

Our work will be completed in four phases from November 2019 to September 2020. Our key deliverables are this audit strategy document and the Annual Audit Report.

Acknowledgements

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

Headlines



Materiality

Group materiality for planning purposes is based on last year's expenditure and is set at £9.3 million, which equates to 1% of gross cost of services expenditure. We will review the level of materiality on receipt of draft accounts for 2019-20.

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

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Audit risks

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

- management override of controls fraud risk (assumed risk per ISA 240);
- fraud risk over expenditure recognition (assumed risk per ISA 240 and Practice Note 10);
- retirement benefits; and
- valuation of council dwellings, other land and buildings, surplus assets and investment properties.

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

We consider that valuation of council dwellings, other land and buildings, surplus assets and investment properties and retirement benefits to have the greatest effect on the overall audit strategy, the allocation of resources in the audit and on directing the efforts of the engagement team. We anticipate reporting on these areas in our financial statements annual audit opinion.

Pages seven to 12



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£ Financial statement audit

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



There are a small number of changes to the Code of Practice on Local Council Accounting ("the Code") in 2019-20 with which the Council needs to comply, as set out on page 13. The most significant is the preparation of IFRS 16 *Leases* for 2020-21.



Wider scope

Auditors are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions:

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

We test wider scope areas where there are identified risks. We consider that there are wider scope risks in respect of the delivery of savings required to achieve balanced budgets and in respect of large capital projects. We have not identified any wider scope financial statement level significant risks.

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Headlines (continued)

Best Value

In June 2016, the Accounts Commission formally agreed the overall framework for the approach to auditing Best Value in councils. The framework introduced a five year approach to Best Value. 2019-20 represents year four of the Best Value plan for the Council during which we will consider Equal Opportunities.

Pages 15 to 20 provide more detail on our work over Best Value and wider scope areas.

Subsidiaries

In addition to the Council we deem that the Aberdeen City Integration Joint Board to be significant in the context of the group audit:

KPMG is auditor to the Aberdeen City Integration Joint Board.

Appendix six contains the group structure.

Independence

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

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

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

Total fees charged by us for the period ended 31 March 2019 were communicated in our Annual Audit Report issued in September 2019. Total fees for 2019-20 will be presented in our Annual Audit Report issued on completion of the audit. The audit fee for 2019-20 is £436,410 as set out on page 27.



Quality

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

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

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

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

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

Financial statements audit planning

Materiality

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

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

Materiality for planning purposes has been set at £9.2 million for the Council's standalone accounts, and at £9.3 million for the group accounts, which in both cases equates to 1% percent of gross expenditure. We adjust gross expenditure for plant and property impairments, as these fluctuate significantly year-on-year. We take a five year rolling average of revaluation movements into our materiality calculations. We also remove the Integration Joint Board expenditure from the calculation, as income and expenditure is grossed up for presentational purposes within the consolidated income and expenditure account.

We design our procedures to detect errors in specific accounts at a lower level of precision; performance materiality is £5.8 million for the standalone accounts and £6.0 million for the group accounts.

Reporting to the Audit, Risk and Scrutiny Committee

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

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

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

Group audit

We will report the following matters in the Annual Audit Report:

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



Financial statements audit planning (continued)



Significant risks and other focus areas

In accordance with paragraph 19A of ISA 700, we are required to describe in our financial statements audit opinion those assessed risks of material misstatement which have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We have identified the valuation of council dwellings, other land and buildings, surplus assets and investment properties, and retirement benefits as the areas which we consider, at the planning stage of our audit, to have the greatest effect on our approach and on which we will report in our opinion in the financial statements. We will update this assessment in our ISA 260 report.

Significant risk	The risk	Planned response
Financial statement risk		
Fraud risk from management override of controls	<p>Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This is an assumed risk per ISA 240.</p>	<ul style="list-style-type: none"> — Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council. — Strong oversight of finances by management, and reporting to those charged with governance, provides additional review of potential material misstatements caused by management override of controls. — In line with our methodology, we will carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the Council's normal course of business, or are otherwise unusual.

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Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
Financial statement risk		
Fraud risk over expenditure recognition	<p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, and depreciation. These costs are routine in nature and have limited risk of manipulation. As other operating expenditure is unlikely to be material, we also rebut the assumed risk in respect of this account.</p> <p>We have not rebutted the assumed risk in respect of the remaining expenditure accounts (£634 million) within the £1,017 million (in 2018-19) gross expenditure.</p>	<ul style="list-style-type: none"> — Comparison of the the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation. — Testing of operating effectiveness of controls specific to capital vs revenue allocation and specific to expenditure cut-off. — Testing of expenditure cut-off including a search for unrecorded liabilities. — Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances. — Review and challenge of management in respect of estimates for evidence of bias. — Testing of journal entries in relation to expenditure for evidence of management bias.

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Income recognition fraud risk

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

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

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

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Significant risk	The risk	Planned response
Financial statement risk		
<p>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</p>	<p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. In 2019-20 the following category of assets will be subject to revaluation and we expect the movement to be material:</p> <ul style="list-style-type: none"> — Sports grounds / clubhouses; — 3R's (PPP) schools; — Education House; — Car parks; — Halls; and — Operational miscellaneous. <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we consider there to be significant risk of misstatement.</p> <p>In addition to those assets revalued in year, the Council will have to evidence how it satisfies itself that the other assets not revalued in 2019-20 are not materially misstated.</p> <p>During the year refurbishment of the Aberdeen Art Gallery was completed and the property became operational. Therefore the costs will be transferred from Assets Under Construction into Operational Buildings, at which time a valuation in use will be required.</p>	<p>Our procedures include:</p> <p>Control design:</p> <ul style="list-style-type: none"> — We will obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. — We will review the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. — We will assess the risk of the valuation changing materially during the year, or between the date of valuation and the year end. <p>Assessing valuer's credentials:</p> <ul style="list-style-type: none"> — We will critically assess the independence, professional qualifications, competence and experience of the Council valuer. <p>Assessing methodology choice and benchmarking assumptions:</p> <ul style="list-style-type: none"> — We will utilise our internal specialist to critically assess the methodology used by the valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards. — We will challenge the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data. — We will meet with the Council valuer to understand the assumptions and methodologies used in valuing the various assets revalued during 2019-20 and the market evidence used to support the assumptions.
Continued...		Continued...

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

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Significant risk	The risk	Planned response
Financial statement risk		
Valuation of council dwellings, other land and buildings, surplus assets and investment properties (continued)	<p>Continued.....</p> <p>The Council also holds £146 million (as at 31 March 2019) investment property which is subject to annual revaluation and similarly we consider there to be a risk of misstatement arising from the use of assumptions in the valuations.</p> <p>The Marischal Square development was valued for the second time in 2018-19 and new leases have been signed with tenants in 2019-20, giving rise to potential change in the carrying value of this investment property (£55 million as at 31 March 2019).</p> <p>During 2019-20 The Events Centre Aberdeen (“TECA”) construction was completed and the costs previously included in Assets Under Construction (£326 million as at 31 March 2019) and the additional costs in 2019-20 will have to be transferred to Investment Properties.</p>	<p>Continued.....</p> <ul style="list-style-type: none"> — We will challenge management’s assessment of why it considers that the land and buildings not revalued in 2019-20 are not materially misstated. We will consider if the assumptions are appropriate and if input data is in accordance with support/benchmarks. <p>Input assessment</p> <ul style="list-style-type: none"> — We will agree observable inputs used in the valuations, such as land size and floor space to information held by Estates. We will agree rental income to the amounts invoiced. <p>Disclosure assessment</p> <ul style="list-style-type: none"> — We will critically assess the adequacy of the Council’s disclosures in relation to the judgement in relation to valuing properties.

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
Financial statement risk		
Retirement benefits	<p>The net pension liability (£332 million as at 31 March 2019, including assets of £1.358 billion) represents a material element of the Council's balance sheet. The Council is an admitted body of North East Scotland Pension Fund, which had its last triennial valuation completed as at 31 March 2017. The next triennial valuation will take place as at 31 March 2020, however this will not impact the Council contributions until the 2021-22 financial year.</p> <p>The calculation of the Local Government Pension Scheme liability requires the use of an actuarial methodology, the result of which is dependent upon a number of assumptions. These include both financial and demographic assumptions, such as the discount rate, inflation rates, mortality rates etc. These assumptions should reflect the profile of the Council's employees, and be based on appropriate data. The basis of the assumptions should also be derived on a consistent basis year to year.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact on the net pension liability accounted for in the financial statements.</p>	<p>Our audit approach includes:</p> <p>Control design:</p> <ul style="list-style-type: none"> Testing the design and operating effectiveness of controls over the provision of membership information to the actuary who uses it, together with the assumptions, to calculate the pension obligation. <p>Benchmarking assumptions:</p> <ul style="list-style-type: none"> Challenging, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data. Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations. <p>Assessing transparency:</p> <ul style="list-style-type: none"> Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions. Testing the assets recorded and disclosed, using our actuarial team. Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.

Financial statements audit planning (continued)



Significant risks and other focus areas (continued)

Other focus area	Summary	Planned response
Financial statement other focus area		
Capital expenditure	<p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. This includes a budget of £300 million for 2019-20.</p> <p>Key projects in progress during 2019-20 include the Energy from Waste Plant, completion of TECA and the refurbishment of the Art Gallery.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider it to be an area of audit focus. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions.</p>	<p>Our audit approach includes:</p> <p>Control design:</p> <ul style="list-style-type: none"> — Testing the design and operating effectiveness of controls over the capital projects. — Testing the design and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects. <p>Tests of detail:</p> <ul style="list-style-type: none"> — Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation. — Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified. — Review and corroboration of manual journals. <p>We will specifically consider TECA, as it includes more complex accounting treatments, including wider scope and Best Value aspects.</p>

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Accounting framework update

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

The key accounting changes in the 2019-20 edition of the Code include:

- Updates to reflect 2018 IASB Conceptual Framework and provides details of improvements and updates;
- Guidance on the Code's adoption of the amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation;
- Updates to reflect the Code clarifications relating to contracts with lender option borrower option clauses;
- New guidance on the group accounts scope clarification for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (introduced by the Annual Improvements to IFRSs 2014 to 2016 Cycle);
- Explanation of the Code approach to drafting amendments;
- Removal of references to Carbon Reduction Commitment Scheme following the Scheme closure;
- A new section has been added on the accounting treatment for the apprenticeship levy; and
- Updates for the new voluntary transfers presentation (for Scottish local authorities only) in the movement in reserves statement and expenditure and funding analysis. This includes the treatment within the reserves.

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

These changes are significant and the Council has started to prepare in advance, particularly where the 2019-20 balances will form the comparatives in future accounts. As part of the 2019-20 audit, we will consider the Council's arrangements for preparing to transition to IFRS 16.

Revision to the Going Concern Standard

In September 2019 the Financial Reporting Council published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after 15 December 2019. Given the funding, nature and legislation in respect of the Council, we do not anticipate significant changes to the approach of management regarding going concern.

Controls testing

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

In 2018-19 we reported that recommendations in respect of certain general IT controls, designed to enhance the control environment, were not fully implemented by 31 March 2019. During the 2019-20 audit we will follow-up on management's progress in implementing the agreed recommendations. We will also report any new findings arising from our work in 2019-20.

Other matters (continued)

Bond accounting

We considered the accounting for the £370 million bond to be a significant risk in the 2016-17 audit, being the year of issuance. In 2019-20 we do not consider it to be a significant risk, consistent with 2018-19. For 2019-20 management will update factual RPI movements to the 28 February 2020 measurement date (which determines the bond principal outstanding and interest payable) and will accrue for the month of March 2020 using factual RPI movements, which will be available when the accounts are prepared.

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

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

The bondholders could seek repayment of the bond principal in certain circumstances. One such circumstance is if the Council's credit rating (as assessed by Moody's) is downgraded such that it is three notches or more below that of UK sovereign debt. The Council's credit rating is one notch below that of UK sovereign debt and is rated as "negative", in common with other local authority ratings reviewed in November 2019. We would consider the impact to any revisions to credit rating relative to UK sovereign debt.

Brexit uncertainty

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

In all long form audit opinions (relevant to EU PIEs) we consider whether Brexit is a Key Audit Matter requiring specific consideration and emphasis. We will assess the position in June 2020, taking account of the UK Government progress in respect of negotiating a future trading relationship with the EU.

Internal audit

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

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

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

Group audit considerations

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

We conduct our audit of the Group in accordance with International Standard on Auditing 600 ("ISA 600") *Using the work of another auditor*.

In 2018-19 we assessed that there was a significant risk for the Council's group accounts in respect of the pension liability within Bon Accord Care Limited. In 2019-20 we have considered this risk not to be significant and no group audit instructions will be issued to the auditor of Bon Accord Care Limited.

Wider scope and Best Value

Approach

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; governance and transparency; and value for money. We set out below an overview of our approach to wider scope and Best Value requirements of our annual audit. We provide on pages 17 to 20 our risk assessment in respect of these areas. We will provide narrative on these and other areas in the Annual Audit Report where relevant.

