

# 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 16 February 2021

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet remotely on **WEDNESDAY, 24 FEBRUARY 2021 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.

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

#### **NOTIFICATION OF URGENT BUSINESS**

1.1 There are no items of urgent business at this time

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

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

#### **DECLARATIONS OF INTEREST**

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

#### **DEPUTATIONS**

4.1 There are no requests at this time

## **MINUTE OF PREVIOUS MEETING**

- 5.1 Minute of Previous Meeting of 9 December 2020 (Pages 7 - 12)

## **COMMITTEE PLANNER**

- 6.1 Committee Business Planner (Pages 13 - 20)

## **NOTICES OF MOTION**

- 7.1 There are none at this time

## **COMMITTEE BUSINESS**

### **Risk Management**

- 8.1 ALEO Assurance Hub - COM/21/048 (Pages 21 - 30)
- 8.2 Cluster Assurance Maps and Inspections Planner - COM/21/045 (Pages 31 - 66)

### **Internal Audit**

- 8.3 Internal Audit Progress Report - IA/AC/013 (Pages 67 - 78)
- 8.4 Internal Audit - Follow up on Agreed Recommendations - IA/AC/014 (Pages 79 - 114)
- 8.5 Internal Audit Charter - IA/21/016 (Pages 115 - 122)
- 8.6 Internal Audit Plan 2012/22 - IA/AC/015 (Pages 123 - 148)
- 8.7 Industrial and Commercial Property Rental Income and Void Control - IA/AC2017 (Pages 149 - 162)

### **External Audit**

- 8.8 External Audit Strategy (Pages 163 - 204)

## **Legal Obligations**

8.9 RIPSA Annual Report - COM/21/040 (Pages 205 - 214)

8.10 Counter Fraud Policy - COM/21/050 (Pages 215 - 258)

## **Scrutiny**

8.11 Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions - CUS/21/136 (Pages 259 - 266)

## **EXEMPT/CONFIDENTIAL BUSINESS**

EHRAs related to reports on this agenda can be viewed [here](#)  
To access the Service Updates for this Committee please click [here](#)  
Website Address: [aberdeencity.gov.uk](http://aberdeencity.gov.uk)

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

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## **DECLARATIONS OF INTEREST**

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

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

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

### **OR**

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

### **OR**

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

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

### **OR**

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

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

## Audit, Risk and Scrutiny Committee

ABERDEEN, 9 December 2020. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; Councillor Crockett, the Lord Provost (as substitute for Councillor Graham); and Councillors Jackie Dunbar, Duncan, Houghton (as substitute for Councillor MacKenzie), Lumsden, Mennie and 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.

### DECLARATIONS OF INTEREST

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

**The Committee resolved:-**

to note that no declarations of interest were intimated.

### MINUTE OF PREVIOUS MEETING OF 8 OCTOBER 2020

2 The Committee had before it the minute of its previous meeting of 8 October 2020.

**The Committee resolved:-**

to approve the minute as a correct record.

### MINUTE OF SPECIAL MEETING OF 4 NOVEMBER 2020

3 The Committee had before it the minute of its special meeting of 4 November 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.

**The Committee resolved:-**

(i) to note that items 4 (Industrial and Commercial Property Rental Income and Void Control), 6 (HR/Payroll System), 7 (Vehicle Usage), 10 (Consilium System - HRA

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

9 December 2020

- Building Maintenance System), 16 (Climate Change) had been deferred until February 2021 due to staff sickness within Internal Audit and the availability of officers to respond to the audits;
- (ii) to note that item 18 (Fraud, Bribery, Corruption Money Laundering Policy) had been deferred until February 2021 due to the Counter Fraud team moving from Governance to Finance and with critical fraud responses to Covid being prioritised during the transition period;
  - (iii) to note that items 11 (Bon Accord Care – Budget Monitoring), 17 (Mental Health and Substance Abuse) had been deferred until May 2021 due to staff sickness within Internal Audit;
  - (iv) to note the updates provided in relation to the reserve list and remove them all from the planner;
  - (ii) to otherwise note the content of the business planner.

### **DECLARATION OF INTEREST**

**At this point in the proceedings, Councillor Duncan declared an interest in the following item of business by virtue of her position as a Board Member of Aberdeen Performing Arts and considered that the nature of her interest did not require her to leave during consideration of the item.**

### **RISK APPETITE STATEMENT - COM/20/227**

**5** The Committee had before it a report by the Chief Officer - Governance which presented the Risk Appetite Statement.

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

That the Committee -

- (a) approve the Risk Appetite Statement (RAS) attached as Appendix (A);
- (b) instruct 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
- (c) instruct the ALEO Assurance Hub to consider a review of risk appetite within each ALEO as part of the Hub's workplan for 2021.

Members raised concerns in relation to the risk rating hungry under the financial category in the overarching statement and requested that the rating be changed to open.

In response to a question regarding what discussions had taken place with ALEO's, the Assurance Manager advised that the ALEO Assurance Hub were consulting with the ALEO's which included reference to the Risk Appetite Statement, with responses due this week.

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

- (i) in relation to the Risk Appetite Overarching Statement, at Financial, to replace hungry (third line down) with open; and
- (ii) to otherwise approve the recommendations as contained in the report.

**BUSINESS CONTINUITY POLICY - COM/20/228**

**6** The Committee had before it a report by the Chief Officer – Governance which presented the updated Business Continuity Policy.

**The report recommended:-**

That the Committee approve the Business Continuity Policy attached as Appendix (A).

**The Committee resolved:-**

to approve the recommendation contained in the report.

**INTERNAL AUDIT PROGRESS REPORT - IA/20/011**

**7** The Committee had before it a report by the Chief Internal Auditor which advised on progress against the 2019/20 and 2020/21 Internal Audit plans.

**The report recommended:-**

That the Committee –

- (a) reviews, discusses and comments on the issues raised within this report and Appendices A & B;
- (b) 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, to defer items from the Reserve List as set out in Appendix C; and
- (c) notes the possible scope and objective of the Covid 19 funding audit set out in Appendix D that would be consulted on as part of preparations for presenting the draft Internal Audit Plan for 2021/22.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**INTERNAL AUDIT FOLLOW UP ON APPROVED RECOMMENDATIONS - IA/20/012**

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

## AUDIT, RISK AND SCRUTINY COMMITTEE

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

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

In response to a question relating to Audit AC2010 – Housing Repairs Voids and whether the new completion date would be met, the Chief Officer – Early Intervention and Community Empowerment advised that the recommendation had been completed with the paperwork submitted to Internal Audit.

In response to a question relating to Audit AC2023 – Timesheets and Allowances and whether the new completion date would be met, the Chief Officer - People and Organisation advised that the document had been revised, trade unions had been consulted and they were on target for completion.

In response to a question relating to Audit AC1602AW – Craft Workers Terms and Conditions and whether the recommendations would be complete by January 2021, the Operations Manager advised that in-depth consultation had been undertaken with Trade Unions and employees and that he was confident the recommendation would be completed by January 2021.

In response to a question relating to Audit AC1817 – Vehicle Usage and whether the cluster were on track with the telematics system, the Fleet Manager advised that 66% of fleet were currently using the new system and that it was anticipated that all vehicles would be using the system by the end of February 2021.

In response to a question relating to Audit AC1903 – Devolved School Management and whether the recommendations had been completed, the Chief Officer – Finance advised that the recommendation had been completed with the Revised Devolved School Management Scheme being approved by the Education Operational Delivery Committee on 17 September 2020 and that the outstanding recommendation should have been updated in the report to reflect the position.

In response to a question relating to Audit AC2007 – Stock Control and whether the recommendations had been completed by November 2020, the Roads and Infrastructure Manager advised that the storeman had not moved across yet to undertake the combined stores role due to the pandemic and it was anticipated they would be in place by February 2021.

In response to a question relating to Audit AC2009 – Travel Policy and which Committee would the Travel Policy be reported to, the Chief Officer – Finance advised that the Policy had already been approved and that the outstanding recommendation was around the procedures to implement the Travel Policy.

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

- (i) to note the responses provided to questions from members relating to individual outstanding audit recommendations; and

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

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- (ii) to otherwise note the content of the report.

### **PERFORMANCE MANAGEMENT - IA/AC2026**

**9** The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to Performance Management which was undertaken to provide assurance that the Council had effective performance management arrangements in place which produced accurate data.

**The Committee resolved:-**

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

### **TREASURY MANAGEMENT - IA/AC2103**

**10** The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to Treasury Management which was undertaken to provide assurance that the Council's Treasury Management procedures followed best practice and were being complied with.

**The Committee resolved:-**

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

### **ACADEMY SYSTEM - REVENUES AND BENEFITS - IA/AC2102**

**11** The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to the Revenues and Benefits Academy System which was undertaken to provide assurance over system controls, including access controls, system security and backups, interfaces, business continuity and contingency plans.

In response to question relating to why the Council were unable to match payments to customer accounts and what checks were made to ensure payments were credited appropriately, the Revenues and Benefits Manager advised that various checks were undertaken in relation to the suspense account and payments were matched where possible.

**The Committee resolved:-**

- (i) to note the response provided to a question from members; and
- (ii) to otherwise endorse the recommendations for improvement and agreed by the relevant function.

**AUDIT, RISK AND SCRUTINY COMMITTEE**  
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**ANNUAL ACCOUNTS 2020/21 ACTION PLAN AND KEY DATES - RES/20/231**

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

**The report recommended:-**

That the 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.

**The Committee resolved:-**

to approve the recommendation contained in the report.

- **COUNCILLOR ALEX NICOLL, Convener**



	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b> The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3	<b>24 February 2021</b>								
4	Internal Audit Progress Report	To provide an update on progress for the 2019/20 audits	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
5	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		
6	Internal Audit Charter 2021/22	To present the updated Internal Audit Charter	a report is on the agenda	Colin Harvey	Governance	Governance	2.1		
7	Internal Audit Plan 2021/22	To present the Internal Audit Plan for 2021/22.	a report is on the agenda	Colin Harvey	Governance	Governance	2.1		
8	External Audit Strategy	to present the planned external audit work for the 2020/21 accounts.	a report is on the agenda	Michael Wilkie	Governance	Governance	3.1		
9	RIPSA Annual Report	to present the annual RipSA report	a report is on the agenda	Jess Anderson	Governance	Governance	5.2		
10	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.	a report is on the agenda	Lucy McKenzie	Customer Experience	Customer	6.4		
11	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	D	Commenced in July 2020. The assigned auditor has had sickness absences which have delayed progress. There have been delays obtaining information due to Service priorities. A report is expected in May 2021.

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12	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	D	Not yet commenced.
13	School/Pupil Security	to provide assurance that the Council has adequate arrangements regarding school security.		Colin Harvey	Governance	Governance	2.2	D	Commenced November 2020, access and Service availability is restricted due to Covid 19. Due to revised Covid measures applicable between December 2020 and February 2021, the Service does not have capacity to assist Internal Audit's review at this time. A report is expected in May 2021.
14	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.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
15	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	not yet commenced
16	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. A report is expected in May 2021

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17	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	Commenced November 2020; the assigned auditor has had sickness absences which have delayed progress. A report is expected in May 2021.
18	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	The assigned auditor has had sickness absences which have delayed progress. A report is expected in May 2021
19	Counter Fraud Policy  (formerly - 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.	a report is on the agenda	Carol Smith	Governance	Governance	5.2		
20	Cluster Assurance Maps	To present the Cluster Assurance Maps	a report is on the agenda	Ronnie McKean	Governance	Governance	1.1		
21	ALEO Assurance Hub	To present revised Terms of Reference for the ALEO Assurance Hub and a workplan for the year 2021.	a report is on the agenda	Vikki Cuthbert	Governance	Governance	1.2		
22	<b>12 May 2021</b>								
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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25	Unaudited Accounts 2019/20	To present the unaudited accounts		Lesley Fullerton	Finance	Resources			
26	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		
27	RIPSA Quarterly Report	to present the quarterly Ripasa report		Jess Anderson	Governance	Governance	5.2		
28	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		
29	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		
30	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		
31	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		

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32	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		
33	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		
34	Capital Project Management	to provide assurance tha 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		
35	Audit Scotland Housing Benefit Annual Review 2019/20	To present the Audit Scotland Housing Benefit Annual Review and responses to improvement actions.		Wayne Connell	Customer Experience	Customer	6.4		
36	<b>30 June 2021</b>								
37	Internal Audit Progress Report	To provide an update on progress for the 2019/20 and 2020/21 audits		Colin Harvey	Governance	Governance	2.2		

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38	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
39	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		
40	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		
41	Audited Accounts 2019/20	To present the audited accounts		Lesley Fullerton	Finance	Resources			
42	External Audit Annual Report	To present the annual report		Michael Wilkie	Governance	Governance			
43									
44	<b>29 September 2021</b>								
45	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
46	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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47	Internal Audit - Update on the 2021/22 Internal Audit Plan	To reaffirm the plan for the remainder of the year or to consider any proposals to amend the plan based on the risk to the organisation at that point.		Colin Harvey	Governance	Governance	2.2		
48	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		
49	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
50	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning			
51	<b>2 December 2021</b>								
52	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
53	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
54	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b> 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
55	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
56	<b>TBC</b>								
57	Marchburn Park	Operational Delivery Committee 19 April 2018 that in regards to Marchburn Park, "to instruct the Chief Officer (Early Intervention and Community Empowerment) to bring a report to Audit following conclusion of all matters detailed within this report."	Audit, Risk and Scrutiny 30 April There has been progress at Marchburn Park however not all of the issues have been completed therefore a report will be submitted at the conclusion of the issues. In the Interim, where there have been significant developments in the project, Service Updates will be submitted.	Neil Carnegie	Early Intervention and Community Empowerment	Customer	6.2		



## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny
<b>DATE</b>	24 February 2021
<b>REPORT TITLE</b>	ALEO Assurance Hub - Term of Reference
<b>REPORT NUMBER</b>	COM-21-048
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Vikki Cuthbert
<b>TERMS OF REFERENCE</b>	Remit - 1.2

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### 1. PURPOSE OF REPORT

To present revised Terms of Reference for the ALEO Assurance Hub and a workplan for the year 2021.

### 2. RECOMMENDATIONS

That the Committee approve the revised ALEO Assurance Hub Terms of Reference and note the workplan for the ALEO Assurance Hub in 2021 which has been reviewed by the Risk Board and consulted upon with the ALEOs and the relevant Conveners.

### 3. BACKGROUND

- 3.1 The ALEO Assurance Hub is one component of the ALEO Assurance Framework which provides a basis for the Council to oversee and support its arms-length external organisations. The Hub reports twice a year to this Committee to provide assurance that systems and policies are in place in each ALEO to mitigate and manage risks to the organisation and to the Council.
- 3.2 The Hub has in place a Terms of Reference which are reviewed annually. These are attached at appendix A to the report, including tracked changes for visibility on some amendments. The bulk of these changes are of a housekeeping nature and attempt to tidy up the process for consulting on the annual workplan. There is also recognition of the role of the Risk Board in setting the annual workplan and reviewing the Terms of Reference.
- 3.3 Attached at appendix B is a workplan for 2021. This builds on the areas of assurance reported in previous years, whilst recognising that the Hub's role is to seek assurance rather than scrutinise performance. The Terms of Reference explain the additional elements of the ALEO Assurance Framework, including the roles of the City Growth and Resources Committee and the Strategic Commissioning Committee.

#### 4. FINANCIAL IMPLICATIONS

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

#### 5. LEGAL IMPLICATIONS

- 5.1 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim, amongst other things, to facilitate the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.
- 5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds to the Council's existing Bond governance arrangements.

#### 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	Ability of ALEOs to support the Council in meeting its strategic outcomes.	(M)	The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.
<b>Compliance</b>	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.  GDPR Compliance.	(L)	Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.  The Strategic Commissioning Committee has oversight of how ALEOs are achieving Council outcomes and

			<p>complying with the terms of their service level agreements.</p> <p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.</p> <p>The Legal Governance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.</p>
<b>Operational</b>	Failure of ALEOs to deliver services according to agreed Service Level Agreements	M	Monitored by Strategic Commissioning Committee which has oversight of ALEO strategic business plans.
<b>Financial</b>	Financial failure of ALEOs impacting on the Council and its credit rating.	M	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.
<b>Reputational</b>	Impact of	L	Regular reporting to

	performance or financial risk on reputation of ACC.		this Committee from the Hub provides adequate control.
<b>Environment / Climate</b>	No direct risks arising from the report's recommendations.		

## 7. OUTCOMES

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

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Full impact assessment not required.
Data Protection Impact Assessment	Not required.

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

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

**Appendix B** – ALEO Assurance Hub Workplan 2021

## 11. REPORT AUTHOR CONTACT DETAILS

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## ALEO Assurance Hub – Terms of Reference

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

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

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

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

9) The Hub shall report its level of assurance on ALEOs to the Audit, Risk and Scrutiny Committee.

10) The Hub shall be responsible for setting its own programme of scrutiny in the form of an annual workplan. The Hub shall consult on this with the Risk Board, ALEOs and Conveners and Vice Conveners of the following Committees and Boards:-

- a. Audit, Risk and Scrutiny;
- b. Strategic Commissioning Committee;
- c. City Growth and Resources; and
- d. Integration Joint Board

~~11) The Conveners and Vice Conveners of the following committees and Board shall be consulted on the Hub's areas of intended scrutiny prior to any Assurance Hub meeting:~~

- ~~a. Audit, Risk and Scrutiny;~~
- ~~b. Strategic Commissioning Committee;~~
- ~~c. City Growth and Resources; and~~
- ~~d. Integration Joint Board;~~

~~12)11) An open invitation shall be extended to the Council's internal and external auditors to attend Hub meetings as appropriate in order for them to meet their audit objectives.~~

~~13)12) The Hub shall receive assurance on ALEOs risk management, financial management and governance arrangements through exception reporting and officers will assess ALEO governance and management of risk through a scoring matrix.~~

~~14)13) To ensure that risk posed to the Council by ALEO operations is monitored, the Hub shall oversee ALEO risk management arrangements including:~~

- a. Risk management policy;
- b. Management of risk registers;
- c. Risk identification structures, including horizon-scanning;
- d. Risk appetite;
- e. Business continuity planning; and
- f. ALEO internal and external audit reports.

~~15)14) To ensure compliance with Following the Public Pound guidance, the Hub shall oversee ALEOs:~~

- ~~a. Financial Resilience to ensure oversight of forward planning ;~~
- ~~a.b. Financial governance and financial management to provide assurance on stewardship;~~
- ~~b. Financial management;~~
- c. Accounting practices; and
- d. Financial performance.

~~16)15) The Hub shall review ALEO decision making structures including:~~

- a. Reporting arrangements, including powers reserved to the Board and powers delegated to executive officers;
- b. Compliance with key governance standards, such as codes of conduct;
- c. The composition and capacity of the board;
- d. Transparency and accountability;
- e. Induction and ongoing training programmes for Board members;

- f. Ongoing assurance around information governance arrangements and data protection compliance; and
- g. Progress against recommendations made within Audit Scotland's report on *How councils use arms-length organisations*.

~~17~~16) The Hub may monitor high level employment practices.

~~18~~17) The Hub shall monitor reports relating to ALEOs from the Council's internal and external auditors and address any recommendations which are within the remit of the Hub's terms of reference. The Hub shall monitor best practice guidance from organisations such as Audit Scotland and the Standards Commission for Scotland on the development of guidance relating to ALEOs.

~~19~~18) The Hub shall monitor co-ordination arrangements between ALEO partners where the Council is not the sole shareholder.

~~20~~19) The Hub shall receive assurance that ALEOs are supporting the Council to meet its obligations under the PREVENT Strategy and under the Civil Contingencies Act 2004 as a Category 1 responder.

~~21~~20) The following organisations have been deemed to be ALEOs and will be subject to the Hub's oversight arrangements:

- a. Aberdeen Heat and Power;
- b. Aberdeen Performing Arts;
- c. Aberdeen Sports Village;
- d. Bon Accord Care; and
- e. Sport Aberdeen.

~~22~~21) The ~~Chief Officer Governance~~Risk Board, chaired by the Chief Officer – Governance, will review these Terms of Reference annually to ensure their ongoing appropriateness in monitoring ALEO governance.

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Area of Assurance	Item	Purpose	TOR	Aberdeen Heat and Power	Aberdeen Performing Arts	Aberdeen Sports Village	Bon Accord Care	Sport Aberdeen
Governance	Information Governance and Data Protection	Assurance that an appropriate framework is in place to ensure compliance with Data Protection legislation.	15(f)	May	May	May	May	May
	Workforce Planning	Assurance that the organisation has adequate workforce and succession planning arrangements in place.	16	September	September	September	September	September
	Training and Development Programmes	Assurance on training and development of Board members and workforce to align the needs of the organisation to skillset.	15(e) 16	September	September	September	September	September
	Governance Documentation	Assurance that all governance documentation is regularly reviewed and supports the organisation's governance framework: - Delegated powers - Board Structure - Codes of Conduct	15	May	May	May	May	May
Risk Management	Risk Register	Assurance that risk registers are in place, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.	13(b)	May September	May September	May September	May September	May September
	Risk Appetite	Assurance that ALEOs have an established risk appetite which is reflected in decision making structures.	13(d)	September	September	September	September	September
	EU Exit	Assurance that the organisation is managing the impacts of EU Exit, that risks are identified and controls are in place.	13(c) 13(e)	May September	May September	May September	May September	May September
	Internal and External Audit	Assurance that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion	13(f)	May September	May September	May September	May September	May September
	Business Continuity Planning and Testing	Assurance that appropriate business continuity arrangements are in place including testing and exercising.	13(e)	May September	May September	May September	May September	May September
	PREVENT Strategy	Assurance that ALEOs have appropriate procedures in place to work effectively with the Council to ensure it can meet its PREVENT obligations.	19	May	May	May	May	May
	Civil Contingencies and Health and Safety	Assurance that ALEOs have processes in place to support the Council in its capacity as a Category 1 responder. This would include emergency planning and health and safety.	19	May	May	May	May	May
Finance	Quarterly Trading Accounts	Assurance that accounts are being managed within budget and the level of financial risk to the Council is low.	14	May September	May September	May September	May September	May September
	Medium-Term Financial Planning	Assurance that ALEOs have prepared a medium-term financial plan or had incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures.	14	May September	May September	May September	May September	May September
	Audited Annual Accounts 2019-20	Assurance that accounts are being managed within budget, are in line with statutory requirements and that the level of financial risk to the Council is low.	14	September	September	May	September	September
	Financial Resilience	Assurance that ALEOs have a strategy in place to meet the short to medium term effects of Covid and EU Exit as they affect financial risk	14	September	September	May	September	September

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24th February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Cluster Assurance Maps and Inspections Planner
<b>REPORT NUMBER</b>	COM/21/045
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Ronnie McKean
<b>TERMS OF REFERENCE</b>	1.1

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### 1. PURPOSE OF REPORT

- 1.1 To present Cluster Assurance Maps and an Inspections Planner in accordance with Committee Terms of Reference and to provide assurance on the Council's system of risk management.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Cluster Assurance Maps provided at Appendix A to N;
- 2.2 Note the Inspections Planner provided at Appendix 0;
- 2.3 Note the comment in paragraph 3.5

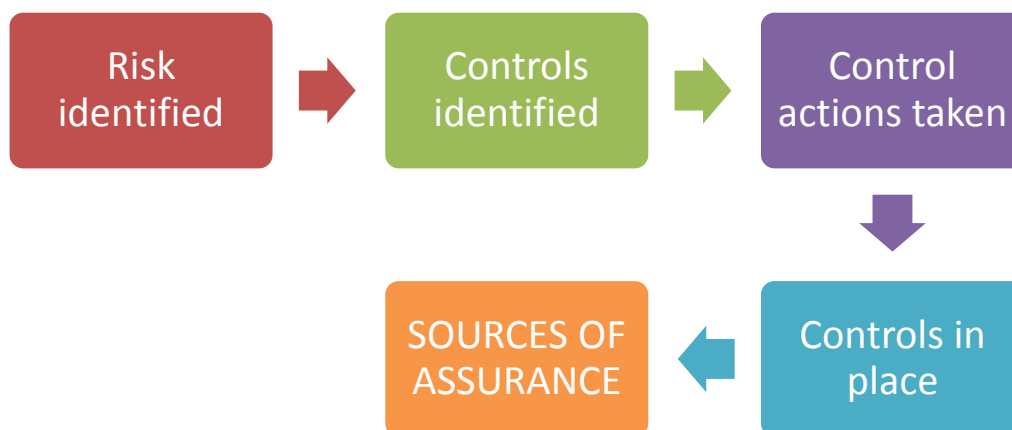
### 3. BACKGROUND

- 3.1 The Audit, Risk and Scrutiny Committee is responsible for overseeing the system of risk management and for receiving assurance that the Corporate Management Team (CMT) are effectively identifying and managing risks.
- 3.2 In order to enhance the Council's system of risk management, Assurance Maps have now been developed for each Cluster as a whole, rather than a risk specific basis as previously provided. A complementary Inspections Planner has also been produced to summarise the annual audits and third-party inspections that are planned for each Cluster.

