

Public Document Pack



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

Town House,
ABERDEEN 1 December 2020

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet remotely on **WEDNESDAY, 9 DECEMBER 2020 at 2.00 pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

In accordance with UK and Scottish Government guidance, meetings of this Committee will be held remotely as required. In these circumstances the meetings will be recorded and available on the Committee page on the website.

BUSINESS

NOTIFICATION OF URGENT BUSINESS

1.1 There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

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

DECLARATIONS OF INTEREST

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

DEPUTATIONS

4.1 There are no requests at this time

MINUTE OF PREVIOUS MEETING

5.1 Minute of Previous Meeting of 8 October 2020 (Pages 7 - 14)

5.2 Minute of Special Meeting of 4 November 2020 (Pages 15 - 22)

COMMITTEE PLANNER

6.1 Committee Business Planner (Pages 23 - 32)

NOTICES OF MOTION

7.1 There are none at this time

COMMITTEE BUSINESS

Risk Management

8.1 Risk Appetite Statement - COM/20/227 (Pages 33 - 42)

8.2 Business Continuity Policy - COM/20/228 (Pages 43 - 56)

Internal Audit

8.3 Internal Audit Progress Report - IA/20/011 (Pages 57 - 72)

8.4 Internal Audit Follow Up on Approved Recommendations - IA/20/012
(Pages 73 - 110)

8.5 Performance Management - IA/AC2026 (Pages 111 - 126)

8.6 Treasury Management - IA/AC2103 (Pages 127 - 146)

8.7 Academy System - Revenues and Benefits - IA/AC2102 (Pages 147 - 162)

Annual Reports and Accounts

8.8 Annual Accounts 2020/21 Action Plan and Key Dates - RES/20/231
(Pages 163 - 168)

EXEMPT/CONFIDENTIAL BUSINESS

9.1 If required

EHRAs related to reports on this agenda can be viewed [here](#)
To access the Service Updates for this Committee please click [here](#)
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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, 8 October 2020. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; and Councillors Jackie Dunbar, Duncan, Graham, Houghton (as substitute for Councillor Reynolds), Lumsden, MacKenzie and Mennie.

VALEDICTORY

1. The Vice Convener sought agreement for the former Chief Internal Auditor to receive a letter to thank him for his contributions to the Committee over his time as Chief Internal Auditor and to wish him well in his retirement.

The Committee resolved:-

to instruct the clerk to write to Mr Hughes, former Chief Internal Auditor to thank him for his contributions to the Committee and to wish him well in his retirement.

DECLARATIONS OF INTEREST

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

- (1) Councillor Duncan and Councillor Avril McKenzie declared an interest in item 8.2 (ALEO Assurance Hub) by virtue of their position as Board Members of Aberdeen Performing Arts and considered that the nature of their interest did not require them to leave during consideration of that item on the agenda.

The Committee resolved:-

to note the declarations.

MINUTE OF PREVIOUS MEETING OF 12 FEBRUARY 2020

3. The Committee had before it the minute of its previous meeting of 12 February 2020.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

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

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The Convener asked the Interim Chief Internal Auditor whether a review relating to the Council's response to the Covid-19 pandemic including the Spaces for People project had been considered wherein, the Interim Chief Internal Auditor advised that if this review was to be considered, he would need to determine the resources required and whether another audit from the agreed plan would need to be deferred to accommodate the request.

Councillor Lumsden advised the Committee that he had requested a report to be circulated to the next City Growth and Resources Committee on the Spaces for People Project and sought guidance on whether this Committee could consider a report whilst work was ongoing, wherein the Chief Officer -Governance advised that this Committee could only consider a report where the matter has been fully discharged by another Committee.

The Committee resolved:-

- (i) to request the Interim Chief Internal Auditor to provide details on what a review in relation to the Council's response to the Covid-19 pandemic including the Spaces for People project would look like and the resources required to undertake the review; and
- (ii) to otherwise note the content of the business planner.

CORPORATE RISK REGISTER AND ASSURANCE MAPS - COM/20/139

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

The report recommended:-

That the Committee -

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

In response to a question regarding the Cyber Security Risk and whether additional checks were in place to ensure there were no security breaches, the Chief Officer – Digital and Technology advised that significant investment had been made in this area to reduce vulnerability and that various checks were conducted.

In response to a question relating to the Cyber Security Risk and whether there was increased risk with people working from home, the Chief Officer – Digital and Technology advised that there were less physical breaches as employees were not transporting devices.

In response to a question relating to the Financial Sustainability Risk and how the score was arrived at, the Chief Officer – Finance advised that the sustainability of the current

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financial situation had increased the level of risk to the Council and income and expenditure was being monitored closely.

The Committee resolved:-

to approve the recommendations contained in the report.

ALEO ASSURANCE HUB - COM/20/138

6. 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) note the level of assurance provided by each ALEO on risk management, financial management and governance; and
- (b) note that Assurance Hub officers and ALEO Service Leads would discuss any outstanding issues identified with ALEO representatives and that the Chief Officer – Finance and Head of Commercial and Procurement would continue to meet with each ALEO regularly to provide support.

The Committee resolved:-

to approve the recommendations contained in the report.

INFORMATION GOVERNANCE ANNUAL REPORT - CUS/20/135

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

The report recommended:-

That the Committee note the information provided about the Council’s information governance performance at sections 3.1 – 3.5 and in the Information Governance Report at Appendix 1.

The Committee resolved:-

To approve the recommendation contained in the report.

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2019/20 INTERNAL AUDIT SUMMARY REPORT - IA/20/007

8. The Committee had before it a report by the Interim Chief Internal Auditor which provided summaries of those 2019/20 Internal Audit reports which had not been reported to Committee previously.

Members raised concerns regarding the content of the summary report not providing them with enough detail to scrutinise individual audits. During the discussion it was requested that a separate meeting be held to consider the full audit reports associated with the summary report.

The Committee resolved:-

- (i) to defer the report for consideration at a Special meeting along with the associated full audit reports;
- (ii) to instruct the clerk to schedule a suitable date and time for a Special meeting of the Committee.

INTERNAL AUDIT PROGRESS REPORT - IA/20/005

9. 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 this report and the attached appendix.

In responsive to a question relating to revised completion dates for some of the internal audits, the Interim Chief Internal Auditor advised that the new dates provided were in response to various workstreams not being progressed due to the pandemic and that they did meet the expected delays.

The Committee resolved:-

- (i) to note the response to a member's question; and
- (ii) to otherwise note the content of the report.

INTERNAL AUDIT FOLLOW-UP ON AGREED RECOMMENDATIONS - IA/20/006

10. The Committee had before it a report by the Interim Chief Internal Auditor which advised on the progress made by Functions/Clusters with implementing recommendations that had been agreed in Internal Audit reports.

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The report recommended:-

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

In response to a question in relation to audit AC1917 (NPS Housing System), the Chief Officer – Digital and Technology advised that the disaster recovery test had been completed successfully.

In response to a question in relation to audit AC2010 (Housing Repairs - Voids), the Chief Officer – Early Intervention and Community Empowerment advised that the working group had met several times and there was still some work ongoing to complete the recommendations.

In response to a question in relation to audit AC2013 (School Catering Income and Expenditure), the Chief Officer – Finance advised that he would discuss the recommendations of this audit with the Interim Chief Internal Auditor and that any amendments to the recommendations would be reported back to this Committee with a further report relating to debt submitted to another Committee if required.

The Committee resolved:-

- (i) to note the responses provided to members questions; and
- (i) to otherwise note the content of the report.

INTERNAL AUDIT ANNUAL REPORT 2019/20 - IA/20/008

11. The Committee had before it a report by the Interim Chief Internal Auditor which presented the Internal Audit Annual report for 2019/20.

The report recommended:-

That the Committee -

- (a) note the Annual Report for 2019/20;
- (b) note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- (c) note that there has been no limitation to the scope of Internal Audit work during 2019/20; and
- (d) note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards.

In response to a question relating to the staffing capacity within internal audit, the Interim Chief Internal Auditor advised that the section had been under capacity due to sickness and staff leaving employment. He further advised that recruitment within Aberdeenshire Council had been frozen and that he was looking to see if he could recruit internally to support the internal audit team.

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The Committee resolved:-

- (i) to note the response provided in relation to a member's question; and
- (ii) to otherwise approve the recommendations contained in the report.

BANK RECONCILIATIONS - IA/AC2101

12. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the Council's main bank accounts were reconciled on a regular and timely basis and that the methodology was robust.

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant function.

RIPSA ACTIVITY REPORT (Q1 -Q3) AND IPCO INSPECTION 2020 - COM/20/137

13. The Committee had before it a report by the Chief Officer – Governance which was presented to ensure that Members reviewed the Council's use of covert surveillance on a quarterly basis in order to provide assurance that it was used consistently in accordance with the Corporate Protocol and Procedure on Covert Surveillance and to advise Members of the outcome of an inspection undertaken by the Investigatory Powers Commissioner (IPCO) of the Council's governance and compliance of covert activities.

The report recommended:-

That the Committee -

- (a) note the updates within the report in respect of the Council's covert surveillance activity during Quarters 1-3 of the current year;
- (b) note the amendments to the Corporate Protocol and Procedure on Covert Surveillance in Appendix 1; and
- (c) note and endorse the Investigatory Powers Commissioner's Inspection Letter 2020, in Appendix 2.

The Chief Officer – Governance advised that the Investigatory Powers Commissioner, Sir Brian Leveson, had reflected in the IPCO's recent national newsletter published to all public authorities across the United Kingdom that Aberdeen City Council was held up as good practice in relation to covert activities which reflected well on the work led by Ms Jess Anderson.

The Committee resolved:-

- (i) to congratulate officers on the work undertaken in this area; and
- (ii) to otherwise approve the recommendations contained in the report.

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SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CUS/20/136

14. The Committee had before it a report by the Director of Customer Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

The report recommended:-

That the Committee notes the details of the report.

The Committee resolved:-

to approve the recommendation within the report.

BEST VALUE AUDIT - COM/20/177

15. The Committee had before it a report by the Chief Officer – Governance which provided an update on the forthcoming Best Value audit of Aberdeen City Council.

The report recommended:-

That the Committee -

- (a) note the update regarding the forthcoming Best Value audit; and
- (b) instruct the Chief Officer - Governance to write to the Accounts Commission to agree arrangements for notifying the London Stock Exchange of the outcome of the Best Value Audit.

The Committee resolved:-

to approve the recommendations contained in the report.

ANNUAL EFFECTIVENESS REPORT 2019/20 - COM/20/140

16. The Committee had before it a report by the Chief Officer – Governance which presented the annual report of the Audit, Risk and Scrutiny Committee.

The report recommended:-

That the Committee note the annual report of the Audit, Risk and Scrutiny Committee.

The Committee resolved:-

to approve the recommendation contained in the report.

- **ALEX NICOLL, Convener**

AUDIT, RISK AND SCRUTINY COMMITTEE
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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 4 November 2020. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; and Councillors Jackie Dunbar, Duncan, Graham, Lumsden, MacKenzie, Mennie and Wheeler (as substitute for Councillor Reynolds).

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.

INTERNAL AUDIT SUMMARY REPORT

1. The Committee had before it a report by the Interim Chief Internal Auditor which provided summaries of those 2019/20 Internal Audit reports which had not been reported to Committee previously.

The report recommended:

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

The Committee resolved:-

to note the content of the report.

SHUTDOWN OF NON-ESSENTIAL SPEND - AC2002

2. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to Shutdown of Non-Essential Spend which was undertaken to provide assurance that the shutdown of non-essential spend had been effective in achieving its objective and instructions were complied with.

In response to a question relating to how the Council monitored spend to ensure they remained within budget, the Director of Resources advised that quarterly reports which highlighted the current financial position were submitted to committee and the Corporate Management Team scrutinised the budgets to ensure spend was within the allocated budgets.

The Committee resolved:-

- (i) to note the responses to members questions; and
- (ii) to endorse the recommendations for improvement as agreed by the relevant cluster.

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CAR PARKING AND BUS LANE ENFORCEMENT INCOME - AC 2003

3. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to ensure that procedures regarding income collection and the management of fines were adequate.

In response to a question relating to Parking Charge Notices (PCN) and the decision to write off the debt, the Chief Officer - Customer Service advised that the process had been reviewed and amended so that the PCN were cancelled following an appeal or where the Council were not pursuing the debt and that these were reported to the City Growth and Resources Committee.

In response to a question relating to how the Council knew how much money was withdrawn from the parking meters, the City Warden Officer advised that there was a live update linked to the back office with a receipt is provided to the Council on what has been removed. He further advised that some of the parking meters were failing due to their age and that these were being looked at with the new provider.

The Committee resolved:-

- (i) to note the responses to members questions;
- (ii) to note that the Revenues and Benefits Manager would circulate by email, information relating to the number of appeals received against Parking Charge Notices that had been issued; and
- (iii) to endorse the recommendations for improvement as agreed by the relevant cluster.

RING FENCED FUNDING - AC2008

4. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the Council had appropriate arrangements in place to ensure that conditions relating to ring-fenced funding within the Scottish Government Grant were complied with.

In response to a question relating to whether the risk identified at 2.4.5 in the report was still significant or would it be reduced based on the management comments, the Interim Chief Internal Auditor advised that the risk would still be significant and that Internal Audit noted the management comments and that there were mitigating processes in place.

In response to a question relating to whether any underspends from ring-fenced funding could be used at a later date, the Director of Resources advised that some of the grant funding streams were flexible and the funding bodies would be consulted and reported to Committee.

The Committee resolved:-

- (i) to note the responses to members questions; and

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- (ii) to endorse the recommendations for improvement as agreed by the relevant cluster.

INTEGRATION JOINT BOARD RISK MANAGEMENT - AC2011

5. The Committee had before it for information, a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.

The Committee resolved:-

to note the content of the report.

CIVIL CONTINGENCIES - AC2014

6. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which had been undertaken to provide assurance that the Council had in place adequate training, planning and testing for civil contingency events to ensure that it could deliver on its obligations in the event of an emergency.

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant cluster.

FINANCIAL LEDGER SYSTEM - AC2016

7. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance over system controls, business continuity and contingency plans.

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant cluster.

WORKFORCE PLANNING - AC2018

8. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the Council had appropriate and adequate plans in place to determine its workforce requirements and that these were in operation throughout the Council.

In response to a question relating to the digital tool and whether this was on track for being launched in December 2020, the Chief Officer - People and Organisation advised that there had been delays due to resources shifting to support the Councils response to

AUDIT, RISK AND SCRUTINY COMMITTEE
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the Covid -19 pandemic and that progress was continuing, with the system currently in a testing phase prior to full implementation.

The Committee resolved:-

- (i) to congratulate staff on the positive report and the work done in this area;
- (ii) to note the response provided to members questions; and
- (iii) to endorse the recommendations in the report as agreed by the relevant cluster.

PROCUREMENT COMPLIANCE - AC2019

9. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the Council had appropriate arrangements in place, that were being complied with, to ensure compliance with procurement legislation and internal regulations.

In response to concerns raised from members regarding the outcome of the audit, the Head of Commercial and Procurement advised that the recommendations from the audit has resulted in the implementation of an improvement plan which outlined all of the improvements required and the actions taken. He further advised that a robust process was now in place for all contracts where business cases were scrutinised by the Demand Management Control Board and then reported to Committee where applicable. He explained that the Contracts Register had been improved to ensure robust reporting was in place.

In response to a question relating to the Gas Serving contract and whether there was scrutiny over work being awarded outwith the contract, the Chief Officer – Corporate Landlord advised that additional works were identified as part of the annual gas service with the remedial works undertaken from the same firm which were monitored by the Gas Inspection team.

In response to a question relating to the recommendation for Call off contracts and who was responsible for ensuring they were compliant, the Head of Commercial and Procurement advised that services had devolved responsibility.

In response to a question relating to Agency Staff spend and no contracts being in place, The Chief Officer – People and Organisation advised that improvements to agency staff spend were being looked at as part of the Service Redesign process where a new process for approval of agency spend was currently under development.

In response to a question relating to the whether the problem with no purchase orders being raised prior to goods being purchased was still an issue, the Head of Commercial and Procurement advised that improvements had been made in this area with training staff and additional controls had been implemented.

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The Committee resolved:-

- (i) to note that the Head of Commercial and Procurement would circulate, by email information relating to the profile of spend and the procurement controls in place for PPE during the Covid-19 pandemic;
- (ii) to note the responses provided to members questions; and
- (iii) to endorse the recommendations for improvement as agreed by the relevant cluster.

INFORMATION GOVERNANCE - AC2020

10. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the controls in place for mitigating the risks identified in the Corporate Risk Register (Corp005) were adequate and operating as expected.

The Committee resolved:-

to note the content of the report.

SEEMIS - AC2021

11. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance that appropriate control was being exercised over the system in view of the perceived criticality of the system and the significant volume of sensitive personal data held.

In response to a question relating to the alternative system purchased by two schools and the compliance with GDPR, the Chief Officer – Education advised that the alternative system had been purchased several years ago and that officers were looking at the functionality offered in the alternative system to ensure these were available within SEEMiS.

In response to a question relating to accounts within SEEMiS still being active despite the employee leaving employment, the Chief Officer – Education advised that SEEMiS sat as a separate system therefore when an employee leaves and their employee account is closed, there is not an automatic link to SEEMiS to close the accounts. She further advised that a process was now in place to ensure that accounts were closed when employees left employment.

The Committee resolved:-

- (i) to note the responses to members questions; and
- (ii) to endorse the recommendations for improvement as agreed by the relevant cluster.

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TRANSFORMATION - AC2022

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit which was undertaken to provide assurance that the Council was continuing to make progress to ensure the success of its transformational aspirations, through a follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals/milestones, progress, new Scheme of Governance, etc).

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant cluster.

GAS SERVICING CONTRACT - AC2024

13. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit that was undertaken to provide assurance that contractual and operational issues were being complied with.

In response to a question relating to whether a contract was in place, the Chief Officer – Corporate Landlord advised that a contract was in place and had gone through the correct process. The Interim Chief Internal Auditor advised that at the time the audit was completed the information relating to the contract was not available to Internal Audit.

The Committee resolved:-

- (i) to note that the Chief Officer – Corporate Landlord would circulate by email a response in relation to the charging policy and when this was being applied;
- (ii) to note that the Chief Officer – Corporate Landlord would submit a Service Update to this Committee and to the Operational Delivery Committee for their information, to provide assurance to members on the new procedures in place in connection to the capping policy; and
- (ii) to endorse the recommendations for improvement as agreed by the relevant cluster.

SOCIAL CARE COMMISSIONED SERVICES CONTRACT MONITORING - AC2027

14. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit that was undertaken to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services were adequate.

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant cluster.

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FOSTERING AND ADOPTION PAYMENTS - AC2028

15. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit which was undertaken to provide assurance over Fostering, Adoption and Kinship Allowances paid.

The Committee resolved:-

to endorse the recommendations for improvement as agreed by the relevant cluster.