Risk assessment

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

In doing so we consider:

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

The LAN brings together local scrutiny representatives in a systematic way to agree a shared risk assessment. Michael Wilkie is the LAN lead for the shared risk assessment process for the Council.

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



Linkages with other audit work

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

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



Wider scope and Best Value (continued)

Approach (continued)

Identification of significant risks

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

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

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



Concluding on wider scope and Best Value

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

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



Reporting

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

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



Wider scope and Best Value (continued)

Risk assessment

We have not identified wider scope significant risks relevant to the Council. We include in the following tables areas of focus and their impact on the audit approach. In summary we consider that the following are key areas of focus:

- Delivery of transformation, income generation and efficiencies to meet the financial sustainability challenges within the local authority environment.
- Progress of significant capital projects and the plans for their use. The Council is further investing in the City through the various capital programme boards (Asset Management, City Centre Masterplan, Energy, Housing and Transportation).
- Audit Scotland highlighted two areas which may represent significant risks to all bodies and we reference these in the relevant wider scope sections: EU withdrawal; and Fraud and Corruption in procurement function.

Our year four Best Value work will consider specifically *Equal Opportunities* and we will provide narrative on in the Annual Audit Report.

Wider scope area	Why	Audit approach
Financial sustainability and financial management	<p>Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p> <p>Areas of focus:</p> <p><u>Delivery of balanced budget over the medium term.</u></p> <p>Management identified a savings need of £38 million, required to deliver a balanced budget and meet the needs-led pressures in services for 2020-21. Further savings are also required in future years, primarily to be delivered through service redesign including from digital transformation.</p> <p>The Scottish Government has not yet set out the Local Government settlement for 2020-21, with the Scottish budget expected in early February 2020.</p> <p>The Council has taken the opportunity to re-profile the Public Works Loan Board loans into a more prudent approach to funding their repayment.</p> <p>Continued.....</p>	<ul style="list-style-type: none"> — We will consider the Council's financial plans and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2020-21 budget and longer term financial plans from 2021-22 and beyond, including sensitivity analysis and bond repayment/RPI assumptions. — We will review the Council's proposed prudent loans fund repayment schedule, assessing if it is in accordance with legislation. — We will review the progress of the delivery of the required savings to meet the balanced budgets.

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Wider scope and Best Value (continued)

Risk assessment (continued)

Wider scope area	Why	Audit approach
<p>Financial sustainability and financial management (continued)</p>	<p>Capital Programme</p> <p>The Council planned to invest a capital programme of around £300 million during 2019-20.</p> <p>The Quarter two financial reporting pack showed the following projected spend for year on the various capital programmes:</p> <ul style="list-style-type: none"> • TECA – £92 million • Asset Management - £36 million • City Centre Masterplan - £16 million • Energy - £28 million • Housing - £53 million • Transportation - £11 million <p>The Quarter two reporting pack suggested that there will be a projected underspend/slippage of £65 million for the year to 31 March 2020.</p> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all Public Sector bodies.</p> <p>EU withdrawal</p> <p>The Bill covering the UK's withdrawal from the European Union was passed by Parliament in January 2020, effective 31 January 2020. There is now a transition period in place until 31 December 2020 and an uncertain trading relationship with the EU thereafter. This will require management to consider the impact on Council operations.</p>	<ul style="list-style-type: none"> — We will review the progress of key capital programmes, the largest of which being the TECA. — We will consider the income and expenditure assumptions and compare to the business case assumptions approved by the Council. We will consider the impact of variances, should they exist, on the Council's future budgets. <p>We will:</p> <ul style="list-style-type: none"> — remain alert to the impact of EU withdrawal on the Council's operations and the environment within which it operates. We will consider the appropriateness of management's risk assessment and planning for both matters. — review the arrangements that the Council put in place when more clarity is received as to the impact on the Council.

Wider scope and Best Value (continued)

Risk assessment (continued)

Wider scope area	Why	Audit approach
<p>Governance and transparency</p>	<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p> <p>The Council has continued to review and enhance its governance arrangements. There have also been member changes during 2019-20, as a result of by-elections.</p> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all Public Sector bodies.</p> <p>Fraud and Corruption in procurement</p> <p>Inappropriate rebates, kickbacks and false invoicing are potential risks across the public sector. For all bodies, other than those where the full wider scope is not judged to be appropriate, auditors should assess the risk of fraud and corruption in the procurement function.</p>	<ul style="list-style-type: none"> – We will consider the Council's governance arrangements, their appropriateness and their robustness. – We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information. – We will assess whether the risk of procurement fraud is acknowledged on the Council's risk register, and whether reasonable policies are in place and enforced to prevent unacceptable instances taking place as well as systems to ensure all acceptable instances are recorded in a register. – We will assess whether there are controls around the procurement process, including segregation of duties, and if these are adequate, followed and enforced. – We will assess whether staff involved in procurement-related decisions are adequately trained and that the Council has arrangements in place to encourage and protect whistle-blowers. – We will consider if internal audit coverage of procurement systems is adequate and proportionate to the risks faced by the body.

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Wider scope and Best Value (continued)

Risk assessment (continued)

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



Appendices

Mandated communications with the Audit, Risk and Scrutiny Committee

Matters to be communicated	Link to audit, risk and scrutiny committee papers
Independence and our quality procedures ISA 260.	<ul style="list-style-type: none"> ■ See next page
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260.	<ul style="list-style-type: none"> ■ Main body of this paper
<ul style="list-style-type: none"> ■ Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380). 	<ul style="list-style-type: none"> ■ In the event of such matters of significance we would expect to communicate with the Audit Risk and Scrutiny Committee throughout the year. ■ Formal reporting will be included in our ISA 260 report for the Audit, Risk and Scrutiny Committee meeting, which focuses on the financial statements.
<ul style="list-style-type: none"> ■ Significant difficulties we encountered during the audit. ■ Significant matters discussed, or subject to correspondence, with management (ISA 260). 	
<ul style="list-style-type: none"> ■ Our views about the qualitative aspects of the entity's accounting and financial reporting. ■ The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540). 	
<ul style="list-style-type: none"> ■ This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit. (ISA 240) 	
<ul style="list-style-type: none"> ■ Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450). 	
<ul style="list-style-type: none"> ■ The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570). 	
<ul style="list-style-type: none"> ■ Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570). 	
<ul style="list-style-type: none"> ■ Expected modifications to the auditor's report (ISA 705). 	
<ul style="list-style-type: none"> ■ Related party transactions that are not appropriately disclosed (ISA 550) 	

Auditor independence

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. Total fees charged by us for the year ended 31 March 2019 and planned for the year ended 31 March 2020 are as follows:

Services provided to the Council and its group in respect of:	2019-20 continuing (incl VAT) £	2018-19 (incl VAT) £
Audit of the financial statements	264,710	254,500
Audit of subsidiaries (Charitable Trusts)	8,800	8,600
Total audit services	273,510	263,100
Other non-audit services		
Total non-audit services	-	-
Total	273,510	263,100

There are no non-audit fees for 2019-20. Under the FRC's Revised Ethical Standard, no new tax contingent fees for listed entities can be entered into after 17 June 2016. We confirm that no new contingent fees for tax services have been entered into for Aberdeen City Council since that date.

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

We are appointed by the Accounts Commission via Audit Scotland as external auditor of Aberdeen City Council Charitable Trusts and Aberdeen City Integration Joint Board.

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

Auditor independence (continued)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit, Risk and Scrutiny Committee.

KPMG LLP pays rates to the Council in respect of its Aberdeen office, on an arms-length basis. KPMG LLP will also relocate the office to a Council-owned property, again on arms-length commercial terms.

Confirmation of audit independence

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

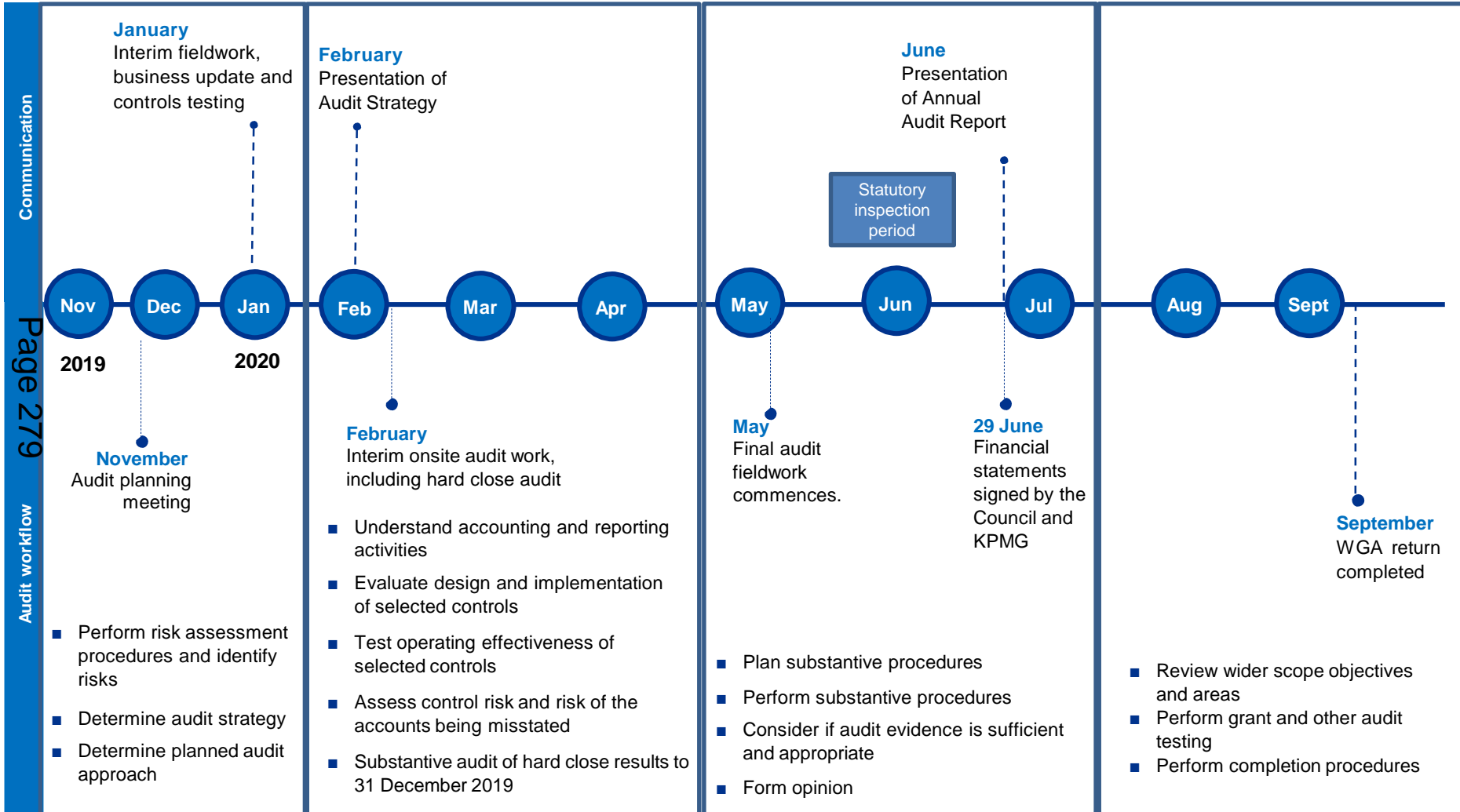
This report is intended solely for the information of the audit, risk and scrutiny committee and should not be used for any other purposes.