These documents will be presented to the Audit, Risk and Scrutiny Committee on an annual basis in addition to the Corporate Risk Register and will provide the Committee with a full overview of the Council's risk control environment and sources of assurance.

## Assurance Maps

- 3.3 The Risk Registers that are reviewed by the Council’s Committees list the risks identified within each of the relevant Functions and Clusters and provides detail of the risk, the potential impact and consequence of the risk materialising and the control actions and activities required to manage and mitigate the risk. Assurance Maps provide a visual representation of the sources of assurance associated with each Cluster so that the Committee can consider where these are sufficient. Sources of assurance are controls which are fully effective, following the completion of control actions.



- 3.4 Each Assurance Map provides a breakdown of the “three lines of defence”, the different levels at which risk is managed. Within a large and complex organisation like the Council, risk management takes place in many ways. The Assurance Map is a way of capturing the sources of assurance and categorising them, thus ensuring that any gaps in sources of assurance are identifiable and can be addressed:

First Line of Defence “Do-ers”	Second Line of Defence “Helpers”	Third Line of Defence “Checkers”
The control environment; business operations performing day to day risk management activity; owning and managing risk as part of business as usual; these are the business owners, referred to as the “do-ers” of risk management	Oversight of risk management and ensuring compliance with standards, in our case including ARSC as well as CMT and management teams; setting the policies and procedures against which risk is managed by the do-ers, referred to as the “helpers” of risk management.	Internal and external audit, inspection and regulation, thereby offering independent assurance of the first and second lines of defence, the “do-ers” and “helpers”, referred to as the “checkers” of risk management.

- 3.5 The Corporate Risk Register was last reported to Committee in October 2020 and Committee was asked to note the updated format of the Risk Register. Committee noted that whilst the new format contained the activities required to mitigate the risks it did not contain the list of controls detailed within the previous

format. Committee is asked to note that these controls are specified within the Assurance Map provided as sources of assurance.

### **Inspections Planner**

- 3.6 The Inspections Planner provides Committee with a timetable of anticipated and planned external/internal audits and third-part regulatory inspections and compliance audits that are specified within the “Third Line of Defence” on each Assurance Map. These audits and inspections provide the Council with the independent assurance of regulatory compliance and best practice in order to achieve and maintain accreditation. Where relevant, the improvement recommendations and actions arising from these audits and inspections will continue to be reported to the relevant Committees for review.
- 3.7 The Inspections Planner, together with the Assurance Maps, will continue to be kept under review throughout the year and updated as required. It is anticipated that the consistency to the approach to the completion of Assurance Maps will be enhanced taking into account feedback from committee, officers and other relevant parties. Account will also be given to the proposed areas of activity as determined by the Local Area Network (chaired by the Council’s external auditors with members from other local authority scrutiny bodies). In future years it is anticipated that the assurance maps, inspections planner, internal audit plan and Local Area Network report will be presented to the same committee meeting.

### **Local Area Network**

Committee receives notification annually from the Local Area Network (LAN) on the planned scrutiny activity for the year ahead. The LAN programme has not yet been received for 2021/22 and will be reported to Committee in due course once received.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report. The report serves to identify controls and assurances that finances are being properly managed.

## **5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report. The Council’s system of risk management serves to manage risks with implications for the legal position and statutory responsibilities of the Council.

## **6. MANAGEMENT OF RISK**

- 6.1 The Committee is provided with assurance that the Assurance Maps provided detail the internal and external control environment used to ensure that risks are appropriately managed and are compliant with the Councils duties under

the Equalities Act. There are no risks arising from the recommendations in the report.

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

## 7. OUTCOMES

7.1 The recommendations within this report have no direct impact on the Council Delivery Plan however, the risks contained within the Council's risk registers could impact on the delivery of organisational objectives.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	Full EHRIA not required
<b>Data Protection Impact Assessment</b>	Not required

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES (if applicable)

Appendix A – Assurance Map – Governance  
Appendix B – Assurance Map – Commercial & Procurement  
Appendix C – Assurance Map – Strategic Planning & City Growth  
Appendix D – Assurance Map – Customer Experience  
Appendix E – Assurance Map – Data & Insights  
Appendix F – Assurance Map – Digital & Technology  
Appendix G – Assurance Map – Early Intervention & Community Empowerment  
Appendix H – Assurance Map – Children’s & Family Services  
Appendix I – Assurance Map - Operations & Protective Services  
Appendix J – Assurance Map - Education  
Appendix K – Assurance Map - Capital  
Appendix L – Assurance Map – Corporate Landlord  
Appendix M – Assurance Map - Finance  
Appendix N – Assurance Map – People & Organisation  
Appendix O–Inspections Planner

## 11. REPORT AUTHOR CONTACT DETAILS

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Assurance Map		
Governance		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> <li>• Risk assessments</li> <li>• Staff Training</li> <li>• RIDDOR reporting (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)</li> <li>• Investigations into incidents and breaches of H&amp;S policy or legislation.</li> <li>• Policies, Plans &amp; Guidance to implement policies</li> <li>• Duty Emergency Response Coordinators (DERCs)</li> <li>• Tactical Leads to support DERCs with emergency response</li> <li>• Business Continuity Plans</li> <li>• Civil Contingency Incident De-Briefs</li> <li>• Corporate Procedure: CCTV</li> <li>• Bond Governance Protocol</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Management Team</li> <li>• Risk Board</li> <li>• Performance Board</li> <li>• Strategy Board</li> <li>• Scheme of Governance</li> <li>• Local Code of Corporate Governance</li> <li>• Annual Governance Statement</li> <li>• Risk Appetite Statement</li> <li>• Risk Registers</li> <li>• Generic Emergency Plan and Activation Packs</li> <li>• Resilience Hub including DERC Handbook and Materials</li> <li>• DERC and Tactical Lead Training Materials ALEO Assurance Hub</li> <li>• Committee Effectiveness Reports</li> <li>• Corporate Health and Safety Policy and associated procedures</li> <li>• Risk Assessment Guidance and templates (including COVID-19)</li> <li>• Compliance checks for COVID-19 risk assessments</li> <li>• Process for COVID-19 individual risk assessments</li> <li>• Guidance on homeworking during COVID-19</li> <li>• Process for review of Scottish Government guidance on COVID-19 to update internal guidance</li> <li>• Trades Union/Director Group</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety Executive</li> <li>• Scottish Fire and Rescue Service Audits</li> <li>• Care Inspectorate inspections</li> <li>• Education Scotland inspections</li> <li>• Internal Audit</li> <li>• External Audit</li> <li>• North Regional Resilience Partnership</li> <li>• Grampian Local Resilience Partnership</li> <li>• Local Authority Resilience Group Scotland (LARGS)</li> <li>• North East CONTEST Multi-Agency Group</li> <li>• Information Commissioner's Office (regarding data protection)</li> <li>• Office of the Scottish Information Commissioner (regarding freedom of information)</li> <li>• Investigatory Powers Commissioner's Office</li> <li>• Credit Rating Agency</li> <li>• Accounts Commission</li> <li>• Audit Scotland</li> <li>• CIPFA</li> <li>• Standards Commission for Scotland</li> <li>• Commission for Ethical Standards in Public Life in Scotland</li> <li>• Law Society of Scotland</li> </ul>

	<ul style="list-style-type: none"> <li>• Commissioning, Customer, Resources and Trades Unions Health and Safety Group</li> <li>• Audit, Risk and Scrutiny Committee</li> <li>• Information Governance Group</li> <li>• Public Protection Committee</li> <li>• Risk Management Policy</li> <li>• Business Continuity Policy</li> <li>• International Twinning Grant Criteria Policy</li> <li>• Appointment of Elected Members to Outside Bodies Policy</li> <li>• Licensing Policies</li> <li>• Staff Governance Committee</li> <li>• City Growth and Resources Committee</li> <li>• Licensing Committee</li> <li>• Licensing Board</li> <li>• Full Council</li> <li>• Urgent Business Committee</li> <li>• Organisational Resilience Group</li> <li>• Business Continuity Sub-Group</li> <li>• Policy Group</li> </ul>	<ul style="list-style-type: none"> <li>• Office of the Scottish Charity Regulator (relevant where ACC itself is a charity trustee)</li> <li>• Financial Conduct Authority (regarding Stock Exchange bonds)</li> </ul>
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<b>Assurance Map</b>		
<b>Cluster – Commercial &amp; Procurement Services</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Online Staff Training &amp; Development</li> <li>• Operational procedures and guidance including Procurement Manual, Contract Management Guidance and Procurement Regulations</li> <li>• Procedures to implement contract management policies</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Board undertakes monthly review of Contract Management Risk</li> <li>• Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register</li> <li>• Contract review by Demand Management Board</li> <li>• Strategic Procurement Board (Chaired by ACC Chief Executive, with Senior management representation from other Shared Service Partners)</li> <li>• Audit, Risk and Scrutiny Committee oversight of risk management system</li> <li>• Strategic Commissioning Committee</li> <li>• Policy documentation including Sustainable Procurement and Community Benefits Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Annual External Audit and report</li> <li>• External reports from Scotland Excel including Procurement Capability and Improvement Plans (PCIP)</li> <li>• Scottish Government performance review and reports</li> </ul>

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Assurance Map		
Strategic Place Planning & City Growth		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> <li>• Trained and qualified staff</li> <li>• Team Managers oversight of finances for teams</li> <li>• Agreed health and safety procedures – all staff supported to familiarise as part of induction.</li> <li>• All staff involved in risk assessment process</li> <li>• Team Business Continuity Plans in place</li> <li>• Operational plans and guidance including surveys, monitoring, committee reporting</li> <li>• Contract Management Guidance, policies and Procurement Regulations</li> <li>• Environmental risks (including climate risks) incorporated in project plans, business cases, committee reporting and guidance</li> <li>• Emergency plans</li> <li>• Community involvement</li> <li>• Cross Service protocols and training events</li> <li>• Joint working with internal/external resources and services</li> <li>• Internal / external communication and networking</li> <li>• Committee reporting</li> <li>• LOIP objectives</li> <li>• Maintaining an awareness of current statutory requirements through receiving regular updates from Scottish Government and attending specific events</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Board undertakes monthly review of financial, Contract and Risk management</li> <li>• Senior Management Team undertakes review of Cluster Operational Risk Register and monthly budget and contract management</li> <li>• Executive Board Structure</li> <li>• Oversight on service KPIs</li> <li>• Health and Safety guidance for services, including Lone Working</li> <li>• Identified health and safety team link for all teams</li> <li>• Contract review by Demand Management Board</li> <li>• Audit, Risk and Scrutiny Committee oversight of risk management system</li> <li>• Strategic plans including North East Flood Risk Management Plan and Strategy; and development of Climate Adaptation Framework (Aberdeen Adapts)</li> <li>• Strategic Commissioning Committee</li> <li>• Inclusion in plans, programmes, strategies including those for planning, transport and housing</li> <li>• City Growth and Resources Committee oversight of climate change reporting</li> <li>• Local Outcome Improvement Plan (LOIP)</li> <li>• Aberdeen Open Space Strategy</li> <li>• Aberdeen Food Growing Strategy</li> <li>• Customer Service Excellence accreditation</li> <li>• KPI's management established</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Climate Change report (Public Bodies Climate Change Duties) submitted to Scottish Government</li> <li>• Regional and National reports from Scottish Government, UK Government and SEPA</li> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Scottish Government performance review and reports</li> <li>• Community Planning Aberdeen Board (CPA Board)</li> <li>• Local Outcome Improvement Plan (LOIP)</li> <li>• Participation in external quality system inspection programme Customer service Excellence</li> <li>• Annual reporting of Risk Registers to Committee</li> <li>• Economic Policy Panel</li> <li>• APSE benchmarking</li> <li>• Local Resilience Partnership undertaking resilience planning and preparedness across all partners</li> <li>• Net Zero Leadership Board</li> </ul>

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<p style="text-align: center;"><b>Assurance Map</b></p> <p style="text-align: center;"><b>Cluster – Customer Experience</b></p>		
<p><b>First Line of Defence (Do-ers)</b></p>	<p><b>Second Line of Defence (Helpers)</b></p>	<p><b>Third Line of Defence (Checkers)</b></p>
<ul style="list-style-type: none"> <li>• Operational Procedures and Guidance Documents</li> <li>• Staff training and development</li> <li>• Operational Risk Assessments</li> <li>• Operational procedures and guidance including those set out in the Business Continuity Plans in the event of a system or process failure.</li> <li>• Operational Test Schedules for Business Continuity Plans</li> <li>• Analysis following activation of business continuity arrangements / tests and improvement plans identified.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Function Senior Management Team (undertakes review of Cluster Operational Risk Register)</li> <li>• Customer Experience Cluster Senior Management Team (undertakes review of Cluster Operational Risk Register)</li> <li>• Executive Board Structure</li> <li>• Operational Delivery Committee (including oversight of Service Standards)</li> <li>• Audit Risk &amp; Scrutiny Committee (including oversight of SPSO investigations)</li> <li>• City Growth &amp; Resources Committee</li> <li>• Policy Documentation</li> <li>• Assurance Team</li> <li>• Business Continuity Sub-Group</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Annual External Audit</li> <li>• HMRC Audit on PAYE</li> <li>• DWP Subsidy Audit</li> <li>• DWP Housing Benefit Review</li> <li>• Non-Domestic Rates NDRI – External Audit</li> </ul>

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<b>Assurance Map</b> <b>Data &amp; Insights</b>		
<b>First Line of Defence</b> <b>(Do-ers)</b>	<b>Second Line of Defence</b> <b>(Helpers)</b>	<b>Third Line of Defence</b> <b>(Checkers)</b>
<ul style="list-style-type: none"> <li>• Operational procedures and guidance notes, including consistent corporate processes for:               <ul style="list-style-type: none"> <li>- Data Protection Impact Assessment</li> <li>- Privacy notices</li> <li>- Data Protection Rights Requests</li> <li>- Incident reporting and handling</li> <li>- Information Sharing Agreement and contractual arrangements</li> <li>- Maintaining the Council's records of processing activities (Information Asset Register)</li> </ul> </li> <li>• Records Retention and Disposal Schedule</li> <li>• Mandatory Information Governance Staff Training</li> </ul>	<ul style="list-style-type: none"> <li>• Effective Information Governance / DPO advice and support</li> <li>• Risk Board undertakes monthly review of Information Governance Risk Register</li> <li>• Information Governance Group led by Senior Information Risk Owner (SIRO) reviews Quarterly Information Governance Assurance reports</li> <li>• Executive Board Structure</li> <li>• Corporate Information Policy</li> <li>• Data Forums</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Risk and Scrutiny oversight of Information Governance including annual Information Governance Assurance Statement</li> <li>• Internal Information Assets Assurance Cycle</li> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Reports from Information Commissioners Office and National Records of Scotland</li> </ul>

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<b>Assurance Map</b> <b>Digital &amp; Technology</b>		
<b>First Line of Defence</b> <b>(Do-ers)</b>	<b>Second Line of Defence</b> <b>(Helpers)</b>	<b>Third Line of Defence</b> <b>(Checkers)</b>
<ul style="list-style-type: none"> <li>IT Security Technologies – devices to filter traffic and protect network, virus control software and domain access rules e.g. Conditional Access and Encryption</li> <li>Operational procedures and guidance notes</li> <li>Mandatory Information Governance Staff Training and IT Security Staff Training</li> <li>Investigation into incidents and breaches</li> <li>Monitoring &amp; Alerting</li> <li>Patch Management</li> <li>System Change Management</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Board undertakes monthly review of Corporate Risks</li> <li>D&amp;T Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register</li> <li>Information Governance Group</li> <li>ICT System Risk Assessments</li> <li>Data Privacy Impact Assessments</li> <li>Vendor Management</li> <li>Policy documentation including, Information and Communication Technology (ICT) Acceptable Use Policy and ICT Access Control Policy, Protective Monitoring Policy</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit overseen by Audit Risk and Scrutiny Committee</li> <li>External IT Health Checks for PSN Accreditation</li> <li>External Penetration testing</li> <li>External IT Audits</li> </ul>

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Assurance Map		
Cluster – Early Intervention and Community Empowerment		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> <li>• Staff training and development</li> <li>• Operational procedures and guidance documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Documentation</li> <li>• Executive Board Structure</li> <li>• Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register</li> <li>• Operational Delivery Committee</li> <li>• Educational Operational Delivery Committee</li> <li>• Audit, Risk and Scrutiny Committee</li> <li>• Full Council</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Annual External Audit and report</li> <li>• Full Council</li> <li>• Community Planning Aberdeen</li> <li>• Education Scotland - CLD Strategy and performance (HGIOCLD)</li> <li>• Scottish Housing Regulator - Annual return on housing performance</li> <li>• Scottish Social Services Council - Registered Housing Support Services</li> <li>• Care Inspectorate for Registered Housing Support Services</li> <li>• Library Services</li> <li>• Scotland and Scottish Library &amp; Information Council - Ambition &amp; Opportunity : National Strategy for Public Library Services, and performance (HGIOPLS)</li> <li>• Scotland and Scottish Library &amp; Information Council and Education Scotland -Vibrant Libraries thriving schools : Strategy for School Libraries - and performance HGIOSL</li> </ul>

		<ul style="list-style-type: none"><li>• Financial Inclusion Team - Scottish National Standards for Advice and Information Providers Scottish Legal Aid Board</li><li>• Scottish Government - Child Poverty Action Plan</li></ul>
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<b>Assurance Map</b>		
<b>Cluster – Children &amp; Families Services (Children’s Social Work)</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Professional Supervision in place for all CSW staff ensuring day to day service delivery.</li> <li>• Team Managers/SM’s oversight of finances for teams</li> <li>• Agreed health and safety procedures – all staff supported to familiarise as part of induction.</li> <li>• All staff involved in risk assessment process</li> <li>• Team Business Continuity Plans in place</li> <li>• Tracking and monitoring arrangements in place in all schools to track performance and delivery of statutory duties.</li> <li>• Learning from case reviews considered on single and multi-agency basis and embedded at practitioner level.</li> <li>• Voice of children and young people at the heart of service planning and improvement.</li> <li>• Regular analysis of CSW data to improvement planning on both single and multi-agency basis.</li> <li>• Staff supported to fulfil registration requirements to ensure continuous professional development.</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety guidance for services, including Lone Working</li> <li>• Identified health and safety team link for all teams</li> <li>• Child protection and safeguarding guidance and professional learning available</li> <li>• Range of policies/procedures for schools to support consistent practice</li> <li>• SM QA activity within teams and through professional supervision.</li> <li>• Multi-agency Quality Improvement activity</li> <li>• Service Business Continuity Plan</li> <li>• Improvement groups comprising central Officers and school staff identify and address emerging risks</li> <li>• Data dashboard and Risk Register discussed fortnightly by SMT</li> <li>• Risk Management Board review of Risk Register</li> <li>• Executive Board Structure</li> <li>• Regular finance meetings with Senior Leadership Team</li> <li>• Assurance Team</li> <li>• Committee reports</li> <li>• Regular contact with SWS and COSLA</li> </ul>	<ul style="list-style-type: none"> <li>• Care Inspectorate Inspections</li> <li>• HSE Covid-19 inspections</li> <li>• Health and Safety Team compliance visits to work settings</li> <li>• ECMT data reviews</li> <li>• Performance reports to Committee</li> <li>• Annual reporting of Risk Registers to Committee</li> <li>• Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee</li> <li>• Regular contact with Scottish Government OCSA Team</li> <li>• External Audit</li> <li>• Monthly budget print outs • Annual External Audit and report • Annual Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee</li> <li>• Audit Scotland and National Audit reports</li> </ul>

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<b>Assurance Map</b>		
<b>Operations and Protective Services</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Trained and qualified staff</li> <li>• Operational plans and guidance including surveys, monitoring of existing infrastructure, committee reporting and guidance</li> <li>• Contract Management Guidance and Procurement Regulations</li> <li>• Procedures to implement contract management policies</li> <li>• Operational procedures</li> <li>• Climate risk Assessments &amp; Guidance</li> <li>• Environmental risks (including climate risks) incorporated in business cases, committee reporting and guidance</li> <li>• Weather impact Assessments</li> <li>• Regular monitoring and Infrastructure Assessments</li> <li>• Budget planning for anticipated impacts/ budget requirements</li> <li>• Emergency plans, Operational response procedures</li> <li>• Investigation with other LA's / SCOTS and our Legal teams whether we can refuse to sign up to the legal agreement</li> <li>• Roads Winter Maintenance Plans</li> <li>• Community involvement</li> <li>• Cross Service training events</li> <li>• Joint working with internal/external resources and Environmental Services</li> <li>• Park Management Plans</li> <li>• Internal / external communication and networking</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Board undertakes monthly review of applicable risks</li> <li>• Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register</li> <li>• Executive Board Structure</li> <li>• Policy Documentation</li> <li>• Operational Delivery Committee incl. oversight on service KPIs and number of community partnerships in place</li> <li>• Contract review by Demand Management Board</li> <li>• Audit, Risk and Scrutiny Committee oversight of risk management system</li> <li>• Strategic plans including North East Flood Risk Management Plan and Strategy; and development of Climate Adaptation Framework (Aberdeen Adapts)</li> <li>• Strategic Commissioning Committee</li> <li>• Inclusion in plans, programmes, strategies including those for planning, transport &amp; housing</li> <li>• Local Resilience Partnership undertaking resilience planning and preparedness across all partners</li> <li>• Public protection committee oversight of resilience arrangements</li> <li>• City Growth and Resources Committee oversight of climate change reporting</li> <li>• Local Outcome Improvement Plan (LOIP)</li> <li>• APSE benchmarking</li> <li>• Aberdeen Open Space Strategy</li> <li>• Aberdeen Food Growing Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Climate Change report (Public Bodies Climate Change Duties) submitted to Scottish Government</li> <li>• Regional and National reports from Scottish Government, UK Government and SEPA</li> <li>• North Regional Resilience Partnership</li> <li>• Grampian Local Resilience Partnership</li> <li>• Annual Internal Audit Plan approved and overseen by Audit Risk and Scrutiny Committee</li> <li>• Scottish Government performance review and reports</li> <li>• Testing of emergency plans at partner level</li> <li>• Adaptation Capability Framework Benchmarking Tool</li> <li>• North Regional Resilience Partnership</li> <li>• Community Planning Aberdeen Board (CPA Board)</li> <li>• Local Outcome Improvement Plan (LOIP) Residual</li> <li>• Participation in external quality system audit programme to cover all aspects of current quality system</li> <li>• Participation in external quality system inspection programme to cover all aspects of current quality system</li> <li>• External Audit provider UK Logistics (FTA)</li> <li>• DVSA</li> <li>• Police Scotland</li> </ul>