- **COUNCILLOR ALEX NICOLL, Convener**

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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	09 December 2020								
4	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.		Colin Harvey	Governance	Governance	2.2	D	Report expected in February 2021
5	Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
6	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.		Colin Harvey	Governance	Governance	2.2	D	Report expected in February 2021
7	Vehicle Usage	To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet and to include a review of non-business use, including the business case for such use and authorisation thereof.		Colin Harvey	Governance	Governance	2.2	D	Audit commenced 5/6/2020; the assigned auditor has had sickness absences which have delayed progress. Report expected in February 2021

	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
8	Academy System - Revenues and Benefits	to provide assurance over system controls - to include access controls, system security and backups, business continuity and contingency plans.	A report is on the agenda	Colin Harvey	Governance	Governance	2.2		
9	Treasury Management	to provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.	A report is on the agenda	Colin Harvey	Governance	Governance	2.2		
10	Consilium System - HRA Building Maintenance System	to provide assurance over the system controls - to include access controls, system security and backups. Interfaces, business continuity and contingency plans.		Colin Harvey	Governance	Governance	2.2	D	Not yet commenced; the assigned auditor has had sickness absences which have delayed progress. Report expected in February 2021
11	Bon Accord Care - Budget Monitoring	to provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.		Colin Harvey	Governance	Governance	2.2	D	Not yet commenced; the assigned auditor has had sickness absences which have delayed progress. Report expected in May 2021

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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.								
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
12	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.	There has been no activity since the last report to Committee	Lucy McKenzie	Customer Experience	Customer	6.4	R	This report is a standing item on the agenda and is reported as and when there is information to report.
13	Internal Audit Progress Report	To provide an update on progress for the 2018/19 and 2019/20 audits	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
14	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations	a report is on the agenda	Colin Harvey	Governance	Governance	2.3		
15	RIPSA Quarterly Report	to present the quarterly Ripsa report	the powers under RIPSA have not been used since the last report to Committee in October	Jess Anderson	Governance	Governance	5.2	R	This report is a standing item on the agenda and is reported as and when there is information to report.
16	Climate Change	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.		Colin Harvey	Governance	Governance	2.2	D	Not yet commenced; the assigned auditor has had sickness absences which have delayed progress. Report expected in February 2021

	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
17	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		Colin Harvey	Governance	Governance	2.2	D	Not yet commenced; the assigned auditor has had sickness absences which have delayed progress. Report expected in May 2021
18	Fraud, Bribery, Corruption Money Laundering Policy	to present an update of the policy, that will also reflect a response to changing external factors impacting fraud opportunity such as the Covid pandemic. The policy will also reflect a more targeted risk-based counter-fraud response.		Carol Smith	Governance	Governance	5.2	D	The recent redesign of the Counter Fraud team has moved from Governance to Finance following the departure of the Corporate Investigations Team manager. Critical fraud responses to Covid opportunity and maintaining business as usual during the transition have been prioritised. The report will be submitted in February 2021.
19	Annual Accounts 2019/20 – Action Plan and Key Dates	to present the timeline for reporting on the annual accounts	a report is on the agenda	Lesley Fullerton	Finance	Resources	1.3		
20	Business Continuity Policy	To present a revised Business Continuity Policy.	a report is on the agenda	Ronnie McKean	Governance	Governance	1.1		
21	Risk Appetite Statement	To present a risk appetite statement for the Council.	a report is on the agenda	Ronnie McKean	Governance	Governance	1.1		
22	24 February 2021								
23	Internal Audit Progress Report	To provide an update on progress for the 2019/20 audits		Colin Harvey	Governance	Governance	2.2		
24	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		

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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.								
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
25	Internal Audit Plan 2021/22	To present the Internal Audit Plan for 2021/22.		Colin Harvey	Governance	Governance	2.1		
26	RIPSA Quarterly Report	to present the quarterly Ripasa report		Jess Anderson	Governance	Governance	5.2		
27	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	6.4		
28	Financial Sustainability	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.		Colin Harvey	Governance	Governance	2.2		
29	Vehicle Replacement Policy and Procurement	to provide assurance that the Council has an appropriate vehicle replacement policy and that procurement complies with policy and procurement regulations/governance.		Colin Harvey	Governance	Governance	2.2		
30	School/Pupil Security	to provide assurance that the Council has adequate arrangements regarding school security.		Colin Harvey	Governance	Governance	2.2		
31	Cluster Assurance Maps	To present the Cluster Assurance Maps	Original date 6 May	Ronnie McKean	Governance	Governance	1.1		
32	12 May 2021								

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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.								
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
33	Internal Audit Progress Report	To provide an update on progress for the 2019/20 audits		Colin Harvey	Governance	Governance	2.2		
34	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
35	Unaudited Accounts 2019/20	To present the unaudited accounts		Lesley Fullerton	Finance	Resources			
36	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	6.4		
37	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		
38	Timesheets and Allowances	To provide assurance that payments are accurate and justified and that improvements recommended in previous reviews have been fully implemented.		Colin Harvey	Governance	Governance	2.2		
39	Housing - Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently and allocations are made in accordance with policy.		Colin Harvey	Governance	Governance	2.2		

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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.								
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
40	Health and Safety - Operations and Protective Services	to provide assurance that appropriate processes are being employed in managing health and safety within the Cluster.		Colin Harvey	Governance	Governance	2.2		
41	Teachers Payroll	to provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.		Colin Harvey	Governance	Governance	2.2		
42	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.		Colin Harvey	Governance	Governance	2.2		
43	TBC								
44	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		
45	Reserve List								

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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.								
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
46	Information Exchange between Housing and IJB (Adult Protection)	to provide assurance regarding the flow of data regarding the customer journey through Council systems and consider possible misunderstanding relating to the requirements of GDPR.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	The Service was focusing on Covid activities and supporting service users. Assurance over GDPR compliance is obtained regularly by management, and through other Internal Audit work, therefore specific work in this area is not considered necessary at this time. Remove from the 2021/22 Internal Audit Plan
47	Planning and Building Standards Fee Income	to provide assurance that there are adequate systems in place to control fee income and that they are being complied with.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area. Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.
48	Garden Waste Income	to provide assurance that payments received through on-line only option are adequately managed and controlled.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	This audit was delayed due to operational changes during Covid. Whilst this is potentially a material income stream, it is subject to the Council's normal budget monitoring procedures. Income collection can be considered for inclusion in the 2021/22 Internal Audit Plan as part of a wider scope audit. Remove from the 2021/22 Internal Audit Plan

	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
49	Contributing to Your Care Policy	to provide assurance that the Contributing to Your Care Policy has been implemented and that the requirements of the Policy are being complied with.		Colin Harvey	Governance	Governance	2.2	R	Implementation of the Policy was delayed due to Covid 19. Time will be required following implementation, for the policy and associated procedures to be applied before value can be added through an audit review. An audit is still considered necessary due to previous audit findings in this area. Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.
50	Agency Staff - Procurement of Agency Staff	To provide assurance that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	CPS, Finance and the Transaction Team were continuing to review and improve procedures and consolidate agency staff recruitment, and were working on many different priorities to support the Covid response. There has been a small reduction in agency spend during 2020 but this remains an area where it is considered a review could add value. An audit is still considered necessary due to previous audit findings in this area. Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.
51	Licensing Income	to provide assurance over the processes in place for controlling income from licensing applications.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area. Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.

	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
52	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)	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	<p>This was not considered urgent while the Cluster was addressing Covid 19 related risks. Resources were not available to progress this audit. However, additional funding was made available nationally in 2020/21, therefore activity is likely to have increased. An audit is still considered necessary due to previous audit findings in respect of recruitment.</p> <p>Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.</p>
53	Sale of Land and Property	to provide assurance over the processes in place for the sale of land and property assets.	The Urgent Business Committee on 6 May 2020 approved an amended Internal Audit Plan which included audits being moved to reserve list that would be progressed during the year where possible	Colin Harvey	Governance	Governance	2.2	R	<p>The Service was impacted operationally due to Covid 19. Use of the Council's estate is likely to require further consideration as a result of Covid 19. An audit is still considered necessary due to the materiality and risks in this area.</p> <p>Deferred until the 2021/22 Internal Audit Plan as agreed by the Service.</p>
54	Housing Benefit and Council Tax Reduction	to provide assurance that entitlement is being calculated correctly based on appropriate documentary evidence and recorded accurately for subsidy purposes.		Colin Harvey	Governance	Governance	2.2	R	<p>An external audit by the DWP is progressing during 2020 to provide assurance over this area. Reliance can be placed on this work to provide assurance over application of DWP requirements therefore specific Internal Audit work in this area is no longer considered necessary at this time. The results of the DWP audit can be used to inform future planning.</p> <p>Remove from the 2021/22 Internal Audit Plan</p>

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 th December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Risk Appetite Statement
REPORT NUMBER	COM/20/227
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

To present the Risk Appetite Statement for approval.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Approves the Risk Appetite Statement (RAS) attached as Appendix (A); and
- 2.2 Instructs the Chief Officer – Governance to propose amendments to the Scheme of Governance to the meeting of Full Council scheduled for 3 March 2021 to reflect the Risk Appetite Statement; and
- 2.3 Instructs the ALEO Assurance Hub to consider a review of risk appetite within each ALEO as part of the Hub’s workplan for 2021.

3. BACKGROUND

- 3.1 In 2019, the Council conducted a review of its existing Risk Management Framework. The review established a number of areas for improvement and incorporated recommendations and areas of good practice from a number of areas and organisations including, CIPFA’s Governance Review which benefited from input from the Good Governance Institute, and a

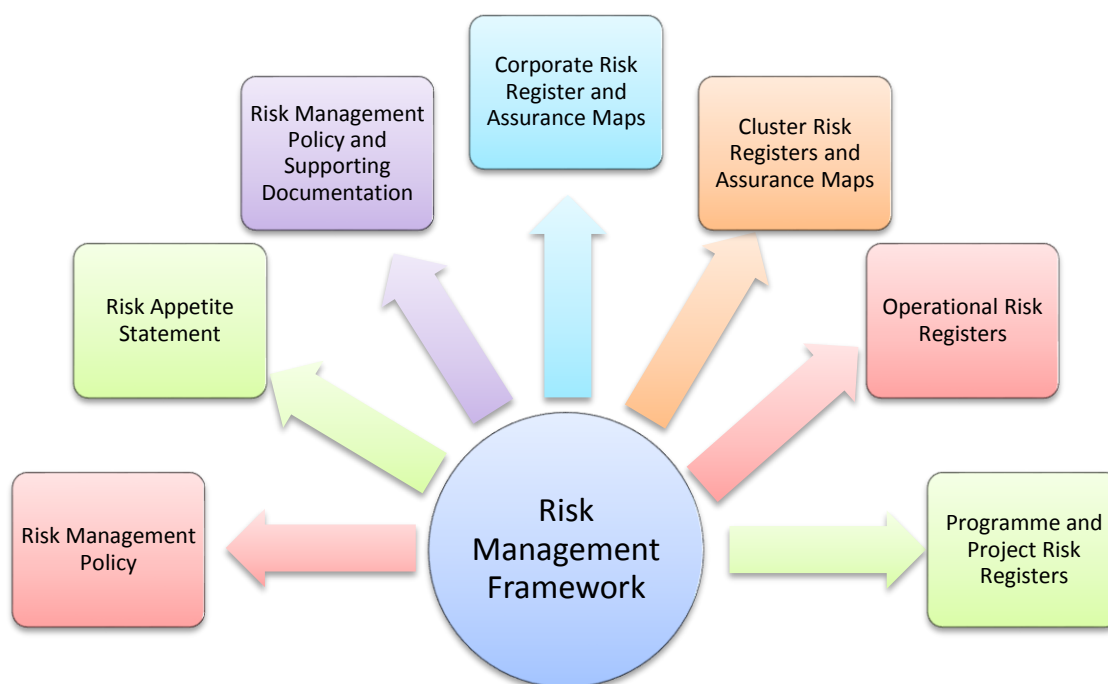
recommendation from Internal Audit that developing and adopting a risk appetite would provide a clearer basis for identifying and addressing the most relevant risks and, support decision making when considering risk. A RAS was adopted by the Integrated Joint Board (IJB) and this has also been reviewed. This has been in operation at the IJB since 2016 and the levels of risk within the statement have recently been revised. It would be the intention to review the proposed RAS for the Council in January 2022, after one year of operation.

The Risk Management Policy was updated and approved by Committee in December 2019 and sets out the Council’s vision:-

“It is our vision to deliver a fully integrated risk management system which:-

- ✓ *supports the Council’s business processes and decision making;*
- ✓ *allows the Council to identify and mitigate emerging risks whilst exploiting opportunities;*
- ✓ *is fully embedded and thereby provides evidence of a risk intelligent organisation; and supports improvements to operational performance and delivery of the Council’s outcomes”*

The policy is supported by a number of documents, processes and templates which together form the risk management framework, as illustrated below:-



3.2 The RAS was identified a key element to the framework that would support achievement of the Council’s vision and allow the organisation to establish and embed the culture required in order to become a “risk intelligent organisation”. By providing staff and elected members with a document that describes and details the types and levels of risk the Council is willing to accept in the pursuit

of its strategic outcomes, decision making would be proportionate and aligned to these outcomes.

3.3 It is intended that the RAS will be used by all Officers and Elected Members to guide:

- operational proposals and decision making;
- strategic proposals and decision making; and
- Committee report recommendations, including Business Cases and policies, to ensure the recommendations had regard to the approved risk appetite for the Council.

3.4 The RAS will be subject an annual review and will be referenced within the Council's Scheme of Governance. It will be important to monitor its implementation over the first year, to understand whether the levels of risk appetite set are appropriate and accurate. The Committee will be asked to review these at its February 2022 meeting. Risk appetite will guide officers when making decisions under the Powers Delegated to Officers and committees when exercising the powers delegated through the Committee Terms of Reference.

3.5 Members will note that there are categories of risk against which an appetite level has been set. The risk categories are set within the Risk Management Policy approved by the Committee in December 2019. The levels of appetite proposed take account of risk appetite statements held in other councils, the Integrated Joint Board whilst also having regard to the risk profile of the Council. Regardless of the level of risk appetite, decisions should be risk assessed as appropriate including the identification controls and mitigations where required. Such assessments will be evident in the committee reporting template, which will seek to ensure that authors have regard to the risk appetite statement as part of their risk assessment.

3.6 Given the benefits outlined above, the ALEO Assurance Hub will consider whether to include the development of risk appetite within the remainder of the Group structure. This can draw on practice within the IJB and the Council and ensure that there is a consistent approach.

3.7 In order to develop the RAS for approval, the following stakeholder engagement activities were conducted:

September/October 2020	Workshop Discussions with Chief Officers
November 2020	Review by the Risk Board
November 2020	Review by the Corporate Management Team
November 2020	Workshop Discussion with members of Audit Risk and Scrutiny Committee

3.7 Following approval from Committee and in order to fully embed the RAS statement within the organisation, the following implementation activities will be completed:

1. Committee Report Template and report author guidance to be amended (December 2020)
2. Audit, Risk and Scrutiny Committee Risk Management Training (commencing January 2021)
3. Elected Member Risk Management Training (Commencing January 2021)
4. Officer Risk Management Training – Chief Officers, Leadership Forum and Risk Champions

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 RAS is a supporting document which forms part of the Council's overall system of risk management. The risk management system ensures that all risks attaching to the Council's business and strategic priorities are identified, appropriately managed and that the Council's activities are compliant with the its statutory duties.

The RAS is designed to support improvements previously recommended to the Council's system of risk management. Whilst there are no risks arising from the recommendations from the report, there is a risk that the Council would be unable to deliver the improvements required if the RAS is not approved.

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	The council is required to have a management system in place to identify and mitigate its risks	H	The council's risk management system requires that risks are identified, listed and managed via risk registers
Compliance	As above	H	As above
Operational	As above	H	As above

Financial	As above	H	As above
Reputational	As above	H	As above
Environment/Climate	As above	H	As above

7. OUTCOMES

7.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None.

10. APPENDICES (if applicable)

Appendix A – Risk Appetite Statement

11. REPORT AUTHOR CONTACT DETAILS

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Aberdeen City Council

Risk Appetite Statement

Purpose

The Council's risk appetite statement sets out how the Council balances the risks and opportunities in pursuit of delivering the outcomes set out within the Local Outcome Improvement Plan and associated strategies.

The risk appetite statement is a key element that supports our Scheme of Governance and should provide guidance when decisions are made by Full Council, committees and sub-committees within their Terms of Reference, and officers under the Powers Delegated to Officers.

The statement will assist Council Officers and Elected members in considering their response to findings and recommendations arising from external audits and inspections.

From time to time, the Council may deviate from its agreed risk appetite. When this is case, it will be important to exercise judgement whilst assessing the potential impacts across the organisation.


The statement is reviewed annually by the Risk Board and the Corporate Management Team which will submit any proposals for revision to the Audit Risk and Scrutiny Committee.

Risk Categories

The Council recognises the following categories of risk:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment/Climate

Risk Appetite Definitions

Appetite	Description	<p style="text-align: center;">Threat</p>  <p style="text-align: center;">Opportunity</p>
Averse	<p>Avoidance of risk. Uncertainty in achievement of strategic objectives and delivery of outcomes is critical. Activities undertaken will only be those considered to carry virtually no risk.</p>	
Cautious	<p>Willing to accept/tolerate a degree of risk when selecting which activities to undertake in order to achieve a significant reward and to achieve delivery of strategic outcomes and objectives. The activities may carry a high degree of risk that be mitigated and controlled.</p>	
Open	<p>Undertakes activities by seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.</p>	
Hungry	<p>Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.</p>	

Overarching Statement

Aberdeen City Council delivers a wide range of services to the citizens of Aberdeen. Risk management forms a fundamental part of its operations and the Council recognises that whilst it may be desirable to avoid risks it must also accept risks in order for the Council to evolve and achieve its ambitions for the people and the place.

Strategic	The Council is averse to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions. However, the Council is hungry for taking well managed risks when opportunities provide clear benefits allowing for improvement, innovation and transformation. The Council has an open appetite for risks that provide and contribute to the economic prosperity of the City
Compliance	The Council is averse to any risks that may result in non-compliance or breaches in statutory obligations, regulations and law. The Council is cautious when giving legal advice and considers the likelihood of any legal challenge and the likely success of any legal challenge.
Operational	The Council is averse to any risks that may have a negative effect on the health and safety, diversity and equality of its staff, elected members and members of the public. The Council has an open appetite to the risks that allows it to manage service demand, continuously improve service delivery and performance.
Financial	The Council is averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability. The Council has an open appetite for short-term risks that support financial performance and mitigate negative external factors. It has a hungry appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council’s outcomes and commissioning intentions.
Reputational	The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to deliver its strategic outcomes. The Council has a cautious appetite to reputational risk and will accept opposition when its activities and projects will provide longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions.
Environment/Climate	The Council has an averse appetite for any risks that may have a long-term detrimental impact upon the environment but is hungry for well managed risks in pursuit of our long-term sustainable development and net zero ambitions and economic growth.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 th December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Business Continuity Policy
REPORT NUMBER	COM/20/228
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	1.4

1. PURPOSE OF REPORT

To present the updated Business Continuity Policy for approval.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

Approves Business Continuity Policy attached as Appendix (A)

3. BACKGROUND

3.1 The Business Continuity Policy approved in 2017 has been reviewed and updated to incorporate the requirements of the policy template and the guidance produced for policy review.

3.2 The policy has been reviewed in accordance with the policy consultation process including the Risk Board.

3.3 The updated policy will replace the existing Business Continuity Policy. The main areas of change are:

- Elements and references to process and guidance have been removed as these will be included within the supporting documentation.

- Templates and instructions for completion of templates previously included within the policy have been removed as these will be included within the supporting documentation.

3.4 The document serves as a high-level articulation of how the Council will continue to provide critical services during and after a disruptive event and how it provides Business Continuity advice to businesses and voluntary organisations

3.5 The policy will be supported by a number of documents as set out within Section 4 of the policy.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

5.1 Approval of the policy will support the Council’s compliance with the Civil Contingencies Act 2004.

6. MANAGEMENT OF RISK

6.1 The policy and supporting document details how the Council implements its Business Continuity plans and arrangements that will allow the Council to mitigate and manage the impact of risks arising from an emergency or disruptive event.

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	The Council is unable to provide services during an emergency or disruptive event.	L	The council’s emergency planning and business continuity arrangements are designed to mitigate and manage the effects of an emergency or disruptive event by supporting the activities and processes required to

			respond to such events.
Compliance	As above	L	As above
Operational	As above	L	As above
Financial	As above	L	As above
Reputational	As above	L	As above
Environment/Climate	As above	L	As above

7. OUTCOMES

7.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None.

10. APPENDICES (if applicable)

Appendix A – Business Continuity Policy

11. REPORT AUTHOR CONTACT DETAILS

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Business Continuity Policy

Approved by Audit, Risk & Scrutiny Committee on
2020 with an implementation date of 2020



Document Control

Approval Date	To be confirmed
Implementation Date	To be confirmed
Policy Number	To be confirmed
Policy Author(s) and Owner	Corporate Risk Lead, Ronnie McKean
Approval Authority	Risk Board
Scheduled Review	Annual
Changes	

Draft

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(Calibri Regular 12pt)

Section Number, Section Heading Titles, Sub Heading Titles, Page Numbers

(Will be added following final approval)

Draft

1. Purpose Statement

- 1.1 Aberdeen City Council (“the Council”) is responsible for delivering a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies.
- 1.2 The Council has a statutory responsibility to comply with the Civil Contingencies Act (2004) which sets out the Council’s duty to:
- “Maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform his or its functions”
 - “Provide advice and assistance to the public in connection with the making of arrangements for the continuance of commercial activities by the public, or the continuance of the activities of bodies other than public or local authorities whose activities are not carried on for profit, in the event of an emergency”
- 1.2.1 This policy and supporting documentation set out how the Council will continue to provide critical services during and after a disruptive event and how it provides Business Continuity advice to the businesses and voluntary organisations.
- 1.2.2 This policy integrates with the Council’s Generic Emergency Plan (GEP) which is activated in response to an incident or emergency by linking the Council’s response activities with the activation of Business Continuity Plans when it appropriate to do so.

2. Application and Scope Statement

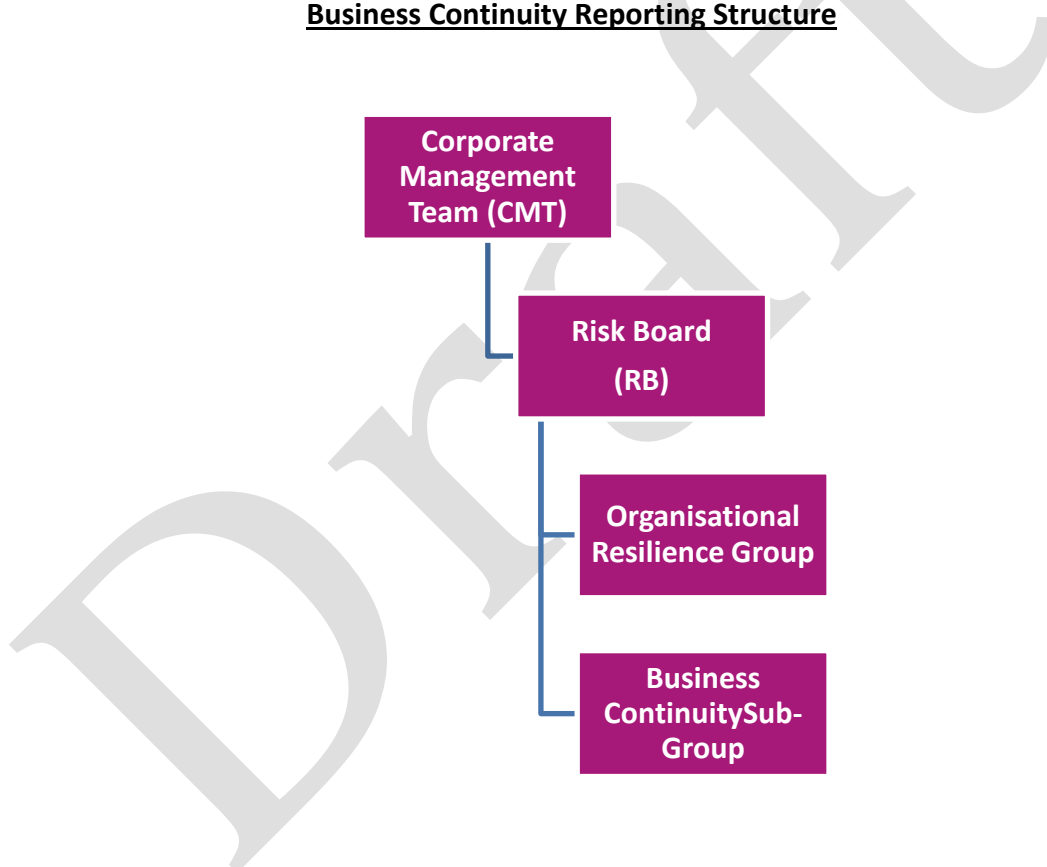
- 2.1 This policy and its supporting documents are applicable to all members of the Council’s workforce.
- 2.2 This policy does not apply to the Council’s Arms-Lengths External Organisations (ALEOs) as these organisations are responsible for their Business Continuity plans and arrangements. These arrangements are monitored through the ALEO Assurance Hub and reported by exception to the Audit, Risk and Scrutiny Committee.