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

Yours faithfully

KPMG LLP

Timeline



Audit outputs

Output	Description	Report date
Audit strategy	Our strategy for the external audit of the Council and its group, including significant risk and audit focus areas.	For 12 February 2020 ARSC meeting
Independent auditor's report	Our opinion on the Council's financial statements.	29 June 2020
Annual audit report	We summarise our findings from our work during the year, including in respect of wider scope areas.	29 June 2020
NFI report	We report on the Council's actions to investigate and follow-up NFI matches.	By 28 February 2020
Whole of Government Accounts	We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts.	By 28 September 2020
Audit reports on other returns	We will report on the following returns: <ul style="list-style-type: none"> - Current issues return. - Technical database. - Fraud returns. 	January, March, August and October 2020 May and August 2020 February, May and August 2020
Grant claim audits	We provide an opinion on: <ul style="list-style-type: none"> - Education Maintenance Allowance, Housing Benefit, and Non domestic rates 	To submit by: July 2020, November 2020 and October 2020

Fees

Audit Scotland has yet to complete a review of funding and fee setting arrangements for 2019-20. Therefore we can not provide an expected fee for 2019-20. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

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

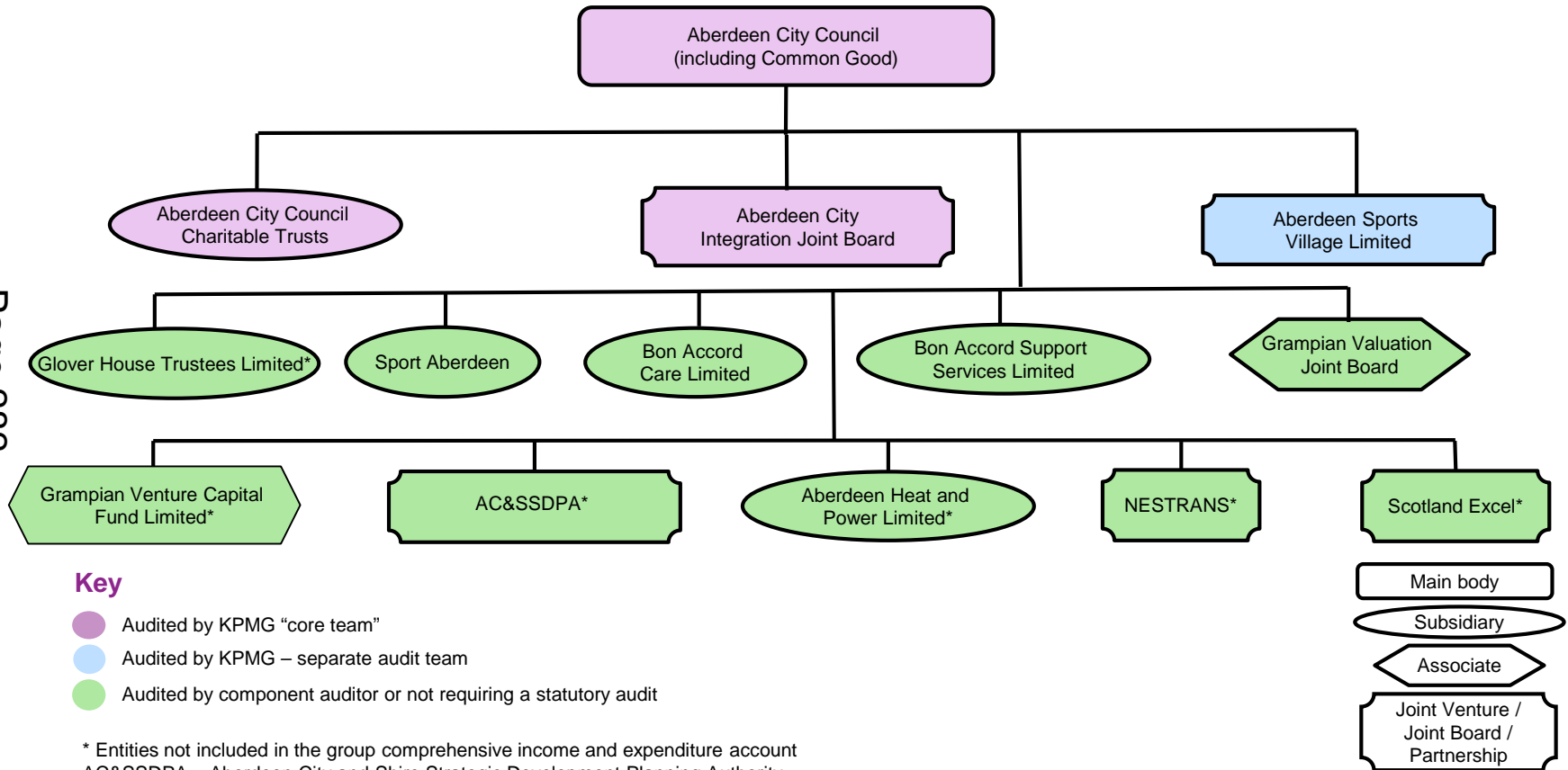
The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus or other matters arise, we will discuss with management the impact of this on our proposed fee. We note that from 2020-21 the Council will apply IFRS 16 *Leases*, with 2019-20 lease arrangements needing to be considered in order to establish the required accounting entries from 1 April 2020. Auditor remuneration incorporates our audit work in respect of the Council's preparation for this new leases standard. The remuneration also reflects the additional audit work in respect of the valuation of TECA in its first year of use as an "investment property".

	2019-20 £ (incl VAT)	2018-19 (incl VAT)
Auditor remuneration	264,710	254,500
Pooled costs	24,530	23,760
Contribution to PABV	132,010	130,570
Contribution to Audit Scotland costs	15,160	15,380
Total Council audit fee	436,410	424,210
Audit of Aberdeen City Council Charitable Trusts	8,800	8,600
Total fee	445,210	432,810

Group financial statements

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Responsibility in relation to fraud

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

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Management responsibilities

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

KPMG’s identification of fraud risk factors

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

KPMG’s response to identified fraud risk factors

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

KPMG’s identified fraud risk factors

- Whilst we consider the risk of fraud at the financial statement level to be low for the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly.
- Revenue recognition
 - Cash
 - Procurement
 - Management control override
 - Assessment of the impact of identified fraud.

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

Responsibilities of management

Financial statements

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

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

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

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

Prevention and detection of fraud and irregularities

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

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

Responsibilities of management

Corporate governance arrangements

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

Financial position

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

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

Best Value, use of resources and performance

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

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

Responsibilities of auditors

Appointed auditor responsibilities

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

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

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










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

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

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

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

Additional planning communications for EU-PIEs

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

Type	Response
Materiality	 Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out at page 6 in our Audit Strategy.
Non-compliance with laws and regulation or articles of association	 We will report on whether actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
Significant deficiencies in internal control	 We will report on all significant deficiencies and whether they have been resolved by management.
Significant difficulties	 We will report on any significant difficulties encountered during the audit. We will report on significant matters arising from the audit that were discussed, or subject to correspondence, with management. We will report on matters that are significant to the oversight of the financial reporting process.
Non-KPMG component auditors	 We are not planning to rely on any non-KPMG auditors in 2019-20.
Management's approach to consolidation	 We will report on whether management's approach to consolidation is consistent with IFRS.

Under EU audit reform, it is mandatory for all EU PIEs to tender the audit contract at least every 10 years and rotate auditors at least every 20 years. The Accounts Commission appoints auditors to each local authority for a period of five years, with a tender exercise being conducted in late 2020.

Financial Reporting Council's (FRC's) areas of focus

The areas of focus from the FRC's Annual Review of Corporate Reporting 2018/19 along with four thematic reviews issued in 2019 should be considered for reporting in the current financial period. Further improvements and candid disclosures in corporate reporting are called for to address matters of increasing concern to investors as well as enhancing public trust in business. The FRC suggests lack of disclosures on key and emerging issues implies that management is unaware of their potential impact, is not managing the issues effectively or is being opaque.

Narrative reporting

The FRC expects the information included in the strategic report (or equivalent) to provide quality communication with stakeholders regarding a range of environmental, social and governance issues, including climate risk, as well as a balanced and comprehensive analysis of the development and performance of the organisation's business during the financial year.

In times of uncertainty investors look for greater transparency in reporting to inform decision making and so careful disclosure is expected in areas exposed to heightened levels of risk such as going concern, Brexit and all areas of material estimation uncertainty.

Brexit

Improvements in disclosures have seen organisations highlighting a range of specific risks which varied by industry/sector. The FRC noted that they should also identify mitigating action that had been taken and disclosures in this area would continue to be monitored.

Alternative Performance Measures (APMs)

The FRC still finds deficiencies in identifying and reconciling APMs to audited IFRS numbers, absent or unclear definitions of APMs and explanations of why certain amounts were excluded from adjusted measures, when they appear to be part of the normal business. The FRC's existing checklist set out in its APM thematic review issued in 2017 continues to be its benchmark.

Significant accounting judgements

Several cases of insufficient disclosures where a particular judgment had a significant impact on reporting were found, including complex cases relating to consolidation judgment and the question of control over another entity. The FRC expects disclosures of judgment demonstrating full understanding of the rights and obligations arising from the relevant arrangements distinguishing between substantive and protective rights.

FRC's areas of focus (continued)

Significant estimates

The FRC continues to focus on disclosure of significant estimates to give clearer insight into possible future material changes in balance sheet values over the twelve months ahead. Disclosures regarding the sensitivity of changing assumptions and range of possible outcomes are expected.

Reporting on cash

The FRC continues to identify basis errors involving misclassification of cash flows between operating, investing and financing activities many of which inflate operating cash flows. There is a concern these errors are not being picked up during quality testing.

Supplier financing arrangements

The FRC still believe many companies are not providing relevant information about this type of arrangement, including why they are being used and the extent of their dependency.

IFRS 16 Leases

Expectations for the new standard include a clear explanation of the impact of transition and the practical expedients taken, a reconciliation between the previous IAS 17 commitment and IFRS 16 liability along with details of the key judgments applied. APMs will need to address the inconsistencies as a result of comparatives information not being restated. See next page.

Non-financial assets

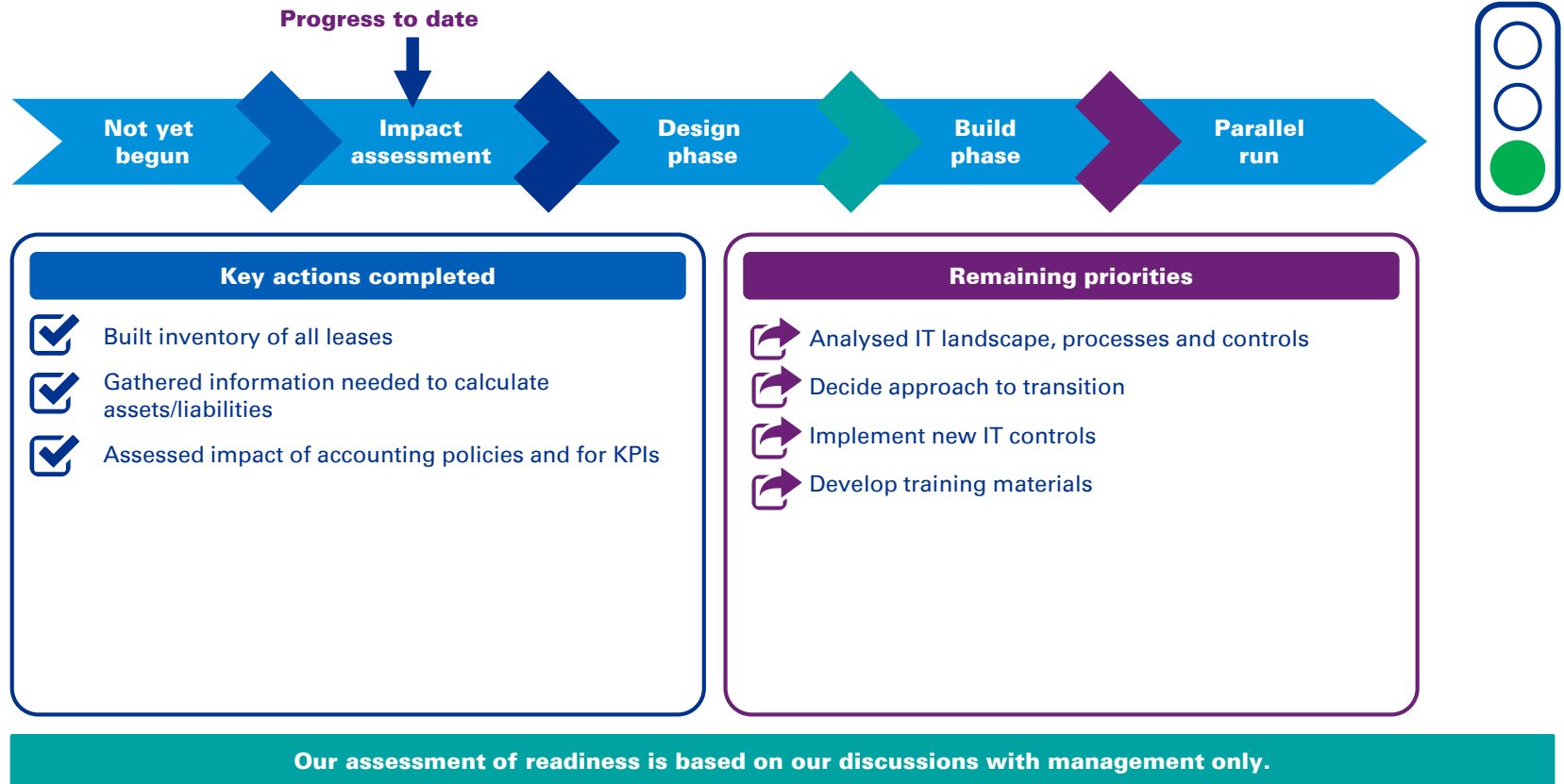
The FRC will expect disclosures to explain circumstances leading to an impairment, significant judgment applied, and that the disclosures requirements of IAS 36 and IAS 1.125 . 2019/20 specific issues include the effect of Brexit, and/or other political-macro economic risks, the impact of climate change and environmental impact and the effect of IFRS 16.

Revenue

The FRC expects improvements in the description of the specific nature of performance obligations, and when are such obligations met (over time or at a point in time), organisation-specific disclosures of significant judgements, as well as consistency between the financial statement disclosures and other information (i.e.: strategic report).

FRC's areas of focus (continued) - readiness for IFRS 16 Leases

The Council is completing its impact assessment in readiness for adopting IFRS 16 in the 2020-21 annual accounts.