<ul style="list-style-type: none"> <li>• Committee reporting</li> <li>• LOIP Improvement projects 11.3, 13.2</li> <li>• Maintaining an awareness of current accreditation requirements through receiving regular updates from UKAS • UKAS included as a main topic in team meetings and as an objective in PR&amp;Ds</li> <li>• Fleet Service Users</li> <li>• Drivers / Operators</li> <li>• Fleet Workshop Managers and Operatives</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive in-house quality system audit programme to cover all aspects of current quality systems.</li> <li>• Union partnership (safety representatives)</li> <li>• Planning works as per CDM regulations 2015</li> <li>• Risk assessment Method Statements and procedures established and reviewed</li> <li>• Coordination of works by team leaders</li> <li>• Team Leader supervision</li> <li>• Internal inspection regimes</li> <li>• Fleet Management / Compliance Team</li> <li>• Procurement Team</li> <li>• Operational management team, Contract managers, Team leaders, Risk control team</li> <li>• Customer feedback management system</li> <li>• KPI's management systems established</li> <li>• Service User's</li> </ul>	<ul style="list-style-type: none"> <li>• Catering Service Quality Management System, BSI 9001</li> <li>• CITB (Industrial Training Board) inspection/ audit</li> <li>• Skills development Scotland (Managing agency Tullos Training) Inspection/ audit</li> <li>• Gas Safe Register risk-based audit</li> <li>• Scottish Electrical Charitable Training Trust (Managing agency NICEIC) periodic audit</li> <li>• External fuel providers (contingency plan)</li> <li>• Scottish Road Works Commissioner – Annual Performance Review Report</li> </ul>
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<b>Assurance Map</b>		
<b>Cluster – Education Service</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• School Leadership Team oversight and quality assurance of day to day operations and finances in school</li> <li>• School health and safety procedures agreed annually</li> <li>• All staff involved in school risk assessment process</li> <li>• Designated school Health and Safety Reps</li> <li>• Risk assessments shared with all staff including Trade Union reps</li> <li>• School risk registers in place in all schools with effective mechanisms in place for review and escalation</li> <li>• School Business Continuity Plans in place</li> <li>• Tracking and monitoring arrangements in place in all schools to track attainment</li> <li>• School positive behaviour management procedure agreed yearly</li> <li>• School child protection and safeguarding procedures agreed yearly</li> <li>• Yearly analysis of school community data to inform the school improvement plan</li> <li>• In-service days and staff meetings to address any identified vulnerabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety guidance for schools</li> <li>• Identified health and safety team link for all schools</li> <li>• Child protection and safeguarding guidance and professional learning available to schools</li> <li>• Range of policies/procedures for schools to support consistent practice</li> <li>• Quality Improvement Visits to schools and Early Learning and Childcare provision</li> <li>• Quality Improvement Team routine monitoring of data</li> <li>• Service Business Continuity Plan</li> <li>• Improvement groups comprising central Officers and school staff identify and address emerging risks</li> <li>• Weekly Trade Union meetings</li> <li>• Data dashboard and Risk Register discussed fortnightly by Senior Leadership Team</li> <li>• Risk Management Board review of applicable risks</li> <li>• Executive Board Structure</li> <li>• Regular finance meetings with Senior Leadership Team</li> <li>• Assurance Team</li> <li>• Regular contact with Northern Alliance Early Years Assurance team</li> <li>• Regular contact with ADES and COSLA</li> </ul>	<ul style="list-style-type: none"> <li>• Education Scotland inspections</li> <li>• Care Inspectorate Inspections</li> <li>• HSE Covid-19 inspections</li> <li>• Health and Safety Team compliance visits to schools</li> <li>• ECMT data reviews</li> <li>• Performance reports to Committee</li> <li>• Annual reporting of Risk Registers to Committee</li> <li>• Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee</li> <li>• Regular contact with Scottish Government ELC Assurance Team</li> <li>• External Audit</li> <li>• Monthly budget print outs • Annual External Audit and report • Annual Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee</li> <li>• Audit Scotland and National Audit reports</li> </ul>

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<b>Assurance Map</b>		
<b>Capital</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Follow Project Management protocols for project delivery.</li> <li>• Ensure project/programme risk register review meetings include consideration of any financial impact on the wider capital portfolio and any implications this may have across the Council.</li> <li>• Ensure key/sensitive projects allocated to managers with appropriate skills.</li> <li>• Review risk management training programme for key staff.</li> <li>• Seek guidance from Project Management Office.</li> <li>• Plan for good communication across Clusters</li> <li>• Consider availability to utilise ACC staff with appropriate skill out with the Capital team to deliver the capital programme of projects.</li> <li>• Consider availability of using consultant/contractor frameworks to facilitate the delivery of the capital programme of projects</li> </ul>	<ul style="list-style-type: none"> <li>• Resources Function Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register.</li> <li>• Review by Chief Officer Capital and provide any key updates to Director of Resources and other Chief Officers.</li> <li>• Review by Capital Board</li> <li>• Report any issues by exception to the Performance Board</li> <li>• Annual reporting of Function / Cluster Risk Register to Capital Programme Committee</li> <li>• Executive Board Structure</li> <li>• Policy Documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee</li> <li>• External Audit</li> </ul>

<ul style="list-style-type: none"><li>• Ensure consultation with other key Chief Officers</li><li>• Cost estimates for key projects to be reviewed at key stages of delivery</li><li>• Ensure independent cost estimate review check is carried out, prior to approving OBC</li> <li>• Regular progress meetings.</li><li>• Where appropriate maintain close collaboration with other Chief Officers throughout delivery</li><li>• Regular reporting to Finance Officers, monthly.</li></ul>		
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<b>Assurance Map</b>		
<b>Corporate Landlord</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Operational procedures and guidance including those set out in the Business Continuity Plans in the event of a system or process failure.</li> <li>• Risk Assessments.</li> <li>• Staff training and development on business continuity arrangements.</li> <li>• Analysis following activation of Customer Experience Cluster Senior.</li> <li>• Management Team (SMT) undertakes review of Cluster Operational Risk Register.</li> <li>• Staff have appropriate training, qualifications and engage with market and like professionals.</li> <li>• Regular marketing and income meetings.</li> <li>• Use of external property consultants, management agreements and managing agents as appropriate.</li> <li>• Resource plan developed.</li> <li>• Use of external advisors in specialised areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Documentation</li> <li>• Resources Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register.</li> <li>• Executive Board Structure</li> <li>• Assurance Team.</li> <li>• Business Continuity Group Sub-Group.</li> <li>• Annual reporting of Function / Cluster Risk Register to Operational Delivery Committee</li> <li>• Monthly budget print outs</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee.</li> <li>• External Audit.</li> </ul>

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<b>Assurance Map</b>		
<b>Finance</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Annual statements of accounts and quarterly reporting</li> <li>• Medium Term Financial Strategy and Budget setting</li> <li>• Monthly and Quarterly monitoring and reporting of budget including contingent liabilities</li> <li>• Financial protocols in Scheme of Governance, Financial Regulations and associated financial procedures and practices</li> <li>• Financial policies and procedures including Fraud Prevention and Money Laundering, Following the Public Pound and Service Income</li> <li>• Financial Implications review of all committee reports</li> <li>• Treasury Management reviews with our treasury consultants</li> <li>• Monitoring of Finance Cluster and Institutional risks</li> <li>• Pension fund management protocols and procedures</li> <li>• Task plans, CR&amp;D and Succession Plans</li> <li>• Horizon Scanning reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Documentation</li> <li>• City Growth and Resources Committee scrutiny of all financial decisions</li> <li>• Pensions Committee scrutiny of pensions decisions</li> <li>• Audit, Risk and Scrutiny Committee oversight of risk management system</li> <li>• Audit Risk and Scrutiny oversight of Internal and External Audit reports</li> <li>• Council and specific Charitable Trust Boards</li> <li>• Other Committees as applicable</li> <li>• CMT and ECMT</li> <li>• Risk Board</li> <li>• Strategy Board</li> <li>• Transformation Board</li> <li>• Performance Board</li> </ul>	<ul style="list-style-type: none"> <li>• Annual External Audit and report of ACC Accounts, Pension Funds and Group Accounts</li> <li>• Annual Internal Audit Plan based on risk and approved and overseen by Audit, Risk and Scrutiny Committee.</li> <li>• Annual credit rating review</li> <li>• London Stock Exchange compliance checks</li> <li>• National Audit reports and Best Value Audit</li> <li>• Her Majesty's Revenue and Customs Inspections</li> <li>• Treasury, Director of Finance and other bodies reports and advice</li> <li>• Charities Commission reports and advice and reports on Trust Accounts</li> <li>• Scottish Government Returns e.g.budget and out-turn data, grant claim criteria</li> <li>• Data required by other grant funders and stakeholders of ACC</li> <li>• ICAS and CIPFA trainer accreditations</li> <li>• Benchmarking – LGBF and Directors of Finance</li> </ul>

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<b>Assurance Map</b>		
<b>People &amp; Organisational Development</b>		
<b>First Line of Defence (Do-ers)</b>	<b>Second Line of Defence (Helpers)</b>	<b>Third Line of Defence (Checkers)</b>
<ul style="list-style-type: none"> <li>• Staff related policies</li> <li>• Staff related procedures and guidance flowing from policies</li> <li>• Risk assessments</li> <li>• Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register</li> <li>• People and Organisational Development (P&amp;OD) enabling effective people management, support and development</li> <li>• Guidance for managers and staff on People Anytime</li> <li>• Delivery of the Workforce Plan</li> <li>• Delivery of the Workforce Development Plan including training and development for managers</li> <li>• Capability Framework implementing Guiding Principles</li> <li>• Monitoring of employee related data by P&amp;OD and all Senior Management Teams via People Performance Dashboard</li> <li>• Skills audits and CPD plans used to build training requirements and programmes of development</li> <li>• Managers' completing Continuous Review and Development and 1:1s</li> <li>• Leadership Forum</li> <li>• FAIR agreement with Trade Unions</li> </ul>	<ul style="list-style-type: none"> <li>• Staff Governance Committee (Performance reports to)</li> <li>• Audit, Risk and Scrutiny Committee oversight of risk management system</li> <li>• Other Committees as relevant</li> <li>• Corporate Management Team (CMT)</li> <li>• Strategic Workforce Plan</li> <li>• Data Protection processes and Information Governance including DPIAs</li> <li>• Employment Legal Team</li> <li>• Consultation and legislative tracker to horizon scan for changes in the law</li> <li>• Risk Board</li> <li>• Performance Board</li> <li>• Strategy Board</li> <li>• Transformation Board</li> <li>• Risk Appetite Statement</li> <li>• Regular engagement with Trade Unions including Directors Union Engagement meetings</li> <li>• Business Continuity Sub-Group</li> <li>• Employee Data Forum</li> </ul>	<ul style="list-style-type: none"> <li>• COSLA – national negotiating body via SJC and SNCT.</li> <li>• Scottish Government – checking compliance with national initiatives e.g. Early Years Expansion, Pupil Equity Fund</li> <li>• Chartered Institute of Personnel Development (CIPD) / ACAS-- professional bodies available for benchmarking / best practice advice and guidance</li> <li>• Society of Personnel and Development Scotland (SPDS) – professional body available for benchmarking / best practice advice and guidance and links into COSLA</li> <li>• Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee covering workforce related matters such as VSER</li> <li>• Her Majesty's Inspectorate of Education (HMiE) reports – use a sampling strategy for inspections across school leadership and learning and teaching</li> <li>• GTCS/SSSC- set out registration requirements for specific parts of the workforce</li> <li>• Employer Accreditations including Quality of Working Lives, Investors in Young People,</li> </ul>

		<p>Disability Confident, Defence Employer Recognition Scheme, Equally Safe at Work</p> <ul style="list-style-type: none"><li>• Benchmarking through Local Government Benchmarking forum (LGBF) measuring indicators such of cost of HR gender profile and workforce profile across all 32 Local Authorities</li><li>• Staffing Watch Report</li></ul>
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Function	Cluster	Inspection/Audit Activity Title	Focus Area	Year	Date
Operations	Children's & Family Services	Education Scotland Inspections of Schools	HGIOS4	Continuous	Continuous
Operations	Children's & Family Services	Care Inspectorate Inspections of ELC	ELC and National Standards	Continuous	Continuous
Operations	Children's & Family Services	Health and Safety team compliance visits to schools	Covid security	2021	Continuous
Operations	Children's & Family Services	Performance reports to Committee	Attainment data	Continuous	Triannual
Operations	Children's & Family Services	Annual reporting of Risk Registers to Committee	Risks	Continuous	6 Monthly
Operations	Children's & Family Services	Internal audit	Risks	Continuous	Continuous
Operations	Children's & Family Services	Children's Social Care	Procedure Compliance - Children with Disabilities Contract & Direct Payments	2021	September
Operations	Children's & Family Services	Adult Support & Protection (ASP) - Care Inspectorate	Assurance - National and Local Support and Protection Arrangements	Suspended	Suspended
Operations	Digital & Technology	PCI Technical Assessment	Security	Continuous	Quarterly
Operations	Digital & Technology	External Network Penetration Assessment	Security	2021	September
Operations	Digital & Technology	Internal IT Health Check	Security	2021	October
Operations	Digital & Technology	Cyber Resilience Self Assessment	Security	Continuous	Continuous
Operations	Operations & Protective Services	UK Logistics (FTA)	Fleet	2021	TBC
Operations	Operations & Protective Services	Quality Management System, BSI 9001:2015	FM Catering	2021	6 Monthly
Operations	Operations & Protective Services	SECT (Managing Agency NICEIC) Approved Contractor Scheme Periodic Audit	Building Services	2021	Periodic
Operations	Operations & Protective Services	Gas Safety Register	Building Services	TBC	TBC
Operations	Operations & Protective Services	Skills Development Scotland (Managing Agency CITB)	Building Services	TBC	TBC
Operations	Operations & Protective Services	Scottish, Northern Ireland Employers Federation (Tullis Training)	Building Services	2021	TBC
Operations	Operations & Protective Services	Financial Administration - Waste	Control Assurance - Financial Administration - payroll, timesheets and purchasing	2022	May
Customer	Customer Experience	DWP Housing Benefit Review	Compliance	2021	June
Customer	Customer Experience	Non-Domestic Rates NDRI – External Audit	Compliance	2021	July
Customer	Customer Experience	Internal Audit - Debt Recovery	Procedure compliance - Debt Recovery procedures	2022	February
Customer	Early Int. & Community Emp.	Internal Audit - Private Sector Housing	Compliance and effectiveness of controls	2022	May
Customer	Data & Insights	Internal Audit	Audit of service processes and procedures and risk	Continuous	Continuous
Customer	Digital & Technology	Internal Audit - IT Infrastructure Resilience	Assurance - Procurement and adequacy of Council's IT Infrastructure Systems	2021	June
Customer	Digital & Technology	Internal Audit - Cyber Security	Assurance - Assurance and further development of Cyber Controls	Continuous	Continuous
Customer	Digital & Technology	Internal Audit - Social Care System	Assurance - Development of controls for new Social Care System	2021	Continuous
Commissioning	Governance	Annual Credit Rating Assessment	Credit Rating	2021	November
Commissioning	Governance	Best Value Audit	Governance	2021	June
Commissioning	Governance	External Audit Annual Report	Governance	2021	June
Commissioning	Governance	Internal Audit - Licensing Income	Assurance - Processes for controlling income from Licensing applications	2021	June
Commissioning	City Growth	ACRD Scotland, Aberdeenshire & Internal Audits	Compliance	2021	Summer
Commissioning	City Growth	ACRD Annual Conversation	Compliance	2021	December
Commissioning	City Growth	AAGM Building / Equipment inspections organised by Assets Team	Compliance	2021	Various
Commissioning	City Growth	AAGM Firearms license inspection undertaken by Police Scotland	Compliance	2021	TBC
Commissioning	City Growth	AAGM Collections insurance compliance by external provider	Compliance	2021	TBC
Commissioning	City Growth	AAGM Environmental Health - catering outlets	Compliance	2021	TBC
Commissioning	City Growth	Interreg Projects	Compliance - Grant Claims in accordance with Programme requirements	2021	As Required
Commissioning	Strategic Place Planning	Internal Audit - Client Transport	Assurance - Procurement, provision and management of transport	2022	February
Commissioning	Strategic Place Planning	Internal Audit - Income	Assurance and Compliance - Fee Income Controls	2022	May
Commissioning	Commercial & Procurement	Internal Audit	Audit of service processes and procedures and risk	Continuous	Continuous
Resources	People & Organisation	Quality of Working lives	Staff Wellbeing	2021	March
Resources	People & Organisation	Investors in Young People	Developing Young Workforce	2021	March
Resources	People & Organisation	Disability Confident (Annual)	Equality and Diversity	Continuous	Continuous
Resources	People & Organisation	Equally Safe at Work	Equality and Diversity	2022	February
Resources	Capital	Internal Audit	Setting, progressing & monitoring Capital Programme	2021	Summer
Resources	Corporate Landlord	Internal Audit - Land and Property	Review systems and process in place for Council owned Land and Property	2022	February
Resources	Finance	External Audit Annual Report	Finance	Annual	Jan-June 2021
Resources	Finance	Internal Audit - Financial Recommendations	Finance	Continuous	Continuous
Resources	Finance	Internal Audit - Follow the Public Pound	Policy compliance - Grant Funding to External Organisations	2022	February
Resources	Finance	Internal Audit - Revenue Budget Monitoring	Assurance of controls and procedures	2021	December
Resources	Finance	Internal Audit - Financial System Interfaces and Reconciliations	Assurance of checks and controls	2021	September
Resources	Finance	Annual Credit Rating Assessment	Finance	2021	November
Resources	Finance	Stock Exchange Reporting and Compliance	Finance	Continuous	Various
Resources	Finance	National Audit Reports and BV Audit - Finance/Going Concern	Finance	Annual	Jan-June 2021
Resources	Finance	HMRC VAT and Tax	Finance	2021	February
Resources	Finance	Charities Commission Accounts and Reports - Annual	Finance	Annual	December
Resources	Finance	SG Returns - LFR/POBE	Finance	Annual	Dec/April
Cross Service	Cross-Service	Internal Audit - Commissioning	Progress in Commissioning Approach in Council Delivery Plan	2021	September
Cross Service	Cross-Service	Internal Audit - Payroll & HR System Amendments	Review payroll and payment controls	2021	December
Cross Service	Cross-Service	Internal Audit - Compliance with Procurement Regulations	Compliance - Support CPS in developing controls to improve compliance	2021	Continuous
Cross Service	Cross-Service	Internal Audit - Staff Resourcing	Procedure compliance - Internal Movement of Staff, use of Relief & Agency	2022	May
Cross Service	Cross-Service	Internal Audit - Recruitment Process	Procedure compliance - Policy and Procedure	2021	December
Cross Service	Cross-Service	Internal Audit - Attendance Management	Procedure compliance - Policy and Procedure	2021	December
H&SCP	H&SCP	Internal Audit - Care Establishments	Assurance - Financial Administration and Purchasing Controls	2021	December
H&SCP	H&SCP	Internal Audit - Care Management Recording & Transactions	Assurance - Co-ordination, recording and payment for Care Services	2022	May
IJB	IJB	Internal Audit - Health & Social Care Transformation Programme	Assurance - Progress with delivery of Transformational Agenda	2022	February
IJB	IJB	Internal Audit - Reporting Internal Audit outputs to IJB AR&P Committee	Assurance - Areas audited	Continuous	Continuous
Pension Fund	Pension Fund	Internal Audit - Pensions System	Assurance - Key System Controls	2022	February
Pension Fund	Pension Fund	Internal Audit - Reporting Internal Audit outputs to Pensions Committee	Assurance - Areas audited	Continuous	Continuous

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Progress
<b>REPORT NUMBER</b>	IA/20/013
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2 and 2.4

### 1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 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;

### 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 12 February 2021 by Original Target Committee Date						%age
	Jun 19	Sep 19	Dec 19	Feb 20	May 20	Total	
Complete	2	8	6	5	4	25	92.6
Draft	0	0	0	0	0	0	0

Report Issued							
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
<b>Total</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>27</b>	<b>100.0</b>

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 12 February 2021 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	3	2	3	2	0	10	42%
To Start	0	0	0	3	0	3	13%
Removal Agreed	0	0	0	0	8	8	33%
<b>Total</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>24</b>	<b>100</b>

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. This has had an impact on the capacity of the service to complete audits in line with the target committee reporting dates originally set out in the Internal Audit Plan. The temporary vacant Senior Auditor position was filled in January 2021, which is anticipated to have a positive impact on progress with the remainder of the Plan.



**4. FINANCIAL IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

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

**6. MANAGEMENT OF RISK**

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

**7. OUTCOMES**

7.1 There are no direct impacts, as a result of this report, in relation to the 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit’s progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

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

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

**10. REPORT AUTHOR DETAILS**

Colin Harvey, Chief Internal Auditor  
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(01467) 530701

## APPENDIX A

### PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021
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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	11.12.20
		Final report issued	04.02.21
		Actual submission to Committee	24.02.21
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

**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 12 February 2021	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>	<i>Complete</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	Red	<i>Audit commenced 5/6/2020; the assigned auditor has had sickness absences which have delayed progress.</i>
Revised Target Committee Date	12.05.21				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	Red Amber Green	Comment where applicable
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### Originally Planned for October 2020 Committee (continued)

<i>Academy System (Revenues and Benefits System)</i>	<i>To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).</i>	<i>Original Target Committee date Actual submission to Committee</i>	<i>08.10.20 09.12.20</i>	<i>Amber</i>	<i>Complete.</i>
<i>Treasury Management</i>	<i>To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.</i>	<i>Original Target Committee date Actual submission to Committee</i>	<i>08.10.20 09.12.20</i>	<i>Amber</i>	<i>Complete. Commencement delayed at request of Finance and auditor sickness absences delayed progress.</i>
Consilium System	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Audit Commenced Draft report due to be issued Draft report issued	14.01.21 08.03.21	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	08.10.20 12.05.21	Red	The audit has now commenced.
Bon Accord Care Budget Monitoring	To provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.	Audit Commenced Draft report due to be issued Draft report issued	03.12.20 18.02.21	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	08.10.20 12.05.21	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	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.	Audit Commenced	18.11.20	Amber	Commenced November 2020; <i>the assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report due to be issued	28.01.21		
		Draft report issued	tbc		
		Original Target Committee date	09.12.20	Amber	
		Revised Target Committee Date	24.05.21		

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.	Audit Commenced	19.01.21	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report due to be issued	31.03.21		
		Draft report issued	Tbc		
		Original Target Committee date	09.12.20	Amber	The audit has now commenced.
		Revised Target Committee Date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	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.	Audit Commenced	16.07.20	Amber	<i>Commenced in July 2020. The assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report due to be issued	15.09.20		
		Draft report issued	tbc		
		Original Target Committee date	24.02.21	Amber	There have been delays obtaining information due to Service priorities.
		Revised Target Committee date	12.05.21		
Vehicle Replacement	To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.	Audit Commenced	21.01.21	Amber	Commencement was delayed pending conclusion of other work. Staff changes within the Service may have an impact on capacity to progress this audit.
		Original Target Committee date	24.02.21		
		Revised Target Committee date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	Red Amber Green	Comment where applicable
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**Planned for February 2021 Committee (continued)**

School / Pupil Security	To provide assurance that the Council has adequate arrangements regarding school security to include those in place to: <ul style="list-style-type: none"> <li>•Control access to schools</li> <li>•Ensure that knives / weapons are not brought into schools</li> <li>•Know where pupils are during the school day</li> <li>• Escort vulnerable young people</li> </ul>	Audit Commenced	02.11.20	Amber	<i>Commenced November 2020, access and Service availability is restricted due to Covid 19.</i>
		Draft report due to be issued	31.12.20		
		Draft report issued			
		Original Target Committee date	24.02.21	Amber	
		Revised Target Committee date	12.05.21		Due to revised Covid measures applicable between December 2020 and February 2021, the Service does not have capacity to assist Internal Audit's review at this time.



SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	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	Amber	Commencement has been delayed pending conclusion of other work, which may put achieving the target committee date at risk.
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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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SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 February 2021	Red Amber Green	Comment where applicable
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### Planned for May 2021 Committee (continued)

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>	<p>Audit Commenced Draft report due to be issued Original Target Committee date</p>	<p>19.01.21 31.03.21 12.05.21</p>	<p>Green Green</p>	
Timesheets and Allowances	<p>To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.</p>	<p>Audit Commenced Original Target Committee date</p>	<p>29.01.21 12.05.21</p>	<p>Green</p>	

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Reports – Follow-up of Agreed Recommendations
<b>REPORT NUMBER</b>	IA/20/014
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.3

### 1. PURPOSE OF REPORT

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

### 2. RECOMMENDATIONS

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

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The Public Sector Internal Audit Standards require that Internal Audit monitors the implementation of agreed recommendations until they are implemented by management. The Corporate Management Team and the Audit, Risk and Scrutiny Committee receive a report from Internal Audit at each of their meetings 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.
<b>Data Protection Impact Assessment</b>	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 – Commissioning.
- 9.4 Appendix D – Position with Agreed Recommendations – Customer.
- 9.5 Appendix E – Position with Agreed Recommendations – Operations.
- 9.6 Appendix F – Position with Agreed Recommendations – Resources.
- 9.7 Appendix G – Position with Agreed Recommendations – Health and Social Care Partnership.
- 9.8 Appendix H – Position with Agreed Recommendations – Governance.

**10. REPORT AUTHOR DETAILS**

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# APPENDIX A – SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 12 FEBRUARY 2021

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

On 9 December 2020, the Committee was advised that, as at 26 November, there were 42 recommendations which were due to have been completed by 31 October 2020 which were not fully complete. This has now reduced to 23.

The total not fully complete, which had an original due date of before 31 December 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 October 2020	Confirmed complete by Service	New in November & December 2020	Confirmed complete by Service	<b>Not fully complete by original due date</b>	Major	Significant	Important
<b>Cross Service</b>	16	5	5	10	1	<b>9</b>	4	5	0
<b>Commissioning</b>	5	0	0	5	5	<b>0</b>	0	0	0
<b>Customer</b>	70	65	62	2	2	<b>3</b>	0	2	1
<b>Operations</b>	108	92	82	2	1	<b>11</b>	0	9	2
<b>Resources</b>	46	38	30	4	2	<b>10</b>	0	6	4
<b>Health &amp; Social Care</b>	17	11	9	0	0	<b>2</b>	0	1	1
<b>Governance</b>	13	9	9	3	2	<b>1</b>	0	0	1
<b>Total</b>	275	220	197	26	13	<b>36</b>	4	23	9

# KEY TO COLOURING USED IN FOLLOWING APPENDICES

## Recommendation Grading:

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

## Length of time overdue

Over 12 months
6 to 12 months
Less than 6 months

**APPENDIX B**  
**CROSS SERVICE**



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2002</b>	<b>Shutdown of Non-Essential Spend</b>	February 2020	2	2	2	<b>0</b>	N/A
<b>AC2018</b>	<b>Workforce Planning</b>	August 2020	2	1	0	<b>0</b>	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2019</b>	<b>Procurement Compliance</b>	September 2020	12	12	3	<b>9</b>	4 Major 5 Significant
Chief Officer		Recommendation	Grading / Due Date	Position			
Commercial & Procurement	Contracts should be subject to appropriate procurement, including public tender where they exceed the relevant thresholds. 2.1.2	Major December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.				
Commercial & Procurement	Services should ensure they comply with aggregation rules for procurement of similar goods / services. 2.1.5	Major December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.				
Commercial & Procurement	All spend should be clearly linked, e.g. through consistent reference numbers and inclusion of approval details in the Contracts Register, back to a contract and its approval. 2.2.3a	Significant December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.				

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2019 – Procurement Compliance – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	A clear and consistent method of recording contract details against each payment should be developed and implemented. 2.2.3b	Significant	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.
		December 2020	
Commercial & Procurement	Services should ensure Committee approvals are obtained and adhered to, and further approval sought and obtained prior to continuing purchasing. 2.2.6	Significant	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.
		December 2020	
Commercial & Procurement	Services should ensure business cases are prepared for all spend in line with the Procurement Regulations, including where Committee approval is not required. 2.2.7	Significant	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC2019 – Procurement Compliance – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	The contracts register should be complete and up to date, including evidence of authorisations and the procurement process. 2.3.3	Major December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.
Commercial & Procurement	Call off contracts should be recorded, with supporting evidence of the selection process and anticipated spend, for each supplier the Council plans to obtain goods / services from. 2.3.6	Major December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2019 – Procurement Compliance – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	The scope of contracts should be documented for purchasers to make it clear that goods or services outside of that scope must be subject to further procurement activity. 2.3.7	Significant December 2020	The Service has requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.

**APPENDIX C**  
**COMMISSIONING**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2026</b>	<b>Performance Management</b>	November 2020	5	5	5	<b>0</b>	NA

# **APPENDIX D**

# **CUSTOMER**



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC1909</b>	<b>Timesheets and Allowances</b>	August 2018	7	7	7	0	NA
<b>AC1917</b>	<b>NPS Housing System</b>	February 2019	14	14	14	0	NA
<b>AC2010</b>	<b>Housing Repairs - Voids</b>	November 2019	14	14	14	0	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	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 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2023</b>	<b>Timesheets and Allowances</b>	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 Committee was last advised (November 2020) 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.  The latest update from the Service is that the collective agreement has been drafted, covering all employee groups affected by a requirement for Working Time Regulation Exemptions; the draft will now be shared with Chief Officers and Trade Unions, with the intention to conclude sign off of the collective agreement by March 2021.
		September 2020	

<b>AC2102</b>	<b>Revenues &amp; Benefits System</b>	November 2020	4	1	1	0	NA
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**APPENDIX E**  
**OPERATIONS**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1602 AW</b>	<b>Craft Workers Terms and Conditions</b>	October 2015	9	9	9	<b>0</b>	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1817</b>	<b>Vehicle Usage</b>	January 2018	8	8	6	2	2 Significant
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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"> <li>Committee was advised on 26 June 2019 that these recommendations would be complete by October 2019.</li> <li>Committee advised on 4 December 2019 that these recommendations would be complete by December 2019.</li> <li>Committee advised on 12 February 2020 that this would be complete by March 2020.</li> <li>Committee advised in October 2020 that this would be complete by December 2020</li> <li>Committee advised in December 2020 that this would be complete by February 2021</li> </ul> <p>Operations and Protective Services has advised that a system of vehicle telematics has been installed since May 2020 and tested on a sample of Council fleet vehicles, This allowed for reporting on vehicle usage and monitoring of fleet utilisation, The Service has advised that the installation of telematics on the remaining Council fleet vehicles commenced in August 2020, 3 services are currently operating the system, Fleet, PTU and Environment/ Grounds, as reported previously it was anticipated full completion by the end of February 2021, at this time 90% of vehicles will be completed, delays to completion due to COVID implications. It is anticipated the project will be completed in 2-3 weeks.</p>
		April 2019	
Operations and Protective Services	Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)	Significant	
		April 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1903</b>	<b>Devolved School Management</b>	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"> <li>The Committee was advised on 26 June 2019 that Internal Audit was awaiting an update from the Service.</li> <li>Committee was advised on 4 December 2019 that this would be complete by May 2020.</li> <li>The Committee was advised on 8 October 2020 that this would be completed by October 2020</li> <li>The Committee was advised in December 2020 that this had moved to Finance and would be completed by December 2020</li> </ul> <p>Due to Finance priorities including budget and government financial returns there have been delays concluding this action. It is now planned for January 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1925</b>	<b>Music Service</b>	May 2019	22	20	19	<b>1</b>	<b>1 Significant</b>
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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)	<b>Significant</b>	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.
		<b>March 2020</b>	



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2007</b>	<b>Stock Control</b>	November 2019	16	16	12	<b>4</b>	<b>3 Significant</b> <b>1 Important</b>
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The position with the overdue recommendations is as follows:

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 31.12.20	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(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. Training has been delayed due to Covid 19, and it is not anticipated this will be concluded by the end of February 2021.
		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 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2013</b>	<b>School Catering Income and Expenditure</b>	January 2020	24	22	21	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service should work with Commercial and Procurement Services to progress the tendering process for a cashless catering contract. (2.4.4	Significant December 2020	The Service has advised that the current contract license has been extended to October 2021 pending review in conjunction with Digital and Technology, Commissioning, and Scotland Excel, to determine the most advantageous route to market for the system replacement.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2021</b>	<b>SEEMiS</b>	February 2020	10	10	8	<b>2</b>	<b>2 Significant</b>
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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 last 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 was to be completed by December 2020.  The latest update from the Service is that Commercial and Procurement Shared Service will be applying the Council's standard terms and conditions which include arrangements for data sharing. It is anticipated a new contract will be in place in February 2021.
		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	

<b>AC2028</b>	<b>Fostering, Adoption &amp; Kinship</b>	July 2020	12	1	1	<b>0</b>	NA
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# **APPENDIX F**

# **RESOURCES**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2001</b>	<b>Income Generation</b>	December 2019	6	6	6	0	NA
<b>AC2002</b>	<b>Shutdown of Non-Essential Spend</b>	February 2020	2	2	2	0	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2008</b>	<b>Ring-Fenced Funding</b>	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 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2009</b>	<b>Travel Policy</b>	January 2020	14	14	12	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Ensuring value for money with the Travel Partnering arrangements and other significant supplies will be incorporated into the procurement compliance review (2.4.4b)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The travel partnering review has been deferred due to Covid. It was considered that we should see what the travel footprint looked like post-Covid more closely before re-procuring travel arrangements. This will be completed by December 2021.
		December 2020	
Finance	The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure (2.4.6)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The procurement compliance review has been deferred due to Covid. A revised date of July 2021 is proposed.
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2016</b>	<b>Financial Ledger System</b>	February 2020	4	4	4	0	NA
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<b>AC2024</b>	<b>Gas Servicing Contract</b>	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.

<b>AC2101</b>	<b>Bank Reconciliations</b>	August 2020	1	1	1	0	NA
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# **APPENDIX G**

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

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1920</b>	<b>National Care Home Contract</b>	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	

<b>AC2027</b>	<b>Commissioned Services Contract Monitoring</b>	June 2020	9	3	3	0	NA
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**APPENDIX H**  
**GOVERNANCE**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.12.20	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2004</b>	<b>Risk Management</b>	August 2019	6	6	6	<b>0</b>	NA
<b>AC2014</b>	<b>Civil Contingencies</b>	September 2020	6	5	4	<b>1</b>	Important
The position with the overdue recommendations is as follows:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Health and Social Care Partnership	The Aberdeen City Council Care for People Plan should be reviewed. (2.5.3)	Important December 2020	The Service has commenced a review of the Plan, which will be concluded by March 2021.				
<b>AC2022</b>	<b>Transformation</b>	September 2020	1	1	1	<b>0</b>	N/A

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Charter
<b>REPORT NUMBER</b>	IA/20/016
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.1

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement to continuing use of the current Internal Audit Charter.

### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Charter.

### 3. BACKGROUND / MAIN ISSUES

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

- 3.2 The Standards define the Charter as follows:

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

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

- define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- 3.4 The current Internal Audit Charter was approved by the Audit, Risk and Scrutiny Committee on 12 February 2020. There is a requirement that the Internal Audit Charter be reviewed annually. Such a review was completed by the Chief internal Auditor, and the Charter was considered to still be relevant. One minor change has been made to reflect the re-naming of the IJB’s ‘Audit and Performance Systems Committee’ to the ‘Risk, Audit and Performance Committee’ (see page 7 under ‘Reporting and Monitoring’).
- 3.5 The Internal Audit Charter, which is attached as an appendix to this report, is based on the requirements of the PSIAS, the main requirements of which are:
- 3.5.1 Relationships between the chief audit executive (Chief Internal Auditor), chief financial officer, chief executive, the audit committee and other key officers are defined.
- 3.5.2 The purpose, authority and responsibility of Internal Audit must be formally defined in the Charter which must be consistent with the Definition of Internal Audit, the Code of Ethics and the Standards.
- 3.5.3 The nature of assurance services provided to the organisation must be defined.
- 3.5.4 The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter.
- 3.6 Other important considerations include establishing Internal Audit’s independence and ensuring that it is free from interference in determining the scope of internal auditing, performing work and communicating results. This includes the reporting of any impairment to that independence (either in fact or appearance), scope limitations, and restrictions on access to records, etc to appropriate parties.
- 4. FINANCIAL IMPLICATIONS**
- 4.1 There are no direct financial implications arising from the recommendations of this report.
- 5. LEGAL IMPLICATIONS**
- 5.1 There are no direct legal implications arising from the recommendations of this report.



**6. MANAGEMENT OF RISK**

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

**7. OUTCOMES**

7.1 There are no direct impacts, as a result of this report, in relation to the 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit’s progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

9.1 Appendix A – Aberdeen City Council Internal Audit Charter.

**10. REPORT AUTHOR DETAILS**

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## **Appendix A**

# **ABERDEEN CITY COUNCIL INTERNAL AUDIT CHARTER**

## **INTRODUCTION**

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

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

## **DEFINITION OF INTERNAL AUDITING**

PSIAS defines Internal Auditing as follows:

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

## **ROLE**

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

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

## **PROFESSIONALISM**

Internal Audit will govern itself by adherence to the requirements of the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the

fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

## **AUTHORITY**

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

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

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

## **ORGANISATION**

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

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

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

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

## **INDEPENDENCE AND OBJECTIVITY**

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

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

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

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

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

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

## **RESPONSIBILITY**

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

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

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

- (a) ensure an effective internal audit function is resourced and maintained
- (b) ensure that the authority has put in place effective arrangements for internal audit of the control environment

- (c) support the authority's internal audit arrangements, and
- (d) ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

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

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

## **INTERNAL AUDIT PLAN**

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

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

## **REPORTING AND MONITORING**

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

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

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

## **PERIODIC ASSESSMENT**

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

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

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

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Plan 2021/22
<b>REPORT NUMBER</b>	IA/20/015
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.1

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2021/22.

### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2021/22.

### 3. BACKGROUND/MAIN ISSUES

Reason for reporting

- 3.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The proposed plan for 2021/22 is attached as appendix B and includes the Aberdeen City Integration Joint Board and North East of Scotland Pension Fund for information.

- 3.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, which is expressed in an annual report, and provide assurance to the Audit, Risk and Scrutiny Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.

Plan development

- 3.3 When the shared Internal Audit Service was introduced between Aberdeenshire and Aberdeen City Councils it was planned to have rolling

three-year plans, with those of both Councils linked as far as possible to improve efficiency and help share best practice. This has not, at present, been possible to achieve. The Councils have different risk profiles and assurance needs (although Internal Audit needs to gain its own assurances in order to complete its annual report). This means that, although similar services are being provided, the timing of reviews often varies. However, it is still possible to draw on and share best practice where this is identified.

- 3.4 The Audit, Risk and Scrutiny Committee agreed at its meeting on 26 June 2018 that single year plans continue to be developed as, due to the pace of change facing Local Government, it was considered too early to start developing three-year plans. It was agreed that this would result in agreed plans being subject to constant change as new risks were identified and addressed.
- 3.5 During the planning process, Internal Audit reviewed the Council's approved Risk Registers and consulted with the Risk Board and Extended Corporate Management Team to ensure that areas which Officers consider to be of risk to their business operations are considered for inclusion in the plan.
- 3.6 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion.
- 3.7 Each of the planned audits has been allocated to a target Committee date. These may be subject to change based on availability of resources within Clusters to respond to Internal Audit's enquiries, resources within Internal Audit, the risk profile of the organisation as noted at paragraph 3.3 above, and the extent to which processes are documented and complied with.
- 3.8 The Plan also includes time set aside to assist Services in developing their controls and approach to improving compliance. This reflects development of a more proactive value-added approach by Internal Audit, to supplement the more traditional core compliance-oriented audit work. For these elements of the Plan, subject to the caveat in paragraph 3.20 below, there will not be a separate Internal Audit report to the Audit Risk and Scrutiny Committee. Highlights from this work will however be provided as part of the regular Internal Audit progress reports provided to the Committee.
- 3.9 The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.
- 3.10 During the drafting of the plan it has been considered whether progress with the 2020/21 Internal Audit Plan will impact on the resources available for 2021/22. Internal Audit progress reports to the Audit, Risk and Scrutiny



Committee during 2020/21 have stated that there have been delays with progressing work for a variety of reasons. Time has been included in the plan for the conclusion of this work. If, nearer the end of the 2020/21 financial year, it becomes apparent that completion of the 2020/21 planned works would further impact on the resource available for 2021/22, a report will be submitted to the Audit, Risk and Scrutiny Committee making proposals to resolve any issues.

- 3.11 In recognition of the above factors, the pace and scale of the Council's Transformation, its fluid risk environment, and uncertainty in respect of the ongoing impact of external factors (including Covid 19 and EU Exit), it is proposed that a formal review of the Internal Audit Plan is undertaken during the course of 2021/22. It is anticipated that the Audit, Risk and Scrutiny Committee will be asked at its meeting on 29 September 2021, following consultation with the Council's Risk Board, to reaffirm the plan for the remainder of the year or to consider any proposals to amend the plan based on the risk to the organisation at that point. This would help to ensure that the plan remains relevant to the Council's risk profile and available resources.

Covid 19

- 3.12 In developing the Plan, cognisance has been taken of the impact on Services as a result of Covid 19 and the potential for legacy impact and continuing resource constraints going forward, which may affect the ability of Services to assist Internal Audit in its enquiries and respond to draft audit reports as they are published.
- 3.13 The Plan does not include Covid 19 specific work. Internal Audit remains alert to the risks to the Council's internal control environment, and any changes in the systems and processes audited as part of the Plan, or compliance with these, as a result of Covid 19 will be considered, risk assessed, and highlighted as appropriate as part of the audit process.
- 3.14 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. A possible scope and objective of this audit work was presented to the Audit, Risk and Scrutiny Committee at its meeting of 9 December 2020, and the Committee agreed to note that this would be consulted on as part of preparations for presenting the draft Internal Audit Plan for 2021/22.
- 3.15 The audit objective described was to obtain assurance over the Council's controls over the use of key areas of grant funding provided by Scottish Government in respect of Covid 19, including funding allocations, Council delegations, procurement and compliance with grant conditions. This would focus on the controls over funding, rather than reviewing use of the funding which falls under the remit of the City Growth & Resources Committee.
- 3.16 Management has highlighted that, given management assurance provided to various Committee meetings in respect of the financial impact to the

Council, the management assurance provided through the Covid-19 Response Decision Tracker scheduled for City Growth & Resources Committee on 3 February 2021, and anticipated scrutiny from external auditors in respect of the impact of the pandemic on the Council, there may be limited added value through a specific review.

3.17 The Chief Officer - Finance has also highlighted that actions are still being progressed in response to recommendations made in Internal Audit report AC2008 Ring Fenced Funding. Conclusion of these actions, which are being monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee by exception, will provide assurance over the controls in place regarding use and recording of grant funding.

3.18 Having regard to these comments, Internal Audit considers that a specific audit of the Council's response to the Covid-19 pandemic including the Spaces for People project would not add substantial value to the 2021/22 Internal Audit Plan.

#### Undertaking planned work

3.19 When commencing each planned audit, Internal Audit contacts the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. They are reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern. Once fieldwork has been completed, a draft report is issued to the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. Prior to issuing the final report, Internal Audit seeks confirmation from the Director involved that they are satisfied with the report and actions agreed to address any identified issues.

3.20 Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Public Sector Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".

#### Resources

3.21 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2020/21 was £586,000 and it is anticipated that the budget for 2021/22 will provide for a similar level of resource. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

## 4. FINANCIAL IMPLICATIONS

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

## 5. LEGAL IMPLICATIONS

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

this report.

**6. MANAGEMENT OF RISK**

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

**7. OUTCOMES**

- 7.1 There are no direct impacts, as a result of this report, in relation to the 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
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit’s progress to Committee. As a result, there will be no differential impact from the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

- 9.1 Appendix A – Internal Audit Plan 2021/22 – Strategy and Risk Assessment.
- 9.2 Appendix B – Draft Internal Audit Plan 2021/22.

**10. REPORT AUTHOR DETAILS**

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(01467) 530701

## **APPENDIX A**

### **INTERNAL AUDIT PLAN 2021/22 STRATEGY AND RISK ASSESSMENT**

This document details the process adopted for developing the Internal Audit plan for 2021/22, which is the same as approved by the Audit, Risk and Scrutiny Committee previously when it considered plans for previous years.

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

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

In developing the plan, consideration was given to the Council's risk registers, the Council's Strategic Priorities, and a listing of previous audits undertaken within both Aberdeenshire and Aberdeen City Councils, and the outcome of these. The Chief Executive, Directors, and Chief Officers were invited to provide input to the plan to help ensure that the right areas were targeted for review, and these comments have been reflected in the Plan as appropriate.

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

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

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

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

**KEY TO RISK RATING:**

- High There is a high probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council’s finances and or reputation, and its ability to achieve its Strategic Priorities.
- Medium There is a risk, before mitigating controls are applied, of errors being made which would expose the Council to an element of risk which may impact on the Council’s finances and or reputation, and its ability to achieve its Strategic Priorities.
- Low There is a low probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council’s finances and or reputation, and its ability to achieve its Strategic Priorities.
- TBC To be confirmed – insufficient Internal Audit work completed in these areas to date.