3. Responsibilities

- 3.1 The Audit Risk and Scrutiny Committee is responsible for ensuring effectiveness of the Council’s Business Continuity arrangements as such is the approval authority for this policy.

- 3.2 The Chief Officer – Governance is responsible for the development, management and maintenance of this policy. Approval of all supporting documentation is delegated to the Chief Officer – Governance following its development by the Corporate Risk Lead.
- 3.3 All Directors and Chief Officers are responsible for implementing the policy and for ensuring that appropriate and adequate resource is in place within their service areas to deliver on its requirements. Support on applying the policy is provided by the Corporate Risk Lead.
- 3.4 The Business Continuity Group is responsible for supporting the Corporate Risk Lead in order to provide the Organisational Resilience Working Group and the Risk Board with the assurance that the Council’s Business Continuity plans are implemented, maintained and tested.

Business Continuity Reporting Structure



- 3.5 Users of this policy can communicate feedback to the Corporate Risk Lead.

4. Supporting Procedures & Documentation

- 4.1 This policy is supported by a number of documents including, but not limited to:
- 4.2 **Business Continuity Guidance** – a guidance document describing the processes and documentation to be used to create, maintain, schedule testing and conduct testing on the Council’s Business Continuity plans.

- 4.3 **Business Continuity Advice and Guidance** – a guidance document that provides Business Support advice and guidance to the businesses and voluntary organisations.
- 4.4 **Corporate Templates** – the pre-formatted documents used to ensure consistent content and design in the Council’s Business Continuity Plans.

5. Policy Statement

General

- 5.1 Each of the Council’s functions will develop, implement and maintain Business Continuity Plans to ensure that:
- all critical functions are identified;
 - the impact of the loss or disruption to these functions is assessed, identified and recorded;
 - arrangements are in place to ensure the continuance of these critical services at a predefined level in the event of an emergency.
- 5.2 Each Function must ensure that these Plans are reviewed, maintained and tested in accordance with the testing schedule provided by the Business Continuity Group.
- 5.3 Each Function must ensure that key members of staff receive appropriate training to ensure that they are competent in implementing Plans when required.
- 5.4 The Council will provide and publish Business Continuity advice to the businesses and voluntary organisations on its Website and assess on a case by case basis whether a charge is applicable for the advice provided.

Business Continuity Management Vision

- 5.5 It is our vision to deliver a fully integrated Business Continuity Management System which:-
- ✓ Supports officers to develop and promote appropriate Continuity Plans.
 - ✓ Supports officer decision making in the event of an emergency or disruptive event allowing for resources to be focused on the most critical areas
 - ✓ Allows the Council to continue to provide its critical and non-critical services as far as is reasonably practical
 - ✓ Supports co-operation with other responders and partner organisations
 - ✓ Incorporates Business Continuity into the Council’s day to day activities

Business Continuity Management Approach

- 5.6 The Council’s approach to Business Continuity Management is set out within the Business Continuity Guidance and Advice documentation and will:-

- ✓ Enable officers to identify and assess the range of significant risks that may threaten the performance of critical functions in the event of an emergency or disruption.
- ✓ Enable officers to mitigate and control the effects of an emergency or disruptive event by sharing the tools, documentation and training required
- ✓ Assign Plan ownership to the correct officers to ensure that the most effective management techniques are utilised including;
 - Risk assessment
 - Creation of actions and activities required to mitigate the risk
- ✓ Create effective Business Continuity Plans that reflect the risks, controls and mitigating activities identified that allows the Council to continue to provide its services as far as is reasonably practical
- ✓ Ensure that Plans are maintained, reviewed and tested
- ✓ Establish Business Continuity Management linkages to the following:
 - Emergency Planning
 - Resilience Partners
 - Risk Management
 - Health and Safety

6. Definitions

6.1 The following terms are used within this policy and its supporting documentation:

- **Business Continuity Management (BCM)** – A management process that identifies the threats to an organisation and the impacts to operations should any of the threats occur.
- **Business Continuity Plan (BCP)** – A documented collection of procedures and information that is developed and maintained in readiness for use, in the event of a business interruption or event.
- **Contingencies** – Provision or plans for a possible event or circumstance.
- **Civil Contingencies Act 2004** – UK Parliament Act that makes provision for Civil Contingencies.

7. Risk

7.1 The policy and supporting documentation specified within Section 4 details how the council implements its Business Continuity plans and arrangements that will allow the Council to mitigate and manage the impact of risks arising from an emergency or disruptive event.

- Compliance Risk - The policy and supporting documentation will reduce the risk of non-compliance with the Civil Contingencies Act 2004.
- Operational Risk - The policy and supporting documentation will allow the Council to reduce or manage the effects of an emergency or disruptive event affecting the delivery of critical services.
- Financial Risk - The policy and document will allow the Council to anticipate and manage the costs associated with an emergency or disruptive event.
- Reputational Risk - Effective Business Continuity plans will allow the Council to respond to and manage emergencies and disruptive events in a planned controlled manner, minimising the effects to staff and service users.

- 7.2 There are no unintended effects, consequences or risks directly resulting from the update of this policy.
- 7.3 The risks identified by the Council through its Business Continuity arrangements will be reviewed and monitored via the Council's risk registers and through post incident reporting resulting from plan testing and/or activation.

8. Policy Performance

- 8.1 The effectiveness of the policy and supporting documentation will be determined by the continuation of affected services in a planned and managed way during an emergency or unplanned event.

Performance of the plans and documentation supported by this policy will be monitored in a number of ways including:

- ✓ Post incidents and de-brief reporting to Organisational Resilience Group
- ✓ Testing and review of plans by Business Continuity sub-group
- ✓ Feedback from the public on advice and assistance provided
- ✓ Feedback and de-brief reports received from partner organisations e.g. Local Resilience Partnership

9. Design and Delivery

- 9.1 The policy and supporting documentation fully supports the delivery of strategic outcomes contained in the LOIP as the Council's Business Continuity arrangements focus on the continuation of services required in order to achieve the outcomes.

10. Housekeeping and Maintenance

- 10.1 The supporting documentation specified within this policy will be reviewed and updated as and when required.
- 10.2 Unless otherwise required, this policy will be subject to a planned annual review.
- 10.3 This policy and supporting documentation replaces the Council's Business Continuity Policy dated August 2017.

11. Communication and Distribution

- 11.1 The policy and supporting documentation will be shared directly with Extended Corporate Management Team and the Leadership Forum to enable communication and distribution.
- 11.2 The policy and supporting document will be shared directly with the members of the Business Continuity sub-group in accordance with the Terms of Reference for the group.
- 11.3 The policy and supporting documentation will be available for review on the organisation's shared areas on the Network.

12. Information Management

- 12.1 Data relating to Business Continuity will be stored and managed in accordance with the Council's Corporate Information Policy and supporting procedures.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/20/011
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 2019/20 and 2020/21 Internal Audit plans.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Reviews, discusses and comments on the issues raised within this report and Appendices A & B;
- 2.2 Approves the proposals to remove items from the Reserve List of the revised Internal Audit Plan for 2020/21, and subject to the Committee's consideration of a draft Internal Audit Plan for 2021/22 at its meeting scheduled for 24 February 2021, defer items from the Reserve List, all as set out in Appendix C; and
- 2.3 Notes a possible scope and objective of the Covid 19 funding audit set out in Appendix D that will be consulted on as part of preparations for presenting the draft Internal Audit Plan for 2021/22.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Internal Audit plan for 2019/20 was approved by the Audit, Risk and Scrutiny Committee on 14 February 2019. The plan 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 remaining audits contained in the 2019/20 plan. Due to the advent of Covid-19 and the delays that caused in relation to a number of audits, the appendix has been

simplified to remove some of the data regarding meetings and reminders and state only relevant dates. A summary is shown in the following table.

2019/20 Planned Audit Status	As at 26 November 2020 by Original Target Committee Date						%age
	Jun 19	Sep 19	Dec 19	Feb 20	May 20	Total	
Complete	2	8	5	5	4	24	88.9
Draft Report Issued	0	0	1	0	0	1	3.7
Work in Progress	0	0	1	0	0	1	3.7
To Start	0	0	0	0	0	0	0.0
Removal Agreed	0	0	0	0	1	1	3.7
Total	2	8	7	5	5	27	100.0

3.3 The Internal Audit plan for 2020/21 was originally approved by the Audit, Risk and Scrutiny Committee on 12 February 2020. However, due to the advent of the Covid-19 Pandemic, the plan was revisited by Internal Audit and, through consultation with management, a revised plan was approved by the Urgent Business Committee on 6 May 2020. The revised plan included an indicative date by when it was planned to report each audit to Committee. It also contained details of audits that had been placed in a reserve list which would be undertaken should time allow.

3.4 Appendix B to this report shows progress with the audits contained in the 2020/21 plan, where these have not yet been reported to the Committee. A summary is shown in the following table.

2020/21 Planned Audit Status	As at 26 November 2020 by Original Target Committee Date						%age
	Oct 20	Dec 20	Feb 21	May 21	Reserve	Total	
Complete	3	0	0	0	0	3	13
Draft Report Issued	0	0	0	0	0	0	0
Work in Progress	1	1	2	0	0	4	16
To Start	2	1	1	5	8	17	71
Total	6	2	3	5	8	24	100.0

3.5 Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absence statistics, a vacant Assistant Auditor post, and a temporary vacancy arising following the retirement of the former Chief Internal Auditor. Efforts are being made to fill the temporary vacant Senior Auditor position through internal recruitment.

3.6 Appendix C to this report details the audits contained in the reserve list for

the 2020/21 plan. Due to resource constraints, revised priorities and the impact of Covid 19 on Services, and other sources of assurance, a review of the reserve list has been undertaken. This review has been informed by the Council's risk registers and Internal Audit's consideration of the risks presented by each area.

- 3.7 It is proposed that, subject to the Committee's approval of an Internal Audit Plan for 2021/22, 6 of the 9 audits included in the list are deferred to 2021/22, and 3 are removed from the plan. The relevant Chief Officers have been consulted and are in agreement with the proposals. The Chief Internal Auditor intends to present the draft Internal Audit Plan for 2021/22 to Committee on 24 February 2021. This will give Committee an opportunity to re-confirm, based on the risk profile to Council at that time, whether the 6 audits proposed for deferral today be included within the 2021/22 plan.
- 3.8 The Internal Audit plan for 2021/22 is in the process of being drafted, following a risk assessment by Internal Audit, and review of the Council's risk registers. The plan will be subject to consultation with the Risk Board and Extended Corporate Management Team in November 2020 to ensure that areas which Officers consider to be of risk to their business operations are considered for inclusion in the plan. The Plan will be submitted to the Audit, Risk and Scrutiny Committee for its consideration and approval on 24 February 2021.
- 3.9 At its meeting of 8 October 2020 the Audit, Risk and Scrutiny Committee requested that the Interim Chief Internal Auditor provide details on what a review in relation to the Council's response to the Covid-19 pandemic including the Spaces for People project would look like and the resources required to undertake the review. Appendix D to this report sets out a possible scope and objective of this audit work. As action is ongoing in this area, and further reports are planned to be taken to the City Growth and Resources Committee on Spaces for People, it is proposed that the proposal be considered when the Committee considers the draft 2021/22 Internal Audit Plan on 24 February 2021.

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 Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

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
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

9. APPENDICES

9.1 Appendix A – Progress with 2019/20 Internal Audit Plan.

9.2 Appendix B – Progress with 2020/21 Internal Audit Plan

9.3 Appendix C – Reserve List proposals

9.4 Appendix D – Covid 19 funding audit proposal.

10. REPORT AUTHOR DETAILS

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(01467) 530701

APPENDIX A

PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	
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Originally Planned for December 2019 Committee

Industrial and Commercial Property Rental Income and Void Control	To provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.	Draft report issued	29.01.20
		Management response received	TBC
		Final report issued	TBC
		Actual submission to Committee	TBC

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 issued	TBC
		Management response received	TBC
		Final report issued	TBC
		Actual submission to Committee	TBC

Originally Planned for May 2020 Committee

Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data	Draft report issued	18.06.20
		Management response received	10.08.20
		Final draft report Issued	15.09.20
		Actual submission to Committee	09.12.20

APPENDIX B

PROGRESS WITH 2020/21 INTERNAL AUDIT PLAN

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

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Originally Planned for October 2020 Committee

<i>Bank Reconciliations</i>	<i>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>	<i>Complete</i>	<i>08.10.20</i>	<i>Green</i>	
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Vehicle Usage	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. 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.	Draft report due to be issued	18.10.20	Amber	
		Draft report issued			
		Original Target Committee date	08.10.20	Amber	<i>Audit commenced 5/6/2020; the assigned auditor has had sickness absences which have delayed progress.</i>
Revised Target Committee Date	24.02.21				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Originally Planned for October 2020 Committee (continued)

Academy System (Revenues and Benefits System)	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Draft report due to be issued	14.08.20	Amber	<i>The Cluster lead for the audit was unavailable due to sickness absence.</i>
		Draft report issued	12.10.20		
		Management response due	06.11.20	Green	
		Management response received	06.11.20		
		Original Target Committee date	08.10.20	Amber	
		Actual submission to Committee	09.12.20		
Treasury Management	To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.	Draft report due to be issued	31.07.20	Amber	<i>Commencement delayed at request of Finance and assigned auditor had sickness absences delaying progress.</i>
		Draft report issued	15.09.20		
		Management response due	06.10.20	Green	
		Management response received	06.10.20		
		Original Target Committee date	08.10.20	Amber	
		Actual submission to Committee	09.12.20		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Originally Planned for October 2020 Committee (continued)

Consilium System	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Draft report due to be issued Draft report issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	08.10.20	Amber	
		Revised Target Committee Date	24.02.21		
Bon Accord Care Budget Monitoring	To provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.	Draft report due to be issued Draft report issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	08.10.20	Amber	
		Revised Target Committee Date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Originally Planned for December 2020 Committee

Climate Change	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.	Draft report due to be issued Draft report issued		Amber	Commenced November 2020; <i>the assigned auditor had sickness absences which delayed initial progress.</i>
		Original Target Committee date	09.12.20	Amber	
		Revised Target Committee Date	24.02.21		

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.	Draft report due to be issued Draft report issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	09.12.20	Amber	
		Revised Target Committee Date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Planned for February 2021 Committee

Financial Sustainability	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.	Draft report due to be issued Draft report issued	15.09.20 tbc	Amber	<i>Commenced in July 2020. The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	24.02.21	Green	
Vehicle Replacement	To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.	Original Target Committee date	24.02.21	Green	
School / Pupil Security	To provide assurance that the Council has adequate arrangements regarding school security to include those in place to: •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	Draft report due to be issued	31.12.20	Green	Commenced November 2020, access and Service availability is restricted due to Covid 19.
		Original Target Committee date	24.02.21	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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Planned for May 2021 Committee

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.	Original Target Committee date	12.05.21	Green	
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Teachers Payroll	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.	Original Target Committee date	12.05.21	Green	
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Housing Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy.	Original Target Committee date	12.05.21	Green	
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Health & Safety Arrangements in 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>	Original Target Committee date	12.05.21	Green	
Timesheets and Allowances	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	Original Target Committee date	12.05.21	Green	

**APPENDIX C
Reserve List**

SUBJECT / SCOPE	OBJECTIVE	Commentary	Proposal
Contributing to Your Care	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.	Implementation of the Policy was delayed due to Covid 19. Time will be required following implementation, for the policy and associated procedures to be applied before value can be added through an audit review. An audit is still considered necessary due to previous audit findings in this area.	Defer to 2021/22 Internal Audit Plan
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.	The Service was impacted operationally due to Covid 19. Use of the Council's estate is likely to require further consideration as a result of Covid 19. An audit is still considered necessary due to the materiality and risks in this area.	Defer to 2021/22 Internal Audit Plan
Garden Waste Income	To provide assurance that payments received through on-line only option are adequately managed and controlled.	This audit was delayed due to operational changes during Covid. Whilst this is potentially a material income stream, it is subject to the Council's normal budget monitoring procedures. Income collection can be considered for inclusion in the 2021/22 Internal Audit Plan as part of a wider scope audit.	Remove from the 2020/21 Internal Audit Plan
Planning and Building Standards Income	To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area.	Defer to 2021/22 Internal Audit Plan

Housing and IJB Information Exchange	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.	The Service was focusing on Covid activities and supporting service users. Assurance over GDPR compliance is obtained regularly by management, and through other Internal Audit work, therefore specific work in this area is not considered necessary at this time.	Remove from the 2020/21 Internal Audit Plan
Agency Staff	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.	CPS, Finance and the Transaction Team were continuing to review and improve procedures and consolidate agency staff recruitment, and were working on many different priorities to support the Covid response. There has been a small reduction in agency spend during 2020 but this remains an area where it is considered a review could add value. An audit is still considered necessary due to previous audit findings in this area.	Defer to 2021/22 Internal Audit Plan
Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications.	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area.	Defer to 2021/22 Internal Audit Plan
Teachers Recruitment	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.	This was not considered urgent while the Cluster was addressing Covid 19 related risks. Resources were not available to progress this audit. However, additional funding was made available nationally in 2020/21, therefore activity is likely to have increased. An audit is still considered necessary due to previous audit findings in respect of recruitment.	Defer to 2021/22 Internal Audit Plan

<p>Housing Benefit and Council Tax Reduction</p>	<p>To provide assurance that entitlement is being calculated correctly based on appropriate documentary evidence and recorded accurately for subsidy purposes.</p>	<p>An external audit by the DWP is progressing during 2020 to provide assurance over this area. Reliance can be placed on this work to provide assurance over application of DWP requirements therefore specific Internal Audit work in this area is no longer considered necessary at this time. The results of the DWP audit can be used to inform future planning.</p>	<p>Remove from the 2020/21 Internal Audit Plan</p>
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**APPENDIX D
Covid 19 Audit**

SUBJECT / SCOPE	OBJECTIVE	Commentary	Proposal
Council response to the Covid 19 pandemic, including Spaces for People	To obtain assurance over the Council's controls over the use of key areas of Covid19 related grant funding, including funding allocations, Council delegations, procurement and compliance with grant conditions.	<p>Use of the Spaces for People funding is continuing, and planned to be reported to the City Growth and Resources Committee.</p> <p>Given reporting is already planned, and existing commitment of Internal Audit resources, it would be prudent to wait for this report to be considered prior to undertaking further review.</p>	That the Committee determines whether or not to add a report on this subject when it considers the draft Internal Audit Plan for 2021/22 at its meeting on 24 February 2021

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/20/012
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 2020 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.

3.5 Management has noted that implementation of several recommendations has been delayed due to the impact of the Covid-19 pandemic. This is to be anticipated. It is appropriate for the organisation to reallocate resource to address risks posed by the pandemic where those risks outweigh the risks of not completing some outstanding recommendations.

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 Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

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
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

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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APPENDIX A – SUMMARY

POSITION WITH AGREED RECOMMENDATIONS AS AT 26 NOVEMBER 2020

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

On 8 October 2020, the Committee was advised that, as at 27 September, there were 41 recommendations which were due to have been completed by 31 July 2020 which were not fully complete. This has now reduced to 34.

The total not fully complete, which had an original due date of before 31 October 2020, 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 31.07.20	Confirmed complete by Service	New in August to October 2020	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
Cross Service	14	2	2	3	3	0	0	0	0
Customer	66	64	61	1	0	4	0	2	2
Operations	108	90	74	3	2	17	1	13	3
Resources	45	24	12	14	8	18	0	13	5
Health & Social Care	17	11	9	0	0	2	0	1	1
Governance	12	6	5	1	1	1	0	0	1
Total	262	197	163	22	14	42	1	29	12

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 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	
AC2002	Shutdown of Non-Essential Spend	February 2020	2	2	2	0	N/A
AC2019	Procurement Compliance	September 2020	12	3	3	0	N/A

APPENDIX C

CUSTOMER

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC1909	Timesheets and Allowances	August 2018	7	7	7	0	
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AC1917	NPS Housing System	February 2019	14	14	14	0	
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2010	Housing Repairs - Voids	November 2019	14	14	13	1	1 Important
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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	The Service should ensure that policies are reviewed as scheduled (including Recharge Policy) and that this is recorded through version control (2.1.2)	Important March 2020	A short life working group has been revising the existing letting standard procedure. The Service is consulting tenants in week commencing 30 November 2020 prior to reporting to the Risk Board. The Recharge Policy has been revised following review and will be submitted to the next Risk Board for approval. It is anticipated this will be concluded by January 2021.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2012	Customer Access Points and Service Centre	January 2020	13	12	10	2	1 Significant
							1 Important

The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Governance should ensure that each Cluster assesses the potential for their service delivery being used as a potential money laundering vehicle (2.8.2)	Significant	The fraud response role has moved from Governance to Finance. An overall risk review of the potential for fraud risk in clusters has been commenced based on CIPFA guidance. It is considered that an assessment related to potential money laundering risk is led by the fraud response team to provide advice to clusters in completing that assessment – and is connected to the finance business advice provided by accounting. It is proposed to prepare a risk assessment format by October and that the action completion date is moved to January 2021.
		June 2020	
Finance	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 (2.9.2 b)	Important	The inventory arrangements were updated in the Financial Regulations updated in March 2020 that set the principles for the new process. Due to other priorities in the Finance Cluster as a result of Covid, this process has been delayed. In addition, managing inventory during the pandemic with significant changes for staff in their operational places of work has required reconsideration of the process. It is proposed that the action completion date is moved to March 2021.
		June 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2023	Timesheets and Allowances	January 2020	18	18	17	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
People & Organisation	People and Organisation should formalise arrangements regarding Working Time compliance in a collective agreement covering the affected employee groups. (2.10.3)	Significant	Implementation of this action has been delayed due to competing work priorities and the Covid-19 pandemic. Work on this task will recommence in the near future, for completion by March 2021, with there being a need to obtain sign off from all the trades unions, once the wording of the document has been reviewed and finalised. The latest update from the Service (November 2020) is that the draft document is being checked with the relevant Chief Officers and will then be shared with the Trade Unions for agreement and sign off.
		September 2020	

APPENDIX D
OPERATIONS

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	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 31.10.20	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.