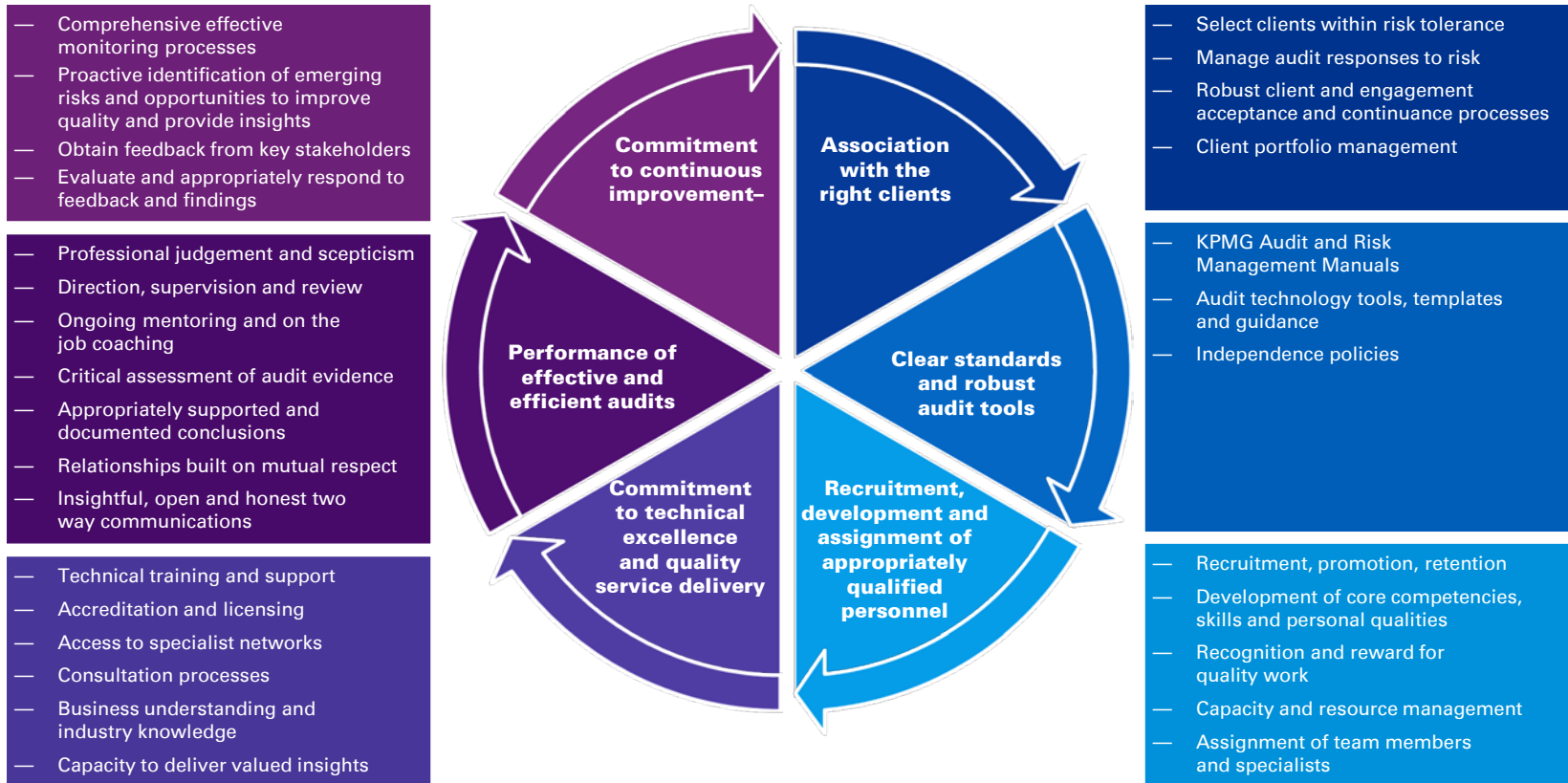


KPMG's Audit quality framework

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

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

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The contacts at KPMG in connection with this report are:

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	12 February 2020
REPORT TITLE	RIPSA - Annual Report
REPORT NUMBER	GOV/20/042
DIRECTOR	Chief Executive
CHIEF OFFICER	Fraser Bell - Chief Officer
REPORT AUTHOR	Jess Anderson
TERMS OF REFERENCE	5.2 and 6.4

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 consider a statement on the Council's Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis.

2. RECOMMENDATION(S)

That the Committee resolves to: -

- 2.1 Note the report.
- 2.2 Agree the Corporate Protocol and Procedure on Covert Surveillance (Appendix A).

BACKGROUND

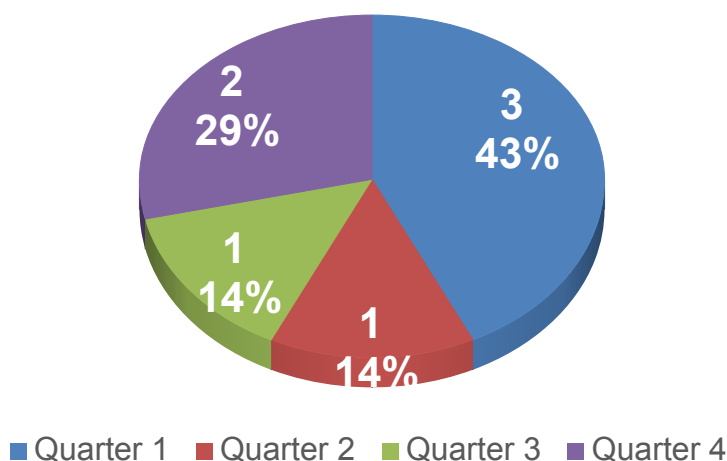
- 3.1 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), gives the Council powers to conduct two types of covert surveillance:
1. Directed Surveillance; and
 2. the use of a Covert Human Intelligence Source (the use of an undercover officer).

- 3.2 The Council has a protocol and procedure in place which governs the use and management of covert surveillance. Further, all members of staff wishing to use RIPSA, are required to undertake training prior to being able to make an application under RIPSA.
- 3.3 Various Council services use RIPSA 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 RIPSA.
- 3.4 This Committee receives an update on covert surveillance activity on a quarterly basis as is required by policy and the Scottish Government’s Code of Practice on Covert Surveillance. This report pulls together an analysis of surveillance activity over 2019, providing members with a more detailed overview of surveillance activity. The role of this Committee is to monitor compliance with the protocol to ensure that it is being used consistently and that that policy remains fit for purpose.

APPLICATIONS FOR COVERT SURVEILLANCE

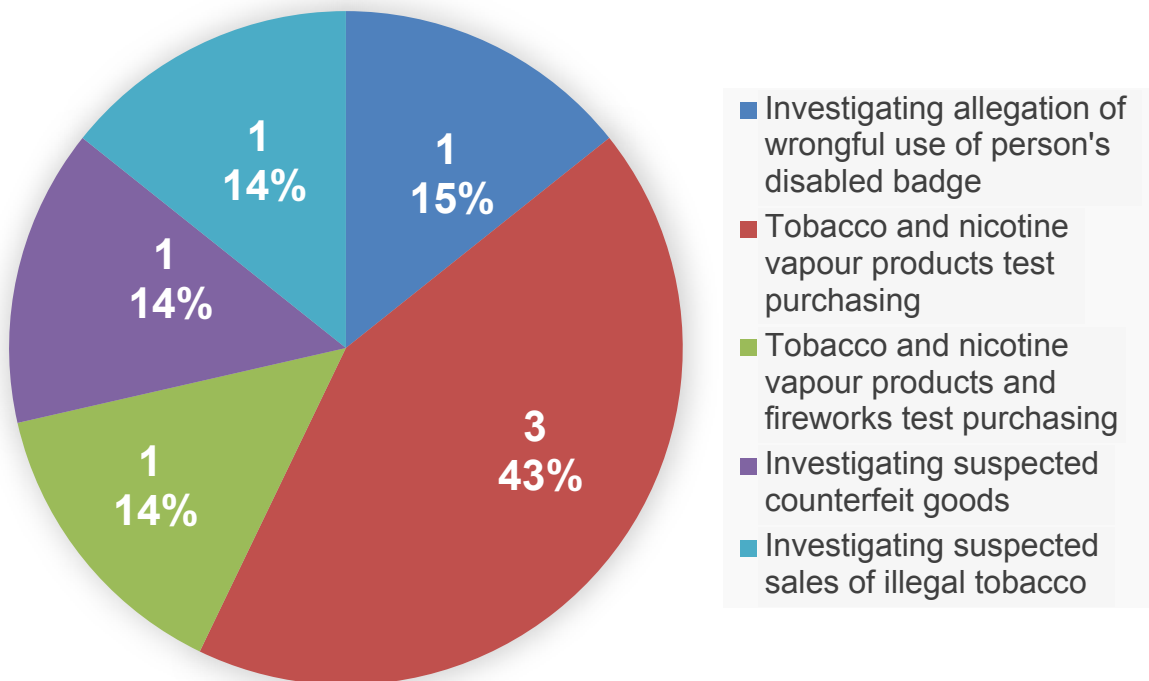
- 3.5 During 1st January – 31st December 2019 there were 7 authorisations for covert surveillance. All 7 were authorisations for Directed Surveillance. There were no applications for a CHIS. The chart below shows the breakdown of authorisations by Quarter.

No. of Authorisations Jan - Dec 2019

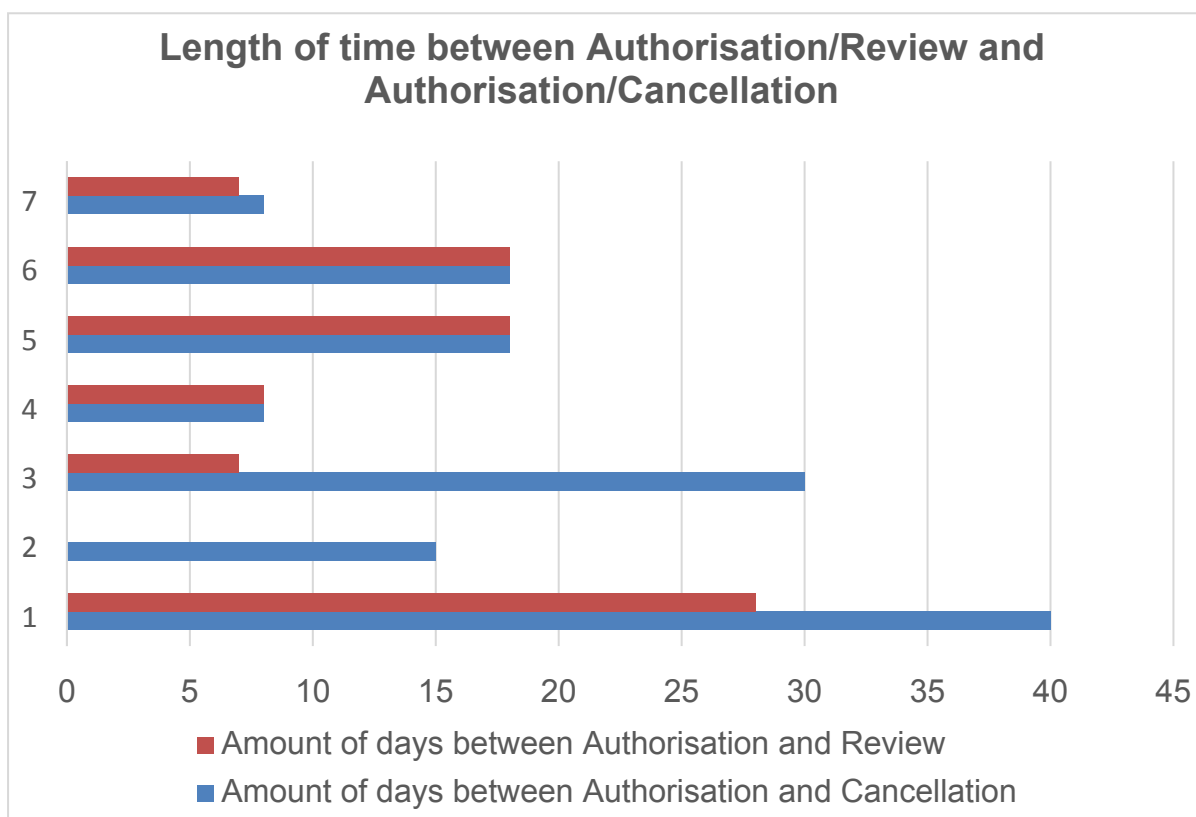


- 3.6 6 of the Directed Surveillance applications came from the Operations and Protective Services and 1 was from the Corporate Investigations Team. The chart below groups the applications by purpose.