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

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Budget Setting	Failing to ensure that a sustainable budget is set which allows for delivery of a defined service including everything that will be required to deliver that service.	High	Medium (due to impact of Covid19)
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium	Low
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	Medium	Medium
	Failing to have outcome measures to demonstrate service provision.	Medium	Low
	Failing to achieve Best Value / Value for Money.	High	Medium
Procurement	Failing to comply with procurement legislation.	High	Medium (due to compliance)
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High	Low
Payroll	Failing to ensure that employees are paid their basic pay correctly.	Medium	Low
	Failing to ensure that employees are paid allowances / enhancements correctly.	Medium	Medium (due to compliance)

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



**Internal Audit Plan 2021/22**

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

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

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

Area	2020/21	2021/22	2022/23	2023/24	2024/25
Procurement	X	X	X	X	X
Payroll	X	X	X	X	X
Income Collection	X	X	X	X	X
Various aspects of Budget Setting, Monitoring and Management	X	X	X	X	X
Main IT Systems – each system to be covered once in every four to five years	X	X	X	X	X
Main Financial Systems	X	X	X	X	X

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

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

**APPENDIX B**

**ABERDEEN CITY COUNCIL – DRAFT INTERNAL AUDIT PLAN 2021/22**

**(Incorporating Aberdeen City IJB and NESPF)**

**CROSS SERVICE**

Subject	Scope	Objective	Discussion	Target Committee
Commissioning	Commissioning	Review of plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan	The Council set out intentions in its Delivery Plan to implement a Strategic Commissioning Approach, this review would support the mechanisms in place to plan and deliver this.  Source: Corporate Risk Register: Financial Sustainability	Sep-21
Payroll and HR system amendments	Payroll and HR system amendments - new starts, changes, leavers.	To obtain assurance over the accuracy and completeness of the payroll as a result of changes to the workforce.	Key controls over the payroll and associated payments are reviewed on a cyclical basis to provide assurance over their application.  Source: IA assessment of risk and annual review of controls in respect of payroll	May-22

Subject	Scope	Objective	Discussion	Target Committee
Procurement Compliance	Compliance with Procurement Regulations	To support the Commercial and Procurement Shared Service in developing its controls and approach to improving compliance with procurement requirements.	<p>Issues with compliance with procurement requirements have been raised in previous years' Internal Audit reports, and management is implementing actions to address this. A revised approach from Internal Audit, including supporting further development of key controls in this area is proposed for 2021/22.</p> <p>Source: IA assessment of risk and annual review of controls in respect of procurement. Corporate Risk Register: Contract Management; and Commercial &amp; Procurement Risk Register: Shared Procurement Service - Unable to Deliver</p>	N/A
Staff resourcing	Internal movement of staff; relief staff; and agency workers	To obtain assurance over adherence to procedures for internal movement of staff, use of relief pool staff, and agency worker engagement procedures.	<p>Key controls over the payroll and associated payments are reviewed on a cyclical basis to provide assurance over their application. An audit of Agency Staff was deferred from the reserve list for 2020/21, and has been combined with similar areas.</p> <p>Source: Corporate Risk Register: Workforce Capacity and Capability</p>	May-22

Subject	Scope	Objective	Discussion	Target Committee
Recruitment	The recruitment process	To obtain assurance over adherence to the recruitment process, including pre-employment checks and document retention	<p>Key controls over HR processes are reviewed on a cyclical basis to provide assurance over their application. An audit of Teacher's Recruitment was deferred from the reserve list for 2020/21, and has been combined into a review of Corporate recruitment processes.</p> <p>Source: Corporate Risk Register: Workforce Capacity and Capability</p>	Dec-21
Attendance Management	Attendance Management Process	To obtain assurance over compliance with corporate policy and determine whether the Council's absence improvement plan is having a positive impact on attendance.	<p>Key controls over HR processes are reviewed on a cyclical basis to provide assurance over their application.</p> <p>Source: Corporate Risk Register: Workforce Capacity and Capability</p>	Dec-21

**CUSTOMER**

Subject	Scope	Objective	Discussion	Target Committee
Debt recovery	Recovery arrangements for sundry debt	To ensure that procedures for recovering debts are adequate, efficient, and consistently applied.	<p>Key controls over Financial processes are reviewed on a cyclical basis to provide assurance over their application.</p> <p>Source: IA assessment of risk and annual review of controls in respect of income collection.</p> <p>Corporate Risk Register: Financial Sustainability</p>	Feb-22
IT Infrastructure Resilience	IT Infrastructure Systems	To obtain assurance over the procurement and adequacy of the Council's IT infrastructure systems.	<p>Key controls over IT systems are reviewed on a cyclical basis to provide assurance over their application. Infrastructure systems support the business systems through which the Council operates and delivers services.</p> <p>Source: IA assessment of risk and annual review of controls in respect of business systems. Customer Experience Risk Register Service Delivery; and Digital &amp; Technology Risk Register Service Delivery</p>	Jun-21

Subject	Scope	Objective	Discussion	Target Committee
Cyber Security	Cyber Security	To support the Digital and Technology Service in obtaining assurance and further developing controls over the Council's Cyber Security arrangements.	<p>Cyber Security has been identified by the Council as a key risk. The Service has requested support from Internal Audit in reviewing its response.</p> <p>Source: Corporate Risk Register: Cyber Security. Request from Digital and Technology</p>	N/A
Social Care System	Social Care System controls and readiness for deployment	To support the Digital and Technology Service in its development of controls in respect of the new social care system.	<p>A new system is being developed. The Service has requested Internal Audit support to ensure key controls are included as part of its implementation.</p> <p>Source: Request from Digital and Technology</p>	N/A

**EARLY INTERVENTION AND COMMUNITY EMPOWERMENT**

Subject	Scope	Objective	Discussion	Target Committee
Private Sector Housing	Inspections, Aids and Adaptations	To ensure that adequate control is being exercised over income and expenditure.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Cluster or location-oriented audits to gain assurance as to whether controls in place are operationally effective and efficient, and whether they are being complied with.</p>	May-22

**OPERATIONS**

Subject	Scope	Objective	Discussion	Target Committee
Children's Social Care	Children with Disabilities - Contracts and Direct Payments	To obtain assurance that care is being arranged and paid for in accordance with procedure to secure best value outcomes.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Children's &amp; Family Services Risk Register: Wellbeing of Children</p>	Sep-21
Financial Administration - Waste	Financial Administration - Waste	To obtain assurance over financial administration including payroll, timesheets, and purchasing.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Cluster or location-oriented audits to gain assurance as to whether controls in place are operationally effective and efficient, and whether they are being complied with.</p>	May-22
Client Transport	Transport arrangements for Education and Social Care	To obtain assurance over procurement, provision and management of transport for educational and social care needs	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Corporate Risk Register: Contract Management</p>	Feb-22



## RESOURCES

Subject	Scope	Objective	Discussion	Target Committee
Following the Public Pound	Grant Funding to external organisations	To obtain assurance that grant payments to external organisations during financial year 2021/22 comply with the Council's policy and procedure, including the Following the Public Pound code of practice.	<p>Key controls over Financial processes are reviewed on a cyclical basis to provide assurance over their application.</p> <p>Source: Corporate Risk Register: Financial Sustainability</p>	Feb-22
Revenue Budget Monitoring	Revenue Budget Monitoring	To ensure that robust procedures are in place for monitoring the revenue budget.	<p>Key controls over Financial processes are reviewed on a cyclical basis to provide assurance over their application.</p> <p>Source: IA assessment of risk and annual review of controls in respect of budget setting.</p> <p>Corporate Risk Register: Financial Sustainability; and Failure to deliver key financial services in the event of the failure of plans, capabilities, systems and processes</p>	Dec-21

Subject	Scope	Objective	Discussion	Target Committee
Financial system interfaces and reconciliations	Financial system interfaces and reconciliations	To obtain assurance that appropriate checks and balances are in place to confirm the accuracy of information transferred into the financial system.	<p>Key controls over Financial processes are reviewed on a cyclical basis to provide assurance over their application.</p> <p>Source: IA assessment of risk and periodic review of controls in respect of main financial systems.</p> <p>Corporate Risk Register: Failure to deliver key financial services in the event of the failure of plans, capabilities, systems and processes.</p>	Sep-21
Land and Property	Council Owned Land and Property	To review systems and procedures in place for ensuring that the Council has surety over the Land and Buildings it owns, including title.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively. An audit of Sale of Land and Property was deferred from the 2020/21 reserve list, and this reflects a re-focus of that work on a key element supporting that process.</p> <p>Source: Carried forward from 2020/21.</p> <p>Corporate Risk Register: Financial Sustainability; and Health &amp; Safety Compliance</p>	Feb-22

**GOVERNANCE**

Subject	Scope	Objective	Discussion	Target Committee
Licensing	Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively. This was carried forward from the reserve list in the 2020/21 Internal Audit Plan.</p> <p>Source: Carried forward from 2020/21. Corporate Risk Register: Financial Sustainability</p>	Jun-21

**PLACE**

SUBJECT	SCOPE	OBJECTIVE	Discussion	Target Committee
Income	Planning and Building Standards fee income	To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively. This was carried forward from the reserve list in the 2020/21 Internal Audit Plan.</p> <p>Source: Carried forward from 2020/21. Cluster or location-oriented audits to gain assurance as to whether controls in place are operationally effective and efficient, and whether they are being complied with. Strategic Place Risk Register: Fee Income - SPP</p>	May-22
Interreg Projects	Interreg Projects where Aberdeen City Council is involved as a Lead Partner and / or Project Partner	To certify required grant claims in accordance with Programme Secretariat requirements.	<p>Independent certification is required to allow the Council to draw down certain funding streams</p> <p>Source: Service requirement</p>	As Required

**HEALTH AND SOCIAL CARE PARTNERSHIP**

Subject	Scope	Objective	Discussion	Target Committee
Care Establishments	Care Establishments Financial Administration	To obtain assurance over financial administration including payroll, timesheets, purchasing.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Cluster or location-oriented audits to gain assurance as to whether controls in place are operationally effective and efficient, and whether they are being complied with.</p>	Dec-21
Care Management	Care Management Recording and Transactions	To obtain assurance over coordination, recording and payment for care services.	<p>A cross section of the Council's operations are selected each year for review to ascertain the controls in place are operating effectively.</p> <p>Source: Cluster or location-oriented audits to gain assurance as to whether controls in place are operationally effective and efficient, and whether they are being complied with.</p>	May-22

**ACC INTEGRATION JOINT BOARD**

Subject	Scope	Objective	Discussion	Target Committee
Transformational Programme	Health and Social Care Transformation	To provide assurance that the IJB is continuing to make progress with delivery of its transformation agenda.	<p>Controls over this area support the IJB in achieving its Strategic Plan</p> <p>Source: IJB Strategic Risk 7: Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system</p>	Feb-22
Reporting Internal Audit outputs to the IJB Risk, Audit and Performance Committee.	Reporting Internal Audit outputs to the Risk, Audit and Performance Committee.	To provide the Risk, Audit and Performance Committee with assurance regarding the areas examined by Internal Audit.	Internal Audit is required to report the outcomes of its work to the Committee, in compliance with Public Sector Internal Audit Standards.	Continuous

**PENSION FUND**

Subject	Scope	Objective	Discussion	Target Committee
Pensions System	Pensions System	To consider whether appropriate control is being exercised over the system used to administer the Fund, including access, contingency planning and disaster recovery, data input, and that interfaces to and from other systems are accurate and properly controlled.	Key controls over IT systems are reviewed on a cyclical basis to provide assurance over their application.  Source: IA assessment of risk and periodic review of controls in respect of business systems. NESPFO21 Risk: Failure to secure and manage personal data in line with data protection requirements; and NESPFO22 Risk: Failure of the Fund's administration system	Feb-22
Reporting Internal Audit outputs to Pensions Committee.	Reporting Internal Audit outputs to Pensions Committee.	To provide Pensions Committee with assurance regarding the areas examined by Internal Audit.	Internal Audit is required to report the outcomes of its work to the Committee, in compliance with Public Sector Internal Audit Standards.	Continuous

**GENERAL**

Subject	Scope	Objective	Discussion	Target Committee
Follow up of agreed recommendations.	Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee.	Internal Audit is required to report on management progress with implementing agreed actions, under Public Sector Internal Audit Standards.	Continuous
Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	Reporting Internal Audit outputs to Audit and Risk Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	Internal Audit is required to report the outcomes of its work to the Committee, in compliance with Public Sector Internal Audit Standards.	Continuous
Contingency	Investigations and additional works.	To undertake investigations and additional works as they arise during the year, where resource allows, and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	Time is being set aside to accommodate potential changes to the plan where required, as new risks are identified and prioritised, or where planned work takes longer than anticipated.	As Required



## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2017 – Industrial & Commercial Property - Rental Income and Void Control
<b>REPORT NUMBER</b>	IA/AC2017
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2

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**1. PURPOSE OF REPORT**

1.1 The purpose of this report is to present the planned Internal Audit report on Industrial & Commercial Property - Rental Income and Void Control.

**2. RECOMMENDATION**

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

**3. BACKGROUND / MAIN ISSUES**

3.1 Internal Audit has completed the attached report which relates to an audit of Industrial & Commercial Property - Rental Income and Void Control.

**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 AC2017 – Industrial & Commercial Property - Rental Income and Void Control.

## 10. REPORT AUTHOR DETAILS

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(01467) 530701



## **Internal Audit Report**

### **Resources**

### **Industrial & Commercial Property**

### **Rental Income and Void Control**

**Issued to:**

Steven Whyte, Director of Resources  
Andy MacDonald, Director of Customer Services  
Stephen Booth, Chief Officer – Corporate Landlord  
Jonathan Belford, Chief Officer – Finance  
Jacqui McKenzie, Chief Officer – Customer  
Fraser Bell, Chief Officer – Governance  
External Audit

## EXECUTIVE SUMMARY

Aberdeen City Council has around 800 assets in its Tenant Non-Residential Property portfolio (TNRP) (the Investment Portfolio). These non-operational assets within the Council's asset register are commonly referred to as Commercial Investment Property and are leased to individuals, commercial organisations, charities and voluntary groups.

The portfolio largely comprises of retail, office and industrial units across Aberdeen and surrounding areas. Whilst recent additions to the Council's assets include the Marischal Square hotel, office and retail complex in the City centre and two hotels situated at TECA, these are operated through separate contractual and management arrangements.

In addition to the socio-economic benefits which investment properties may offer, the lease income which the portfolio generates makes an important contribution towards the cost of funding Council services. In December 2019, income from the portfolio was forecast to be £21,565,000 for the 2019/20 financial year. It is accounted for in a separate Trading Account managed by the Corporate Landlord section within Resources.

The objective of this audit was to provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.

At the time audit work was completed (January 2020), written guidance was not all up to date, records and approvals were not held consistently, and Key Performance Indicators were limited to income targets. The Service has stated that procedures have since been updated, records have been consolidated and approval processes clarified, performance standards are being reviewed as part of the Council's performance management framework, and further review of the efficiency of leasing administration is in progress.

The Council last approved a Property Asset Management Framework and Strategy in 2016. A Property Estates Strategy is currently being developed which will inform a review of the commercial estate. The Service plans to wait until there is greater stability in the market before concluding this review. In the interim, in response to Internal Audit's findings, the Service has stated that it has implemented quarterly reviews in respect of surplus property, revised processes in respect of void property recording and monitoring, and it will be reviewing further aspects of service design as part of the budget setting process.

Debt collection is managed corporately rather than within the Service. At the time audited, the Service had limited access to regular information on tenant arrears to direct intervention where appropriate. The Service has stated that this information is now available, and a debt review process has been proposed between responsible Services.

## **1. INTRODUCTION**

- 1.1 Aberdeen City Council has around 800 assets in its Tenant Non-Residential Property portfolio (TNRP) (the Investment Portfolio). These non-operational assets within the Council's asset register are commonly referred to as Commercial Investment Property which can be leased to individuals, commercial organisations, charities and voluntary groups.
- 1.2 The portfolio largely comprises of retail, office and industrial units across Aberdeen and surrounding areas, as well as smaller assets such as garage lockups and pieces of land which are, for example, leased as car parking spaces or telecommunications mast sites. More recent additions to the portfolio include the Marischal Square hotel, office and retail complex in the City centre and two hotels situated at TECA. Whilst part of the portfolio, these are operated through separate contractual and management arrangements.
- 1.3 In addition to the socio-economic benefits which investment properties may offer, the lease income which the portfolio generates makes an important contribution towards the cost of funding Council services. As at December 2019, income from the portfolio was forecast to be £21,565,000 for the 2019/20 financial year. It is accounted for in a separate Trading Account managed by the Corporate Landlord section within Resources.
- 1.4 The objective of this audit was to provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises. This was obtained through enquiry and a walk through of relevant documentation and system data in respect of a sample of assets and lease arrangements.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Stephen Booth, Chief Officer – Corporate Landlord.

## 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. This is important in the event of an experienced employee being absent or leaving, and they have increased importance where new systems or procedures are being introduced.
- 2.1.2 Written procedures are available for staff in a shared drive and range from detailed system operation instructions to an indexed property management manual. However, the impact of changes in the Service management and staffing structure, which had resulted in revised reporting lines and practice, had not yet been reflected in procedures.

#### **Recommendation**

The Service should ensure that written guidance relating to investment property letting and void property management reflects current governance arrangements and practice.

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

Agreed. The service was in the process of being redesigned and procedures were in the process of being updated and made consistent across different service areas. The procedures have now been consolidated and updated and will be subject to annual review.

#### **Implementation Date**

Implemented

#### **Responsible Officer**

Chief Officer (Corporate Landlord)

#### **Grading**

Significant within audited area

### 2.2 Strategy

- 2.2.1 In 2016, the Council approved its 2016-2018 Property Asset Management Framework and Strategy which stated 'Property...income must be maximised and additional income streams should be identified [since] this income helps support service delivery.' This involves 'investing to increase or maintain revenue income, disposing of poorly performing investment assets, [and] identifying new sources of revenue from assets.' Key planning objectives for the Council's property portfolio include having 'the right assets, at the right time, in the right place', maximising value from non-operational assets and increasing the income they generate.
- 2.2.2 The Strategy had not been updated to consider whether these objectives remain relevant in 2020 and to confirm whether these were still the focus of Corporate Landlord's approach to the Investment Portfolio.

#### **Recommendation**

The Service should update the Property Estates Strategy.

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

Agreed. A Property Estates Strategy is currently being updated/ developed which will lead to a review of the commercial estate later in 2021 . A soft market testing exercise was undertaken with regard to the TNRP and then aborted due to market changes around Covid. A review is proposed but will not be reported until there is greater stability in the market.

#### **Implementation Date**

#### **Responsible Officer**

#### **Grading**

Estates Strategy – April 2021	Chief Officer (Corporate Landlord)	Significant within audited area
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- 2.2.3 The Service had no Key Performance Indicators to demonstrate how efficiently the portfolio is operating. This could limit opportunities to determine performance across each property type in terms of income, meeting the City’s property related socio-economic needs, and delivering the Property Asset Management Strategic aims efficiently.

<b><u>Recommendation</u></b>		
The Service should put in place Key Performance Indicators which will inform management’s strategic development of the Investment Portfolio.		
<b><u>Service Response / Action</u></b>		
Agreed. The portfolio has been managed to meet the income targets set within the budget process and maximise income. This key performance criteria has been met.		
KPI’s will be reviewed as part of reviewing Service Standards in late 2020.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2021	Chief Officer (Corporate Landlord)	Significant within audited area

- 2.2.4 As part of the Council’s commitment to Shaping Aberdeen and to improve the use of its resources, in 2016 the Service committed to reviewing the investment portfolio to identify where investment and dis-investment was required. The Framework’s Asset Management Methodology involves a review of assets including the ‘Commercial Investment Portfolio’. In 2016 the status of this action was recorded as ‘To be drafted’.

- 2.2.5 As at November 2019, the portfolio included 797 assets, 742 of which had live leases in place. It included industrial and commercial properties such as shops, offices, industrial units, telecommunications mast sites, wayleaves, temporary occupation agreements etc. for which rental income is received. It also included properties generally being used for recreational or charitable purposes which are leased for a nominal sum.

- 2.2.6 In March 2019 the Council’s budget report identified asset rationalisation and a review of its portfolio as contributions from the Service towards managing the Council’s funding gap. Although consideration is given to individual elements of the portfolio content as leasing arrangements change, there has been no specific exercise to review the whole portfolio, therefore opportunities to meet or improve the budget position may not have been achieved.

- 2.2.7 Where properties have no lease in place or generate little rental income, the cost of managing the leases and maintaining the properties can outweigh their benefit to the Council, hence the need for a regular Portfolio review. There is often good reason for properties being held vacant or land not being leased, e.g. where land areas are earmarked for road improvements. However, the reasons and assumptions are not consistently recorded, or subject to periodic review to ensure they remain valid. Opportunities to divest, or obtain income in the short term, may not be realised.

<b><u>Recommendation</u></b>		
The Service should periodically review the Investment Portfolio to ensure that assets remain strategically relevant and add value to the Council.		
The Service should ensure sufficient data is available to support periodic review.		
<b><u>Service Response / Action</u></b>		

Agreed. Reviews have been established and consistency in recording all surplus property types and designations have been agreed including commercial property, which will be reviewed on a quarterly basis.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Significant within audited area

2.2.8 The cost of void properties can be significant for the Council in terms of Business Rates, utility payments and maintenance. The risk of vandalism, theft and fire-raising also increases when properties are vacant, resulting in additional potential costs.

2.2.9 While there was evidence of some property checks being undertaken (some of which are daily), the necessity, adequacy and regularity of checks across the portfolio had not been set out.

2.2.10 Given the number of properties in the Investment Portfolio and the limited resources available, a clearer and more strategic risk-based approach to property monitoring could provide greater assurance in terms of the management of void properties. To ensure that the extent and regularity of monitoring is commensurate with risk, consideration should be given to the types of property, their history and location, and any current factors which may increase the risk.

**Recommendation**

The Service should ensure that it can demonstrate a clear, risk-based approach towards the monitoring of properties in the Investment Portfolio.

**Service Response / Action**

Agreed. A revised process has been agreed and is now in place.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Significant within audited area

2.2.11 Major investment projects and new income streams such as TECA and Marischal Square have increased income to the Council. These projects include reliance on external partners, to varying extents in respect of property and tenancy management including letting, recovering rental income, and managing voids.

2.2.12 Although the Service provided verbal assurance of the arrangements in place, evidence was not available to demonstrate the agreements with those involved which detail the roles of each organisation and the lines of responsibility in relation to letting, income recovery and void management; or of regular meetings and supporting records between the Council and the property management agents to discuss letting, income and void management.

**Recommendation**

The Service should retain agreements, evidence of meetings and monitoring reports associated with property management arrangements at TECA and Marischal Square.

**Service Response / Action**

Agreed. All information in relation to letting meetings and property management meetings are recorded in an electronic file for MSQ. A shared site has also been established for the TECA development albeit this is still in a handover phase between the capital delivery team and ongoing management.



<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Significant within audited area

- 2.2.13 The Service had not programmed a review of the merits and efficiency of these arrangements which commenced in 2017-18 for Marischal Square and 2019-20 for TECA. It would be prudent to identify a suitable point in the future when the impact of the new property management arrangements can be reviewed and reported.

<b><u>Recommendation</u></b> The Service should programme formal reviews to report on the effectiveness and efficiency of the property management arrangements associated with the TECA site and Marischal Square.		
<b><u>Service Response / Action</u></b> Agreed. The Service will establish a regular review process of management arrangements. This will form part of the annual service design and budget setting process.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Chief Officer (Corporate Landlord)	Important within audited area

- 2.2.14 As the Investment Portfolio includes assets which are managed for non-commercial reasons, and the scale of these income streams (in comparison to the above) may result in limited commercial interest, the more traditional elements continue to be managed internally. There may however be options or elements of practice which could be implemented to parts of the Investment Portfolio to enhance the efficiency and effectiveness with which the Service delivers its objectives.

<b><u>Recommendation</u></b> The Service should consider whether different approaches to property management could be applied across parts of the Investment Portfolio which might increase Portfolio income and deliver Portfolio objectives more efficiently and effectively.		
<b><u>Service Response / Action</u></b> Agreed. This will be considered as part of the service design process on an annual basis.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2021	Chief Officer (Corporate Landlord)	Important within audited area

## 2.3 Leasing Process

- 2.3.1 Robust systems and processes are needed for letting, income recovery and the management of void properties within the Investment Portfolio to ensure appropriate records are maintained, that rent invoices are accurate and timeously raised and that income from the Investment Portfolio is maximised where possible. The Service utilises a property management system to record property valuations, lease and tenant information.
- 2.3.2 The leasing process for Investment Property is overseen by the Corporate Landlord and involves the following stages:

- 2.3.3 Rental valuation – Property rental values are determined from surveys performed in accordance with Royal Institute of Chartered Surveyors (RICS) guidelines by RICS-qualified Surveyors. Depending on staff availability, surveys may be undertaken in-house or by an external provider.
- 2.3.4 Property advertising – Marketing details which incorporate an ‘asking rent’ are drafted by Corporate Landlord and are then advertised on the Council’s website and / or via a letting agent.
- 2.3.5 Lease negotiation – where a potential tenant is identified, the general terms of the lease (Heads of Terms) are agreed between Corporate Landlord and the prospective tenant. The Legal team (Governance) are instructed to prepare the lease document.
- 2.3.6 Lease finalisation – Following the agreement of all parties, the lease is signed by the tenant and the Council, and details are passed to Central Administration (Customer) to ensure the property management system is updated with the current lease terms and tenancy details. Tenants’ records are cross referenced to the Debtors system for invoicing.
- 2.3.7 Tenant invoicing – Investment property rent invoices are raised in accordance with the terms of the lease, through a monthly interface file which is downloaded from the property management system and transferred following manual adjustments to the financial system. Checks are in place to confirm that invoice data is uploaded correctly.
- 2.3.8 Thereafter, Lease Extensions, Lease Terminations, Rental Revaluations and other tenancy changes are administered using the same systems and staff within the Council.
- 2.3.9 For the purposes of property letting, income recovery and void management, the Service retains documents relating to rental valuations, marketing, lease agreements and property checks in electronic files which have a Case Number for each property. This Case Number is detailed in the Property’s record within the property management system.
- 2.3.10 While the leasing process provides reasonable control over letting and income, and segregation of duties is such that the risk of fraud is reduced, the process could be made more efficient. The Property Details Amendment Form (PDAF) is a key control form on which Case Officers record changes to tenancy and lease details which impact on invoicing. PDAF’s must be authorised by the Estates Manager before being passed to the Central Administration Team for processing to the property management system.
- 2.3.11 Similar information is passed in other formats for different purposes to and from other parties involved, including the Legal team and the tenant. Forms which were noted included the Heads of Terms, the Lease Summary, the Property Transaction (PT) Form, and a Concluded Missives Advice in addition to the PDAF. If these forms can be combined, or embedded in the system with sufficient authorisation and review controls, the processes could be more efficient and reduce the risk of error inherent in duplicating and transferring data.