Update 8 October 2020 – Due to the covid restrictions the consultation period, to reflect new working practices, was extended. The service has recommenced discussions with the affected trade unions on the proposed new working practices and are seeking to agree an implementation date for these.

Update 26 November 2020- Consultation has taken place and a suitable option is currently being discussed with the TU's with an anticipated implementation date of January 2021.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	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. Committee advised on 12 February 2020 that this would be complete by March 2020. Committee advised in October 2020 that this would be complete by December 2020.
		April 2019	
Operations and Protective Services	Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)	Significant	
		April 2019	

The Service has advised that the installation of telematics on the remaining Council fleet vehicles commenced in August 2020. By the end of November 2020 there will be 296 vehicles fitted with units which equates to 66% of the Fleet, 3 services are currently operating the system, Fleet, PTU

			and Grounds, it is anticipated full completion by the end of February 2021. This will then allow for improved reporting on vehicle usage and monitoring of fleet utilisation.
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC1903	Devolved School Management	November 2018	7	7	6	1	1 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 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 March 2019	<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 was advised on 4 December 2019 that this would be complete by May 2020. The Committee was advised on 8 October 2020 that this would be completed by October 2020. <p>Due to operational and resource pressures the process has been transferred to Finance, and is now anticipated to be concluded in December 2020.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC1925	Music Service	May 2019	22	20	19	1	1 Significant
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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	Music tuition concessions should be approved by Council with proposed charges (2.4.3)	Significant	This was not reported to Committee when other charges for 2020/21 were approved. Education has confirmed approval will be sought from full Council for the Music tuition concessions and charges as part of the 2021/22 annual budget setting process by March 2021.
		March 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2007	Stock Control	November 2019	16	16	8	8	6 Significant 2 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service (Roads) should ensure that written procedures are reviewed on a regular basis (2.1.2)	Important	Roads Services advised that as part of the service re-design and approval of the subsequent business case, the Roads stores will be managed by Building Services. As such, all processes and procedures will align with theirs and be adopted upon operational handover expected in November 2020. Any updates to these processes and procedures will be provided by Building Services and will be adopted as part of the Handover process in November 2020. Building Services are on target to meet this date, and in the meantime Roads are sharing the Building Services processes, prior to full handover.
		April 2020	
Operations and Protective Services	The Service (Roads) should ensure the location of stocks is clearly recorded on the system (2.2.5)	Significant	Roads Services advised that they have reviewed stock locations and decided to move all stock to a central location at Tullos Roads depot. This will remove the need for any variation of stock location and the system has been updated to reflect this. November 2020 is the target for the full adoption of Roads stores and implementation by Building Services. This will then become an ongoing iterative process as any changes in store layout would require updates and recoding.
		April 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2007 – Stock Control – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service (Roads) should schedule and record the results of regular interim stock checks at all locations (2.3.5)	Significant	The Roads Service advised that they carried a vacant Storeman post for several months during the service re-design process, which approved a subsequent business case for the Roads stores to be managed by Building Services. As such, Building Services will supply the Storeman resource and all processes and procedures will align with theirs, with adoption and operational handover expected in November 2020.
		April 2020	
Operations and Protective Services	The Service (Building & Roads) should ensure that the results of interim checks are reviewed by appropriate Senior Officers on a regular basis (2.3.8 b)	Significant	Roads Services advised that the Second Officer within Roads will be either a Technical Officer or Engineering Assistant that reports to the Engineer (Operations). The Second officer will carry out checks and complete documentation to ensure this is appropriately evidenced to Senior Officers on a monthly basis. This has been temporarily suspended due to COVID, but will restart in November 2020 with the adoption of Stores by Building Services.
		April 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2007 – Stock Control – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	Services should develop clear methodologies for identifying slow / non-moving stock, run regular reports to identify such stock and attempt to either realise value from or dispose of such stock, subject to appropriate evidenced approval (2.4.9)	Significant	The service is working on creating a bespoke report to provide detail that is meaningful as there would be shortcomings in the existing system report. This will be complete by April 2021 for the new financial year.
		February 2020	
Operations and Protective Services	The Service (Building) should consider how best to address the identified anomalies within van stocks (2.4.14)	Significant	A process has been developed to create randomly generated stock check requests for individual items, and is in development. The hand held device will highlight anomalies in real time. This will be complete by April 2021 for the new financial year.
		June 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2007 – Stock Control – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service (Roads) should investigate the reasons for the significant differences in stock counted and that which was recorded in the system and put in place procedures to prevent recurrence (2.4.15)	Significant	Roads Service advised that they carried a vacant Storeman post for several months during the service re-design process, which approved a subsequent business case for the Roads stores to be managed by Building Services. As such, Building Services will supply the Storeman resource and all processes and procedures will align with theirs, with adoption and operational handover expected in November 2020.
		June 2020	
Operations and Protective Services	The Service (Roads) should ensure its estimations for year-end stock movements are subject to evidenced review (2.4.16)	Important	The service will review average item usage during February and use this to estimate the expected item usage over the number of days between stocktake and the end of financial year. This will transfer to Building Services in November 2020, and a process will be in place for the 2020/21 year end (by April 2021).
		February 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2013	School Catering Income and Expenditure	January 2020	24	22	20	2	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Service should work with Finance to establish a process for identifying and recovering debts arising from non-payment of school meals by reviewing the level of outstanding debt and accounting treatment of outstanding debt (2.3.4a & 2.3.4c)	Significant April 2020	<p>The Service has advised that Finance and Customer Experience staff have reviewed the level of outstanding debt and extracted the outstanding debt by pupil on a per school basis. This was factored into the 2019-20 year-end financial accounts.</p> <p>The guidance from Committee regarding pursuing debt during the Covid outbreak and the unprecedented operating conditions within schools have delayed the completion of this exercise.</p> <p>An in-principle process has been developed whereby the data needs to be reviewed by schools to ensure it is robust and wider communication plans need to be put in place before any individual parents/guardians are contacted and income recovery is initiated. As the process is developed in more detail, further consultation with Education is required to finalise operational practicalities. The Service has proposed an extension to December 2020 for the process to be established.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2013 – School Catering Income and Expenditure – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	Inventories should be completed and maintained in line with Financial Regulations (2.7.5)	Important	The Service has advised that work will commence on the compilation of inventories for all equipment over the value of £1000 at each site operated by Catering Services. The original timescale was unable to be met as the service was largely stood down during the COVID-19 response, reinstatement has also been very challenging where we have had to make adaptations working with our colleagues in Education to provide the service. Financial Regulations have been updated and the process of completing inventories is being revised as referred to in AC2012 – recommendation 2.9.2b above. It is proposed that the completion date for this recommendation is revised to March 2021 in line with that recommendation. A communication has been issued to relevant staff to update inventories for school catering equipment.
		July 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2021	SEEMiS	February 2020	10	10	8	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Education	A Data Processing Agreement should be established with the supplier. (OnTheButton) (2.4.6 b)	Significant	The Service has noted that the DPIA for OnTheButton is almost complete and the possible work on a DPA with the supplier is pending on the outcome of the DPIA. This will be completed by December 2020.
		April 2020	
Education	Required Data Sharing Agreements will be developed where not in place. (2.4.10b)	Significant	The Service has noted that this is progressing but as it involves a number of partners with whom there are ongoing discussions regarding data sharing arrangements this has been delayed and will now be completed by March 2021.
		September 2020	

AC2028	Fostering, Adoption & Kinship	July 2020	12	1	1	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 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	
AC2001	Income Generation	December 2019	6	6	6	0	
AC2002	Shutdown of Non-Essential Spend	February 2020	2	2	2	0	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2008	Ring-Fenced Funding	March 2020	9	9	2	7	4 Significant 3 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	A brief procedural document should be developed for grant administration to ensure appropriate personnel follow approved practice. (2.1.6)	Important	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	
Finance	All grant documentation should be shared with appropriate officers in order that it can be completed and submitted to the Scottish Government timeously. (2.1.9)	Significant	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	

Finance	A register of specific grants should be developed and monitored regularly to enhance assurance over specific grant income. (2.1.11)	Important	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	
Finance	Procedures and practice should be reviewed to improve the efficiency of the project identification, approval, planning and delivery process. (2.2.9)	Significant	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	
Finance	The level of grant funding available should be consistently recorded. (2.3.3)	Important	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	
Finance	Estimates and adjustments should be reviewed to ensure they are compliant with grant terms and conditions. (2.3.8b)	Significant	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	
Finance	The Service should ensure revenue and capital expenditure is appropriately recorded against relevant grants. (2.3.10)	Significant	Due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It is planned that this will be in place by February 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2009	Travel Policy	January 2020	14	10	0	10	9 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Officers approving foreign travel requests should ensure that the travel has been approved in advance by Committee (2.2.4 a)	Significant March 2020	Approving officers will be reminded of the requirement as part of revisions to the travel policy. A draft has been prepared and will be rolled out by December 2020.
Finance	The Business Services Team should ensure that there is adequate evidence that foreign travel has been approved in advance by Committee before booking travel (2.2.4 b)	Significant March 2020	A revised checklist process has been developed by the transactions team to ensure appropriate Committee approval has been sought. This will be implemented by December 2020.
Finance	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 (2.2.6)	Significant June 2020	A revised checklist process has been developed by the transactions team to ensure appropriate authorisation for cost exceptions has been sought. This will be implemented by December 2020.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2009 – Travel Policy – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Post-trip cost / benefit reports should be presented to the Committee that approved the travel (2.2.7)	Significant	A post trip cost/benefit format and process has been prepared by the transactions team.
		June 2020	Due to the impact of the Covid pandemic on Committee Governance and travel activity, these reports have not yet been presented to Committee. This will be implemented by December 2020.
Finance	The Travel Policy will be amended to clarify a more appropriate requirement to justify travel (2.3.2)	Important	The travel policy will be amended to clarify a more appropriate requirement to justify travel. That definition is as follows:
		June 2020	For UK and foreign travel to meet business objectives, a full description of the purpose of travel and outcome should be made before the travel is booked. This should provide the main description of the activity and the related business purpose. The main description may involve specified visits, or attending events, meetings, hearings, conferences, courses and seminars. A draft has been prepared and will be rolled out by December 2020.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2009 – Travel Policy – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	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 (2.4.1)	Significant	Staff have been reminded of making timely arrangements. A revised checklist process has been developed by the transactions team to ensure appropriate timeliness is checked. This will be implemented by December 2020.
		March 2020	
Finance	Travel applications should provide an explanation regarding why a car is more appropriate for the required journey than public transport (2.6.3 a)	Significant	Staff have been reminded of using the most cost-efficient transport method. A revised checklist process has been developed by the transactions team to ensure appropriate explanations are provided for exceptions. The revised draft travel policy makes recommendations in respect of minimising the climate impact of travel. This will be implemented by December 2020.
		March 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

(AC2009 – Travel Policy – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Business Services Team should ensure that there is appropriate justification prior to processing the application (2.6.3 b)	Significant	A revised checklist process has been developed by the transactions team to ensure appropriate justifications are provided. This will be implemented by December 2020.
		March 2020	
Finance	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 (2.7.4)	Significant	A revised checklist process has been developed by the transactions team to ensure appropriate justifications are provided. This will be implemented by December 2020.
		March 2020	
Finance	Appropriate arrangements should be put in place to provide assurance that travel applications are being approved as required by the Travel Policies (2.8.3)	Significant	A revised checklist process has been developed by the transactions team to ensure appropriate approvals are provided. This will be implemented by December 2020.
		January 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	
AC2016	Financial Ledger System	February 2020	4	4	4	0	

AC2024	Gas Servicing Contract	September 2020	10	7	6	1	1 Important
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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 ensure that the Gas Safety Policy is fully reviewed and updated.(2.2.1)	Important October 2020	The Service is working with the Health and Safety Team, however they have been busy with Covid issues so there will be a delay in completing this action, to February 2021.

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 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC1920	National Care Home Contract	January 2019	8	8	6	2	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial and Procurement Shared Service	The Service should ensure that monitoring of contracts is undertaken in line with the contractual obligations of the National Care Home Contract and the Service's own guidelines (2.2.2)	Important	The Service has advised that this recommendation will be implemented by the end of March 2021 so as to tie it in with recommendations agreed in the Internal Audit report relating to Social Care Commissioned Services – Contract Monitoring.
		July 2020	
Head of Commercial and Procurement Shared Service	The Service should ensure that the financial risk register is implemented and updated regularly, and training, support and advice is available to aid interpretation of the results (2.2.10)	Significant	The Service has advised that this recommendation will be implemented by the end of March 2021 so as to tie it in with recommendations agreed in the Internal Audit report relating to Social Care Commissioned Services – Contract Monitoring.
		July 2020	

AC2027	Commissioned Services Contract Monitoring	June 2020	9	3	3	0	
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APPENDIX G

GOVERNANCE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2004	Risk Management	August 2019	6	6	5	1	1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Governance	A risk appetite should be established and documented (2.1.4)	Important June 2020	The Cluster has advised that a Risk Appetite Statement was drafted pre-Covid and is being reviewed in the context of activation of the Council's emergency response structures which inform the appetite for / tolerance of risk. This will be reported to the December Committee.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.10.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2014	Civil Contingencies	September 2020	5	0	0	0	N/A
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AC2022	Transformation	September 2020	1	1	1	0	N/A
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2026 – Performance Management
REPORT NUMBER	IA/AC2026
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 Performance Management.

2. RECOMMENDATION

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

3. BACKGROUND / MAIN ISSUES

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

3.2 Management Comments

- 3.3 The Data and Insights cluster are pleased that this internal audit review has been helpful in both identifying a small number of recommendations to further improve our performance management arrangements and provided assurance that those arrangements are effective. The audit was conducted following a period of significant change in our performance management arrangements, which had previously been relatively stable over a number of years. These changes relate to both the Council's governance arrangements and, significantly, the opportunities provided by digital technology. It is important that the Council maximises the opportunities afforded by the increasing availability of data and the technologies to use it, whilst retaining appropriate controls to ensure that use is appropriate. We are satisfied that this review gives assurance that this is the case.

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 Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

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
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

9. APPENDICES

9.1 Internal Audit report AC2026 – Performance Management.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Commissioning

Performance Management

Issued to:

Andy MacDonald, Director of Customer Services
Martin Murchie, Chief Officer – Data and Insights
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Reyna Stewart, Analytics and Insight Manager
External Audit

EXECUTIVE SUMMARY

Relevant, accurate and timely performance reporting is required to make sound strategic and policy decisions, be assured that decisions are being implemented effectively and efficiently and ensure that performance and outcomes are improving. The Council's Performance Management Framework sets out performance management arrangements at a Council, Cluster and employee level.

The objective of this audit was to provide assurance that the Council has effective performance management arrangements in place which produce accurate data. In general this was found to be the case, with some improvements to reporting agreed.

The Council's Performance Management Framework (PMF) is current, comprehensive and clearly describes arrangements for reporting and monitoring service performance, improvement and the delivery of Council outcomes at a Council, Cluster and employee level, by examining four perspectives of performance: Customer; Staff; Finance and Controls; and Processes. The PMF is aligned to the Council's Delivery Plan which is in turn aligned to the Aberdeen City Local Outcome Improvement Plan (LOIP).

The Council uses two systems for performance reporting: PowerBI for interactive reporting to Management and Committee, and Pentana Risk for Committee performance reporting. Procedures were in place on how to update these systems. Some user guidance was available, however the Cluster agreed to formalise guidance on PowerBI reporting functionality and the reports available to Members and Management.

Performance was reported to Committee in line with the 2019/20 Performance Management Framework, with staff and financial performance reported as expected to Staff Governance Committee and City, Growth and Resources Committee respectively. Cluster level performance scorecards are also reported as required. It was noted that nominal performance targets were absent from some Place performance indicators making it difficult to identify where improvement action is required. The Data and Insights (D&I) team has agreed to review targets and seek updates where required. It was also noted that sickness absence data reported to the Operational Delivery Committee was overstated, as identified and reported to the Committee by the affected Cluster in management commentary against the measure; a process is now in place to ensure this is avoided in future.

Since March 2020 the majority of the Cluster's development resource has been directed towards the Council's response to Covid-19. Prior to this, D&I had progressed work through the established Data Forums, to identify, prioritise and develop data reporting products, including expanding PowerBI functionality to further populate the Managers Portal and to automate Manager's Portal PowerBI updates.

It was noted that monthly CMT performance dashboards were not being retained; the Cluster advised this was as a result of the dashboards reading from data sources which are regularly updated. This meant the level of performance reported to CMT could not be retrospectively confirmed. D&I has agreed to retain exception and summary dashboards presented to corporate performance groups in future.

Annual reports covering: the LOIP; Locality Plans; and the Council's Commissioning Intentions were reported to Committee as expected in line with the PMF. The PMF also requires regular monitoring of the Council's Transformation programme and supporting projects in order to ensure delivery of the Council's Target Operating Model. This was reviewed as part of Internal Audit report AC2022 Transformation.

1. INTRODUCTION

- 1.1 Relevant, accurate and timely performance reporting is required to make sound strategic and policy decisions, be assured that decisions are being implemented effectively and efficiently and ensure that performance and outcomes are improving. The Council's Performance Management Framework sets out performance management arrangements at a Council, Cluster and employee level.
- 1.2 The objective of this audit was to provide assurance that the Council has effective performance management arrangements in place which produce accurate data.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Martin Murchie, Chief Officer – Data and Insights and Reyna Stewart, Analytics and Insight Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Policies and Procedures

- 2.1.1 The Aberdeen City Local Outcome Improvement Plan (LOIP) 2016-26 sets out how the Council and its “Community Planning Aberdeen” partners will improve outcomes for and with local people and communities. The vision set out in the LOIP is that Aberdeen will be “a place where all people can prosper” by 2026, meaning everyone in the city will have the same opportunities, regardless of their background or circumstances. The plan covers 15 goals or “stretch outcomes” across three themes: Economy, People and Place (see appendix 1), with over 100 improvement projects planned to help achieve the stretch outcomes.
- 2.1.2 The Council Delivery Plan 2019/20 was reported to Council on 5 March 2019, setting out the “strategic planning thread” from the LOIP, Council Policy, national, regional and city strategy, and legislative duties, to the Council’s commitments and priorities for 2019/20. These commitments and priorities include commissioning intentions with key measures linked to LOIP stretch outcomes, and Transformation programme project milestones and deliverables linked to the implementation of the Council’s Target Operating Model.
- 2.1.3 The implementation of the Council Delivery Plan commitments and priorities is supported and scrutinised using the Council’s performance management framework (PMF), which was approved by the Strategic Commissioning Committee on 28 March 2019. The PMF is comprehensive and clearly describes arrangements for reporting and monitoring service performance, improvement and the delivery of Council outcomes at a Council, Cluster and employee level. The framework takes a “holistic” approach to performance reporting, by examining four perspectives of performance: Customer; Staff; Finance and Controls; and Processes.
- 2.1.4 The PMF approved by the Strategic Commissioning Committee in March 2019 relates to 2019/20. The Council Delivery Plan for 2020/21 was noted by Council on 3 March 2020 and included the key elements of the Performance Management Framework for 2020/21. The PMF 2020/21 was agreed by Strategic Commissioning Committee on 27 August 2020.
- 2.1.5 The Council currently uses two systems for performance reporting: PowerBI for reporting to a range of management forums and groups; managers and staff; and some public performance reporting, and Pentana Risk for Committee performance reporting. The Chief Officer, Data & Insights, advised that it is intended, from 2021/22, to use PowerBI for all performance reporting.
- 2.1.6 According to the performance management framework, PowerBI was introduced to modernise performance reporting, by using data which is nearer to real time to understand current performance and for predictive analytics, thereby allowing decision making to be increasingly responsive and informed to change. Work to roll out “real time” reporting via PowerBI is considered further in paragraph 2.2.13 below.
- 2.1.7 A number of PowerBI reports are based on live data (e.g. Customer data including response time to complaints and Elected Member enquiries; pupil daily attendance; access to the Council’s new legislation tracker and Risk Registers) while some PowerBI data updates are updated via a manual process, managed by the Data and Insights (D&I) team, involving relevant Cluster contacts providing the required data to be uploaded to PowerBI, for monthly reporting to Management (Corporate Management Team and Chief Officers).

- 2.1.8 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, which is important in the event of an experienced employee being absent or leaving.
- 2.1.9 Procedures are available to the D&I team for updating PowerBI with data supplied by Clusters and are accessible via a OneNote document. It contains beginner guides and tutorials which explain the overall functionality of PowerBI as well as advanced guidance including instructions on how to upload / share data to PowerBI as well as how to modify the information once it has been uploaded. The guidance contained in OneNote was considered comprehensive and clear in relation to updating PowerBI.
- 2.1.10 PowerBI report guidance has been issued to Directors and Chief Officers by the Data & Insights Cluster on the use of specific PowerBi reports, including Mandatory Training (Information Governance) exception reporting and the Operations Health and Safety Group performance dashboard. To date, access to PowerBi functionality to do more than view reports has been limited to a relatively small number of users who have been allocated a PowerBi Pro license. The Cluster advised that this approach was taken to allow a controlled development and roll out of the product; approval has been provided to upgrade the Council's license to allow greater functionality to a much broader number of users. A user guide covering general PowerBI functionality and the reports available to officers and Elected Members should be made available in line with this broader availability.

Recommendation

User guidance on PowerBI reporting functionality and the reports available to Members and Management should be made available as greater functionality is available to more users.

Service Response / Action

Agreed.