Type of Authorisations Jan - Dec 2019



- 3.7 Under RIPSA and the Council's protocol on covert surveillance, the duration of a Directed Surveillance authorisation is 3 months. Guidance states that the operation should be reviewed at the earliest opportunity after its conclusion and cancelled thereafter, if appropriate. All 7 authorisations were cancelled within the 3-month period and the graph below shows the length of time between Authorisation and Review/ Cancellation. It should be noted that as covert surveillance is a planned operation, the authorisation can be granted a few days/ or up to a week prior to the start of the surveillance operation. Additionally, the Authorising Officer can authorise more than one day of surveillance. The graph below provides assurance to members that authorisations have been cancelled appropriately and in accordance with the protocol.



Authorisation for Directed Surveillance	Days between Authorisation and Cancellation	Days between Authorisation and Review
1	40	28
2	15	-
3	30	7
4	8	8
5	18	18
6	18	18
7	8	7

3.8 Test purchases for underage sale of tobacco and nicotine products are part of an enforcement initiative promoted by the Scottish Government. The enforcement activity 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.

3.9 The latter half of 2019 saw the first authorisation for a test purchase in relation to Firework products. The Scottish Government published a consultation on firework safety in 2019 and, as a result of the response to that, has launched the Fireworks Action Plan; “Promoting the safe and appropriate use of fireworks

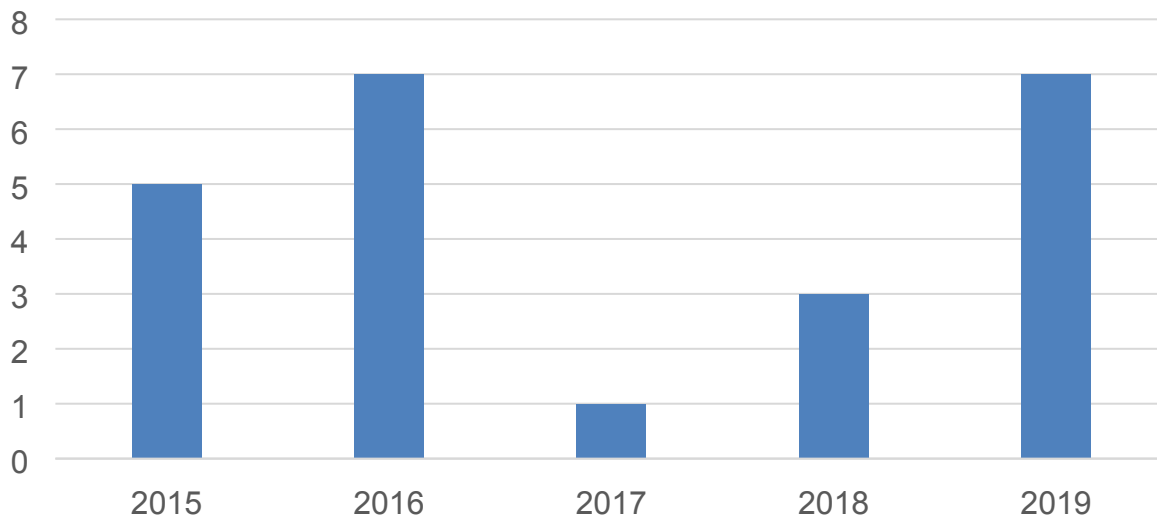
in Scotland”. This action plan has longer term actions including the establishment of a Firework Review Group whose remit is to develop clear recommendations for tightening regulations on where and when fireworks can be used in Scotland¹.

- 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, allegations of fraud are 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. Further, risk assessments form a part of the application form for any covert surveillance authorisation and the Authorising Officer must satisfy him/herself that this has been considered and where necessary, mitigated before he/she authorises an application.
- 3.11 The Council’s continued use of covert surveillance powers remains relatively consistent over the years, reflecting that whilst it is a “tool of last resort” it is still appropriate and effective in the relevant circumstances. The graph below shows the numbers of applications authorised by year, since 2015. Members will note that there was only 1 application in 2017. This is due to a change in practice which was implemented after Summer 2017 following discussions with the Surveillance Commissioner during his inspection in the Spring. Applicants were advised that a Directed Surveillance authorisation was now required for initial test purchases, where previously this had been done under an officer’s delegated enforcement powers. This change was reported to this Committee in September 2017, CG/17/112².

¹ <https://consult.gov.scot/safer-communities/fireworks/>

² <https://committees.aberdeencity.gov.uk/documents/g4310/Public%20reports%20pack%2026th-Sep-2017%2014.00%20Audit%20Risk%20and%20Scrutiny%20Committee.pdf?T=10>

No. of Authorisations 2015-2019



- 3.12 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 is supported by the Investigatory Powers Commissioner.

POLICY

- 3.13 There have been no changes to the substance of the Protocol and it still remains compliant with the Scottish Government Codes of Practice on Covert Surveillance and Property Interference 2017. A copy of the Protocol is attached at Appendix A. Members are asked to approve a revision to the Protocol at 8.3 to remove the contact details for Authorising Officers. The Chief Officer-Governance has delegated powers to appoint Authorising Officers and the removal of specific officer details will avoid the need to report to Committee for approval of personnel changes. Any changes to personnel subject of an appointment by the Chief Officer- Governance are uploaded to the Council's intranet. Further, should there be any changes to the number of Authorising Officers, members will be advised through the quarterly reporting process, similar to those reports submitted in September³ and December 2018⁴.

³ <https://committees.aberdeencity.gov.uk/documents/g6258/Public%20reports%20pack%2025th-Sep-2018%2014.00%20Audit%20Risk%20and%20Scrutiny%20Committee.pdf?T=10>

⁴ <https://committees.aberdeencity.gov.uk/documents/g6259/Public%20reports%20pack%2004th-Dec-2018%2014.00%20Audit%20Risk%20and%20Scrutiny%20Committee.pdf?T=10>

TRAINING

- 3.14 There were no requests for training during the year for new staff. In the latter part of 2018, Refresher training (and where necessary full training) was provided to all applicants and officers who were new to covert surveillance work.
- 3.15 The Governance team undertakes a quarterly meeting with Authorising officers (AO) which provides for the chance to discuss feedback from any audits of application forms, general practice and provides an opportunity for AO's to raise any queries they might have. The next AO meeting is due in February 2020.

AWARENESS RAISING

- 3.16 As mentioned in the report for Quarter 4, 2019, officers within the Governance Team, Legal Services are looking at creating an interactive knowledge sharing platform which would allow instant messages to be sent to applicants/AO's when there are updates on covert surveillance activity. There will also be the opportunity for applicants to discuss general issues on surveillance. Content on actual operations will be prohibited from that forum, due to the sensitivity of a covert operation. In the next coming weeks, testing will take place, and thereafter, it will be rolled out, by invitation only to those officers who have had surveillance training.

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. The Code also reflects that elected members should set the Policy on an annual basis. This annual report brings together a review of all RIPSA activity throughout the last year and provides members an overview of the Council's compliance and updated Protocol. Regular scrutiny by members is also a matter which is taken into account by the Investigatory Powers Commissioner's Office 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, this is done by reporting to this Committee quarterly.
- 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), Medium (M), High (H)	Mitigation
Financial	There are no financial risks arising from this report.	L	
Legal	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.
Employee	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.
Customer	Failure to report to and update Committee on RIPSA activity means that it would undermine public confidence in the Council and how it operates.	L	
Environment	There are no environmental risks arising from this report.	L	
Technology	There are no technological risks arising from this report	L	
Reputational	Failure to not update Committee on RIPSA activity would mean that	L	External inspections on RIPSA activity operate every 3-4 years. This provides

	the Council would be at risk of negative reputational damage when this is raised by the Surveillance Commissioner in their inspection.		external assurance to the Committee of the Council's compliance with RIPSA. The Inspection Report is shared with Committee and any Action Plan created, endorsed and approved by Committee.
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7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	This report does not link to this theme directly. The use of RIPSA 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.
Prosperous Place	Enforcement activity undertaken by the Council by using, where appropriate, its powers under RIPSA, may have an impact on this theme by tackling the selling of counterfeit goods.

Design Principles of Target Operating Model	
	Impact of Report
Governance	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

Assessment	Outcome
Equality & Human Rights Impact Assessment	The purpose of this report is to update Committee on the Council's use of RIPSA. There have been no changes to the Protocol and therefore an EHIRA is not required.
Privacy Impact Assessment	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.
Duty of Due Regard / Fairer Scotland Duty	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)

Corporate Protocol and Procedure on Covert Surveillance

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Aberdeen City Council

Corporate Protocol and Procedures on Covert Surveillance

Issue 3 (September 2018)

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1. Introduction

- 1.1 This protocol provides an overview of the arrangements Aberdeen City Council has in place to manage occasions on which it is necessary for Officers to undertake covert surveillance, either via Directed Surveillance (DS) or through the use of a Covert Human Intelligence Source (CHIS).
- 1.2 This Protocol and Procedure document should be used in conjunction with the Scottish Government “Covert Surveillance and Property Interference Code of Practice”, the Scottish Government “Covert Human Intelligence Sources Code of Practice” and the Office of the Surveillance Commissioners (OSC) “Covert Surveillance and Property

Interference, August 2018". All three publications are available on the Covert Surveillance page of the Zone.

2. Overview of Legislative Position

- 2.1 There are a range of situations in which the Council's employees, in the course of their duties, have to carry out investigations and activities which, by their very nature are **covert**, i.e. they are concealed, secret or clandestine.
- 2.2 Under the Human Rights Act 1998 ('HRA 1998') it is unlawful for a public authority to act in a way which is incompatible with a European Convention on Human Rights ('ECHR') right.
- 2.3 In accordance with the HRA 1998, it is essential that covert investigations are compatible with Article 8 of ECHR which states that: "*everyone has the right to respect for his private and family life, his home and correspondence*".
- 2.4 The rights guaranteed in Article 8 can be interfered with if such action can be justified as being in accordance with the law and necessary in the interests of at least one of the following:
 - national security;
 - public safety;
 - the economic well-being of the country;
 - the prevention of disorder or crime;
 - the protection of health or morals; or
 - the protection of the rights and freedoms of others.
- 2.5 The Regulation of Investigatory Powers (Scotland) Act 2000 ("RIPSA") came into force on 29th September 2000 and is applicable in Scotland only. It provides a legal framework for covert surveillance by public authorities and an independent inspection regime to monitor these activities. RIPSA sets out a process for the authorisation of covert surveillance by designated officers, for the duration of that authorisation and for the review, termination or renewal of authorisations.
- 2.6 The primary purpose of RIPSA is to ensure compliance with Article 8 in relation to covert surveillance. As such, so long as local authority investigators, acting in the course of their duties, ensure that they obtain authorisation **and** that they act in accordance with that authorisation, any interference with Article 8 rights will be in accordance with the law and therefore the activities and evidence of investigating officers will be lawful.

3. Definitions

3.1 Surveillance includes:

- Monitoring, observing or listening to persons, their movements, their conversation or their other activities or communication.
- Recording anything that is monitored, observed or listened to in the course of surveillance.
- Surveillance by or with the assistance of a surveillance device

3.2 Surveillance can be overt or covert.

- Overt: Surveillance is overt where it is carried out in such a way that anyone subject to it is aware that the surveillance is taking place

Examples:

- CCTV cameras recording general scene since members of the public should have been aware of such use by placed notices
- City Wardens observations in the Community as their presence will be obvious due to their uniforms.

- Covert: Surveillance is covert where it is carried out in such a way that anyone subject to it is unaware that the surveillance is taking place.

Examples:

- External Agency requesting access to Council CCTV system to undertake a specific investigation
- Covert video recording of Trading Standards test purchasing
- Covert monitoring of Social Media Profile(s) of a client / customer

3.3 RIPSAs only applies to **covert surveillance** – no authorisation is necessary for overt surveillance. Officers who are unsure if the surveillance they plan to conduct is overt or covert should seek advice from the Governance Team, Legal Services prior to undertaking the surveillance.

3.4 Covert Surveillance should only be undertaken by suitably trained or experienced employees and consideration must be given to employees Health & Safety at all times.

3.5 There are three types of covert surveillance, only two of which Aberdeen City Council can conduct:

- **Directed Surveillance (DS)**

- Surveillance which is covert but not intrusive and undertaken:

- For the purposes of a specific investigation or specific operation

and

- In such a manner as is likely to result in the obtaining of private information about any person.

Private information includes information relating to the person's private or family life, or personal relationships with others, including professional or business relationships.

- **Covert Human Intelligence Source (CHIS)** (See section 6 for further guidance)

- A CHIS establishes or maintains a false personal relationship with others to obtain or access information covertly

- Covers some 'undercover work' undertaken by local authorities where the officer (without disclosing his or her true identity) pursues an investigation by dealing with a particular individual gaining their confidence with a view to securing information

- May also apply to situations where a Council Officer receives information from someone who approaches them voluntarily on repeated occasions.