<b><u>Recommendation</u></b>		
The Service should review the efficiency of the leasing administration process.		
<b><u>Service Response / Action</u></b>		
Agreed. Minor amendments have been made with the introduction of SharePoint and Teams systems, although further review work is required.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2021	Chief Officer (Corporate)	Important within audited

**2.4 Rent Reviews**

- 2.4.1 Rental valuations are undertaken as required by rent review terms in a lease, when a property is to be advertised for let, a new lease is established, or at the end of a lease when an assessment for dilapidations may be required.
  
- 2.4.2 Leases in excess of one year typically include a clause setting out the frequency of rent reviews. Leases are set up in the property management system with dates when, in accordance with the lease, a rent review is due and a surveyor’s assessment of the rental value required. The system alerts the Service when rent reviews fall due, and evidence of them being completed is retained in the electronic case file with details being fed into the property management system. Reviews can be delayed, pending completion of surveys and negotiation with tenants, though the standard position is that they are back-dated to the date on which they should have been completed. The revised rent agreed with the tenant is detailed on a Property Details Amendment Form (PDAF) which is signed off by the Estates Manager.
  
- 2.4.3 There was no set guidance on the level of variation from Surveyor’s rental valuation which may be accepted, and documentation of reasons for reducing rents is not consistent. Setting thresholds, delegated levels of authority, and evidentiary / documentary requirements would improve efficiency and assurance over the process.
  
- 2.4.4 A substantial element of the portfolio (201 properties / 25% in November 2019) was subject to Tacit Relocation – i.e. leases had been extended year on year under the same conditions and rent levels, indicating the Service has not taken action to serve notice on tenants to end the tenancy or formally re-let and apply a rent review. This may be an appropriate option for assets which could prove difficult to re-let or which are anticipated to result in a lower market rent being determined. However, the Service did not retain consistent evidence in support of these decisions.

<b><u>Recommendation</u></b>		
The Service should retain consistent evidence in support of decision making.		
<b><u>Service Response / Action</u></b>		
Agreed. The rent review valuation and reporting system has been altered to give clear parameters for negotiation. The market has however seen reduction in rental levels in a number of areas in recent years.		
A process has been introduced by the service to support the process and any decision for a property to be on tacit relocation. This is signed off by the Team leader or Service Manager.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Significant within audited area

**2.5 Lease Terminations**

- 2.5.1 Where a lease terminates, the Service must ensure that staff check the property and issue a PDAF form to the Central Administration team in order that the status of the vacant property is revised in the property management system.
  
- 2.5.2 There are various actions which should take place at the end of a lease including end of lease property checks, meter readings and disconnections, the update of system records

and recovery of any final income due, e.g. for dilapidations caused by the tenant, and consideration of application for business rates relief. Whilst there was some evidence of these actions taking place, records were not always consistent. A checklist could provide further assurance over completion.

<b><u>Recommendation</u></b>		
The Service should develop and implement checklists for relevant lease stages.		
<b><u>Service Response / Action</u></b>		
Agreed. A checklist is now being completed for all new terminations.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Important within audited area

2.5.3 Where a property becomes available for let it should be advertised on the Council's website as soon as possible to increase occupancy and maximise income from the portfolio.

2.5.4 A list of properties identified as vacant and available for let in the property management system was checked to the Council's website and 31 of 56 vacant properties were not advertised at that time. This could suggest that property classifications within the system need to be reviewed to provide greater assurance that there is a legitimate reason for vacant properties not being marketed. Otherwise, marketable properties could be overlooked, potential income lost and the risk of unauthorised and fraudulent use of properties could increase.

<b><u>Recommendation</u></b>		
The Service should ensure that vacant properties are clearly classified in the property management system to ensure that all which are available for lease are promptly re-advertised.		
<b><u>Service Response / Action</u></b>		
Agreed. A review process to reclassify vacant assets correctly across all accounts has been introduced and is reviewed on quarterly basis. A number of properties were identified which are of little or no value or held for other purposes.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer (Corporate Landlord)	Significant within audited area

## 2.6 Rent Arrears

2.6.1 In 2018, responsibility for income recovery for all services, including Corporate Landlord, was transferred to the Service Income Team within the Customer Service. A lack of resource in both the Customer and Resources Services was limiting the ability to be proactive in addressing rent debt in line with the Corporate Debt Recovery and Service Income Policies approved by City Growth and Resources Committee in November 2018.

2.6.2 Although Finance provided an overdue invoices report for budget holders, it was still being developed to meet budget holder needs. Finance intended to provide guidance on their use by the end of 2019/20 and was developing training. On 18 November 2019 this report indicated £2,682,000 of outstanding debt, of which over £1,000,000 was more than six months overdue.

- 2.6.3 While income targets can be monitored in the Trading Account, the Service was not provided with regular reports of where rent invoices had not been paid and the resource to manage this did not sit within the Service. This limited the Service's ability to support income recovery action through early intervention in a bid to prevent tenants' outstanding debts from escalating, nor assist in negotiating debt repayment plans in a fair and sensitive manner.
- 2.6.4 The delegated authority and arrangements to write off uncollectable debt is detailed in the Corporate Debt Recovery Policy. Schedules should be kept of debt write-offs which include the tenant or debtor details, debt value, reason for write off and the approval of the same. Debt write-offs above £25,000 should be reported annually to the City Growth and Resources Committee and amounts below this figure require reporting to the Chief Officer (Finance) and the Chief Officer (Customer) more frequently.
- 2.6.5 Reports of debt write-offs relating to uncollected Industrial & Commercial rents were requested from the Chief Officer (Customer), however Corporate Landlord has not written off any uncollected rent since the new Policy was introduced. This could mean that the Council is carrying aged debts which are unlikely to be recovered which may mean that actual income is being misrepresented in the Trading Account. Further, it means that the Service is not well-positioned to establish lessons which can be learned from each case and understand where strategies which involve earlier intervention can improve outcomes for both the Council and the tenant.

**Recommendation**

The Service should ensure that tenants' outstanding industrial and commercial rent debt is regularly reviewed and that uncollectable debts are considered for write-off and reported in accordance with the Corporate Debt Recovery and Service Income Policies.

**Service Response / Action**

Agreed. Debt collection is managed corporately rather than within the Service. The Service does now however have access to regular information on tenant arrears. These are cross checked around lease events and any tenant requests. A debt review process has been proposed between responsible Services.

**Implementation Date**

March 2021

**Responsible Officer**

Chief Officer (Corporate Landlord)

**Grading**

Significant within audited area

**AUDITORS:** D Hughes  
C Harvey  
P Smith

## Appendix 1 – Grading of Recommendations

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



# Aberdeen City Council

Audit strategy

Year ending 31 March 2021

For Audit, Risk and Scrutiny Committee consideration on 24 February 2021

15 February 2021

For the Audit, Risk and Scrutiny Committee (ARSC) and the Controller of Audit

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## About this report

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

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

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

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

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

## Complaints

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



# Introduction

2020-21 is the fifth year of our external audit appointment to Aberdeen City Council (“the Council”), having been appointed by the Accounts Commission as auditor of the Council under the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22 inclusive, which was extended at the request of the Accounts Commission. The engagement leader will not exceed the five year maximum permitted for an EU Public Interest Entity (“EU-PIE”). Our appointment includes the audit of the Aberdeen City Council Charitable Trusts.

## Our planned work in 2020-21 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
  - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom (“the 2020-21 Code”) of the state of the affairs of the Council as at 31 March 2021 and of the income and expenditure of the Council for the year then ended; and
  - have been prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2020-21 Code, the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- participation in the shared risk assessment as part of the local area network;
- completion of returns to Audit Scotland and grant claims;
- a review and assessment of the Council’s governance arrangements and review of the governance statement;
- a review of National Fraud Initiative arrangements;
- a review of arrangements for preparing and publishing statutory performance information; and
- contributing to the audit of wider scope and Best Value through performance of risk assessed work.

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls** and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity**, independence, **ethics** and **integrity**.

## Adding value

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

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

# Introduction (continued)

## Our team

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



**Michael Wilkie**  
Engagement leader – Audit  
director



**Matthew Moore**  
Manager

Our work will be completed in four phases from November 2020 to November 2021. Our key deliverables are this audit strategy document and the Annual Audit Report.

## Acknowledgements

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

# Headlines



## Materiality

Group materiality for planning purposes is based on last year's expenditure and is set at £10.3 million, which equates to 1% of gross cost of services expenditure. We will review the level of materiality on receipt of draft accounts for 2020-21.

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

Page six



## Audit risks

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

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

We also include an other areas of focus in respect of capital expenditure and the accounting treatment of Covid-19 grant income and spend.

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

Pages seven to 12



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## £ Financial statement audit

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



There are a small number of changes to the Code of Practice on Local Council Accounting ("the Code") in 2020-21 with which the Council needs to comply, as set out on page 16.



## Wider scope and Best Value

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

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

We test wider scope areas where there are identified risks. We consider that there are wider scope risks in respect of the delivery of savings required to achieve a balanced budget given demand pressures as a result of Covid-19, and in respect of the delivery and success of large capital projects. We have not identified any wider scope financial statement level significant risks.

Pages 15 to 20

# Headlines (continued)

## Best Value

In June 2016, the Accounts Commission formally agreed the overall framework for the approach to auditing Best Value in councils. The framework introduced a five year approach to Best Value. 2020-21 represents year five of the Best Value plan for the Council during which we will consider Partnership Working and Empowering Communities. We are also conducting a Best Value audit in conjunction with Audit Scotland which is substantially progressed and will be reported to the Accounts Commission in June 2021. This will limit the additional work required as part of the financial statement / wider scope audit work.

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

## Subsidiaries

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

KPMG is auditor to the Aberdeen City Integration Joint Board.

**Appendix six** contains the group structure.

## Independence

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

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

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

Total fees charged by us for the period ended 31 March 2020 were communicated in our Annual Audit Report issued in September 2020. Total fees for 2020-21 will be presented in our Annual Audit Report issued on completion of the audit. The audit fee proposed for 2020-21 is £441,000 as set out on page 27.

## Quality

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

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

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

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

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

# Financial statements audit planning

## Materiality

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

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

Materiality for planning purposes has been set at £10 million (9.2m 2019/20) for the Council's standalone accounts, and at £10.3 million (£9.3m 2019/20) for the group accounts, which in both cases equates to 1% percent of gross expenditure. We adjust gross expenditure for plant and property impairments by removing the impairments in year and adding a 5 year rolling average of revaluation movements in our materiality calculations. We also remove the Integration Joint Board expenditure from the calculation, as income and expenditure is grossed up for presentational purposes within the consolidated income and expenditure account.

We design our procedures to detect errors in specific accounts at a lower level of precision; performance materiality is £6.5 million for the standalone accounts and £6.7 million for the group accounts. This equates to 65% of Materiality (65% 2019/20) reflecting our experience of the Council.

### Reporting to the Audit, Risk and Scrutiny Committee

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

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

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

### Group audit

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

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



# Financial statements audit planning (continued)

**Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Aberdeen City Council operates.**

We also use our regular meetings with senior officers to update our understanding and take input from component audit teams and internal audit reports.

COVID-19 is having a significant impact on the UK economy and has resulted in increased risk in a number of processes and services across the Council.

Due to the unprecedented levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit, Risk and Scrutiny Committee.

## Significant risks

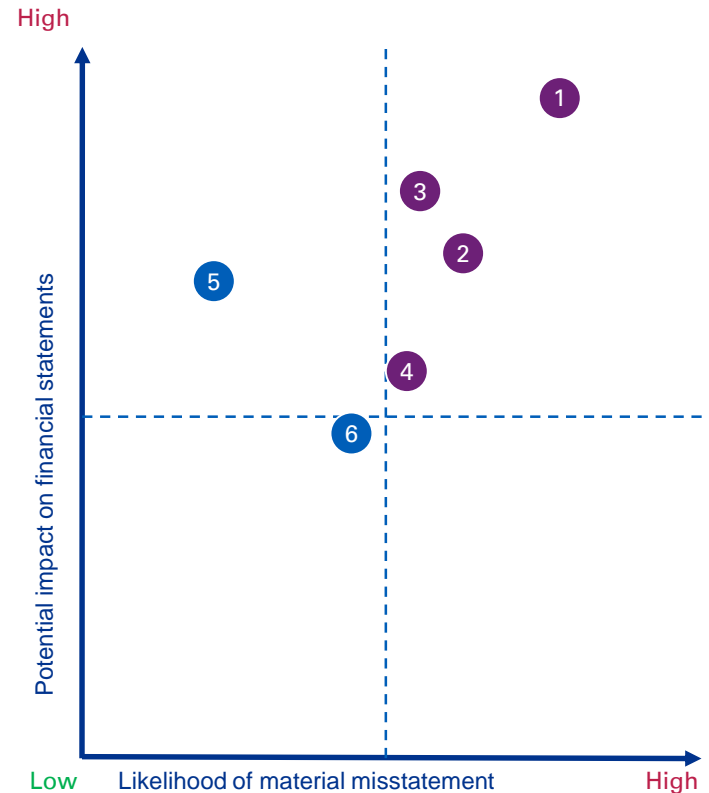
- ① Valuation of council dwellings, other Land and Buildings, surplus assets and investment property. (KAM)
- ② Retirement benefit obligations – Gross Liabilities (KAM)
- ③ Fraud risk from expenditure recognition.
- ④ Fraud risk from management override of controls

## Other focus areas

- ⑤ Capital expenditure
- ⑥ Covid-19 related grants

### KEY

- Significant financial statement audit risks
  - Other focus areas
- KAM - Key Audit Matter



This graph is new for 2020-21, however, in considering the equivalent for 2019-20 we determined that there would have been no movements in the risks except for the Covid-19 related grants which did not exist in 2019-20.

# Financial statements audit planning (continued)



## Significant risks and other focus areas

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

Significant risk	The risk	Planned response
<b>Financial statement risk</b>		
Fraud risk from management override of controls	<p>Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This is an assumed risk per ISA 240.</p> <p>Strong oversight of finances by management, and reporting to those charged with governance, provides additional review of potential material misstatements caused by management override of controls.</p> <p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council.</p> <p>We outline the respective responsibilities of KPMG and management in respect of fraud at <b>Appendices seven and eight.</b></p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we will test the operating effectiveness of controls over journal entries and post closing adjustments.</p> <ul style="list-style-type: none"> <li>— We will assess the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate.</li> <li>— We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition, and significant risk areas.</li> <li>— We will assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates</li> <li>— We will review the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.</li> <li>— We will assess the controls in place for the identification of related party relationships and test the completeness of the related parties identified. We will verify that these have been appropriately disclosed within the financial statements.</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
<b>Financial statement risk</b>		
Fraud risk over expenditure recognition	<p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, and depreciation. These costs are routine in nature and have limited risk of manipulation. As other operating expenditure is unlikely to be material, we also rebut the assumed risk in respect of this account.</p> <p>We have not rebutted the assumed risk in respect of the remaining expenditure accounts (£423 million) within the £1,274 million (in 2019-20) gross expenditure.</p> <p>The risk is for the expenditure in the months following month 9 reporting, including the year end processes and cut off. (The risk is the completeness, accuracy and existence of the expenditure).</p>	<ul style="list-style-type: none"> <li>— Comparison of the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation.</li> <li>— Testing the design and implementation of controls specific to expenditure cut-off.</li> <li>— Testing of expenditure cut-off including a search for unrecorded liabilities.</li> <li>— Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances.</li> <li>— Review and challenge management in respect of cut-off arrangements and use of any de-minimis levels</li> <li>— Testing of journal entries in relation to expenditure for evidence of management bias.</li> </ul>

### Income recognition fraud risk

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

We consider that the Council's significant income streams, which include taxation and non-specific grant income are free of management judgement or estimation. We do not consider recognition of the remaining income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised, and these are not likely to be materially inappropriate. We did not identify any such errors or manipulation in the prior year. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area beyond our standard fraud procedures.



# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
<b>Financial statement risk</b>		
<p>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p><b>(KAM)</b></p>	<p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. There is a significant risk over the valuation assertion due to material estimates included within the valuation.</p> <p>The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>In 2020-21 the following category of assets will be subject to revaluation and we expect the movement to be material:</p> <ul style="list-style-type: none"> <li>— Housing Revenue Account properties; and</li> <li>— Surplus properties.</li> </ul> <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we consider there to be significant risk of misstatement.</p> <p>In addition to those assets revalued in year, the Council will have to evidence how it satisfies itself that the other assets not revalued in 2020-21 are not materially misstated, especially with the current impact of the Covid19 pandemic and economic impact.</p> <p>Continued...</p>	<p>Our procedures include:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— We will obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>— We will test the design and implementation of the controls relating to the valuation of the Council dwellings, other land and buildings, surplus assets and Investment Properties.</li> <li>— We will critically assess the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</li> <li>— We will assess the risk of the valuation changing materially during the year, or between the date of valuation and the year end.</li> </ul> <p><b>Assessing valuer's credentials:</b></p> <ul style="list-style-type: none"> <li>— We will critically assess the independence, professional qualifications, competence and experience of the Council valuer.</li> </ul> <p><b>Assessing methodology choice and benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>— We will utilise our internal specialist to critically assess the methodology used by the valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards.</li> <li>— We will challenge the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data.</li> <li>— We will meet with the Council valuer to understand the assumptions and methodologies used in valuing the various assets revalued during 2020-21 and the market evidence used to support the assumptions.</li> </ul> <p>Continued...</p>

# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
<b>Financial statement risk</b>		
Valuation of council dwellings, other land and buildings, surplus assets and investment properties (continued)	<p>Continued.....</p> <p>The Council also holds investment properties, which as at 31 March 2020 were valued at £196 million. These properties are subject to annual revaluation and similarly we consider there to be a risk of misstatement arising from the use of assumptions in the valuations.</p> <p>This includes significant assets such as Marischal Square development and the hotels and Energy centre at TECA site.</p> <p>The Covid19 pandemic has had a significant impact on the operation of P&amp;J Live, hotels and interest in Marischal Square accommodation and may impact on investment and surplus asset valuations generally.</p> <p>P&amp;J Live and the energy centre were classified as an operational asset / investment property in 201-20 and valued on the basis of depreciated replacement cost/cost respectively, we have challenged management to continue to assess whether a market value can be determined.</p>	<p>Continued.....</p> <ul style="list-style-type: none"> <li>— We will challenge management’s assessment of why it considers that the land and buildings not revalued in 2020-21 are not materially misstated. We will consider if the assumptions are appropriate and if input data is in accordance with support/benchmarks.</li> </ul> <p><b>Input assessment</b></p> <ul style="list-style-type: none"> <li>— For a sample of properties we will agree the observable inputs used in the valuations, such as land size and floor space to information held by the Estates Department. For the sample we will agree rental income to the amounts invoiced.</li> </ul> <p><b>Disclosure assessment</b></p> <ul style="list-style-type: none"> <li>— We will critically assess the adequacy of the Council’s disclosures in relation to the judgement in relation to valuing properties.</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Significant risk	The risk	Planned response
<b>Financial statement risk</b>		
Retirement benefits – Gross Liabilities <b>(KAM)</b>	<p>The gross pension liability (£1.6 billion as at 31 March 2020, represents a material element of the Council's balance sheet. The Council is an admitted body of North East Scotland Pension Fund, which had its last triennial valuation completed as at 31 March 2020.</p> <p>The impact of the triennial valuation will be felt in the contributions paid in 2021/22, however it will help to form the valuation as at 31 March 2021 using the roll forward basis.</p> <p>The calculation of the Local Government Pension Scheme liability requires the use of an actuarial methodology, the result of which is dependent upon a number of assumptions. These include both financial and demographic assumptions, such as the discount rate, inflation rates, mortality rates etc. These assumptions should reflect the profile of the Council's employees, and be based on appropriate data. The basis of the assumptions should also be derived on a consistent basis year to year.</p> <p>The Gross Liabilities at 31 March 2021 should now include an assessment of the liability due to the legal rulings for McCloud / GMP and Seargent.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact on the net pension liability accounted for in the financial statements.</p>	<p>Our audit approach includes:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>Assess the design and implantation of controls over the provision of membership information to the actuary who uses it, together with the assumptions, to calculate the pension obligation.</li> </ul> <p><b>Benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>Challenging, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data.</li> <li>Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations.</li> </ul> <p><b>Management Expert:</b></p> <ul style="list-style-type: none"> <li>Evaluate the competency, objectivity of the scheme actuaries to confirm the qualifications and the basis for their calculations.</li> </ul> <p><b>Data Testing</b></p> <ul style="list-style-type: none"> <li>Agree the data provided by the council to the North East Scotland Pension Fund for use within the calculation of the scheme valuation</li> </ul> <p><b>Assessing transparency:</b></p> <ul style="list-style-type: none"> <li>Considering the adequacy of the disclosures in respect of the sensitivity of the liability to these assumptions.</li> <li>Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.</li> </ul>

# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Other focus area	Summary	Planned response
<b>Financial statement other focus area</b>		
Capital expenditure	<p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. This includes a budget of £196 million for 2020-21.</p> <p>The Pandemic has had an impact on the delivery of the planned capital program meaning a delay on some of the capital developments.</p> <p>Key projects in progress during 2020-21 include the Energy from Waste Plant construction, and affordable housing build.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider it to be an area of audit focus. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions.</p>	<p>Our audit approach includes:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— Testing the design, implementation and operating effectiveness of controls over the capital projects.</li> <li>— Testing the design, implementation and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>— Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation.</li> <li>— Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified.</li> <li>— Review and corroborate to supporting audit evidence of manual journals.</li> </ul>

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# Financial statements audit planning (continued)



## Significant risks and other focus areas (continued)

Other focus area	Summary	Planned response
<b>Financial statement other focus area</b>		
<p>Covid-19 related grants</p>	<p>As part of the economic support provided by the Scottish government, the Council has provided ongoing support by operating various grant type schemes for industries and people within the Council region. These total approximately £80m million to date, £55 million of which the Council are currently classified as agency, and £25 million as principal these includes, for example business support grants and the £500 additional payment due to some key workers.</p> <p>There are two generally accepted routes to account for these grants, with the Council acting as either the 'agent' or 'principal' with associated income and expenditure to third parties either primarily excluded or included in the Council's balances respectively.</p> <p>There is a risk in respect of the judgement on how to account for different schemes based on their features and nature. We anticipate some consideration to be given by both management and by Audit Scotland and other audit firms collectively.</p> <p>In addition, due to the complexity, development of guidance and relative inexperience of administering the schemes, there is an element of risk of fraud and error in respect of payments made and disclosure.</p>	<p>Our audit approach, dependant on any guidance issued, may include:</p> <p><b>Inquiry and understanding:</b></p> <ul style="list-style-type: none"> <li>– Inquiring of Officers how the various grants are processed and controlled through the responsible departments.</li> <li>– Requesting management to provide a summary of schemes, their nature, volume and value of payments.</li> <li>– Understanding the controls in place to mitigate the risk of fraudulent claims against the support grants and schemes.</li> </ul> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>– Testing the design and operating effectiveness of controls in awarding grants and reliefs, where they exist.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>– Challenging the judgement of whether to account for various schemes with the Council as 'agent' or 'principal'.</li> <li>– Assessing a sample of items awarded to determine whether grants or reliefs have been appropriately awarded and recorded in line with guidance issued.</li> <li>– Assessing whether any accruals, provisions or prepayments have been appropriately made in respect of guidance and the 2020-21 Code.</li> </ul>

# Other matters

## Accounting framework update

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

The key accounting changes in the 2020-21 edition of the Code include:

- Amendments to reflect changes to IAS 8: Definition of Material.;
- Updates to IAS 19 – Plan Amendment, Curtailment or Settlement in Post-Employment Benefits, including reference to materiality requirements and specification of factors to consider in making an initial assessment of quantitative materiality;
- Reference to application of accounting standards arising as a consequence of the United Kingdom's withdrawal from the European Union;
- Legislative amendments in Scotland in relation to Financial Instruments, Accounting for Equal Pay; and Capital Receipts to Fund Transformational Projects;
- In relation to financial instruments, fair values through profit or loss entries are specified as included in the financing and investment income and expenditure;
- Updates to Accounting and Reporting by Pensions Funds to align specific investment asset line item descriptions in the net asset statements with the Pensions SORP;
- Fees and charges for services under statutory requirements specified to include Housing Revenue Account tenancy rental income; and
- Recognition that the presentation of a disclosure of movements in property, plant and equipment for the year may differ from Whole of Government Accounts practices.