Implementation Date

December 2020

Responsible Officer

Analytics and Insight
Manager

Grading

Important within audited
area

- 2.1.11 The Pentana Risk (Pentana) performance management software, used for Committee performance reporting, is available on a dedicated webpage on the Zone. The system is used to track progress and status with performance indicators. Access (read-only or system update, specific modules) is controlled by D&I via a user access form, which requires line manager authorisation. D&I or the respective Cluster lead update Pentana for Committee reporting purposes, depending on the performance indicator concerned.
- 2.1.12 A basic procedure covering how to update Pentana performance indicator data and notes was available to D&I staff. A more detailed procedure for Integrated Children's and Family Services staff was also available on the Zone, with system screenshots and reference to the performance indicators that require to be updated by the Cluster.
- 2.1.13 The D&I team is responsible for calculating some performance indicators for Committee based on data submitted by the relevant Clusters e.g. Education Improvement Journey performance indicators. Comprehensive procedures are in place describing the preparation of the Education Improvement Journey performance report; this is helpful as the process for calculating the related performance indicators is more complex than other indicators prepared by the team.

2.1.14 D&I also maintain a schedule of performance indicators which includes the purpose of the indicator, the Local Outcome Improvement Plan theme, the D&I lead, the data owner from the respective Cluster, the source of the data and the frequency of reporting.

2.2 Performance Management

2.2.1 As indicated in section 2.1 above, implementation of the Council Delivery Plan commitments and priorities is supported and scrutinised using the Council’s performance management framework (PMF), with the framework covering performance management at: Council; Cluster; and employee levels. Performance reporting at an individual level is via the Council’s Continuous Review and Development (CR&D) scheme which went live in December 2019; the CR&D process is considered further in Internal Audit report AC2018 Workforce Planning.

2.2.2 Staff and Financial performance reporting occur in aggregate at a Council level. The Staff Governance Committee is responsible for Council wide monitoring of staff matters e.g. staff absence monitoring, whilst the City Growth and Resources Committee monitors Council wide financial performance. Quarterly Council financial performance was reported as expected to City Growth and Resources Committee in 2019/20 as was Council wide sickness absence to the Staff Governance Committee. Reporting of workforce performance indicators is considered further in Internal Audit report AC2018 Workforce Planning.

2.2.3 The Council Delivery Plan 2019/20 and the Council’s Performance Management Framework require each of the Council’s Clusters to maintain and monitor a performance scorecard. These scorecards are aligned with the LOIP and are intended to ensure a consistent approach to accountability, scrutiny and performance management. The scorecards are presented under four perspectives to help describe how the Council is: responding to the needs of customers; ensuring efficient processes; supporting staff; and managing finances and controls.

2.2.4 Each Cluster scorecard perspective is underpinned by a suite of key performance indicators (KPIs). These KPIs include:

- KPIs which are common to all clusters e.g. level of staff engagement (*Staff Perspective*); Spend vs Budget (*Finances and Controls Perspective*);
- KPIs which are specific to clusters e.g. Repairs within timescale (*Customer Perspective*); Average processing time (*Processes Perspective*);
- Key measures, set out within the Council Delivery Plan, which relate to the delivery of the Council’s Commissioning Intentions; and
- Additional KPIs required through regulatory and statutory reporting arrangements.

2.2.5 The Council’s Performance Management Framework states “Each cluster will identify key performance indicators (KPIs), which relate to and measure performance in the delivery of cluster outcomes and intentions for each of the perspectives [Customer; Staff; Finance and Controls; and Processes]. These KPIs will be reported through a performance scorecard model.” The Council Delivery Plan 2019/20 Committee reporting requirements for Cluster performance scorecards are as detailed below:

Function	Cluster	Committee
Operations	Integrated Children's and Families Services (Educational Services)	Education Operational Delivery
	Integrated Children's and Families Services (Non-Educational)	Operational Delivery

	Operations and Protective Services	Operational Delivery
Customer	Early Intervention and Community Engagement	Operational Delivery
Place	City Growth	City Growth and Resources
	Strategic Place Planning	City Growth and Resources

- 2.2.6 Cluster scorecards were not required to be reported to Committee for the following Clusters under the 2019/20 Council Delivery Plan: Customer Experience; Digital and Technology; Capital; Corporate Landlord; People and Organisation; Finance; Commercial and Procurement; Business Intelligence and Performance Management; and Governance; as such they were not reviewed as part of this audit. These Clusters are required to report performance scorecards in 2020/21 as detailed in the Council Delivery Plan 2020/21.
- 2.2.7 The Council's performance management framework requires performance to be reported against targets, using a traffic light reporting system. For the majority of performance indicators, green means greater than or equal to 95% of target, amber means between less than 95% and 80% of target, and red means less than 80% of target. Exceptionally where higher performance indicator nominal values equate to a reduction in performance e.g. average number of sickness absence days per year, green is less than or equal to 105% of target, amber is greater than 105% but less than or equal to 120% of target, and red is greater than 120% of target.
- 2.2.8 A sample of Cluster performance reports to Committee was selected and reviewed to ensure performance indicators were appropriate and meaningful, had been reported to Committee regularly, and where performance was significantly below target, corrective action was proposed. Performance had been reported to Committee in 2019/20 for all Clusters detailed in the table at paragraph 2.2.5 as per the Council Delivery Plan 2019/20.
- 2.2.9 KPIs were reported to the Education Operational Delivery Committee (EODC) in May and November 2019, to provide updates on the Education Improvement Journey aligned to the Aberdeen City National Improvement Framework Plan for 2018/19 (mid-year and full year respectively). Relevant performance indicators were reported, with explanations for improvements and reductions in performance. The report to the May 2019 EODC on the Educational Improvement Journey used a traffic light system for identifying improvement and deterioration in performance. The format of the November 2019 report was revised to include graphs and ceased the use of the traffic light reporting system; the Cluster advised that this was at the request of the Committee.
- 2.2.10 It was noted that nominal performance targets were absent from a number of Place performance indicators reported to the City Growth and Resources Committee, in September 2019 and February 2020 e.g. number of visits to museums and galleries; average number of days lost through sickness absence. This makes it more difficult to identify where improvement action is required.

Recommendation

Key performance indicators reported to Committee should include nominal performance targets where appropriate.

Service Response / Action

Agreed. D&I will review targets and where any are missing seek confirmation of targets from Cluster.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2020	Analytics and Insight Manager	Important within audited area

- 2.2.11 Performance was reported to the Operational Delivery Committee in January and March 2020 as expected, with improvement actions identified where required with the exception of sickness absence. It was noted that a number of service areas within Operations and Protective Services were reported as having high sickness absence and, whilst, improvement actions had been identified at the Operational Delivery Committee meeting in September 2019, the Committee was subsequently advised that work to integrate absence data from the Council's legacy HR information system to the new CoreHR system meant accurate rolling 12 month absence data was not available. Detailed reasons for high sickness absence and further improvement actions were, therefore, not included within the performance report as a result. Notwithstanding this, sickness absence was reported to the Staff Governance Committee for the Council as a whole in December 2019, although this did not cover specific reasons for high levels of sickness absence and related improvement action at a Cluster level.
- 2.2.12 Customer Experience advised that sickness absence is being overstated by the employee management system for some leavers on long term sick leave where the sickness absence was not closed in the employee management system after the employee left i.e. the sickness absence for these leavers continues to increase until the sickness absence is closed in the system. This was noted in management commentary against the measure. The HR Service Centre has since closed existing open absences for former employees, updated the Managing Leavers guidance for managers to include the requirement to close sickness absence in the employee management system and confirmed a regular check of former employee open absences will be undertaken, to ensure these are closed where required in future.
- 2.2.13 As stated in the PMF, the Council intended to develop and roll out "real time" interactive dashboards in 2019/20 (via PowerBI) to support operational delivery of services as well as analytics, contract management and public performance reporting. Interactive dashboards are also to be introduced for Elected Members which allow permanent access to the most up to date performance data, moving towards performance management being a continuous process rather than an event.
- 2.2.14 The Managers Portal is a PowerBI based dashboard providing access to performance, and governance information to management under the following headings:
- People - covers sickness absence days and reasons, HSE reportable accidents, additional staff payments (overtime and TOIL) and establishment data.
 - Customer - includes response to complaints and Member enquiries.
 - Processes / Assurance – includes consultation and legislation trackers; risk management (Council risk registers); External Audit and inspection (outstanding recommendations); Internal Audit (outstanding recommendations); Council policies (under development); resilience (under development); health and safety (under development); strategy (under development); ALEOs (under development)
 - Finance and Controls - includes spend against contracts in the Council's contract

register.

- Programmes - includes information related to the Council's Transformation programme and capital programmes.
- KPIs, including Committee reporting, Function, and Cluster KPIs - includes Customer; Operations and Protective Services; and Children's Social Work reports which D&I advised have been used on an informal basis by Clusters / Functions.

2.2.15 As stated at 2.1.10 above, access to PowerBI functionality, through a PowerBI Pro License, to do more than view reports, has been limited to a relatively small number of users to allow a controlled development and roll out of the product. PowerBI Pro licenses have been made available to CMT members, Chief Officers, third tier managers and Elected Members.

2.2.16 At the time of the audit, the reporting available under the Manager's Portal was under development with some areas yet to go live. The Chief Officer, Data & Insights, advised that progress had been delayed due to the majority of the Cluster's development resource being directed towards the Council's response to Covid-19. As an example, whilst the interactive contracts register spend dashboard, part of the Finance and Controls dashboard in the Manager's Portal, had not been reported to CMT for performance purposes, this had been further developed as part of the Council's Covid-19 response and submitted regularly to both CMT and the Council's Incident Management Team in relation to continuity of supply chain. The People and Customer dashboards within the Manager's Portal were used on a monthly basis by CMT. Elements of the interactive reporting available under Processes remain under development, including Council Policies; Health and Safety; Resilience; ALEOs; and Strategy.

2.2.17 The Council's Data & Insights team has established the following six Data Forums, co-chaired by relevant Chief Officers, to ensure data challenges are identified and prioritised by services; solutions co-designed; resources allocated; and that Clusters have access to data for improvement and quality assurance purposes:

- Employee
- Children and Young People
- Governance
- Asset Data
- Finance and Procurement
- Customer

2.2.18 The Council's Customer Service platform interfaces customer experience performance data updates to PowerBI on a scheduled automated basis. Action notes for the Employee Data Forum on 18 March 2020 and the Children and Young People Data Forum on 15 January 2020 indicated work was progressing to automate PowerBI performance data updates for both absence reporting and Child Protection Register data; This work is now complete. In addition, a number of reports developed during the response to Covid-19 are automated including daily pupil attendance at schools; the Council risk registers and issues logs. Manual data updates continue to take place for the remaining performance indicators reported via PowerBI (Overtime – time and a half, number of staff receiving additional payments – excess, employee – HSE reportable, number of leavers, average number of days lost to sickness absence and TOIL - hours taken) however as indicated in 2.2.16 above, D&I has advised that progress has been delayed due to the majority of the Cluster's development resource being directed towards the Council's response to Covid-19.

2.2.19 As stated in the Council Delivery Plan 2019/20, in addition to scrutiny undertaken by

Elected Members, officers are required to continuously monitor performance through operational dashboards (PowerBI), with regular reporting to relevant management teams, and escalated and aggregated reporting to Corporate Management Team.

- 2.2.20 CMT Stewardship meetings took place on a monthly basis up until March 2020 and covered People, Customer and Processes performance as reported through Manager’s Portal. Exceptional areas of performance were included in a single summary dashboard which allowed “drilldown” interrogation of data to Function, Cluster and Team levels.
- 2.2.21 Since March 2020, CMT have been meeting on a weekly basis to report on data dashboards, relating to the various Covid-19 risk workstreams. The Council’s risk registers are available through PowerBI. Risks can be filtered by various means including: Corporate; Function; Cluster; Operational; Risk Category e.g. Covid-19, EU-exit; Risk Owner; and Risk Lead. The Service has also set up a Finance Resilience dashboard via PowerBI, which details the financial impact at a Cluster level of the pandemic on the Council, including balance sheet impact, savings risks, and income and bad debt impact.
- 2.2.22 As stated in paragraph 2.1.11 above, Pentana is updated by D&I or the relevant Cluster. PowerBI is updated by D&I manually for the most part or by system interface e.g. with the Council’s Customer Service platform GovService (formerly known as Firmstep).
- 2.2.23 D&I advised that prior to reporting performance to Committee or Management, D&I “sense check” the performance indicators by comparing current performance to previously reported values and investigating any significant unexplained differences.
- 2.2.24 A sample of performance indicators reported to Committees (in line with the Council Delivery Plan) was reviewed to confirm their accuracy. Performance reported agreed to source data where available, however, there were instances where source data used to calculate performance indicators was not available. The Cluster has advised that supporting data supplied by Clusters for the purposes of reporting performance to February City, Growth and Resources was deleted during migration of D&I files to Sharepoint. Since there is no record of the performance indicator checking process carried out by D&I it is not clear if the data reported was validated.

Recommendation

A checklist should be prepared and reviewed by D&I prior to reporting performance data to Committee and Management.

Service Response / Action

Agreed.

Implementation Date

December 2020

Responsible Officer

Analytics and Insight
Manager

Grading

Important within audited
area

- 2.2.25 D&I advised performance information was presented to monthly meetings of CMT Stewardship through PowerBI dashboards which use “live” data to highlight areas of exceptional performance, together with a narrative which set those exceptions in context and that these exception reports are interactive and linked to the full Managers Portal. It was not possible to review the history of these exception reports because as the PowerBi dashboard is updated it overwrites the previous month’s report. A copy of “exceptional” dashboards presented to corporate performance groups should be retained.

Recommendation

Exception and summary dashboards presented to corporate performance groups should be retained.

Service Response / Action

Agreed.

Implementation Date

December 2020

Responsible Officer

Chief Officer - Data &
Insights

Grading

Significant within audited
area

2.3 Local Outcome Improvement Plan and Transformation

- 2.3.1 The Council's Performance Management Framework identifies that the Council is required to support the vision of the Local Outcome Improvement Plan (LOIP) and ensure Aberdeen is 'a place where all people can prosper'. The LOIP; Aberdeen's Locality Plans; and the Council's Delivery Plan each include key measures which are used to evaluate the extent to which the LOIP outcomes have been achieved.
- 2.3.2 The PMF requires annual reports on the measures of outcomes to be submitted to the Strategic Commissioning Committee, covering: the LOIP; Locality Plans; and the Council's Commissioning Intentions and key measures.
- 2.3.3 The Strategic Commissioning Committee (SCC) approved a joint commissioning approach between the Council and the Aberdeen City Integrated Joint Board on 28 August 2019 in order to enhance integrated service provision. The joint commissioning approach was described as combining strategic planning, service design, procurement, internal service planning and performance management, and was aligned to the LOIP.
- 2.3.4 The Strategic Commissioning Committee endorsed the draft Refreshed Aberdeen City LOIP 2016-26 on 29 January 2019 prior to being reported to the Community Planning Aberdeen Board on 26 February 2019 for approval.
- 2.3.5 The Community Planning Aberdeen Annual Outcome Improvement Report 2019/20 was approved on 1 July 2020 by the Community Planning Aberdeen Board, detailing progress against the Aberdeen City Local Outcome Improvement Plan (LOIP) stretch outcomes detailed in appendix 1 and the improvement priorities for 2020/21. In relation to Locality Plans, the Annual Outcome Improvement Report identifies the fact the Locality Planning Partnerships have reported progress with local priorities in their most recent Annual Reports for 2018/19. Strategic Commissioning Committee subsequently approved the Annual Outcome Improvement Report 2019/20, as a representation of the Council's contribution to partnership working in delivery of the Local Outcome Improvement Plan 2016-26, on the 27 August 2020.
- 2.3.6 The PMF also requires regular monitoring of the Council's Transformation programme and supporting projects in order to ensure delivery of the Council's Target Operating Model. This was reviewed as part of Internal Audit report AC2022 Transformation.

2.4 External Performance Reporting

- 2.4.1 The PMF states "the council is committed to ensuring that accountability, transparency and openness is embedded throughout the organisation. Public Performance Reporting, which all Councils have a statutory duty to undertake, is one of the key elements on delivering on that. The Council ... consolidates corporate Public Performance Reporting through the Council's website."
- 2.4.2 The Council's non-Education statutory performance indicators were noted by the Operational Delivery Committee on 9 January 2020, and the Council's Educational Service statutory performance indicators were noted by the Educational Operational

Delivery Committee on 12 March 2020. The Council's non-education statutory performance indicators for 2018/19 were made available to the public via the Council Performance webpage of the Council's website however SPIs for Education have not been made available (as they were for 2017/18). These indicators should be published on the Council's website in line with the Council's PMF.

<u>Recommendation</u>		
The Education SPIs for 2018/19 should be made available on the Council's website.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Strategic Performance and Improvement Officer	Important within audited area

- 2.4.3 The Council Performance webpage also contains links to: the Local Government Benchmarking Framework website, which enables Council performance to be compared to that of other Scottish Local Authorities; the Community Planning Aberdeen website, which contains Aberdeen City wide and Priority Locality performance data; the Council's Annual Accounts; and the Council's complaints performance for 2018/19.
- 2.4.4 Officers from D&I have used PowerBI to enhance the Council's public performance reporting arrangements. An overarching "Aberdeen Outcomes Framework", presented through Community Planning Aberdeen, has been developed which includes current performance levels relating to all Local Outcome Improvement Plan stretch outcomes, improvement measures and progress with improvement projects. This Framework also includes the PowerBI based Aberdeen City Data Observatory (online Population Needs Assessment).

AUDITORS: D Hughes
A Johnston
C Jamieson

Appendix 1 – Local Outcome Improvement Plan Stretch Outcomes

ECONOMY	PEOPLE (Children & young people)	PEOPLE (Adults)	PLACE
<p>1. 10% Increase in employment across priority and volume growth sectors by 2026.</p> <p>2. 90% of working people in Living Wage employment by 2026.</p>	<p>3. 95% of children (0-5 years) will reach their expected developmental milestones by the time of their child health reviews by 2026.</p> <p>4. 90% of children and young people will report that they feel mentally well by 2026.</p> <p>5. 95% of care experienced children and young people will have the same levels of attainment in education, emotional wellbeing, and positive destinations as their peers by 2026.</p> <p>6. 95% of children living in our priority localities will sustain a positive destination upon leaving school by 2026.</p> <p>7. Child Friendly City which supports all children to prosper and engage actively with their communities by 2026.</p> <p>8. 25% fewer young people (under 18) charged with an offence by 2026.</p>	<p>9. 25% fewer people receiving a first ever Court conviction each year by 2026.</p> <p>10. 2% fewer people reconvicted within one year of receiving a community or custodial sentence by 2026.</p> <p>11. Healthy life expectancy (time lived in good health) is five years longer by 2026.</p> <p>12. Rate of harmful levels of alcohol consumption reduced by 4% and drug related deaths lower than Scotland by 2026.</p>	<p>13. No one in Aberdeen will go without food due to poverty by 2026.</p> <p>14. Addressing climate change by reducing Aberdeen's carbon emissions by 42.5% by 2026 and adapting to the impacts of our changing climate.</p> <p>15. 38% of people walking and 5% of people cycling as main mode of travel by 2026.</p>

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 organisation.
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	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2103 – Treasury Management
REPORT NUMBER	IA/AC2103
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 Treasury Management.

2. RECOMMENDATION

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

3. BACKGROUND / MAIN ISSUES

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

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 Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 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
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

9. APPENDICES

- 9.1 Internal Audit report AC2103 – Treasury Management.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Finance

Treasury Management

Issued to:

Steven Whyte, Director of Resources
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer - Governance
Carol Smith, Accounting Manager
Lesley Fullerton, Finance Operations Manager
Neil Stewart, Accountant
Deirdre Nicolson, Solicitor
External Audit

EXECUTIVE SUMMARY

Treasury Management is defined as the management of the organisation's borrowing, investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. In practice, this means actively monitoring and managing banking transactions to ensure that cash is available to pay for debts as they fall due, while minimising borrowing costs as a result of debt and ensuring an acceptable balance is struck between security, liquidity and return, for any investments held. The Treasury Management function is maintained primarily by an Accountant who reports to the Finance Operations Manager. Decisions made by the team are informed by advice and information provided by the Council's Treasury Advisors.

In October 2016, the Council was assigned a credit rating, and subsequently completed a £370 million bond issue on the London Stock Exchange in November 2016; as a result of the bond issue, the Council is now required to comply with a number of regulations including the Market Abuse Regulation, the Disclosure and Transparency Rules, the Listing Rules and London Stock Exchange Admission and Disclosure Standards.

As at 30 June 2020, the Council's total external debt including overdraft was £1,109.5 million at an average interest rate of 2.15%, with temporary investments of £136.6 million at an average interest rate of 0.41%.

The objective of this audit was to provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with. In general, this was found to be the case with: an approved Council Treasury Management Policy and Strategy in place; Committee reporting on performance as expected where possible; secure online banking arrangements; and evidence that in general the relevant treasury management Code of Practice is being complied with. Recommendations have been agreed with Finance to make some minor improvements to procedures and compliance, in relation to daily banking duties.

The Market Abuse Regulation (MAR) requires the Council to take all reasonable steps to ensure that any person on the Insider List with access to Inside Information acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of Inside Information. A former member of staff was not previously included on the List when employed by the Council and one member of staff on the List had not been informed in writing of their duties / related sanctions as a result of being on the List. Governance has agreed to review the Insiders List and issue any required correspondence.

1. INTRODUCTION

- 1.1 Treasury management is described by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Introduction to the Treasury Management in the Public Services: Code of Practice as: “the management of an organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks” Money market transactions relate to short term investments in companies (e.g. commercial paper), banks (e.g. certificates of deposit) and governments (e.g. federal funds) , whilst capital market transactions relate to investments in stocks and bonds.
- 1.2 In practice, this means actively monitoring and managing banking transactions to ensure that cash is available to pay for debts as they fall due, while minimising borrowing costs as a result of debt and ensuring an acceptable balance is struck between security, liquidity and return, for any investments held.
- 1.3 The Aberdeen City Council Treasury Management team at the time of the audit consists of the Finance Operations Manager, an Accountant, and a Senior Finance Officer. Decisions made by the team are informed by advice and information provided by the Council’s Treasury Advisors.
- 1.4 As at 30 June 2020, the Council’s total external debt including overdraft was £1,109.5 million at an average interest rate of 2.15%, with temporary investments of £136.6 million at an average interest rate of 0.41%.
- 1.5 In October 2016, the Council was assigned a credit rating, and subsequently completed a £370 million bond issue on the London Stock Exchange in November 2016. This increased the level of debt and investments held by the Council.
- 1.6 The objective of this audit was to provide assurance that the Council’s Treasury Management procedures follow best practice and are being complied with.
- 1.7 The factual accuracy of this report and action to be taken with regard to recommendations made has been agreed with Jonathan Belford, Chief Officer – Finance, Carol Smith, Accounting Manager, Lesley Fullerton, Finance Operations Manager, Neil Stewart, Accountant, Fraser Bell, Chief Officer – Governance and Deirdre Nicolson, Solicitor.