- **Intrusive Surveillance**

- Covert surveillance carried out in relation to anything taking place on any residential premises or in any private vehicle which involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

- No provision within RIPSA for a local authority to conduct intrusive surveillance, only a Chief Constable can authorise such surveillance being undertaken.
- As such, Local Authority Officers **MUST NOT** engage in intrusive surveillance

4. Key Principles

4.1 In order to be lawful, covert surveillance must:

- Have a **lawful purpose** which directly relates to Aberdeen City Council's regulatory (core) functions and be in pursuance of one of the following:
 - For the purpose of preventing or detecting crime or the prevention of disorder
 - In the interests of public safety
 - For the purposes of protecting public health
 - For any other purpose prescribed in an order made by the Scottish Ministers.
- Be **necessary**
 - Covert surveillance can only be undertaken where there is no reasonable and effective alternative way of achieving the desired objectives.
 - Necessity must be viewed in all of the circumstances of the specific case
- Be **proportionate**
 - The use and extent of covert surveillance should not be excessive and should be proportionate to the significance of what is being investigated.
 - If the same information could be gathered by less infringement of a citizen's rights then the lesser path should be taken.

- In considering proportionality consideration should be given to the seriousness of the alleged behaviour / breach
- 4.2 In addition, surveillance should be planned in such a way as to avoid any confidential material, such as matters subject to legal privilege, confidential medical information or confidential journalistic material, from being obtained and applications where there is a significant risk of acquiring confidential material require to be authorised by the Chief Executive or, in her absence, the Director who is deputising for her as Head of Paid Service.

5. Training

- 5.1 Aberdeen City Council has a RISPA Training Policy. This identifies a process whereby each job role within the authority is tiered as applicable to the roles exposure to Covert Surveillance activities.
- 5.2 Any officer of the Council who wishes to make an application for authorisation for Covert Surveillance **MUST** have undertaken the Tier 1 training as detailed in this Training Policy prior to doing so.

6. Covert Human Intelligence Source (CHIS)

- 6.1 Where an employee establishes or maintains a relationship with a view to obtaining or accessing information covertly, a CHIS Authorisation is necessary. This includes situations where, without disclosing his or her true identity, an officer pursues an investigation by dealing with a particular individual over a prolonged period thereby gaining this confidence with a view to securing information.
- 6.2 In addition, a CHIS can be a person who supplies information to a Council employee on a purely voluntary basis where it has not been sought out by the authority. If the information being provided is recorded as potentially useful or actionable, the Council has a duty of care to the individual and, in order to manage this source appropriately, an authorisation may be necessary. In situations where the Council is receiving information from a voluntary source, particularly attention must be given to paragraphs 2,16; 2,17 and 2.23 – 2.25 of the Scottish Government “Covert Human Intelligence Sources Code of Practices”.
- 6.3 There are a number of groups to which special consideration must be given prior to their use as a CHIS:
- Juvenile: Juvenile source are those under the age of 18. The maximum duration of authorisation for juvenile sources is one month as opposed to the usual 12 month duration for adult sources. Where you are considering the use of a Juvenile, please

contact the Governance Team, Legal Services, for advice prior to seeking an authorisation.

- **Vulnerable Individuals:** A vulnerable individual is a person who may be in need of community care services by reason of mental or other disability, age or illness **and** who is or may be unable to take care of himself, or be unable to protect himself from significant harm of exploitation. Only in the most exceptional of circumstances should vulnerable individual be authorised as a source.

Only the Chief Executive, or in her absence the Director deputising for her as Head of Paid Service, can authorise an application to authorise the use of juveniles or vulnerable individuals as a source.

6.4 Authorisation for the use of a Covert Human Intelligence Source (CHIS) can only be granted if sufficient arrangements are in place for handling the Source. Those arrangements that are required are:

- That a suitably training and / or experienced Officer is appointed as the Handler of the Source. The Handler is responsible for dealing with the CHIS on behalf of the Council; directing the day to day activities of the CHIS; recording information supplied by the CHIS and monitoring the CHIS's security and welfare.
- That a suitably senior Officer, normally the Handler's Line Manager, is appointed as the Controller of the Source. The Controller is responsible for the supervision of the Handler and for general oversight of the use of the CHIS.
- That the Authorising Officer is satisfied that suitable arrangements are in place for maintaining a record of the use made of the source including:
 - The identity of the Source and the identity used by the Source in the operation
 - The detail of any other relevant investigating authority involved
 - The means by which the Source is referred in each investigating authority
 - Any other significant information connected with the security and welfare of the source and confirmation these have been properly explained to and understood by the Source
 - The date when and the circumstances in which the Source was recruited

- The identities of the Handler, Controller and Authorising Officers and the period(s) in which these people have discharged their responsibilities
- All contacts / communications between the Source and the Handler
- Information obtained through the conduct on use of the Source and any dissemination of that information.

7. Application Process

- 7.1 Prior to any application being made, the applicant must contact the Team Leader, Governance, Legal Services (; Ext: 2553, or 3168) to request a Unique Application Reference Number which will apply to the application. This Number must be inserted on each page of the application form.
- 7.2 Before any specific covert surveillance is undertaken, the relevant officer requires to complete a “Directed Surveillance Application Form” or a “CHIS Application Form”, print and sign the application and submit it in hard copy to an Authorising Officer for consideration. These application forms can be downloaded from the RIPSA page on the Zone. No Covert Surveillance can be undertaken prior to a specific authorisation being granted.
- 7.3 The role of the Applicant is to present the facts to the Authorising Officer. Facts must include:
- The **issue** being investigated;
 - **Why** the investigation has to be covert;
 - **What** covert surveillance is requested and why;
 - **Where** and **When** the covert surveillance will take place;
 - **Who** the covert surveillance will focus on;
 - **Who** else may be affected by the covert surveillance;
 - **How** it is intended to conduct the covert surveillance.

Further, for an application for the authorisation of a use of a CHIS, the following additional information is also required:

- The **identity** of the CHIS, the Controller and the Handler.
- Details of the risk assessment undertaken on the **security** and **welfare** of using the source.

In addition, the completed Application Form must provide sufficient detail to allow the following points to be considered:

- Necessity
 - The application must state which of the four purposes outlined in paragraph 4.1 above apply.
 - In addition, specific detail of which legislative provision(s) apply, and/or which powers the Council is seeking to utilise, should be detailed, including the power delegated to that officer by their respective Director, as set out in the Powers Delegated to Officers which forms part of the Council's Scheme of Governance.
 - The application must detail why the application is necessary at the time it is made, it is not appropriate to seek authorisation for activities that may be necessary at some point in the future.

- Effectiveness
 - The application must detail how the covert surveillance will be undertaken and who will do it, the time period(s) and date(s) when it will be done, and the location. It can be useful to provide a map or illustration of the site in order to demonstrate to the Authorising Officer the sight lines and why the location chosen is suitable for the intended operation.

- Collateral Intrusion
 - The application must demonstrate that account has been taken of the likely nature and degree of intrusion into the privacy of persons other than the intended target of the investigation.
 - The application must detail what measures will be taken to avoid unnecessary intrusion into the lives of others. It is necessary that all reasonable practicable measures are implemented.

- Proportionality
 - The application should outline the following factors for the Authorising Officers consideration:
 - The balance of the size and scope of the operation against the gravity and extent of the perceived mischief
 - How and why the methods proposed will cause the least possible intrusion on the target and other people
 - That the covert surveillance activity proposed is the only reasonable way, having considered any other possible ways, of obtaining the desired result

Further guidance on proportionality is set out in a Guidance Note on Proportionality which is contained in Appendix One of this protocol and is also available on the Zone.

A guide on completing the application form is contained in Appendix Two of this protocol.

The entire application process is summarised in a flowchart in Appendix Three of this protocol.

- 7.4 Upon completion, the application form is passed to one of the Council's four Authorising Officers.

8. Authorising Officers

- 8.1 An Authorising Officer is a person who is entitled to give an authorisation for covert surveillance in accordance with the applicable regulations. No other officer, with the exception of that outlined in paragraph 8.3 below, is able to authorise covert surveillance to take place. A current list of Authorising Officers is available on the Covert Surveillance pages on the Zone.
- 8.2 It is the responsibility of the Authorising Officer to assess and approve the necessity and proportionality of any proposed covert surveillance activity.
- 8.3 Authorising Officers are appointed by the Chief Officer- Governance and once trained, their contact details uploaded to the Zone.
- 8.4 In addition, and as stated in paragraph 4.2 above, if there is a significant risk of confidential material (for example matters subject to legal privilege, confidential medical information or confidential journalistic material) being acquired during the covert surveillance, the application requires to be authorised by the Chief Executive or, in her absence, by the Director who is deputising for her as Head of Paid Service.

9. Authorising Process

- 9.1 Authorising Officers should avoid authorising activities / operations for which they have responsibility wherever possible and should only do so in exceptional circumstances.
- 9.2 Prior to authorising the use of directed surveillance, Authorising Officers must satisfy themselves that:
- The application form has been completed correctly and that it addresses all the requirements of RIPSA and the Code of Practice

on Covert Surveillance and Property Interference and/or the Code of Practice on the Use of a Covert Human Intelligence Source.

- That the application is for one of the lawful purposes set out in the Act
- Whether all of the required considerations have been addressed adequately

9.3 Where there is insufficient evidence within the application to enable the Authorising Officer to adequately consider the use of directed surveillance or a CHIS, the Authorising Officer should be prepared to challenge the content of the application form and refuse or limit the extent of authorisation.

9.4 Authorising Officers must also consider the health and safety of the staff involved prior to giving authorisation, in line with current Council policies and procedures. For this purpose, when completing the application, a risk assessment must be carried out and recorded on the application form. The risk assessment must determine the risk to the source of the tasking proposed, the members of staff involved in the surveillance, the likely consequences should the role of the source become known and the on-going security and welfare of the source both during the authorisation and following the cancellation of the authorisation.

9.5 Authorising Officers determine whether to approve or refuse the application for covert surveillance. If the application is approved, the Authorising Officer must detail:

- A description of the covert surveillance activity authorised
- Detail of the exact extent of the covert conduct authorised including the time period(s) in which it will take place and the location(s) where it will be conducted. The “5 W’s” – **Who, What, Where, When** and **How** – must be detailed clearly in the application.

This may not always accord with the full extent of the application and will depend on circumstances.

9.6 It is **essential** that all original paperwork be forwarded by Authorising Officers to the Governance Team, Legal Services who maintain the Central Register of all Directed Surveillance and CHIS Applications and Authorisations. All documents created under RIPSAs are highly confidential and shall be treated as such. All will be stored, retained and destroyed within the requirements of the Data Protection Act 2018 and any relevant retention policy of the Council.

9.7 Where it is in the overriding public interest to secure information by covert surveillance as a matter of urgency, when it would not be practicable to do anything other than act immediately, urgent authorisation can be granted verbally. Such authorisation can last for a

maximum of 72 hours and must be recorded in writing as soon as reasonably practicable.

10. Authorisation Review and Cancellation

- 10.1 Each written authorisation for Directed Surveillance expires **3 months** after the date on which it was granted. A written authorisation for a CHIS expires **12 months** after the date on which it was granted. At any time before an authorisation expires, it can be **extended** for a further 3 month period, subject to an Authorising Officer agreeing that such an extension is necessary.
- 10.2 In addition, each authorised covert surveillance operation must be **reviewed** at intervals of not more than one month by the Authorising Officer who authorised the application. Any changes in circumstances must be considered. The review may lead to the authorisation being continued, the authorisation being varied or the authorisation being cancelled. Where it is not reasonably practicable for the same Authorising Officer to undertake the review (i.e they are out of the country, or have left employment with Aberdeen City Council), the review can be undertaken by another Authorising Officer.
- 10.3 The Authorising Officer who granted or last renewed the authorisation must **cancel** an authorisation if he/she is satisfied that the directed surveillance operation is no longer necessary or proportionate. The cancellation should occur as soon as possible. Where it is not reasonably practicable for the same Authorising Officer to undertake the cancellation (i.e they are out of the country, or have left employment with Aberdeen City Council), the cancellation can be made by another Authorising Officer.
- 10.4 All original review and cancellation paperwork must be forwarded by the Authorising Officer to the Governance Team, Legal Services for retention in the Central Register. As previously, documents within the central register are highly confidential and will be stored, retained and destroyed within the requirements of the Data Protection Act 2018 and any relevant retention policy of the Council.

11. Monitoring and Quality Control

- 11.1 Each Service or discrete location within a Service must maintain its own record of all applications made for authorisation, including instances where an application has been refused, renewals, reviews and cancellations. This record must be kept in a secure, locked location. Separate files should be maintained in respect of the authorisation of directed surveillance and the authorisation of covert human intelligence sources.

- 11.2 All original paperwork and operational practice will be reviewed by appropriate Officers as Applications are received by the Governance Team, Legal Services. The purpose of these reviews will be to identify any areas of procedural or policy weakness, good practice and to assess future training requirements. If necessary, Applicant Officers and Authorising Officers may be contacted as part of this review and learning points from each will be addressed via appropriately formatted briefings.

12. Oversight of Covert Surveillance Arrangements

- 12.1 The Investigatory Powers Commissioner (IPC) provides independent oversight of the use of powers contained within RIPA.
- 12.2 IPC conduct Inspection Visits to each public authority on a triannual basis during which a sample of applications for authorisation are reviewed by the Inspector in detail.