## Revision to the Going Concern Standard

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

## Controls testing

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

During the 2020-21 audit we will follow-up on management's progress in implementing the agreed recommendations. We will also report any new findings arising from our work in 2020-21.

# Other matters (continued)

## Bond accounting

We considered the accounting for the £370 million bond to be a significant risk in the 2016-17 audit, being the year of issuance. In 2020-21 we do not consider it to be a significant risk, consistent with 2019-20. For 2020-21 management will update factual RPI movements to the 28 February 2021 measurement date (which determines the bond principal outstanding and interest payable) and will accrue for the month of March 2021 using factual RPI movements, which will be available when the accounts are prepared.

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

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

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

## Internal audit

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

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

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

## Group audit considerations

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

We conduct our audit of the Group in accordance with International Standard on Auditing 600 ("ISA 600") *Using the work of another auditor*.

# Other matters (continued)

## Covid-19: Audit implications

We report our assessment of the impact of Covid-19 on our planned audit scope, timing, materiality, audit procedures, and fees.

- The planned scope and timing of our audit has not changed significantly from the prior year to respond to any assessed risks of material misstatement.
- Given the rapidly changing environment, the scope and timing of our audit may need to be modified further to respond to new events or changing conditions. If we make significant changes, then we will communicate these to you. We anticipate considering management's assessment of the treatment, value and number of claims or disbursements of various government grants and funding streams which are new and associated with Covid-19.
- Materiality for the financial statements as a whole has been considered against increased demand and expenditure required to maintain service delivery, against the increased inherent risk due to remote working.
- Due to the rapidly evolving situation, determining whether subsequent events should be reflected (adjusting) vs. disclosed (non-adjusting) in the financial statements may require significant judgement, and more subsequent events may be identified.
- Our audit procedures will be adjusted to respond to any increased risks of material misstatement, and we highlight the risk of potential delays to the completion of our audit to enable us to obtain sufficient appropriate evidence to support our audit opinion.
- We do not anticipate any changes to our procedures or risk assessment in respect of the Council's ability to continue as a going concern.



# Wider scope and Best Value

## Approach

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; governance and transparency; and value for money. We set out below an overview of our approach to wider scope and Best Value requirements of our annual audit. We provide on pages 17 to 20 our risk assessment in respect of these areas. We will provide narrative on these and other areas in the Annual Audit Report where relevant.

### Risk assessment

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

In doing so we consider:

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

The LAN brings together local scrutiny representatives in a systematic way to agree a shared risk assessment. Michael Wilkie is the LAN lead for the shared risk assessment process for the Council.

The shared risk assessment process across Scotland changed for 2019-20 and no local scrutiny plans are prepared. We use the shared risk assessment process to consider if there are wider scope risks relevant to the Annual Audit Report. The LAN has not yet met for 2020-21.



### Linkages with other audit work

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

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



# Wider scope and Best Value (continued)

## Approach (continued)

### Identification of significant risks

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

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

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



### Concluding on wider scope and Best Value

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

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



### Reporting

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

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



# Wider scope and Best Value (continued)

## Risk assessment

We have not identified wider scope significant risks relevant to the Council. We include in the following tables areas of focus and their impact on the audit approach. In summary we consider that the following are key areas of focus:

- Delivery of transformation, income generation and efficiencies to meet the financial sustainability challenges within the local authority environment.
- Progress of significant capital projects and the plans for their use. The Council is further investing in the City through the various capital programme boards (Asset Management, City Centre Masterplan, Energy, Housing and Transportation).
- Audit Scotland highlighted two areas which may represent significant risks to all bodies and we reference these in the relevant wider scope sections: EU withdrawal; and Fraud and Corruption in procurement function.

Our year five Best Value work will consider specifically on Partnership Working and Empowering Communities and we will provide narrative in the Annual Audit Report. We will also co-ordinate the Best Value Assurance Report alongside the wider scope of audit to ensure consistency.

Wider scope area	Why	Audit approach
<p><b>Financial sustainability and financial management</b></p>	<p>Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p> <p><b>Areas of focus:</b></p> <p><a href="#">Delivery of balanced budget over the medium term.</a></p> <p>In February 2020, management identified a savings need of £38 million, required to deliver a balanced budget and meet the needs-led pressures in services for 2020-21.</p> <p>Due to the Covid-19 pandemic, in year financial management has substantially changed with a financial resilience report and then quarter two and three reporting, held in June 2020, October 2020 and February 2021, forecasting £16m, £5m and £2.6 million deficits respectively for 2020-21.</p> <p>The Scottish Government has recently set out the proposed Local Government settlement for 2021-22, within the Scottish budget.</p> <p>Continued.....</p>	<ul style="list-style-type: none"> <li>— We will consider the Council's financial plans and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2021-22 budget and longer term financial plans from 2022-23 and beyond, including sensitivity analysis and bond repayment/RPI assumptions.</li> <li>— We will review any Council plans to use the Scottish Government's relaxation of financial regulations due to the Covid 19 Pandemic, assessing if it is in accordance with legislation.</li> <li>— We will review the progress of the delivery of the required savings to meet the balanced budgets.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

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Wider scope area	Why	Audit approach
<p><b>Financial sustainability and financial management</b> (continued)</p>	<p><b>Capital Programme</b></p> <p>The Council planned to invest a capital programme of around £196 million during 2020-21.</p> <p>The pandemic has impacted on progress on the capital programme during 2020/21</p> <p>The Quarter three financial reporting pack showed the following projected spend for year on the various capital programmes:</p> <ul style="list-style-type: none"> <li>• AECC - £6 million (budget £15million)</li> <li>• Asset Management - £44million (budget £96 million)</li> <li>• City Centre Masterplan - £12 million (budget £19 million)</li> <li>• Energy - £32 million (budget £27 million)</li> <li>• Transportation - £7 million (budget £28 million)</li> </ul> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all Public Sector bodies.</p> <p><b>EU withdrawal</b></p> <p>The trade deal between the UK and EU became law on 31 December 2020 following the end of the transition period, and this deal is expected to have a financial and operation impact on the Council.</p>	<ul style="list-style-type: none"> <li>— We will review the progress of key capital programmes.</li> <li>— We will consider the income and expenditure assumptions and compare to the business case assumptions approved by the Council. We will consider the impact of variances, should they exist, on the Council's future budgets.</li> </ul> <p>We will:</p> <ul style="list-style-type: none"> <li>— remain alert to the impact of EU withdrawal on the Council's operations and the environment within which it operates. We will consider the appropriateness of management's risk assessment and planning for both matters.</li> <li>— review the arrangements that the Council put in place when more clarity is received as to the impact on the Council.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

Wider scope area	Why	Audit approach
<p><b>Governance and transparency</b></p>	<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p> <p>The Council has continued to review and enhance its governance arrangements.</p> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all Public Sector bodies.</p>	<ul style="list-style-type: none"> <li>– We will consider the Council's governance arrangements, their appropriateness and their robustness.</li> <li>– We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information.</li> </ul>

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# Wider scope and Best Value (continued)

## Risk assessment (continued)

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



# Appendices

# Mandated communications with the Audit, Risk and Scrutiny Committee

Matters to be communicated	Link to audit, risk and scrutiny committee papers
Independence and our quality procedures ISA 260.	<ul style="list-style-type: none"> <li>■ See next page</li> </ul>
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260.	<ul style="list-style-type: none"> <li>■ Main body of this paper</li> </ul>
<ul style="list-style-type: none"> <li>■ Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380).</li> </ul>	<ul style="list-style-type: none"> <li>■ In the event of such matters of significance we would expect to communicate with the Audit Risk and Scrutiny Committee throughout the year.</li> <li>■ Formal reporting will be included in our ISA 260 report for the Audit, Risk and Scrutiny Committee meeting, which focuses on the financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>■ Significant difficulties we encountered during the audit.</li> </ul>	
<ul style="list-style-type: none"> <li>■ Significant matters discussed, or subject to correspondence, with management (ISA 260).</li> </ul>	
<ul style="list-style-type: none"> <li>■ The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Our views about the qualitative aspects of the entity's accounting and financial reporting.</li> </ul>	
<ul style="list-style-type: none"> <li>■ How we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit. (ISA 240)</li> </ul>	
<ul style="list-style-type: none"> <li>■ Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450).</li> </ul>	
<ul style="list-style-type: none"> <li>■ The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Expected modifications to the auditor's report (ISA 705).</li> </ul>	
<ul style="list-style-type: none"> <li>■ Related party transactions that are not appropriately disclosed (ISA 550)</li> </ul>	



# Auditor independence

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

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

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

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

### General procedures to safeguard independence and objectivity

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

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

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

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

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. Total fees charged by us for the year ended 31 March 2020 and planned for the year ended 31 March 2021 are as follows:

Services provided to the Council and its group in respect of:	2020-21 continuing (incl VAT) £	2019-20 (incl VAT) £
Audit of the financial statements	264,230	276,201
Audit of subsidiaries (Charitable Trusts)	9,000	8,800
<b>Total audit services</b>	<b>273,230</b>	<b>285,001</b>
<b>Other non-audit services</b>		
Total non-audit services	-	-
<b>Total</b>	<b>273,230</b>	<b>285,001</b>

The FRC Ethical Standard caps fees for permissible non-audit services (excluding those services required by law or regulation in any year at 70% of the average audit fee over the three preceding financial years.

We can confirm there are no non-audit fees for 2020-21.

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

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

We are appointed by the Accounts Commission via Audit Scotland as external auditor of Aberdeen City Council Charitable Trusts and Aberdeen City Integration Joint Board.

# Auditor independence (continued)

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit, Risk and Scrutiny Committee.

KPMG LLP has relocated its office to a Council-owned property, which it rents on an arms-length commercial terms basis.

## Confirmation of auditor independence

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

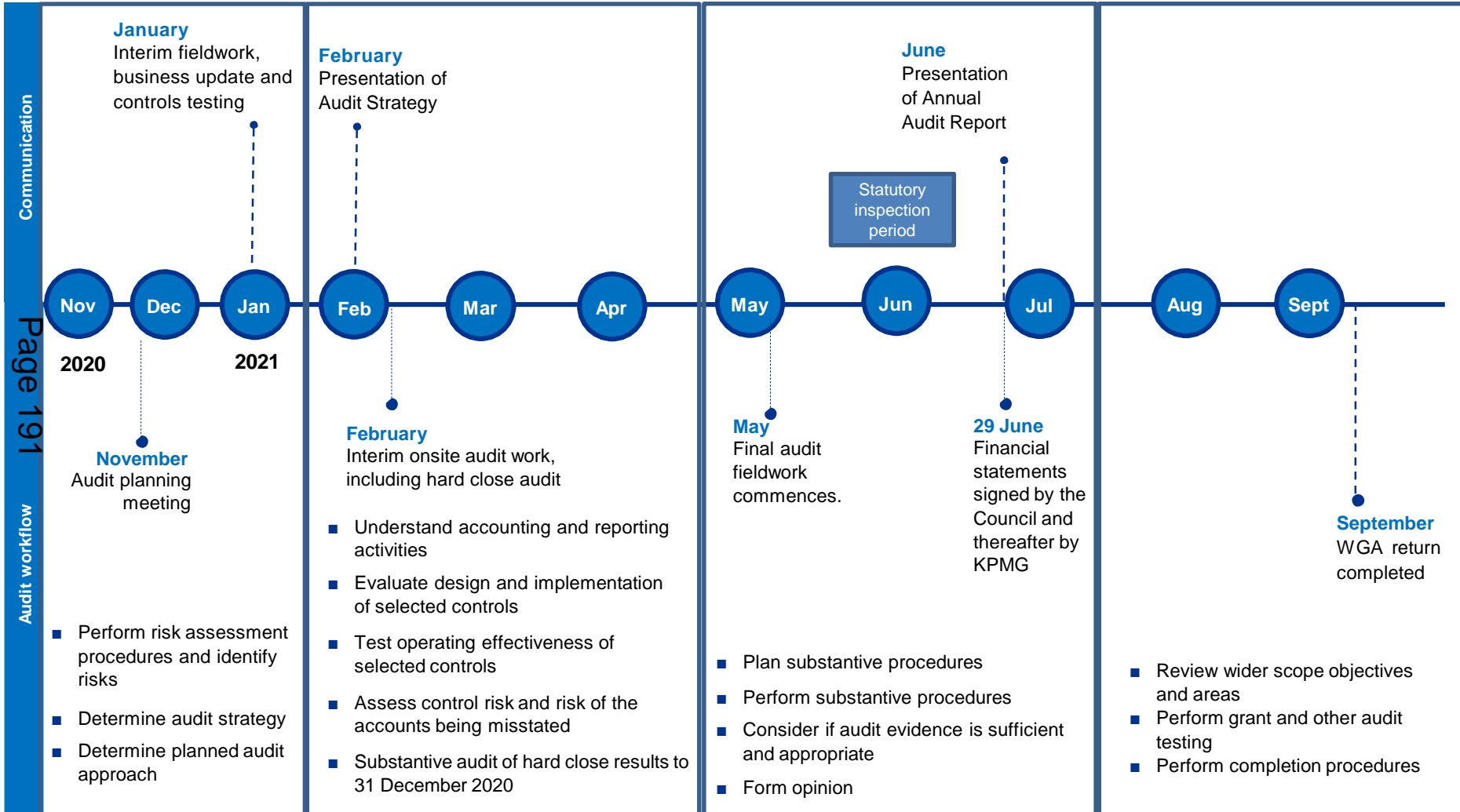
This report is intended solely for the information of the audit, risk and scrutiny committee and should not be used for any other purposes.

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

Yours faithfully

*KPMG LLP*

# Timeline



## Audit outputs

Output	Description	Report date
<b>Audit strategy</b>	Our strategy for the external audit of the Council and its group, including significant risk and audit focus areas.	For 12 February 2021 ARSC meeting
<b>Independent auditor's report</b>	Our opinion on the Council's financial statements.	29 June 2021
<b>Annual audit report</b>	We summarise our findings from our work during the year, including in respect of wider scope areas.	29 June 2021
<b>NFI report</b>	We report on the Council's actions to investigate and follow-up NFI matches.	By 28 February 2021
<b>Whole of Government Accounts</b>	We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts.	By 28 September 2021
<b>Audit reports on other returns</b>	We will report on the following returns: <ul style="list-style-type: none"> <li>- Current issues return.</li> <li>- Technical database.</li> <li>- Fraud returns.</li> </ul>	January, March, August and October 2021 May and August 2021 February, May and August 2021
<b>Grant claim audits</b>	We provide an opinion on: <ul style="list-style-type: none"> <li>- Education Maintenance Allowance, Housing Benefit, and Non domestic rates</li> </ul>	To submit by: July 2021, November 2021 and October 2021

# Fees

Audit Scotland has yet to complete a review of funding and fee setting arrangements for 2020-21. Therefore we can not provide an expected fee for 2020-21. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

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

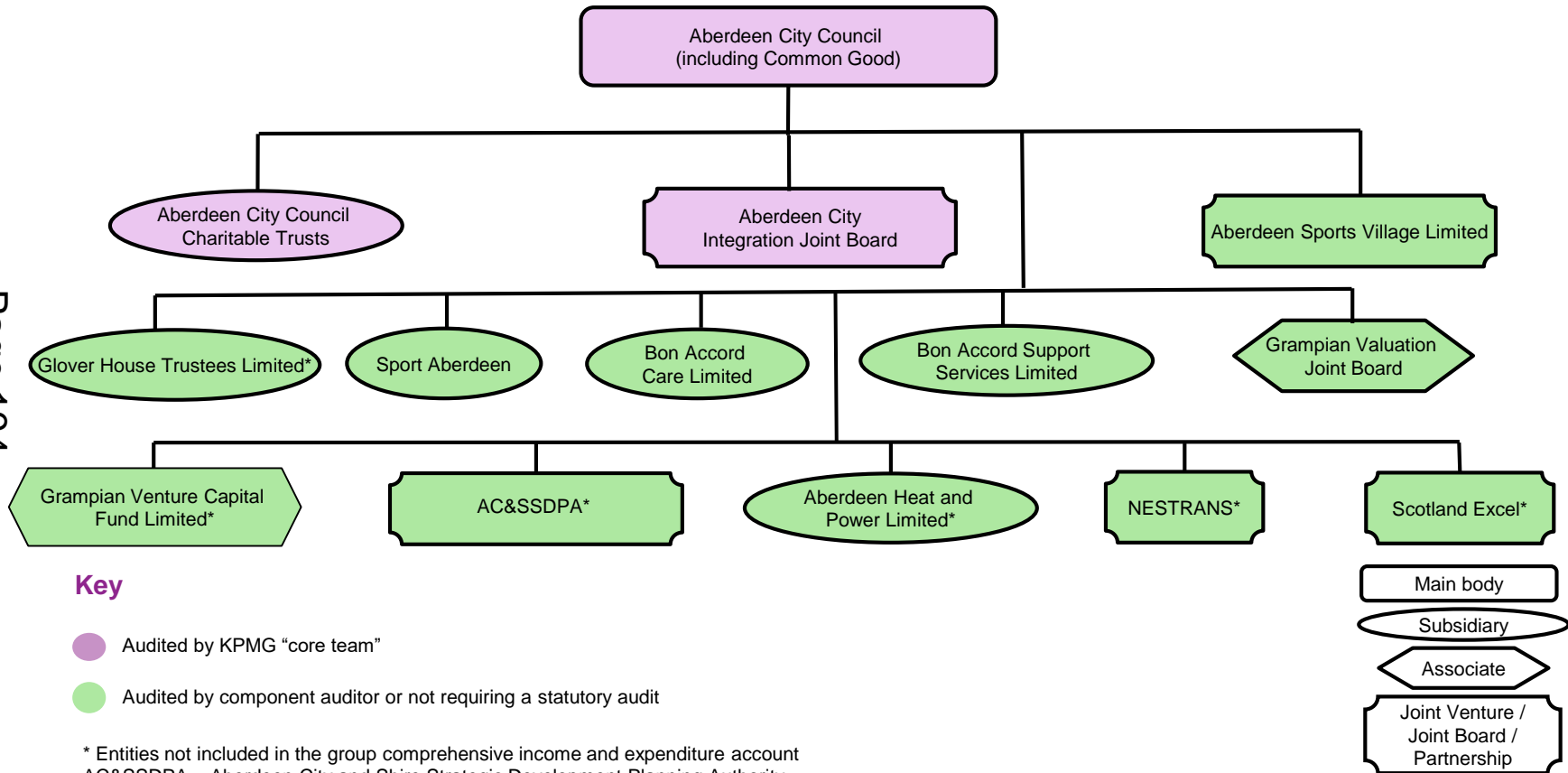
The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus or other matters arise, we will discuss with management the impact of this on our proposed fee.

	2020-21 £ (incl VAT)	2019-20 (incl VAT)
Auditor remuneration	264,230	276,201
Pooled costs	24,560	24,530
Contribution to PABV	136,010	132,010
Contribution to Audit Scotland costs	14,200	15,160
<b>Total Council audit fee</b>	<b>439,000</b>	<b>446,461</b>
Audit of Aberdeen City Council Charitable Trusts	9,000	8,800
<b>Total fee</b>	<b>448,000</b>	<b>455,261</b>

# Group financial statements

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# Responsibility in relation to fraud

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

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## Management responsibilities

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

## KPMG’s identification of fraud risk factors

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

## KPMG’s response to identified fraud risk factors

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

## KPMG’s identified fraud risk factors

- Whilst we consider the risk of fraud at the financial statement level to be low for the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly.
- Revenue recognition
  - Cash
  - Procurement
  - Management control override
  - Assessment of the impact of identified fraud.

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

## Responsibilities of management

### Financial statements

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

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

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

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

### Prevention and detection of fraud and irregularities

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



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

## Responsibilities of management

### Corporate governance arrangements

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

### Financial position

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

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

### Best Value, use of resources and performance

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

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

## Responsibilities of auditors

### Appointed auditor responsibilities

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

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

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










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



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

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

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

# Additional planning communications for EU-PIEs

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

Type	Response
<b>Materiality</b>	 Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out at page 6 in our Audit Strategy.
<b>Non-compliance with laws and regulation or articles of association</b>	 We will report on whether actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
<b>Significant deficiencies in internal control</b>	 We will report on all significant deficiencies and whether they have been resolved by management.
<b>Significant difficulties</b>	 We will report on any significant difficulties encountered during the audit.  We will report on significant matters arising from the audit that were discussed, or subject to correspondence, with management.  We will report on matters that are significant to the oversight of the financial reporting process.
<b>Non-KPMG component auditors</b>	 We are not planning to rely on any non-KPMG auditors in 2020-21.
<b>Management's approach to consolidation</b>	 We will report on whether management's approach to consolidation is consistent with IFRS.

Under EU audit reform, it is mandatory for all EU PIEs to tender the audit contract at least every 10 years and rotate auditors at least every 20 years. The Accounts Commission appoints auditors to each local authority for a period of five years, with a tender exercise being conducted in late 2021 following a one year extension.

# FRC's areas of focus



The areas of focus from the FRC's Annual Review of Corporate Reporting 2018/19 along with four thematic reviews issued in 2019 should be considered for reporting in the current financial period. Further improvements and candid disclosures in corporate reporting are called for to address matters of increasing concern to stakeholders as well as enhancing public trust. The FRC suggests lack of disclosures on key and emerging issues implies that management is unaware of their potential impact, is not managing the issues effectively or is being opaque. While these are written based on company annual reports many of the themes are also applicable for the Trust's accounts.

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<p><b>Narrative reporting</b></p>	<p>The FRC expects the information included in the strategic report to provide quality communication with shareholders and other stakeholders regarding a range of environmental, social and governance issues, including climate risk, as well as a balanced and comprehensive analysis of the development and performance of the Trust's business during the financial year.</p> <p>In times of uncertainty investors look for greater transparency in reporting to inform decision making and so careful disclosure is expected in areas exposed to heightened levels of risk such as going concern, Brexit and all areas of material estimation uncertainty.</p>
<p><b>Brexit</b></p>	<p>Improvements in disclosures have seen companies highlighting a range of specific risks which varied by industry. The FRC noted that they should also identify mitigating action that had been taken and disclosures in this area would continue to be monitored.</p>
<p><b>Alternative Performance Measures (APMs)</b></p>	<p>The FRC still finds deficiencies in identifying and reconciling APMs to audited numbers from the primary financial statements, absent or unclear definitions of APMs and explanations of why certain amounts were excluded from adjusted measures, when they appear to be part of the normal business. The FRC's existing checklist set out in its APM thematic review issued in 2017 continues to be its benchmark.</p>
<p><b>Significant accounting Judgements</b></p>	<p>Several cases of insufficient disclosures where a particular judgment had a significant impact on reporting were found, including complex cases relating to consolidation judgment and the question of control over another entity. The FRC expects disclosures of judgment demonstrating full understanding of the rights and obligations arising from the relevant arrangements distinguishing between substantive and protective rights.</p>
<p><b>Significant estimates</b></p>	<p>The FRC continues to focus on disclosure of significant estimates to give clearer insight into possible future material changes in balance sheet values over the twelve months ahead. Disclosures regarding the sensitivity of changing assumptions and range of possible outcomes are expected.</p>

# FRC's areas of focus



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Reporting on cash	The FRC continues to identify basis errors involving misclassification of cash flows between operating, investing and financing activities many of which inflate operating cash flows. There is a concern these errors are not being picked up during quality testing.
Supplier financing arrangements	The FRC still believe many companies are not providing relevant information about this type of arrangement, including why they are being used and the extent of their dependency.
IFRS 16 leases	Expectations for the new standard include a clear explanation of the impact of transition and the practical expedients taken, a reconciliation between the previous IAS 17 commitment and IFRS 16 liability along with details of the key judgments applied. APMs will need to address the inconsistencies as a result of comparative information not being restated.
Non-financial assets	The FRC will expect disclosures to explain circumstances leading to an impairment, how CGUs have been derived, significant judgment applied, and that the disclosures requirements of IAS 36 and IAS 1.125. 2019/20 specific issues include the effect of Brexit, and/or other political-macro economic risks, the impact of climate change and environmental impact and the effect of IFRS 16.
Financial instruments	For corporates, the focus will continue on the application of the ECL requirements to contract balances, lease receivables and intercompany loan assets, credit risk disclosures, key assumptions and sensitivity analysis of ECL when ECLs are identified as a source of significant estimation uncertainty.
Revenue	The FRC expects improvements in the description of the specific nature of performance obligations, and when are such obligations met (over time or at a point in time), Trust-specific disclosures of significant judgements, as well as consistency between the financial statement disclosures and other information (i.e.: strategic report).