2. FINDINGS AND RECOMMENDATIONS

2.1 Treasury Management Policy and Strategy

- 2.1.1 The Scottish Government Finance Circular 5/2010 requires local authorities in Scotland to have regard to the Treasury Management in the Public Services Code of Practice (the TM Code). The CoP recommends that all public service organisations create and maintain, a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities. The Council has adopted the CoP as part of its Treasury Management Policy and Strategy, providing a basis to create clear treasury management objectives and to structure sound treasury management policies and practices. The CoP was last updated by CIPFA in 2017.
- 2.1.2 The Council's Treasury Management Policy and Strategy are reported annually to Full Council after having been reviewed by the Accountant and approved by the Chief Officer - Finance. The Policy and Strategy are reviewed at least three times a year (Annual Report, Year-End Summary and Mid-Year review). Additional reports may be produced outwith these, if necessary (e.g. removing a Counterparty, increasing Counterparty limits etc). The Policy and Strategy Report includes a number of key documents as required by the CoP. The Treasury Management Policy Statement defines the policies and objectives of the Council's treasury management activities, following the form of words recommended by CIPFA. The Borrowing Strategy sets out the prioritised borrowing methods the Council could use, as well as setting limits on certain types of borrowing and the debt maturity structure. The Investment Strategy notes the Council's investment priorities as the security of capital and liquidity of its investments, and sets a limit on longer-term, fixed rate investments. The Counterparty List details the approved banks and other financial institutions with which the Council can undertake short-term investments.
- 2.1.3 In addition, CIPFA has developed a Prudential Code to support local authorities when taking decisions on capital expenditure. This contains a number of prudential indicators. Prudential indicators should consider whether the Council has adopted the CoP; capital expenditure estimates over several financial years; estimates of financing costs to net revenue stream; debt versus the capital financing requirement over the current and next two financial years; various limits on borrowing; and authorised limits and operational boundaries for total external debt. Prudential Indicators chosen by the Treasury Management team for the forthcoming financial year are reported in the Annual Treasury Management Policy and Strategy Report presented in March for Full Council approval.
- 2.1.4 The CoP recommends that Full Council receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. The reporting undertaken for 2019/20 and 2020/21 Treasury Management activities was reviewed.
- 2.1.5 The Council's Treasury Management Policy and Strategy was approved by Full Council on 4 March 2019 and 2 March 2020. The Year End Report made to Full Council on 24 June 2019 contained summarised information on Treasury Management activities and performance monitoring for the previous year and updates on the Counterparty List. The Mid-Year Review Reports, made to Full Council on 17 December 2018 and 9 December 2019, contained information on Treasury Management activities and performance monitoring during the year to date and predictions for the remainder of the financial year.
- 2.1.6 No Annual Report was presented to Committee in June 2020 as the meeting was cancelled due to the coronavirus lockdown. A report covering the 2019/20 Year End and 2020/21 Mid-Year Treasury Management performance is scheduled to be reported to full Council on 14 December 2020.

2.2 Written Procedures

- 2.2.1 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.
- 2.2.2 The Treasury Management (TM) team has developed a Treasury Management Manual which covers all regular activities as well as special events, TM staff duties and responsibilities, security measures and record retention. The Manual is maintained and distributed by the Accountant responsible for TM. The Manual contains extracts from the CIPFA Code of Practice and Prudential Code and lists the twelve Treasury Management Principles, which have been copied from CIPFA guidance without amendment for the Council's particular needs and circumstances. However, an appendix to the Manual (Appendix D) contains details of how the Principles are followed in practice. This Appendix is not listed in the Table of Contents.
- 2.2.3 The Service advised that the Manual is updated at least annually and the first page contains a dated list of revisions, with the most recent being an update to the Counterparty List on 2 March 2020. The Counterparty List and Settlement Instructions and Authorised Signatory List are up to date. The Authorised Signatory List refers to one employee by a former role and does not contain an entry for the employee currently filling that position. In addition, the Manual contains some out of date references in its description of procedures; for example, hand-drafted documents are required to be passed to "the typists" for completion, and the capital programme refers to the "new Aberdeen Exhibition and Conference Centre ... once it is fully operational". This has been known as TECA (The Event Complex Aberdeen) since July 2018 and was completed in August 2019. Additionally, the section on money laundering contains a web link which is no longer active (<http://www.hmrc.gov.uk/mlr/>). While the errors observed are minor, if the Manual is not thoroughly reviewed there is a risk that more significant errors will not be corrected.
- 2.2.4 Since the coronavirus lockdown began in March 2020 all members of the team have been working from home. As a result, all procedures which involved paper documents and manuscript signatures have been amended to use electronic formats. The TM Manual has not yet been updated to reflect this. Finance has advised that it had not been possible to amend the procedure recently due to the pressure of work and the pace of change. However, the team planned to revise procedures as necessary to ensure the new way of working is clear for all staff. A recommendation is included to track progress.

Recommendation

Finance should revise the Treasury Management Manual so that information is up to date.

Service Response / Action

Agreed. The procedures have already been updated in line with remote working. These need to be reflected in the manual.

Implementation Date

December 2020

Responsible Officer

Accountant

Grading

Important within audited area

2.3 Treasury Management Data

- 2.3.1 Confidential financial data is held in the Treasury Management team shared drive, to which access is restricted. The restriction is primarily to ensure that only relevant staff are able to access and amend the monitoring spreadsheets, in order to prevent accidental modification or deletion; the Service does not believe there would be a risk of data breach or inappropriate action if a staff member left the team but kept their access to the drive.
- 2.3.2 Details of transactions are held in a database designed to record loans and investments, which is provided and maintained by the supplier. The system administrator is the Accountant responsible for TM, who creates and revokes access to users as required; in general access is restricted to view-only. A list of users was provided and all access was appropriate.
- 2.3.3 Banking data is held in the online business banking portal provided by the Council's banking services provider. This allows transaction data to be downloaded, transfers to be made between the General and Instant Access accounts, and CHAPS payments to be created. Dual factor authentication is in place with each officer provided with their own individual log-in and authentication device. The log in requires a non-descriptive username; password; memorable information; and confirmation token. Each member of staff is given their own authentication device (confirmation token) and guidance on secure storage of these is given verbally when the device is issued. Shared access is not permitted.
- 2.3.4 Access to view the online portal is administered by the Accountant responsible for TM and is provided on request by the employee or by their line manager. The request process is informal and not recorded. Access is provided to specified accounts and may be set to read-only or transactional as appropriate. A list of staff with access to the system was provided; all access was appropriate.
- 2.3.5 As all Treasury Management data is held electronically in the Council network it is backed up on a daily basis in the usual way, which has been reviewed in previous audit reports such as AC1912 Data Security in a Cloud Based Environment and AC1810 Major IT Business Services, and found to be satisfactory. The transaction database and online banking portal systems are hosted by the system providers, who are responsible for securing the system data. In addition, printouts of bank statements and copies of deal tickets are taken on a daily basis as part of TM activities, providing further backups of data.

2.4 Prudential Code

- 2.4.1 Scottish local authorities are required to have regard to CIPFA's Prudential Code under Part 7 of the Local Government in Scotland Act 2003. The objective of the CIPFA Prudential Code is: to provide a framework for Local Authority capital finance that will ensure that capital expenditure and investment plans are affordable; that all external borrowing and other long-term liabilities are prudent and sustainable; that treasury management and other investment decisions are taken in accordance with good professional practice; and that the organisation is accountable for treasury management decisions made. The Prudential Code does not suggest indicative limits or ratios, which are the responsibility of the organisation, subject to any legislative controls.
- 2.4.2 Scottish Ministers have statutory powers (section 36 of the 2003 Act) to impose capital expenditure limits either at the 'all Scotland' level or for a particular local authority, including for different types of capital expenditure. As at July 2020, Ministers have not used this power.

- 2.4.3 Local authorities are required to set prudential indicators, having regard to:
- service objectives, e.g. strategic planning for the authority;
 - stewardship of assets, e.g. asset management planning;
 - value for money, e.g. option appraisal;
 - prudence and sustainability, e.g. implications of external debt and whole life costing;
 - affordability, e.g. implications for council tax; and
 - practicality, e.g. achievability of the forward plan.
- 2.4.4 The Prudential Code states that the prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. In response to recommendations made by Audit Scotland in their “*Borrowing and Treasury Management in Councils*” report, the Council now includes its prudential indicators in the annual Treasury Management Policy and Strategy report, as well as in the budget setting report that is presented to Full Council. Prudential Indicators are reported showing the prior year actual results, as well as estimated figures for the next five years. This supports the longer-term view that the Council is required to take.
- 2.4.5 The Council has set indicators indicating: the affordability of the authority’s capital plans; showing external debt is kept within sustainable prudent limits; as well as indicators detailing planned capital expenditure, and limits for external debt. Within the Council’s daily treasury management sheets, each of the prudential indicators are calculated to ensure the limits are not breached throughout the year. This is recognised as good practice.
- 2.4.6 The Prudential Code states that, in order to ensure that over the medium term net debt will only be for a capital purpose, the authority should ensure that net debt does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. A statement from the Chief Officer - Finance was included with the report on Prudential Indicators presented to Full Council in March 2020 to confirm this was the case.

2.5 Treasury Management Practices

- 2.5.1 The CoP is recognised as best practice for Local Authority Treasury Management activities. It follows that compliance with the Treasury Management Practices (TMP’s) it contains demonstrates that the organisation is acting appropriately to ensure that Council assets are protected and best value maintained.
- 2.5.2 The TM practices described in the CoP are:
1. Risk Management
 2. Best Value and Performance Measurement
 3. Decision-Making and Analysis
 4. Approved Instruments, Methods and Techniques
 5. Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements
 6. Reporting Requirements and Management Information Arrangements
 7. Budgeting, Accounting and Audit Arrangements
 8. Cash and Cash Flow Management
 9. Money Laundering
 10. Staff Training and Qualifications
 11. Use of External Service Provider
 12. Corporate Governance

2.5.3 Risk Management

2.5.3.1 The CoP TMP 1 states that “the common and overriding aim of such organisations should be the effective identification, monitoring and control of risk”, and lists nine specific risks that public sector organisations should seek to mitigate. The TM Policy Statement included in the TM Manual and reported to Committee includes the wording recommended by CIPFA identifying risk management as key. Risk management is described in detail in the Annual TM Policy & Strategy Report made to Full Council each year and the Council's risk appetite is described therein as "low", with the Investment Strategy formulated accordingly.

2.5.3.2 Risk management is described in detail in the TMP 1 section of the Council's TM Manual. The section includes risks associated with credit and counterparties, liquidity, interest rates, inflation risks and refinancing, and those arising from legal and regulatory issues, fraud, error, corruption and contingency measures, and fluctuations in market prices.

2.5.4 Best Value and Performance Measurement

2.5.4.1 TMP 2 recommends that organisations carry out ongoing analysis of value added by the TM function and performance monitoring in order to ensure best value. In the section on TMP 2 Performance Measurement in the Council's TM Manual Appendix D, Finance states that "the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out by the Chief Officer - Finance."

2.5.4.2 Finance advised that debt management benchmarks are calculated periodically by the team and are reported as part of the triannual TM reports to Council and in the Annual Accounts; the report on TM performance includes the average rate of external debt, the proportion of short-term and variable debt, the proportion of debt maturing within next two years, and the performance of investment earnings. The reports also measure compliance with Borrowing and Investment Strategies, the TMS and Prudential Indicators. Copies of the Treasury Management Policy & Strategy reports, and the Mid-Year Reviews, submitted over the last financial year were obtained and seen to show satisfactory levels of performance.

2.5.4.3 The “Daily Treasury Sheet” spreadsheets used by Finance enable investment and borrowing decisions to be made based on the forecast daily cash position (opening bank balance plus known receipts less known payments), records of existing investments and borrowing and prudential code limits. These spreadsheets provided adequate assurance that best value was being sought by Finance when undertaking daily treasury management duties.

2.5.4.4 Through the Council's Treasury Management Consultants the TM team participate in an Investment Benchmarking Group, which measures security, liquidity and yield against a small group of authorities in Scotland plus additional portfolios from a broader local authority base on a national basis. The consultants also provide regular reports on capital financing and borrowing.

2.5.4.5 Performance measures are also included in an annual return to the CIPFA Scottish Branch Treasury Management Forum who collate all 32 Scottish Local Authorities, to allow benchmarking on local and national levels. The Accountant responsible for TM submits

the borrowing and the pool rate year-end figures to the Forum and on a monthly basis also submits the investment balances.

2.5.5 Decision Making and Analysis

2.5.5.1 The CoP advises that “the treasury management strategy should be supplemented by the provision of monitoring information ... records should be kept of the processes and the rationale behind those decisions.” All transactions are recorded in the TM transaction management and recording system, from which monitoring reports can be produced. Further detailed records are maintained by the Accountant responsible for TM through the Daily Treasury Sheet spreadsheets used to monitor cash flow and prudential indicators, as well as daily “Treasury E-returns” journal spreadsheets for recording transactions in the ledger, which should be completed by the Finance Development Officer and approved by an Accountant before being submitted to the Bank Reconciliation team for processing. The Daily Treasury Sheets record details of borrowing and investment decisions.

~~2.5.5.2~~ Monitoring spreadsheets, Daily Sheets and E-returns for June 2020 were reviewed and seen to show complete records of transactions. However, while the sheets contain a field to be completed by a manager confirming approval of the decision-making, this has not been completed since the sheets began to be completed electronically in March 2020 due to the coronavirus lockdown. This is considered further in 2.5.20.

2.5.6 Approved Instruments, Methods and Techniques

2.5.6.1 Per TMP 4, organisations should employ only approved instruments, methods and techniques, and use them within the limits and parameters defined in TMP1, Risk Management. “Methods and techniques” refers to approved TM activities such as borrowing; lending; debt repayment and rescheduling; and financial risk management.

2.5.6.2 Investment instruments approved under The Local Authority (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, include: deposits with banks and building Societies or local authorities up to 365 days; Pooled Investment Funds such as pension funds; and deposits with Government (including HM Treasury and Local Authorities).

2.5.6.3 In the TMP4 section of Appendix D in the TM Manual there are no details of approved instruments, methods or techniques. Instead reference is made to details in the Policy Statement, Borrowing Strategy and Investment Strategy, and the limits and parameters defined in the TMP1 Risk Management section. TMP1 refers back to TMP4 and also “the schedule to this document”, wording copied from the CIPFA CoP; there is no schedule. The Service advised that this was an oversight and would be corrected during the next revision. There are no specific tools or instruments mentioned in the rest of the section; per the CoP it is desirable to include details and individual limits of approved instruments, methods, techniques and investments in the TMP document. However, details of approved instruments, methods and techniques for both borrowing and investments are laid out comprehensively in the reports on TM Policy & Strategy which are annually approved by Full Council.

2.5.6.4 The Council’s Loans Fund may borrow from any other UK local authority or government guaranteed institution which includes the PWLB or successors. In addition, the Council may borrow from any bank, financial institution, insurance company or utility company which is governed by MiFID, the EU Markets in Financial Instruments Directive (2004/39/EC). The majority of borrowing is from the Public Works Loan Board, which exists to lend money from the National Loans Fund to local authorities and can provide finance with varying terms and interest payable to cover shortfalls. In addition to

the PWLB, the Service is permitted to borrow from the open market with rates payable depending on current market conditions.

- 2.5.6.5 Under the CIPFA Prudential Code, the Council sets its own borrowing limits but must demonstrate, via the Prudential Indicators, that any borrowing is affordable, prudent and sustainable. The portfolio of loans held should be regularly reviewed to ensure that these are being managed as effectively as possible. Long-term borrowing requirements relates to borrowing that is required to fund the capital programme of the Council. The objective is to arrange borrowing activities in order to minimise the average rate of interest payable on the Council's loan debt, while spreading the maturities of the debt over different timeframes to minimise exposure to interest rate movements. Long term borrowing as at 31 March 2020 was £942.5m of which £485.4m was from the PWLB and the balance from market instruments such as bonds and mortgages.
- 2.5.6.6 The Council's recent Bond issue of £370 million is another form of long-term borrowing, to be repaid over 35 years. The Bond is discussed in more detail in the final section of this report.
- 2.5.6.7 Local authorities are also able to take out temporary loans from other UK authorities for periods of less than a year. Brokers contact the Council each morning to ascertain its short-term borrowing needs and to quote the rates they are able to offer. The Treasury Officer prepares a deal ticket detailing the counterparty, principal borrowed, interest rate and duration. This is then approved by an authorised signatory.
- 2.5.6.8 Local authorities are required by law to maintain a Loans Fund, from which advances are paid to Services to fund capital expenditure. Under the Local Government (Scotland) Act 1975 all external borrowing was required to be held in the Fund. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 amended this, simplifying the statutory purpose of the Fund and giving Councils flexibility. Councils now also have the power to determine the period and annual repayments for Fund advances due to capital expenditure incurred by borrowing, provided the method is prudent; this is in contrast to the prescriptive methodology under the 1975 Act, which specified that advances had to be repaid either by equal instalments or by the annuity method.
- 2.5.6.9 The Loans Fund activity is reconciled to the Ledger on a monthly basis. Details of loans and investments are taken from the Daily Sheets and input to a Monthly Reconciliations spreadsheet to be matched to General Ledger balances. This is done by the Accountant on a preceding month basis and authorised by the Finance Operations Manager.
- 2.5.6.10 Loans monitoring spreadsheets and reports were reviewed. All transactions had been fully and appropriately recorded in the transaction management and recording system, and in the Ledger. Spreadsheets in the Daily Treasury Sheet are used by the Accountant to record details of borrowing and investments, and calculate limits and exposure; testing was satisfactory. Only the Chief Officer - Finance or the Finance Operations Manager may authorise long term borrowing. No unauthorised borrowing was observed.
- 2.5.6.11 The Prudential Indicators of authorised / operational limits for external debt for 2019/20, as discussed in 2.1.3 above, were £1,698m / £1,544m (2020/21 £1,815 / £1,650). Temporary borrowing as at 31 March 2020 per the Daily Sheet was £1.317m, well within limits. As at 30 June 2020 the Council had no exposure to long-term variable rate loans.
- 2.5.6.12 The fixed rate debt maturity profile is monitored using the Daily Treasury Sheet by the Accountant which links to a separate spreadsheet detailing the dates the Council's

external loans mature. The Council's agreed prudential limits for the maturity of fixed rate debt are as follows:

- Under 12 months – 20%
- 12 months and within 24 months – 20%
- 24 months and within 5 years – 50%
- 5 years and within 10 years – 75%
- 10 years and above – 90%.

2.5.6.13 The Daily Interest Rates and Bank Balances (Daily Treasury) spreadsheet and debt maturity spreadsheet as at 30 June 2020 were reviewed to ensure the above prudential limits were being respected; this was the case.

2.5.6.14 The Council's current average duration until maturity of Public Works Loan Board (PWLB) and Lender Option Borrowing Option (LOBO) loans (a form of borrowing from banks which public bodies have been permitted to undertake as an alternative to the PWLB) is approximately 35 years.

2.5.6.15 The Prudential Indicator for exposure to variable rate debts is a maximum of 30%. As at 30 June 2020 this was at 12.04%.

2.5.6.16 The Local Government Investments (Scotland) Regulations 2010 permits local authorities to make investments subject to them gaining the consent of Scottish Ministers. Consent has been issued through Finance Circular 5/2010 subject to compliance with the terms of the consent. The Council's Annual Investment Strategy is included in the Treasury Management Strategy report. It states that only temporary, short term investments which are made with reference to cash flow requirements should be undertaken; this is in order to ensure liquidity and avoid exposure to fluctuating or higher interest rates. The Strategy lists approved counterparties and maximum permitted duration of lending, financial limits and acceptable risks.

2.5.6.17 Investments are made based on daily cash flow requirements showing surplus funds available. These are evidenced via the Daily Treasury Sheets. The Scottish Government (Finance Circular 5/2010), with reference to the Prudential Code for Capital Finance in Local Authorities, requires that Councils set out their approach to "borrowing in advance" within their treasury management strategy where new borrowing would result in total external debt exceeding the Capital Financing Requirement (CFR) for the following 12 months. The Service states in its strategy that it will not "borrow to on-lend", i.e. borrowing at a low rate and lending at a higher rate, as this is "unlawful and this Council will not engage in such activity"

2.5.6.18 The investment portfolio is reviewed on a daily basis by the Accountant responsible for TM, who is also responsible for selecting approved counterparties and for monitoring changes in credit ratings and adding or removing parties from the list as appropriate, subject to Committee approval. Changes in ratings are notified by the Treasury Advisors in their regular bulletins, although the Accountant also monitors financial markets news on a daily basis.

2.5.6.19 There are currently around 30 counterparties listed, with varying rates payable. These include EU banks, other local government authorities, building societies, and Money Market Funds. In addition, the Council also has an Instant Access account with the banking services provider which can be paid into and withdrawn from instantly with

interest paid at the Bank of England base rate (currently 0.1%). At the end of the day surplus funds can be invested in the Instant Access account or with listed counterparties in order to reduce the General Account balance while earning interest.

2.5.6.20 Investment monitoring spreadsheets and reports were reviewed. All investments were with approved counterparties with credit ratings within the agreed credit rating thresholds and for appropriate amounts; they were fully recorded on the Daily Sheets and timeously recorded in the Ledger.