13. Complaints

- 13.1 The Regulation of Investigatory Powers Act 2000 (“the UK Act”) establishes an Independent Tribunal, called the Investigatory Powers Tribunal. This Tribunal has jurisdiction for authorisations granted under the Scottish Act.
- 13.2 The Tribunal is a court which investigates and determines complaints of unlawful use of covert techniques by public authorities which infringe on an individual’s right to privacy.

14. Further Information

- 14.1 Further information about the Council’s procedures for authorising Covert Surveillance can be accessed on the Zone-
http://thezone/cg/LegalServices/rm_covertsurveillance.asp

Also available on this page is:

- Scottish Government Covert Surveillance and Property Interference Code of Practice
- Scottish Government Covert Human Intelligence Sources Code of Practice
- Covert Surveillance and Property Interference- Revised Code of Practice, August 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733218/201800802_CSPI_code_reformatted_for_publication_003_.pdf

- 14.2 Further advice on any aspect of Covert Surveillance procedures can be sought by any Service from Legal Services by contacting the Team Leader, Governance on 2553 or 3168.

APPENDIX ONE

Guidance Note on Proportionality

The term's 'necessity' and 'proportionality' are not defined within RIPSA, but are 'imported from the European Convention on Human Rights.

'Necessity' is a concept which guards against the arbitrary interference with a citizen's rights. There are three statutory grounds of 'necessity' inherent in section 6(3) of RIPSA, namely; the prevention and detection of crime or prevention of disorder, the interests of public safety and the protection of public health. In addition to this, the law requires the interference to be proportionate and in response to a pressing 'social need'.

'Proportionality' is a difficult concept to grasp but a paramount consideration for Officers who are responsible for completing and authorising Application forms for Directed Surveillance and the use of a Covert Human Intelligence Source or CHIS.

Proportionality-

An illustration of how the Court assesses the 'proportionality test' can be found on the case of *Peck v UK*. Footage of Peck carrying a large knife was captured on CCTV cameras in Brentwood High Street, shortly after his attempt to commit suicide. The CCTV operator (an employee of Brentwood County Council) contacted the Police who arrested Peck and detained him under Mental Health legislation. A few months later, stills from the CCTV footage were used in an advertising campaign to promote the CCTV system.

Further to this, footage of Peck was broadcast on national television. Although Peck's face had been masked in one of the broadcasts, the masking was held to be inadequate, as persons who knew Peck could easily identify him from the footage. Peck then made an application to the European Court of Human Rights on the grounds that his rights under Articles 8 (right to respect for private and family life) had been violated. Peck argued that it was the

disclosure of that footage to the public in a manner in which he could never have foreseen which gave rise to such an interference.

In considering whether the interference with his right to privacy was proportionate, the Court had regard to:

1. the failure of the Council to attempt to identify Peck and seek his consent to the disclosure of the footage,
2. the failure of the Council to have 'masked' the image of Peck or enter into a written agreement with the media organisations ensuring that this would be done appropriately,
3. the strong interest the Government has in detecting and preventing crime by use of a CCTV system, and
4. the purpose for publishing the footage.

The Court held that Peck was a victim of a serious interference with his right to privacy involving national and local media coverage. In addition, disclosures by the Council of the CCTV material in 'CCTV news' and to the 'Yellow Advertiser', Anglia television, and the BBC were not accompanied by sufficient safeguards to prevent disclosure inconsistent with the guarantees of respect for the Pecks's private life contained in Article 8. As such, the disclosure constituted a disproportionate and therefore unjustified interference with his private life and a violation of Article 8.

Officers should have in mind a wide range of factors when assessing whether an investigation is 'proportionate' to the achieved aim. Below is listed for information some considerations that should be taken into account. This list is not exclusive.

- Interests affected
Identify whose and what interests are affected. Have you considered the risks involved and prepared for them?
- Extent of interference

Must have regard to the extent of the interference, have less intrusive measures been exhausted first, can you consult with other agencies?

- Duration of the interference
Duration should not be excessive, consider planning, times and places of surveillance.
- Seriousness of the offence involved
Is surveillance excessive in light of the offence involved? Is there a pressing social need?
- Availability of less intrusive alternatives of investigation
Can the aim of the investigation be achieved without surveillance?
- Structured objectives
Operational implications of the investigation
- Absence of irrationality, arbitrariness and unfairness
Are you being unfair, have you made reasonable enquiries with the individual prior to considering surveillance, is what you wish to do relevant? Can you justify interfering with that person's human rights to achieve your aim?
- Relevant and sufficient reasons affected
Be clear with your decision making and evidence on the application form that you have considered the above.

Ultimately, a balance will be required to be struck between the needs of society and the rights of individuals.

APPENDIX TWO

Guide on completing the Application Form



Unique Reference Number* (*Filing Ref)

REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 (RIP(S) ACT)

APPLICATION FOR AUTHORISATION TO CARRY OUT DIRECTED SURVEILLANCE

Public Authority <i>(including full address)</i>	ABERDEEN CITY COUNCIL Town House Broad Street ABERDEEN AB10 1AQ
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Insert the unique reference number provided by the Head of Legal's PA. This should be inserted on every page.

Insert the section/department the applicant works in.

This should be the investigating officer's full name.

Name of Applicant	Unit/Branch/Division
Full Address	
Contact Details	
Investigation/Operation Name (if applicable)	

This should be the full postal address.

All known contact details should be provided. Include the dialling code, extension numbers and email address.

An operation or investigation name or reference number must be included. This must be something that officers can link to the record/ file within their office that corresponds with the complaint, allegation or investigation.

Details of application:

1. Give rank or position of authorising officer in accordance with The Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) (Scotland) Order 2000, No 343; The Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) (Scotland) Amendment Order 2001, No. 87; and The Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) (Scotland) Amendment (No. 2) Order 2003, No. 50 ¹

It is a statutory requirement that certain officers are granted powers to authorise surveillance. In ACC this is the Director, Head of Service or Third Tier officer, where appropriate. The full job details of the authorised officer must be inserted here including their level in ACC. For up to date information, see the Zone.

Why are you investigating this subject matter, what piece of legislation empowers you to undertake an investigation and enforce that particular law/ offence?

2. Describe the conduct to be authorised and purpose of the investigation or operation.

3. Identify which grounds the directed surveillance is necessary under section 6(3) of RIP(S) Act. *delete as inapplicable*

- For the purpose of preventing or detecting crime or of preventing disorder;
- In the interests of public safety;
- For the purpose of protecting public health.

One of the grounds must be selected and the other non relevant grounds deleted. If you select the first ground, you will be required to detail what alleged crime/ offence has been committed. If you cannot satisfy a ground you should not continue with the application.

¹ For Local authorities: The exact position of the authorising officer should be given. For example, Head of rather than officer responsible for the management of an investigation.

4. Explain why directed surveillance is necessary in this particular case.

You are required to explain why a covert operation will obtain the information you want

5. Explain why the directed surveillance is proportionate to what it seeks to achieve (why is the intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means?)

Expanding on what you've put in 4. above, be clear about what efforts you've made to ascertain the information prior to this application e.g. house visits, written communication. Is what you are intending on doing excessive, is there a less intrusive way to get the information/intelligence required? Have previous attempts of ascertaining the information failed?

6. Describe the nature of the surveillance to be authorised, including any premises or vehicles involved (e.g. camera, binoculars, video recorder) that may be used.

You should include in this section whether surveillance is static, on foot, in a vehicle or a residence. Also what the surveillance involves; cameras, video, photographs, visual monitoring equipment, notebooks etc, whether a corroborating officer will be undertaking the surveillance; the times and location of the surveillance e.g the postal address. If you have a map of the area you are carrying out the surveillance in, mark this up and attach this to the application form.

7. Describe the investigation or operation to be carried out. The identities, where known, of those to be subject of the directed surveillance.

Name:
Address:
D.O.B:
Other information as appropriate:

Where this information is known please ensure you insert it. If you have a description of the subject of surveillance then this should also be included. If you do not know the details of the subject, clarify why these details aren't known.

8. Explanation of the information which it is desired to obtain as a result of the directed surveillance.

You should include here what you want the surveillance to provide. This can be an expansion or repetition of 2.

9. Details of risk assessment on the security and welfare of those carrying out the directed surveillance.

Either include a copy of a risk assessment or detail what the risks are, how you have planned to minimise them and what exit strategy you have employed. Always have regard to the type of location someone is being tasked to observe/visit.

10. Collateral intrusion.

THE USE OF DIRECT SURVEILLANCE WITHIN THE PUBLIC DOMAIN WILL LEAD TO COLLATERAL INTRUSION OF OTHERS NOT ENGAGED IN SUSPECTED ILLEGAL OR CRIMINAL ACTIVITY. PERSONS WHO HAVE LEGITIMATE ACCESS TO AREAS WHICH ARE SUBJECT TO COVERT SURVEILLANCE MAY BE SUBJECT TO COLLATERAL INTRUSION. ALL REASONABLE EFFORTS MUST BE MADE TO MINIMISE COLLATERAL INTRUSION. THIS WILL INCLUDE:

- UTILISATION OF TRAINED SURVEILLANCE OPERATIVES WITH APPROPRIATE KNOWLEDGE AND EXPERTISE
- FOCUSING OF SURVEILLANCE ON THE SUBJECTS OF AUTHORISATION
- DAILY BRIEFING AND DEBRIEFING OF AND TO LINE MANAGERS
- CONSTANT REVIEW AND ASSESSMENT OF OPERATIONAL TACTICS.

INDICATE THE EXTENT OF ANY POTENTIAL FOR COLLATERAL INTRUSION ON PERSONS OTHER THAN THOSE TARGETED: (INCLUDING DETAILS IN THE BOX BELOW OF PLANS TO MINIMISE COLLATERAL INTRUSION)

In this section you need to be clear as to the potential for collateral intrusion. If others may also be surveyed, you need to identify how you will minimise this risk, if possible and what steps you'll take to record your observations.

Unique Reference Number* (*Filing Ref)

11. Confidential Information

INDICATE THE LIKELIHOOD OF ACQUIRING ANY CONFIDENTIAL INFORMATION:

[Empty box for Confidential Information details]

Confidential information is information which is subject to legal professional privilege (communications between a professional legal adviser and their client), personal information (such as information relating to someone's physical or mental health e.g. medical records) and journalistic material, e.g. the source of information. Any investigation/ operation which is likely to obtain confidential information should be authorised by the Chief Executive.

12. Anticipated Start

Date:

Time:

13. Applicant's Details

Name (print)

Tel No:

Grade/Rank

Date:

Signature

This section is to be completed by the Applicant

14. Confirmation of urgent authorisation: details of why application is urgent.

[Empty box for Confirmation of urgent authorisation]

15. Authorising Officer's comments explaining why in his view the directed surveillance is necessary and proportionate. This box must be completed.

[Empty box for Authorising Officer's comments]

In this section the Authorising Officer needs to expand on why the surveillance is required, and why having regard to all the circumstances, it should be authorised.

An urgent authorisation may be authorised if an officer was out on official duty but not working under an authorisation and the authorising officer was of the view that the time taken to authorise the surveillance would be likely to endanger life or jeopardise the investigation or operation for which the authorisation was being sought. Details of the time, date and reason for granting an urgent authorisation should be completed by the Authorising Officer who sanctioned it.

Unique Reference Number* (*Filing Ref)	
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16. Authorising Officer's Statement

I, [insert name], hereby authorise the following directed surveillance investigation/operation []. This authorisation will cease to have effect at the end of the period of three months commencing on the date of authorisation, unless renewed in writing (see separate form for renewals).

This authorisation will be reviewed frequently (see below) to assess the need for the authorisation to continue.

Name (Print):		Grade/Rank:	
Signature:		Date:	
		Time:	

Date of first review:	
Date of subsequent reviews of this authorisation:	

In this section the Authorising Officer should explain in his/her own words What is being authorised, Why the surveillance is necessary, whom the surveillance will be directed against, Where and When it will take place, what surveillance activity/ equipment will be used and How is it to be achieved.