2.5.7 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

2.5.7.1 The CoP TMP 5 requires a clear written description of staff roles and responsibilities, and segregation of duties between the main aspects of the TM function. These are clearly defined in the TM Manual, with details on authorisation limits and statements on duties of each post. TM policies and procedures are approved by the Chief Officer - Finance, while daily transactions and monitoring are carried out by the Accountant responsible for Treasury Management under the supervision of the Finance Operations Manager. Recording activities and other administrative duties are carried out by the Finance Development Officer.

2.5.8 Reporting Requirements and Management Information Arrangements

2.5.8.1 As reported in section 2.1.5 above, regular reports have been made to Committee as required by the CoP. The reports contained detailed information on the TM function's performance and decision-making.

2.5.9 Budgeting, Accounting and Audit Arrangements

2.5.9.1 Per TMP7 the Chief Officer - Finance should prepare an annual budget for TM to be approved by Committee, bringing together all the costs involved in the running the TM function together with associated income. The net capital financing budget for 2020/21 was reported to Council on 3 March 2020.

2.5.9.2 The Council's Loans Fund is its central financing accounting arrangement. Effectively the Council's services borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from third parties such as the Public Works Loan Board and the London Money Market. Each year the services' accounts repay a proportion of the sums previously borrowed, based on the life of the related asset financed by the Loans Fund, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. The 2019/20 Loans Fund revenue account and balance sheet was included in the audited annual accounts as required.

2.5.9.3 The Treasury Management function is regularly reviewed by both Internal and External Audit.

2.5.10 Cash and Cash Flow Management

2.5.10.1 TMP 8 defines measures required to ensure that at no point are there less than adequate cash reserves or borrowing, overdraft or standby arrangements, to mitigate the risk that the Council may not have sufficient liquidity to meet short-term financial obligations. The Annual Investment Strategy identifies the liquidity risk, limits and maximum periods of

each investment category to ensure that the Council's policy on minimising risk and maintaining the security of funds and liquidity is followed.

- 2.5.10.2 The transaction management and recording system used to record Council loans and investments captures the expected interest payments and investment income as well as expected loan principal repayments and investment repayments for forecasting cash requirements. In addition, known and estimated payments and receipts are recorded in the system for cash forecasting purposes.
- 2.5.10.3 The officer responsible for cash and cash flow management is the Chief Officer - Finance. The Finance Operations Manager is responsible for preparing adequate cash flow projections. The officer who carries out day-to-day cash flow management activities is the Accountant responsible for TM. Each morning, the Accountant takes a screenshot of the Council's bank account balances online and ensures there are no material differences to that in the transaction management system, then enters the day's values into a new Daily Treasury Sheet spreadsheet. The screenshot of bank balances is saved to a spreadsheet in the same dated folder as the Daily Treasury sheet as evidence. Known receipts and payments are added to and deducted from the group cleared balance in order to determine the daily borrowing requirement. Short-term temporary loans will be sought or surplus funds invested in order to leave the General Bank account balance as close to zero as possible. The guidance states that surplus funds should generally be used to repay short-term borrowing, but if this is not possible the funds may be lent on a cash deposit basis to the Council's Bankers in an interest-bearing Instant Access account.
- 2.5.10.4 The Council has a liquidity policy stating that 50% of all temporary deposits should be held as liquid deposits, that is, instantly accessible. This is referenced in the TM Manual and must be taken into account when considering the deposit of surplus funds.
- 2.5.10.5 There are no specific guidelines regarding acceptable upper and lower limits for the closing bank balance each day, however credit balances expose the Council to the opportunity cost of having funds in a bank account which attracts no interest, and overdrawn balances expose the Council to unnecessary overdraft interest. The Treasury Management Manual states that a debit balance of between £150,000 and £250,000 is the target to leave on the bank overdraft to cover cash bankings being made that day which have not yet been notified to the Treasury Section.
- 2.5.10.6 The Daily Treasury Sheet spreadsheet is used for recording bank account balances (forecast and cleared) and calculating the daily borrowing requirement for each day, on the Daily Interest Rates and Bank Balances worksheet. The Daily Sheet also contains worksheets recording details of external temporary loans and investments, and analyses of debts and loans to confirm that prudential code limits have not been breached, as discussed in section 2.5.6 above. A screenshot from the TM transaction management and recording system is also included to evidence the day's transactions. A new spreadsheet based on a master template is prepared for each working day and saved in a dated folder in the TM shared drive.
- 2.5.10.7 Internal Audit reviewed Daily Sheets for thirty days between June and July 2020, checking the anticipated cleared balance to the actual cleared bank balances. The Daily Sheets were complete and accurate and had been checked for all days reviewed. No long-term borrowing or loans were present, all temporary loans and investments were with approved counterparties and were for appropriate amounts. On one day (02/06/2020) the closing balance of -£1,186,611.64 exceeded the target debit amount of between £150,000 and £250,000. It was noted on the Sheet that this was because a scheduled income payment was not received until the next day. The sum was within the agreed overdraft limit and so attracted an interest charge of £36. On one day (25/06/2020) the closing balance could not be confirmed by Internal Audit during testing as the bank balance spreadsheet had

not been retained in the folder for that day. The figure (-£33,431) was later provided by the Bank Reconciliations team and was acceptable, being below the target debit amount of £150,000.

2.5.10.8 Prior to the coronavirus lockdown, the Daily Sheets were printed out and completed in manuscript before being signed by the officers responsible and then reviewed and dated by the Finance Operations Manager. All the sheets reviewed identified the two officers who had completed and checked them, but without evidencing this through signatures, and the sheets showed no sign of having been reviewed by the Finance Operations Manager.

2.5.10.9 If sheets are not reviewed and authorised there is a risk of cash forecasting errors and poor treasury management decisions. If the Sheets are to be completed electronically from now on the Service should consider how assurance may be obtained that the Sheets have been checked and reviewed by the appropriate officers.

<u>Recommendation</u>		
The Service should introduce a method of electronic authorisation for Daily Treasury Sheets.		
<u>Service Response / Action</u>		
Agreed. A system has subsequently been created with line management checking of sheets completed to date.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Accountant	Significant within audited area

2.5.11 Anti Money Laundering

2.5.11.1 TMP 9 recommends that procedures are maintained for verifying and recording the identity of counterparties, and reporting suspicions of fraud or money laundering. The Council's Anti Money Laundering policy was approved by Audit, Risk and Scrutiny Committee on 26 June 2019 covering these areas; the Council's Treasury Management manual covers the Treasury section's money laundering procedures.

2.5.12 Staff Training and Qualifications

2.5.12.1 TMP 10 advises that both staff involved in the treasury management functions and those with a policy, management or supervisory role should be professionally competent and have access to the skills and knowledge required to carry out the role effectively.

2.5.12.2 The TM Manual's section on TMP 10 recognises the importance of staff and Elected Members being properly equipped to fulfil their roles and responsibilities. The Finance Operations Manager is responsible for ensuring that staff acquire and maintain appropriate levels of skills, training and expertise. The Chief Officer - Finance is responsible for providing Councillors with adequate training and guidance; this is generally provided through the Treasury Advisers and arranged by the Finance Operations Manager.

2.5.12.3 The Service maintains a record of staff training showing external and internal training with dates and details of subjects covered. The record was reviewed and is up to date, includes all staff involved in treasury management, and shows regular and appropriate training being undertaken.

2.5.13 Use of External Service Provider

2.5.13.1 Per TMP 11 any appointed external advisor should be subject to a full evaluation of cost and benefit, with adequate documentation and regular review. The Council's Treasury Advisors provide daily and weekly updates on rate movements as well as market forecasting, and quarterly training sessions. For some larger deals they will also provide independent commentary to support decision-making. The contract is re-tendered every three years. Although the same provider has been used for some years, since the tendering process is regular and competitive the Service are confident that best value is being obtained.

2.5.13.2 All contracts should be recorded in BOrganised, the hosted contracts register. Tender documents from 2019 are recorded, with the contract with the Council's Treasury Advisors from 1 April 2019 to 31 March 2022. The contract is valued at £51,000 and was procured and approved appropriately. The contract documents show the provider offering a comprehensive range of advice and analysis tools and Finance advised the reports were received regularly and they were happy with the provider's performance. However, bulletins and reports were not usually retained after they had been reviewed by Finance.

2.5.14 Corporate Governance

2.5.14.1 The final practice in the TM Code, TMP 12, recommends that organisations state their commitment to embracing the principles of corporate governance in their treasury management activities, notably openness and transparency. The Council's TM documents including the TM Policy and Strategy, the annual accounts, and the HRA and Non-HRA Capital Plans are all made available to the public online through the Council's website.

2.6 **Credit Rating and Bond Issue**

2.6.1 In 2016 the Council had a requirement to raise finance to support its Capital Programmes, including the construction of a new exhibition and conference centre. An index-linked bond was identified as a suitable option. Bonds are a type of debt security that can be traded in the capital markets. The issuer (in this case, the Council) borrows money by selling bonds to bondholders; the issuer receives the money and the bondholder receives a promise from the issuer to repay the debt at a later date, usually with interest.

2.6.2 In October 2016, the Council were assigned a credit rating when Moody's Investors Service confirmed an Aa2 rating, just one level below that of the UK's sovereign rating. On 1 November 2016, the Council's bond issue was launched on the London Stock Exchange, and £370m of index-linked bonds were issued to investors.

2.6.3 As a result of the bond issue, the Council is now required to comply with a number of regulations which were reported to Full Council in December 2016. This report included an appendix provided by the Council's legal advisors, Brodies LLP, who had been involved throughout the process, which detailed the Council's continuing obligations following the bond issue. These include compliance with the Market Abuse Regulation, the Disclosure and Transparency Rules, the Listing Rules and London Stock Exchange Admission and Disclosure Standards.

2.6.4 Responsibilities for compliance with Bond requirements are primarily with the Governance function; however, the TM team are responsible for debt repayments, interest payments, and contributing to the annual credit rating presentation. The Bond-related activities involving the TM function are detailed in the TM Manual, including a list of milestone events by day, week, month and year; the guidance in the Manual is clear and comprehensive. The Service confirmed that these activities had been completed as required; that the

proceeds of the Bond had been used as proposed, for the completion of the new exhibition and conference centre (TECA); and that current agreements were in place with the Principal Paying Agent and Calculation Agent (BNY Mellon). This has previously been tested in detail in Internal Audit report AC1921 Bond Trust Deed.

- 2.6.5 The report to Council in August 2016 prior to the issue of the Bond highlighted the importance of maintaining a suitable credit rating and the need for the appointed credit rating agency to conduct reviews at least once every twelve months to revise the credit rating. The latest review by the credit rating agency (Moody's) resulted in a confirmation in November 2019 of Aa3 with the rating reduced from stable to negative, in line with the recent change to the UK's rating; this was reported in the Council's Annual Accounts for 2019/20.
- 2.6.6 Article 18 of MAR requires the Council to take all reasonable steps to ensure that any person on the Insider List acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of Inside Information. The Protocol states that the Head of Legal and Democratic Services is responsible for issuing letters detailing these duties and sanctions to all persons on the Insider Lists. The recipients of the letter are required to return an acknowledgement slip to the Chief Officer - Governance, confirming they have read the letter
- 2.6.7 A sample of eight individuals expected to be included on the permanent Insider List, and a further two who should have been added then removed, based on the requirements of the Protocol, was selected. Governance was requested to confirm the List status of the individuals concerned and that they had received and acknowledged the Letter.
- 2.6.8 Eight of the individuals were still active as Councillors or employees and were on the List. One individual had been removed on leaving the Council. One individual, who had left the Council recently, had never been added to the list although their role was included in the Protocol (Communications). Of the nine who were or had been on the list, eight had been sent copies of the Letter, and seven had returned acknowledgement slips which had been scanned and recorded by the Solicitor.
- 2.6.9 The Service advised that the missing acknowledgement slip had been received but had not been scanned before the advent of lockdown; it would be searched for and added to the file as soon as possible. The individual who had not been sent the Letter would be contacted immediately; this was an oversight by the Cluster.
- 2.6.10 If Letters are not sent to and acknowledged by individuals on the Insiders List there is no assurance that they have understood their responsibilities and the potential sanctions.

Recommendation

Governance should review the Insiders List to ensure that all appropriate individuals are listed as required.

Governance should ensure that all Letters are sent and acknowledgements are recorded promptly.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Solicitor

Grading

Significant within audited area

AUDITORS: C Harvey; 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	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2102 – Revenues and Benefits System
REPORT NUMBER	IA/AC2102
DIRECTOR	N/A
REPORT AUTHOR	Colin Harvey
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 Revenues and Benefits System.

2. RECOMMENDATION

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

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Revenues and Benefits System.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

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

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 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
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

9. APPENDICES

- 9.1 Internal Audit report AC2102 – Revenues and Benefits System.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Council Tax & Benefits System

Issued to:

Andy MacDonald, Director of Customer Services
Jacqui McKenzie, Chief Officer - Customer Experience
David Gammie, Chief Officer – Digital and Technology
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Wayne Connell, Revenues and Benefits Manager
Helen Cannings, Data Protection Officer
External Audit

EXECUTIVE SUMMARY

The Council administers Council Tax and Benefits through the Revenues and Benefits System. During 2019/20 the system administered income due to the Council totalling over £125 million for 119,528 properties and the award of £49.6 million of Housing Benefits and £9.95 million of Council Tax Reductions for 10,695 and 13,321 benefit recipients respectively.

The objective of this audit was to provide assurance over system controls, including access controls, system security and backups, interfaces, business continuity and contingency plans.

In general system controls were found to be operating adequately. Comprehensive written procedures and a timetable of scheduled system updates were in place. The current support and maintenance contract was appropriately procured and the Cluster has advised Committee that market testing of alternative systems will be undertaken to ensure best value is being obtained. Annual Billing system changes and system upgrades were tested as expected prior to going live. In addition, back up arrangements were adequate in general and the system interfaces were operating as expected.

Recommendations have been agreed to improve system access controls, data protection arrangements and the treatment of un-matched payments.

The system support and maintenance provider has direct access to the Council's Revenues and Benefits system to facilitate delivery of system support and maintenance. Under the General Data Protection Regulation (GDPR) personal data should be adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed (data minimisation). Customer Experience has agreed to restrict support and maintenance provider access to the Revenues and Benefits system to when it is required.

It is also a requirement under the GDPR that where a data controller such as the Council uses a data processor to process personal data, the processing should be governed by a contract. Such a contract is not in place with the system support and maintenance provider and the Council's Sherriff Officers, with whom system personal data is shared. Customer Experience has agreed to work with the Council's Data Protection Officer to complete a data protection impact assessment (DPIA), in order to assess the system's data protection risks and to take any necessary action as a result. A DPIA was not required previously since the system's use by the Council pre-dates the introduction of the GDPR.

The system Council Tax suspense account acts as a holding account should any payment fail to post to the appropriate customer account and the related customer cannot be identified. The suspense account was reviewed as at 20 August 2020, and it was found there were 1,559 un-matched payments totaling over £80,000. Since the related customer accounts have not been credited with this income, it is owed to the customers concerned. Customer Experience has agreed to establish a process for when it is deemed appropriate to return long standing Council Tax suspense account funds to the originating banks and to return suspense payments to the respective customer banks in line with this process. The Council Tax suspense account is currently cleared by the Council Tax team however corrections are not presently subject to review. Customer Experience has agreed to establish a system of review for the reallocation of payments held in suspense to provide further assurance that they are being allocated correctly.

1. INTRODUCTION

- 1.1 The Council administers Council Tax and Benefits through the Revenues and Benefits System. The Revenues Support System team (System team) is responsible for the administration of the system, with the transactional data being processed by staff in the Revenues and Benefits Teams.
- 1.2 During 2019/20 the system administered income due to the Council totalling over £125 million for 119,528 properties and the award of £49.6 million of Housing Benefits and £9.95 of Council Tax Reductions for 10,695 and 13,321 benefit recipients respectively.
- 1.3 The objective of this audit was to provide assurance over system controls, including access controls, system security and backups, interfaces, business continuity and contingency plans.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made has been agreed with Jacqui McKenzie, Chief Officer - Customer Experience, Wayne Connell, Revenues and Benefits Manager, David Gammie, Chief Officer - Digital and Technology and Helen Cannings, Data Protection Officer.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 The Revenues Support System team (System team) has written procedures covering all tasks undertaken by staff within the Section. These are maintained on SharePoint and are accessible to all staff who require them. The Service advised procedures are reviewed whenever a system update is carried out and also when new staff are being trained, to ensure they are current. The procedures have been updated to reflect the year end and annual uprating changes.
- 2.1.3 Along with written procedures, new staff will only be given access to the Live system after they have received training from line managers and peers within the transactional teams. This training is carried out on a Training database within the Revenues and Benefits system which mirrors the Live database.

2.2 Contracts

- 2.2.1 On 28 May 2019 the Strategic Commissioning Committee (SCC) approved a four year extension of the support and service contract, by direct award, of the Revenues and Benefits system, at a cost of £425,444. The process followed for the extension complied with the Council's Procurement Regulations, applicable at the point of the contract extension. The contract details were not recorded on the Council's contracts register in line with procurement legislation during the course of the audit; however the Cluster was aware of this issue and the contract register has since been updated.
- 2.2.2 The supplier of the Revenues and Benefits system, subject to corporate takeovers, has remained unchanged for approximately 19 years. The Council's Financial Regulations state it is a statutory duty for the Council to obtain best value and that all purchasing must comply with the Council's Procurement Regulations. Procurement Regulations and The Procurement (Scotland) Regulations 2016 require procurements over £50,000 to be adequately advertised to ensure open competition.
- 2.2.3 The business case reported to Strategic Commissioning Committee on the 28 May 2019 indicated that the reason for the direct award of the support and maintenance contract was due to the fact the support and maintenance is for a system provided by a specific supplier and it is highly unlikely that any other supplier would have the intellectual property capability to provide this service. Therefore, it was considered by the Cluster that having to re-tender would be exempt under clause 6(b)(ii) of the Procurement (Scotland) Regulations 2016, as competition is absent for technical reasons (only supplier with the intellectual property capable of issuing and supporting the maintenance updates for the system). Whilst this is likely to be the case, a new system could be procured by the Council which could be supported by an alternative supplier.
- 2.2.4 Customer Experience indicated in their business case that there is no immediate intention to look at procuring an alternative replacement system, however a review is proposed to take place in the form of market testing and exploring what options are available.
- 2.2.5 All external parties who require access to Council systems are required to complete a 'Third Party Access Registration form' before access is granted. This form sets out the

details of who requires access, the level of access and reason. It also sets out the roles and responsibilities of both the Council and the third party to ensure the system data is protected. Access to the system databases and applications / modules is provided via a VPN (Virtual Private Network). A third-party access registration form was last signed in 2011 by the Council and the system supplier. A revised process is currently in draft with IT which will see all such forms reviewed and updated on an annual basis

2.2.6 If there is a system fault, a call must first be logged with the system supplier by either the System team or IT, in order to resolve the issue. The supplier has a dedicated VPN providing “always-on” access to the Live and Test Solaris servers, where the Revenues and Benefits system data is held to provide the Remote Support / Database Administrator service for this system. The Revenues and Benefits system supplier has access to these servers via the ACC Vendor Access portal. The access is automatically recorded in a log file.

2.2.7 Under GDPR article 5(1)(c), “personal data shall be adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed (data minimisation)”. This is particularly relevant for special category data. Since access to the system is always available to the support and maintenance provider, and the system holds special category data, this increases the risk of unnecessary processing of this data by the support and maintenance provider, since access is only required by the provider when agreed with the Council.

<u>Recommendation</u>		
Access to the system by the support and maintenance provider should be restricted to the occasions when support and maintenance is required.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2020	Revenues and Benefits Manager	Significant within audited area.

2.3 Data Protection

Data Processing Agreement

2.3.1 GDPR Article 28(3) and section 59(5) of the Data Protection Act 2018 require where a data controller such as the Council uses a Data Processor to process personal data on its behalf, that the processing be governed by a contract, binding the processor to the controller and setting out the subject matter and duration of processing, the nature and purposes of the processing, the type of personal data and categories of data subjects, and the obligations and rights of the controller and the processor.

2.3.2 GDPR Article 28 goes on to state the contract shall stipulate that the processor: only processes the personal data concerned on documented instructions from the Controller, including with regards to transfers of personal data to a third country or international organisation; the persons authorised to process the personal data have committed themselves to confidentiality; appropriate technical and organisational measures are put in place by the processor to protect personal data; personal data will be deleted or returned to the controller at the end of the provision of services relating to processing; and the processor will allow for and contribute to audits by the controller or another auditor mandated by the controller.

- 2.3.3 The only written contract currently in place with the system support and maintenance provider was signed in 2001 and no addendums have been issued to cover the above requirements. A recommendation has been made at paragraph 2.3.13 below.

Privacy Notices

- 2.3.4 In accordance with GDPR Article 13, where personal data relating to a data subject is collected, the Council uses privacy notices to: explain the purposes of processing; the legal basis for processing; the data subject's rights in relation to their personal data held by the Council; whether the data will be shared with any other parties; whether there is any automated decision making or profiling using the personal data; the retention period; and the contact details of the Data Protection Officer responsible for monitoring the Council's compliance with Data Protection legislation.
- 2.3.5 The Privacy Notice must provide information to individuals in a concise, transparent, intelligible and easily accessible way and must be written in clear and plain language. The Council publishes all of its privacy notices on its web site. As the Revenues and Benefits system is used to process and store personal data for a range of services, there are two privacy notices in place covering: Council Tax; and Housing Benefit and Council Tax Reduction.
- 2.3.6 As indicated in paragraph 2.3.4 above, in accordance with the GDPR, privacy notices must provide details of how long the Council will hold a customer's personal data for. This period is seven years unless the customer owes a debt to the Council. However, it was confirmed by the System team that although the Revenues and Benefits system has a delete facility, issues with the system interface with the electronic document management (EDM) system, which retains the letters and forms for each customer, means the deletion of records held in the Revenues and Benefits system is not currently taking place. The privacy notices for Benefits and Council Tax detail this issue

Information Asset Register

- 2.3.7 Article 30 of the GDPR specifies data controller record requirements relating to processing activities. The Council achieve this by way of an Information Asset Register (IAR) arranged in 4 parts by Information Asset Owner Register, Register of Data Flows, Register of Systems/Wrappers, and Register of Processing Activities. The Revenues and Benefits system is recorded on all parts of the IAR.
- 2.3.8 The system IAR details: the information owner; data steward; information asset description; information format; country processed in; location of system; supplier; business criticality; and Data Protection Impact Assessment (DPIA) status. It is also cross referred to the Data Flows used by the system.
- 2.3.9 The data flow workbook details the statutory requirement for holding the data, systems used by the data flow and general information relating to the data/system. It also has columns to indicate whether certain controls are in place

Data Sharing

- 2.3.10 A summary of the privacy notices published on the Council's website indicates personal data which the Council controls is shared with: Sherriff Officers; Local Authorities; the Scottish Government; External Audit; HMRC; and Police Scotland. The Grampian Valuation Joint Board staff also have access to personal data held in the Council Tax module of the system.
- 2.3.11 Section 5.4 'Information Sharing Protocols and Agreements' of the Council's Managing Information handbook covers the requirements when personal data is shared with another

Data Controller, stating “Any disclosure or sharing of personal data will be carried out in accordance with Data Protection law. Where data sharing is routine, i.e. more than ad-hoc, a Privacy Impact Assessment [otherwise known as a Data Protection Impact Assessment] shall be undertaken, and a Data Sharing Agreement or Information Sharing Protocol shall be put in place between parties to the agreement”. The exception is External Audit, who are entitled to system access, in accordance with section 100 of the Local Government (Scotland) Act 1973, Auditor’s right of access to documents. Where the Council shares personal data with a Data Processor, a Data Processor Agreement is required as per paragraph 2.3.1 above.

2.3.12 For new systems or data processing proposals, information gathered as part of the Council’s Data Protection Impact Assessment (DPIA) process provides the basis for a drafting of an appropriate Data Sharing Agreement. The DPIA should be reviewed by the Information Asset Owner (third tier manager) and Data Protection Officer. There is no DPIA in place for any of the three databases within the Revenues and Benefits system, as this system has been in place since 2001.

2.3.13 A review of the third party Data Processors and Controllers with whom personal data held in the System is shared found a current data processing agreement was not in place with the Council’s Sherriff Officers and a data sharing agreement was not in place with the Grampian Valuation Joint Board. Carrying out a Data Protection Impact Assessment of the Revenues and Benefits system will facilitate this process, by identifying personal data being shared with third parties and the related risks.

Recommendation

Customer Experience should assess the data protection risks associated with the Revenues and Benefits system and use this process to ensure appropriate data processing agreements and data sharing agreements are in place.

Service Response / Action

Agreed. Revenues and Benefits will work with the Data Protection Officer to complete an appropriate DPIA. Any action from completion of DPIA will be actioned as appropriate in conjunction with Data Protection Officer.

Implementation Date

April 2021 (DPIA and DPA)

Responsible Officer

Revenues and Benefits Manager

Grading

Significant within audited area.

2.3.14 Section 3.2 ‘Confidentiality and you’ of the Council’s Managing Information handbook covers the requirements of dealing with confidential personal information. It emphasises a Council employee’s contract of employment covers their duty of confidentiality. To ensure non council staff are also made aware of this requirement the System Access Request form has a statement covering confidentiality and appropriate use of data held on the system and the consequences of breaching them.

2.4 Timetabling of Milestone Events

2.4.1 The System team maintains a detailed timetable for all database maintenance and routine processes which require to be run throughout the year within the systems internal batch scheduler. The timetable is prepared prior to the start of the new financial year with daily, nightly, weekly, two-weekly, four-weekly and yearly tasks to be completed detailed e.g. (include benefit payment interface to housing, upload of council tax income, printing new council tax bills where changes in liability have occurred); the system scheduler timetable for 2020/21 appeared comprehensive, including over 3,000 jobs.

2.5 System Parameters

- 2.5.1 Changes to system parameters, such as benefit uprating, can only be completed by staff in the System team. Changes to system parameters are tested primarily on the Test system before being put onto the Live system, and a full audit trail is produced by the Service. The main system parameters are changed during Annual Billing. This is the process of updating the system to ensure correct values are being billed for Council Tax and the appropriate allowances and premiums, as per the Department for Work and Pensions are being applied to claims for Housing Benefit and Council Tax Reduction.
- 2.5.2 The Annual Billing changes are completed in February each year. Each part of the process is tested and signed off as such by 3 different staff members, checking the changes to system parameters are as expected. For the 2020/21 uprating process, due to Covid restrictions some of the manual signatures were replaced by email trails. Evidence of the testing was reviewed by Internal Audit and found to be complete.

2.6 System Access, Security and Audit Trails

- 2.6.1 System access must be requested using a System Access request form. The form is completed by the user and emailed to the System Team, with the member of staff's line manager copied in. The employee's access to the system is determined by their post and access levels should be checked by the employee's line manager to ensure they are in line with the employee's post responsibilities. It is up to the Line Manager at this point to state access should not be granted if this is the case. Testing of the most recent ten access requests found all had copied in their line manager.
- 2.6.2 The Revenues and Benefits System logs out users who have been inactive for a certain amount of time. This is currently set at 99 minutes, while users who have not accessed the system within 90 days will have their access suspended. Any employee with access to the system is dealing with sensitive information and is required to lock their computer screen should they leave their desk at any time. Line managers are also required to notify the System Team should any employee leave or no longer require access to the system. Therefore, there should not be any live inactive accounts.
- 2.6.3 When an employee is going to leave the Council, in order for their Revenues and Benefits system account to be closed, the System team must receive a request through IT or from the employee's line manager. A review of all current users on the Revenues and Benefits system was compared to leavers recorded through the Council's payroll system between January 2017 and June 2020 and this identified 3 users who had left the Council but were still "live" users in the system.
- 2.6.4 While the process for notifying the System team is not linked to the Council's leavers process, the Council's leavers process does ensure IT are notified, and access to the Council's networks is removed. Without a Council login it is not possible to access the system, reducing the risk of unauthorised access by former employees. The users were notified to the System team for correction. At this point the System team indicated two of the users had been set up at the request of the line manager in advance of the person starting work, both had subsequently not started with the Council and the line manager had not notified the System team of this. This has highlighted a gap in the removal of inactive users as the account disabling process is based on looking at users' last login to the system. When a user has never logged in, as in these two cases, they won't be picked up for revocation. The Senior Operations Officer has indicated a need to develop a separate process to pick up any such users.
- 2.6.5 Where a member of staff changes post within the Council, line manager notification to the System team is required to remove system access. In the absence of line manager

notification to the System team, the member of staff's system access is not removed by the Systems Team. As at 3 August 2020 there were 237 live users of the Revenues and Benefits system, with 62 job titles across all Council Functions and two third parties; all access appeared to be appropriate based on the job roles.

Function / Third Party	Users
Customer	211
Governance	3
Operations	2
Place	3
Resources	10
Grampian Assessors	7
Internal Audit	1
Total	237

- 2.6.6 The Systems current password protocols comply with the Council's current Password Standard.
- 2.6.7 System users are allowed three failed login attempts following which access will be locked. If the user cannot unlock their account using the self-service "forgot my password" link on the system, then they must email the System Team to have it unlocked. Testing confirmed user access is locked after three failed attempts and cannot be reactivated without the authorisation of a line manager.
- 2.6.8 The audit trail functionality cannot be disabled in the Revenues and Benefits system. The audit trail information is held within the system under the events log screens of which there are five logs: Benefits; Council Tax; Debt Management; Payments; and System. However, the information produced is not reviewed regularly but can be accessed on an incident based approach on management request. The individual event logs can be reviewed based on account references, screens accessed and filtered by system user. Data is held dating back to 2008.

2.7 System Testing and Development

- 2.7.1 To enable the Service to test database upgrades, amendments and fixes before applying them to the Live database, a Test database is available. The Test database mirrors the Live database and is populated with the data held on the Live database to give staff the ability to fully test any changes prior to being applied to the Live database
- 2.7.2 The latest release 85.01 was loaded onto the Test database on 5 Feb 2020; testing was adequate with three test plans prepared, covering the areas within the system the changes would impact upon. The testing of Council Tax, Benefits and Discretionary Housing Payment modules was carried out by different transactional staff who verified satisfactory results to the System Team, before the Live system was updated on 23 Feb 2020.

2.8 Interfaces & Reconciliations

- 2.8.1 The System team administers the interfaces to and from, and within, the Revenues and Benefits system, and these are fully documented. The interface process uses a checksum control measure to detect duplicate file or manually amended interface files; should the checksum identify such anomalies the interface process will fail. The Systems team check the batch scheduler every day to identify any failed jobs, which are reviewed, corrected where required and rerun if necessary. A review of the scheduler since 1 April 2020 found no external interfaces had failed.

2.8.2 The principal database interfaces are to / from:

From

- CIVICA Cash Receipting – Payments received for Council Tax or Housing Benefit Overpayments
- Housing Rents – Tenant rent account details
- Bankers Automated Clearing system (BACs) – Automated Direct Debit (DD) amendments, cancellations and returns of unpaid DDs

To

- Housing Rents – Rent Rebates to housing benefit accounts
- CIVICA Electronic Document Management – customer / claimant details
- Bankers Automated Clearing system (BACs) – Rent Allowances, Council Tax refunds, Council Tax direct debit scheduled transactions and new instructions

2.8.3 The database also transfers data between modules within the Revenues and Benefits system from Benefits to Council Tax, and vice versa.

2.8.4 The daily inbound Civica cash receipting interface is reconciled by the Finance - Income Support Team ensuring the income collected and recorded through the cash receipting system reconciles to the Revenues and Benefits system and Financial ledger system. The April to June 2020 reconciliations were reviewed and all balanced.

2.8.5 Interfaces of housing benefit transactions to the Housing Rents system (NPS Housing system) take place on a weekly basis, with the process managed by IT. Any errors during the process will stop the process with a notification sent to IT to investigate and correct the issue. Once the interface is complete, the values output from the Revenues and Benefits system and posted to the Housing Rents system are reconciled by the Subsidy Officer, Revenues and Benefits. A review of three weeks' interfaces was checked and found to reconcile.

2.8.6 The daily interface of housing changes (changes of address, names etc for people in receipt of housing benefits) from the Housing Rents system to the Revenues and Benefits system are processed automatically through an IT managed SQL script. The successful completion is emailed to the Revenues and Benefits System team including a record of the total number of records interfaced. A check of the online batch scheduling screen within the Revenues and Benefits system showed the successful upload of these daily files for August 2020.

2.8.7 The following files are passed from the Revenues and Benefits system to BACS via a cloud based bulk data upload platform (PT-X):

- Council Tax Refunds
- Council Tax Automated Direct Debit Instruction Service (AUDDIS) files (new direct debit instructions)
- Council Tax scheduled Direct Debits
- Housing Benefit Payment files

2.8.8 For each of these files, when the file is transferred from the Revenues and Benefits system server to PT-X, an automatic email is sent as part of the Secure File Transfer Protocol (SFTP) process to the System team. This email details the number of transactions in the file transferred and the financial value of those transactions. This email is then forwarded to a Team Leader or Manager in the relevant operational team (Housing Benefits, Council Tax) for verification purposes. This person confirms the totals referenced on the email correspond to the totals from the job which produced the file by checking against the job report on the Revenues and Benefits system Batch Scheduler. If the totals agree, the verifier will send an email to the System team confirming the file can be approved and submitted to Bacs on PT-X.

2.8.9 The System Team then approves and submits the file and the PT-X Submission report is then emailed to the other members of the System team and to the member of the operational team who authorised the submission. A sample of BACS files submitted for the month of August 2020 was reviewed to ensure they matched the batch scheduler output files, and that the email trail was present for the approval process. Testing found these to match and to have been approved.

2.9 Suspense Accounts

2.9.1 The system Council Tax suspense account acts as a holding account should any payment fail to post to the appropriate customer account and the related customer cannot be identified. Payments are allocated to the Council Tax Suspense account by the Bank Reconciliation Team should they be unable to identify the Council Tax Account that a payment should be allocated to or an incorrect reference number has been quoted when a payment has been made by the customer. The Bank Reconciliation Team undertake checks, including the Revenues and Benefits system, to identify where the payment should be allocated. If the Bank Reconciliation Team cannot find a suitable account, the payment is placed into suspense for the Council Tax team to investigate.

2.9.2 The suspense account was reviewed as at 20 August 2020, and it was found there were 1,559 transactions unidentified totaling over £80,000. These were broken down by year as follows.

Year Beginning	Posted to suspense		Currently Unidentified	
	£	No.	£	No.
01.04.2014	87,694.00	2,014	£6,162.09	241
01.04.2015	28,991.61	2,042	£8,453.21	185
01.04.2016	27,244.22	670	£1,521.11	133
01.04.2017	25,750.28	930	£9,491.53	378
01.04.2018	47,490.76	1,042	£4,224.98	186
01.04.2019	74,846.78	973	£23,852.65	284
01.04.2020	70,577.21	319	£27,407.22	152
Grand Total	362,594.86	7,990	£81,112.79	1,559

2.9.3 Customer online banking details relating to suspense income are available from the Council's online banking system, however details are sometimes limited therefore many suspense transactions remain unidentified as detailed above. The income is retained, rather than returned to the originating bank accounts, as it is regarded as Council income which cannot be identified. The Cluster does not view the suspense balance as material when compared to the £780 million of council tax income collected over the period the suspense transactions were accrued, and the suspense balance is not recorded as a creditor in the financial ledger. Whilst the balance is immaterial for the purposes of the Council's financial statements, since the payments have not been credited to a customer account, the money is owed to the customers concerned.

Recommendation

A process should be established for when it is deemed appropriate to return long standing Council Tax suspense account funds to the originating banks, and suspense payments should be returned in line with this process.

Service Response / Action

Agreed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Revenues and Benefits Manager	Significant within audited area.

- 2.9.4 Once Finance have reviewed transactions and allocated unidentified payments to suspense, the Team Leader, Council Tax and Recoveries, who is separate from the System team but within the Council Tax transactional team, is responsible for reviewing the Council Tax suspense account. The Team Leader, Council Tax and Recoveries can process transactions within the system. It is normally good practice to segregate duties for clearing suspense accounts from those who process transactions to ensure that unidentified payments are not subsequently allocated against the wrong account whether deliberately or in error. Revenues and Benefits should consider whether a system of review can be introduced.

<u>Recommendation</u>		
Revenue and Benefits should introduce a system of review for suspense corrections.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Revenues and Benefits Manager	Significant within audited area.

- 2.9.5 Where transactions are identified as not relating to Council accounts (of any kind) but to a third party e.g. Aberdeenshire Council, the transactions are transferred from the suspense account to a second suspense account from which a "refund" to the third party is processed, via the payables system, with the payment shown as a refund in the second suspense account. A review of this account confirmed it balanced back to zero

2.10 Contingency Planning and Disaster Recovery

- 2.10.1 The Revenue & Benefits business continuity plan is detailed, covering all the business functions, although the appendices, including the key supplier assessment questionnaire (which assesses supplier ability to continue providing services in event of major incident affecting supplier operations) were not completed as required. The plan was last reviewed in April 2020 and is scheduled to be reviewed again April 2021 at which point the appendices will be completed.
- 2.10.2 Files are backed up by the Council's data centre service provider in full on a weekly basis and incrementally on a daily basis, with 30 days of back up files held locally and a 90-day offsite retention held in the disaster recovery datacentre in another location. The Service Level Agreement with the data centre service provider specifies in the case of outages, service should be restored within 24 hours and a permanent fix applied within 2 days to prevent recurrence. Daily system backups are scheduled to take place at 23:59 p.m. A copy of the nightly back up logs was viewed for the period September 2020 and it was found that back-ups had been completed for each of the nights. However, it was noted a number of the back-ups had been completed "with errors". Digital and Technology clarified that this relates to system files / directories being open at the time of backing up, however the back-ups still completed successfully and that this does not impact on the reliability of the data or the ability to retrieve data from the back-ups.
- 2.10.3 A recommendation was made within audit report AC1810 Major IT Business Systems as follows: "Arrangements should be made to schedule disaster recovery testing for all business critical systems." The Revenues and Benefits system was included in the subsequent schedule prepared indicating a test would be undertaken in April 2018. Digital

and Technology has advised that a system recovery test has not yet been conducted and that a package of work was being undertaken in order to get the system ready for testing, including virtualising some of the physical servers. Once this has been completed, a disaster recovery test will be scheduled.

2.11 Database Performance

- 2.11.1 The Revenues and Benefits system is pivotal in the payment / award of Housing Benefits and Council Tax Reduction and in the collection of income from Council Tax. As such it is vital the database operates at an optimum level and is available for use. The Senior Operations Officer indicated downtime, outwith scheduled upgrades and annual billing, is almost zero. As at 13 November 2020 there were three open calls with the support and maintenance provider; all were raised in 2020 and classified as low priority.

AUDITORS: C Harvey
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.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	9 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Annual Accounts 2020/21 – Action Plan and Key Dates
REPORT NUMBER	RES/20/231
DIRECTOR	Steven Whyte, Director of Resources
CHIEF OFFICER	Jonathan Belford, Chief Officer – Finance
REPORT AUTHOR	Lesley Fullerton, Finance Operations Manager
TERMS OF REFERENCE	1.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2020/21 Annual Accounts including linkages to the plans and timetables of the Council’s External Auditors.

2. RECOMMENDATION(S)

- 1.2 It is recommended committee notes the information in relation to the 2020/21 annual accounts process contained within the report and that the Chief Officer – Finance should complete the tasks within the defined deadlines.

3. BACKGROUND

- 3.1 The Annual Accounts 2020/21 will summarise the Council’s transactions for the period, 1 April 2020 to 31 March 2021 and its financial position at the year-end 31 March 2021. They will be prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with The Local Authority Accounts (Scotland) Regulations 2014. There are no changes to these Codes in 2020/21 which will have any significant impact on the Annual Accounts.

- 3.2 In order to comply with the regulations of being listed on the London Stock Exchange the Council is implementing the same earlier year end closedown as previous years. This means that the unaudited Annual Accounts will be ready for audit by 30 April 2021 and signed audited Annual Accounts by 30 June 2021.
- 3.3 There are a number of key dates within this process and these are summarised as follows:

31 March 2021	End of the financial year 2020/21
Jan – June 2021	Information from Group Entities (including ALEO's)
16 April 2021	Public Notice for the Public Inspection Period to be issued
10 May 2021	Signing of unaudited Annual Accounts by the Proper Officer
12 May 2021	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
12 May 2021	Submission of the Annual Accounts to Auditors
12 May – 2 June 2021	Public Inspection Period for the unaudited Annual Accounts
30 June 2021	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
30 June 2021	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.
30 June 2021	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
17 July 2021 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2021	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2021	Deadline for submission of the audited WGA to the Scottish Government
31 October 2021	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
31 December 2021	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.3.1 31 March 2021

Transactions relating to goods and services received or provided by the Council by 31 March 2021 should be recorded in the 2020/21 financial year.

To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, and meetings between accounting staff and budget holders.

3.3.2 January 2021 – June 2021

The Council is required to consider its interests in all types of entity and prepare Group Accounts which incorporate the material transactions and balances of

those entities identified as subsidiaries, associates and joint ventures. A number of the entities included are also referred to as ALEO's (Arm's Length External Organisations). Throughout this period there are a number of deadlines for these entities to provide management accounts, draft financial statements with detailed working papers as necessary and audited Annual Accounts.

3.3.3 16 April 2021, 12 May 2021 – 2 June 2021

The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. The latest date by which the public inspection can start is 1 July and a public notice must be issued by 17 June, giving at least 14 days' notice before the start of the inspection period.

3.3.4 10 & 12 May 2021

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

The Audit, Risk and Scrutiny Committee will receive the unaudited Annual Accounts 2020/21, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. As the body charged with governance it allows you the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

3.3.5 12 May 2021

The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them

3.3.6 30 June 2021

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

The committee will also receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2020/21 audit" for debate and consideration. This report provides observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process, and sets out the auditor's responsibilities in relation to the financial

audit, the auditor's findings and conclusions from all audit activity undertaken during the year. It highlights the significant issues arising from the audit of the financial statements and informs Elected Members of the proposed audit opinion in advance of the accounts being certified.

The Annual Audit report includes the draft audit opinion on whether the accounts provide a 'true and fair view' of the Council finances and includes a review of 'going concern'. For 2019/20 there was significant focus on this aspect of the audit due to Covid-19 impact, and this extended to the ALEO's not having their annual accounts signed in line with the timetable. As the situation remains fluid, the Committee should be aware that this may arise again depending on the circumstances experienced in the period to June 2021.

3.3.7 31 October 2021

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

- 3.4 KPMG's "Annual Audit Plan 2020/21" is also presented to this meeting and Elected Members should note that Accounting staff have already engaged with the external audit team as part of planning to produce the accounts and the audit thereof. This engagement will continue throughout the accounts and audit processes. This will ensure that any issues arising with the accounts are highlighted and dealt with promptly and that information provided to the auditors is relevant, timely and of a suitable standard to enable them to carry out their work efficiently and effectively.

3.5 Local Authority Charities

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

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

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	No risk identified	n/a	n/a
Compliance	No risk identified	n/a	n/a
Operational	No risk identified	n/a	n/a
Financial	No risk identified	n/a	n/a
Reputational	No risk identified	n/a	n/a
Environment / Climate	No risk identified	n/a	n/a

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	Annual Accounts is an enabler for the delivery of the outcomes and external audits ensure that the Council's stewardship and financial management are robust.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	There are no direct implications on the economy arising from the recommendations of this report.
Prosperous People Stretch Outcomes	A robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience.
Prosperous Place Stretch Outcomes	There are no direct implications on the environment arising from the recommendations of this report.
Regional and City Strategies	There are no direct implications on the economy arising from the recommendations of this report.

UK and Scottish Legislative and Policy Programmes	The report sets out the key dates for the Annual Accounts 2020/21, which fulfils the requirements placed upon the Council by The Local Authority Accounts (Scotland) Regulations 2014.
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8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

9.1 None

10. REPORT AUTHOR CONTACT DETAILS

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