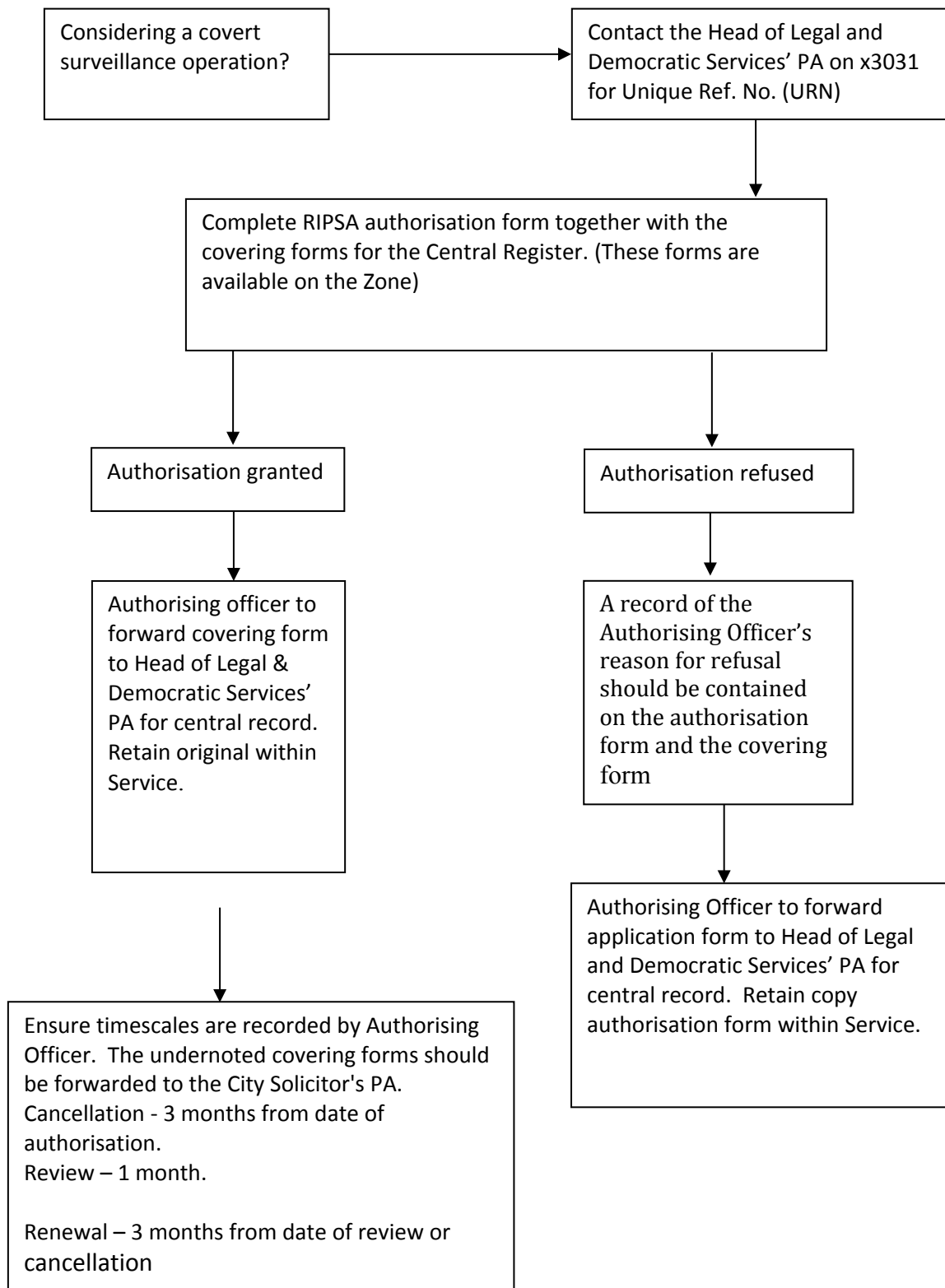
16. Confidential Information Authorisation.

Name (Print)		Grade/Rank	
Signature		Date	

This section should be completed by the Chief Executive and should set out why it's necessary and proportionate to obtain confidential information having regard to the particular investigation.

APPENDIX THREE

RIPSA Authorisation Process



REMEMBER - it's the AUTHORISING OFFICER'S responsibility to ensure that the surveillance operation is cancelled, renewed and reviewed timeously.

APPENDIX TWO – RIPSA TRAINING POLICY

Aberdeen City Council

Regulation of Investigatory Powers (Scotland) Act (“RIPSA”)

Training Policy – Version 1 (August 2015)

Introduction

This policy outlines the training that will be provided across Aberdeen City Council in connection with powers under RIPSA to conduct Covert Surveillance in certain, limited circumstances.

The aim of this policy is to ensure that, across the organisation a high level of awareness of the restraints of undertaken covert surveillance exists and, where necessary, training of a suitably detailed nature is delivered in order that Officers are familiar with the legal and procedural requirements relating to Covert Surveillance. A further aim of the Training Policy is to ensure that those Officers who undertake Directed Surveillance and Covert Human Intelligence Source (CHIS) applications and those Officers appointed as Authorising Officers for such applications receive regular opportunities to refresh and update their knowledge and skills in this area.

Classification of Job Roles

For the purposes of identifying RIPSA training requirements, all job roles within Aberdeen City Council will be classified into one of four tiers. This classification is undertaken using a simple review as detailed in the flowchart in Appendix One:

Tier	Description	Example Job Roles
Tier 0	RIPSA Authorising Officers (including the Chief Executive and Directors who, in the absence of the Chief Executive deputise as the Head of Paid Service) Officers within Legal Services with responsibility for oversight of RIPSA.	Solicitors Legal Team Leaders
Tier 1	Job Roles held by Officers who do or will prepare applications for consideration by a RIPSA Authorising Officer.	Trading Standards Officers Environmental Health Officers Fraud Officers Service Manager – Community Safety
Tier 2	Job Roles identified as those which have an Investigative or Enforcement function.	Anti-Social Behaviour Investigation Officers City Wardens Social Workers Licensing Standards Officers Human Resources Advisers / Investigatory Officers
Tier 3	All other job roles.	

Training Requirements

Tier 0 Roles: Officers identified in Tier 0 roles must attend RIPSAs Authorising Training as soon as possible following their appointment. No Officer in Tier 0 will be permitted to Authorise or Review an Application for Covert Surveillance prior to having attended this training.

Officers should receive refresher training every 2 – 3 years and receive Update Bulletins, including practice improvement notes developed from previous applications, on at least one occasion per year.

Tier 1 Roles: Officers identified in Tier 1 roles must attend RIPSAs in Practice Training as soon as possible following their appointment. No Officer in Tier 1 will be permitted to make a Directed Surveillance or CHIS Application prior to having attending this training.

Officers in Tier 1 should attend refresher training every 2 -3 years and will receive Information Bulletin updates as appropriate.

Tier 2 Roles: Officers identified in Tier 2 roles will be invited to attend a training session which also focuses on information sharing. Managers of these staff are required to alert Personal Development or the Governance team that training is required for any new member of staff falling into any one of the roles within this Tier. Officers will be reminded, via a rolling campaign of Information Posters and Zone banners, of the importance of considering whether covert surveillance of individuals is being undertaken and of appropriate steps being taken to regulate such activity prior to it being undertaken. In addition, an article about Covert Surveillance will be published within the Service specific newsletter / briefing for each service in which Tier 2 Officers are identified.

If any Officer identified as being in Tier 2 requires to make an application for authorising of Directed Surveillance or CHIS, they will require to complete the RIPSAs in Practice Training detailed in Tier 1 above prior to doing so.

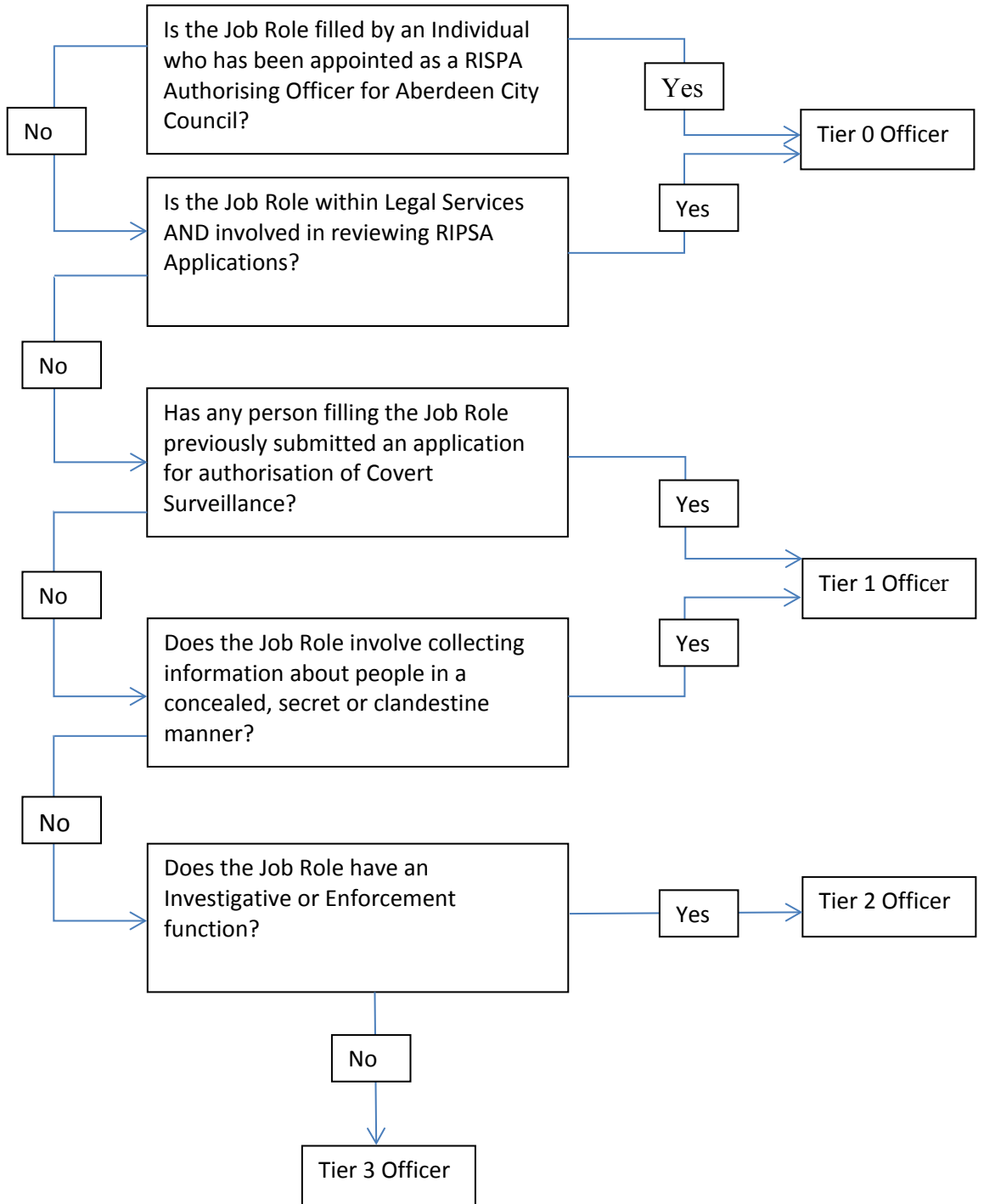
Tier 3 Roles: Officers in Tier 3 will be exposed to the rolling campaign of Information Posters and Zone banners which will seek to raise awareness of Covert Surveillance and the need for such activity to be properly authorised prior to taking place.

Any Officer in Tier 3 who recognises that they may partake in Covert Surveillance as part of their job role will be required to complete the RIPSAs in Practice Training outlined in Tier 1 above as soon as possible following this recognition.

Review

This training policy will be kept under review by Officers in Legal Services and will be subject to a formal review not more than three years following implementation.

Appendix One



ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny
DATE	12 February 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions
REPORT NUMBER	CUS/20/023
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jacqui McKenzie
REPORT AUTHOR	Lucy McKenzie
TERMS OF REFERENCE	6.9

1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of 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.

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 4 December 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

3.3 There are no SPSO decision relating to Aberdeen City Council complaints since the last reporting period to notify the Committee of.

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 two SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period. On both occasions, the SPSO did not change the council's decision. See Appendix A for further details.

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

Financial	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.
Legal	There are no legal risks associated with this report.	N/A	Not applicable
Reputational	Compliance with the Complaints Handling Procedure is audited by Audit Scotland. Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and Scottish Welfare Fund applications are not handled correctly.	L	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. 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.
Employee	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	L	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.
Customer	There is a risk to the council's relationship with customers if a complaint or a Scottish	L	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality

	Welfare Fund application is not handled correctly.		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.
Environment	There are no environmental risks associated with this report	N/A	Not applicable
Technology	There are no technological risks associated with this report.	N/A	Not applicable

7. OUTCOMES

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

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

	are fully informed of outcomes. The information is also used to inform changes in working practices and training provision for staff to improve their experience as well as that of the customer.
Process Design	Processes may be redesigned as a result of lessons learnt from a complaint or an SPSO decision to better meet the needs of customers.
Technology	Complaints data can help to inform decisions around the use of technology as it provides insight into the customer experience of accessing services digitally.

8. IMPACT ASSESSMENTS

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

9. BACKGROUND PAPERS

N/A

10. APPENDICES (if applicable)

Appendix A – Scottish Welfare Fund SPSO Review Decisions

11. REPORT AUTHOR CONTACT DETAILS

Lucy McKenzie
Senior Customer Experience Officer
LucyMcKenzie@aberdeencity.gov.uk
01224 346976

Appendix A – Scottish Welfare Fund SPSO Review Decisions

Crisis Grant Application Received Date	Application Type	Aberdeen City Council 1st Tier Review Decision Date	SPSO 2nd Tier Review Decision Date	SPSO Decision
5 November 2019	Crisis Grant	5 November 2019	6 November 2019	Aberdeen City Council decision upheld (Council's decision unchanged)
24 December 2019	Crisis Grant	24 December 2019	27 December 2019	Aberdeen City Council decision upheld (Council's decision unchanged)