The contacts at KPMG in connection with this report are:

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk & Scrutiny
<b>DATE</b>	24 February 2021
<b>REPORT TITLE</b>	RIPSA – Annual Report
<b>REPORT NUMBER</b>	COM/21/040
<b>DIRECTOR</b>	Chief Executive
<b>CHIEF OFFICER</b>	Fraser Bell – Chief Officer
<b>REPORT AUTHOR</b>	Jess Anderson
<b>TERMS OF REFERENCE</b>	5.2 and 6.4

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### 1. PURPOSE OF REPORT

- 1.1 It is recommended as good practice, under paragraph 4.43 of the Scottish Government’s Code of Practice for Covert Surveillance and Property interference, that elected members consider a statement on the Council’s Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis. This report provides an overview of RIPSA compliance, progress made in 2020 and sets the workplan for 2021.

### 2. RECOMMENDATION(S)

That the Committee resolves to: -

- 2.1 Note the report.

### 3. BACKGROUND

- 3.1 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), gives the Council powers to conduct two types of covert surveillance:
1. Directed Surveillance; and
  2. the use of a Covert Human Intelligence Source (the use of an undercover officer).
- 3.2 The Council has a Protocol and Procedure in place which governs the use and management of covert surveillance. Further, all members of staff wishing to use RIPSA, are required to undertake training prior to being able to make an application under RIPSA.
- 3.3 Various Council services use RIPSA as an investigatory tool. It is considered the “tool of last resort” in light of its intrusiveness into the privacy of the person(s) being surveyed. Council services such as Trading Standards and Environmental Health are most likely to use RIPSA.

- 3.4 This Committee normally receives an update on covert surveillance activity on a quarterly basis but due to the Council only considering urgent business during the response to the COVID-19 pandemic, the RIPSAs activity report tabled on the 8<sup>th</sup> October 2020 covered Q1- Q3<sup>1</sup>. This Annual report pulls together an analysis of surveillance activity over 2020 (Q1-Q4<sup>2</sup>) and provides members with a more detailed overview of developments in RIPSAs compliance since the last Annual Report in February 2020. The role of this Committee is to monitor compliance with the Protocol to ensure that it is being used consistently and that that the policy remains fit for purpose.

## **APPLICATIONS FOR COVERT SURVEILLANCE**

- 3.5 As was reported in October 2020, there was 1 application for covert surveillance which was authorised in Q2<sup>3</sup>. The authorisation was for Directed Surveillance. There were no further authorisations under RIPSAs in 2020. The lack of authorisations in 2020 was due to the impact of COVID-19 as Services who would normally use RIPSAs authorisations to carry out normal business, such as test purchases, were unable to do so due to lockdown measures and restrictions on social distancing. Not only that, services like Trading Standards and Environmental Health were working together supporting compliance with the Coronavirus legislation to ensure safe practices were being adhered to.
- 3.6 Under RIPSAs and the Council's Protocol on Covert Surveillance, the duration of a Directed Surveillance authorisation is 3 months. Guidance states that the operation should be reviewed at the earliest opportunity after its conclusion and cancelled thereafter, if appropriate. In the case of the authorisation in 2020, members should note that the authorisation was cancelled within the 3-month statutory period and it was audited by the Regulatory & Compliance Team, Legal Services as is standard practice. This approach continues to be supported by the Investigatory Powers Commissioner.
- 3.7 There have been no applications for covert surveillance activity so far this year.

## **AWARENESS RAISING**

- 3.8 In October 2020, a Covert Surveillance page was launched on the Council's Intranet site and it is encouraging to note that at the time of writing this report it has had 241 views. The page contains the Protocol on Covert Surveillance and associated guidance for those officers who make enquiries about surveillance but who are not trained.
- 3.9 As noted in October 2020, the online interactive restricted forum is now fully operational. It is a requirement that mandatory RIPSAs training must be had before access can be granted to the forum. 34 invitations were issued to all

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<sup>1</sup> Q1 - January-March 2020, Q2 – April to June 2020, Q3 – July to September 2020

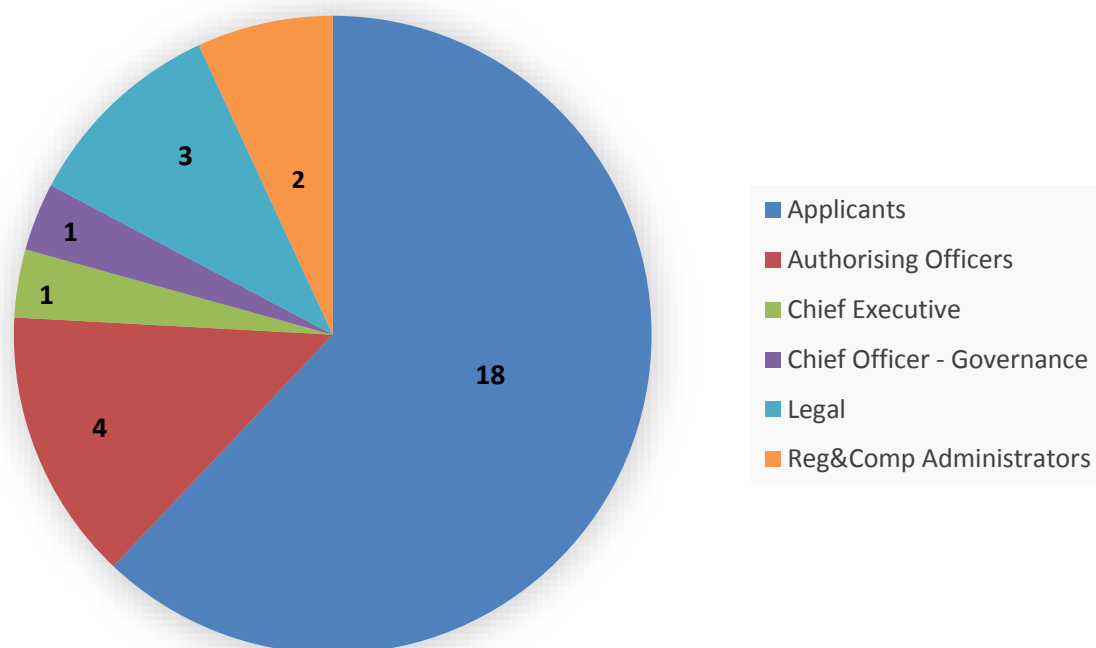
<sup>2</sup> Q1 - January-March 2020, Q2 – April to June 2020, Q3 – July to September 2020, Q4 – October to December 2020

<sup>3</sup> April to June 2020

applicants and there are now 29 active members. There are 4 pending invitations and those individuals have been contacted to confirm whether access to the forum is still required. During the inspection last year, the IPCO was given access to the forum for a limited period.

3.10 The chart below shows a breakdown of the roles of members of the forum. The Chief Officer- Governance is the Council's Senior Responsible Officer for RIPSA and is fully trained albeit he is not involved with operational matters. The Chief Executive has also had full training and is the only officer who is designated in law to authorise certain types of authorisation.<sup>4</sup>

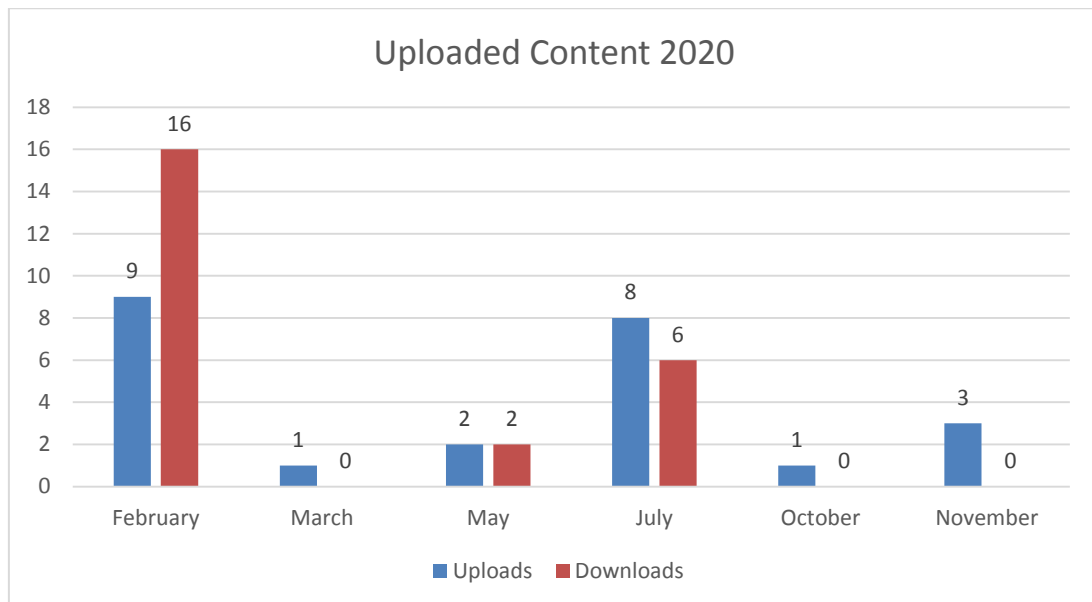
**Role of Active Members**



3.11 Whilst there has been minimal RIPSA activity in 2020, the online forum has been regularly updated. The chart below shows the number of items added to the forum throughout the year and how many times documents were downloaded by members in that same month.

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<sup>4</sup> In the past 16 years there have been no circumstances which have warranted an application for covert surveillance being authorised at Chief Executive level.



- 3.12 It's worth highlighting that "Uploads" are the documents that have been added to the online forum such as; the Protocol, procedures, guidance notes, Application and Authorisation forms, as well as, Committee reports, news articles, IPCO publications and the 2020 Inspection report. "Downloads" shows the number of times members have proceeded to download a document from the forum. Elected Members will note that the downloads do correspond with the months where there has been an upload to the site. However, despite there being no downloads in some months where there has been an upload, there is evidence that the members are going onto the site and viewing items of interest. This is encouraging and evidences that the forum is being used by members throughout the year. Further, members are notified by email when a new item is added to the forum and they are able if so minded, to start a discussion on a particular item or seek further clarification if that's required.
- 3.13 The Corporate Protocol and Procedure on Covert Surveillance was reviewed and endorsed by Elected Members in October 2020. There here have been no changes to the Protocol since, and the requirement of members to "set" policy in terms of the Code of Practice, is therefore discharged.
- 3.14 Finally, as was reported in October, there are no further matters that need addressed as a follow up to the IPCO inspection. The next inspection will be due in or around, Spring 2023.

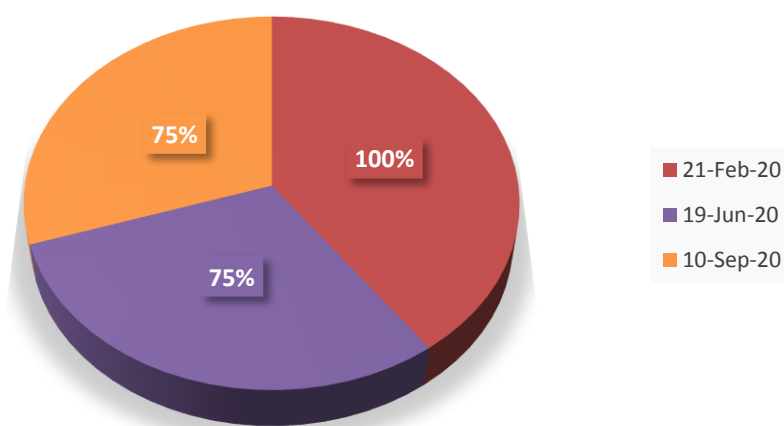
## TRAINING

- 3.15 Last Summer, the Regulatory and Compliance Legal Team were approached to carry out training for another Scottish Local Authority and that was carried out remotely in October. The training consisted of 3 one-hour sessions conducted via Microsoft Teams. Feedback from attendees was positive and the training sessions also included interactive quizzes that attendees could participate in whilst being in the training session. This encouraged participation and individual learning with the results being viewable instantly as attendees

took part. Elements of this structure will be modified for use with ACC staff who have been put forward as requiring RIPSAs training this year.

- 3.16 In the latter part of 2018, refresher training (and where necessary full training) was provided to all applicants and officers who were new to covert surveillance work within the Council. Whilst no training took place from October to December 2020 for ACC staff, all applicants have had access to the online forum from Spring 2020. Updates to the Application and Authorisation forms, the Protocol and new guidance were all uploaded to the forum. To that end, members can be assured that the knowledge and awareness raising of RIPSAs matters have continued despite minimal RIPSAs activity in 2020.
- 3.17 At the time of writing a list of staff requiring full and refresher training is being compiled and verified. It is hoped that full RIPSAs training will be delivered by the end of Q2<sup>5</sup>. The format of refresher training was discussed with Authorising Officers at the first quarterly meeting this year. The feedback was that a small recap of the key points together with a more interactive session would be beneficial for staff.
- 3.18 The Regulatory and Compliance team undertakes quarterly meetings with Authorising Officers (AO) which provides the space and time for discussions about feedback from any audits of authorisation forms, general practice and provides an opportunity for AO's to raise any queries they might have.

### AO 2020 Meeting Attendance



- 3.19 Last year there were three AO meetings, as is shown in the above pie chart. Despite the pressures on AO's of the Council's response to the COVID-19 pandemic, there was a 75% attendance rate at these meetings. The first AO meeting this year took place on the 14<sup>th</sup> January 2021, with the meetings scheduled for June, August and November. At the June meeting a member of Environmental Health will attend to explain their role and how that can link into RIPSAs activity and the need for an authorisation.

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<sup>5</sup> April to June 2021

3.20 In addition to having access to the Forum and quarterly meetings, a restricted Microsoft Teams channel will be set up for the AO's which will provide an instant method of communication around AO meetings.

## **2021 – WORKPLAN**

3.21 The main focus for 2021 will be the delivering of training to ACC staff. As noted in this report, the aim is to deliver full training during Q2. Refresher training will be completed by the end of Q3.

3.22 Additionally, the forum will be used to “test” knowledge more frequently throughout the year, with new or interactive content linked to related news articles and questions posed to create discussion between members.

## **4. FINANCIAL IMPLICATIONS**

4.1 There are no financial implications arising from this report.

## **5. LEGAL IMPLICATIONS**

5.1 The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSA on a quarterly basis. The Code also reflects that elected members should set the Policy on an annual basis. This Annual Report brings together a review of all RIPSA activity throughout the last year and provides members with an overview of the Council's compliance. Regular scrutiny by members is also a matter which is taken into account by the Investigatory Powers Commissioner's Office (IPCO) when they carry out their inspections.

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

5.3 The management, knowledge and awareness of those involved with RIPSA activity was something which was commended by the Commissioner in the 2020 inspection report. The reporting of RIPSA activity to Committee provides another level of scrutiny and assurance on the use of RIPSA. The next IPCO inspection is expected to be in 2023.

## **6. MANAGEMENT OF RISK**

<b>Category</b>	<b>Risk</b>	<b>Low (L) Medium (M) High (H)</b>	<b>Mitigation</b>
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<b>Strategic Risk</b>	There are no strategic risks arising from this report.	L	
<b>Compliance</b>	Reporting on the use of RIPSAs ensures that the Council continues to comply with the Code of Practice and that elected members continue to provide a level of scrutiny on matters of policy.	L	Quarterly and annual reporting on RIPSAs activity and the related policy to members, mitigates the risks highlighted in this section.
<b>Operational</b>	<p>Failure to report to and update Committee on RIPSAs activity means that it would undermine public confidence in the Council and how it operates.</p> <p>There are no employee risks related to this report.</p> <p>There are no technological risks arising from this report.</p>	L	
<b>Financial</b>	There are no financial risks arising from this report. There are no environmental risks arising from this report.	L	
<b>Reputational</b>	Failure to not update Committee on RIPSAs activity would mean that the Council would be at risk of negative reputational damage when this is raised by the Investigatory Powers Commissioner's report in their inspection.	L	External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. The Inspection Report is shared with Committee and any Action Plan created, endorsed and approved by Committee.

<b>Environment / Climate</b>	There are no environmental risks arising from this report.	L	
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## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	This report does not have an impact on the policy statement.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	This report does not link to this theme directly. The use of RIPSA activity by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action taken by services such as Trading Standard, e.g. such as in enforcing the law around counterfeit goods.
Prosperous Place Stretch Outcomes	Enforcement activity undertaken by the Council by using, where appropriate, its powers under RIPSA, may have an impact on this theme by tackling the selling of counterfeit goods.
<b>Regional and City Strategies</b>	This report does not have an impact on the Regional and City Strategies.
<b>UK and Scottish Legislative and Policy Programmes</b>	
	This report sets out the RIPSA Annual Report, which fulfils the requirements placed upon the Council under paragraph 4.43 of the Scottish Government's Code of Practice for Covert Surveillance and Property interference.

## 8. IMPACT ASSESSMENTS

*Reflect whether any of the following have been completed as part of your report*

Assessment	Outcome
Impact Assessment	Full impact assessment required / not required
Data Protection Impact Assessment	Required / not required

## 9. BACKGROUND PAPERS

None

## 10. APPENDICES

None

## 11. REPORT AUTHOR CONTACT DETAILS

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Counter Fraud Policy
<b>REPORT NUMBER</b>	RES/21/050
<b>DIRECTOR</b>	Steve Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Carol Smith
<b>TERMS OF REFERENCE</b>	5.2

### 1. PURPOSE OF REPORT

- 1.1 To present the updated Counter Fraud Policy for approval.

### 2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:

Approves the Counter Fraud Policy attached at Appendix A and notes the associated Counter Fraud Policy Guidance attached at Appendix B.

### 3. BACKGROUND

- 3.1 The updated Counter Fraud Policy attached at Appendix A has been updated to incorporate the requirements of the policy template and the guidance produced for policy review. It supersedes the Fraud, Bribery and Corruption Policy approved in 2018 and incorporates the Anti Money Laundering Policy approved in 2019. It also now reflects the requirement to address Tax Evasion. The policy will be reviewed in three years and the associated supporting guidance will be kept under more regular review by the Chief Officer – Finance.
- 3.2 The policy has been reviewed in accordance with the policy consultation process including the Risk Board.
- 3.3 The main areas of change from the previous policies being:
- References to process and guidance have been removed and they will be included within the supporting documentation. The Counter Fraud Policy Guidance is attached for information at Appendix B that includes key guidance requirements and detail.
  - The policy reflects the alignment of the service to the Chief Officer – Finance from the Chief Officer – Governance under service redesign that took place in 2020 and the naming of the service as the Counter Fraud service.
  - The policy approach has more emphasis on risk management and prevention and is aligned to the “Fighting Fraud and Corruption Locally

Initiative for 2020 Strategy” and “Scotland’s Serious Organised Crime Strategy”

- Building on the preventative approach, the policy and procedure focus on the five key pillars of Govern, Acknowledge, Prevent, Pursue and Protect

#### 4. FINANCIAL IMPLICATIONS

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

4.2 An effective Counter Fraud policy and its application supports effective financial management of the Council’s resources.

#### 5. LEGAL IMPLICATIONS

5.1 Approval of this policy will support the Council’s compliance with the following legislation:

- S95 Local Government (Scotland) Act 1973
- Proceeds of Crime Act 2002
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017/692
- Sanctions and Anti Money Laundering Act 2018
- Bribery Act 2010
- General Data Protection Regulation 2016/679
- Data Protection Act 2018
- The Criminal Finances Act 2017
- Traffic Regulation Act 1984 (Blue Badge)
- Housing (Scotland) Act 1987 (False Homelessness)
- Pending Legislation - Non-Domestic Rates (Scotland) Act 2020

#### 6. MANAGEMENT OF RISK

6.1 The policy and supporting documentation detail how the Council addresses the risk of Fraud.

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	The Council is unable to provide services due the compromising impact of fraudulent activity	L	Control: Through the approval of the Counter Fraud policy, all controls in the Finance Assurance Map – for example Financial Regulations and the wider system of Risk Management. Mitigation: Through the effective implementation of the Counter Fraud policy and guidance

<b>Compliance</b>	The Council does not comply with relevant Counter Fraud legislation and Financial Compliance legislation and guidance	L	As above
<b>Operational</b>	Staffing, customer and other operational activities are impacted by fraudulent activity	L	As above
<b>Financial</b>	Fraudulent activity leads to misappropriated Council resources or lost income	L	As above
<b>Reputational</b>	Fraudulent activity negatively impacts the reputation of the council	L	As above
<b>Environment / Climate</b>	Fraudulent activity negatively impacts the council's response to climate change	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
<b>Impact Assessment</b>	Full impact assessment not required
<b>Data Protection Impact Assessment</b>	Not required – however a DPIA of the detailed procedure is being undertaken to map data flows and ensure compliance

## 9. BACKGROUND PAPERS

Fighting Fraud and Corruption Locally

<https://www.cifas.org.uk/secure/contentPORT/uploads/documents/FFCL%20-%20Strategy%20for%20the%202020's.pdf>

Scotland's Serious Organised Crime Strategy

<https://www.gov.scot/publications/scotlands-serious-organised-crime-strategy/>

## 10. APPENDICES (if applicable)

Appendix A – Counter Fraud Policy

Appendix B – Counter Fraud Policy Guidance

## 11. REPORT AUTHOR CONTACT DETAILS

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# Counter Fraud Policy

To be approved by Committee on  
24 February 2021 with an implementation date of 1 April 2021



## Document Control

<b>Approval Date</b>	24/2/2021
<b>Implementation Date</b>	1/4/2021
<b>Policy Number</b>	
<b>Policy Author(s) and Owner</b>	Carol Smith
<b>Approval Authority</b>	Risk Board Audit, Risk and Scrutiny Committee
<b>Scheduled Review</b>	1/4/2024
<b>Changes</b>	<ul style="list-style-type: none"> <li>• References to process and guidance have been removed and they will be included within the supporting documentation. The Counter Fraud Policy Guidance is attached for information at Appendix B that includes key guidance requirements and detail.</li> <li>• The policy reflects the alignment of the service to the Chief Officer – Finance from the Chief Officer – Governance under service redesign that took place in 2020 and the naming of the service as the Counter Fraud service.</li> <li>• The policy approach has more emphasis on risk management and prevention and is aligned to the “Fighting Fraud and Corruption Locally Initiative for 2020 Strategy” and “Scotland’s Serious Organised Crime Strategy”</li> <li>• Building on the preventative approach, the policy and procedure focus on the five key pillars of Govern, Acknowledge, Prevent, Punish and Protect</li> </ul>



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## 1. Purpose Statement

- 1.1 This policy defines the control environment and key principles adopted by the Council to counter all types of fraudulent activity. That includes fraud, bribery and corruption, money laundering and tax evasion. For the purposes of this policy where the term “Fraud” is used that is generically meant to include any of these activities.
- 1.2 Fraudulent activity presents a risk across many dimensions of Council activity and this policy seeks to put in place measures to mitigate those risks. Most notable is the financial risk of misappropriated resources or lost income. Fraudulent activity may result in failure of the Council to meet its compliance obligations or may indicate weaknesses in systems of compliance control. Fraudulent activities also have potential to considerably impact the achievement of strategic and operational ambitions and may result in reputational damage.
- 1.3 The policy puts in place principles to support the positive achievement of outcomes for the Council. Good Counter fraud measures support effective governance and decision making to improve the outcomes for the well-being of the people and place of Aberdeen, and for effective use of money, assets, data and technology.
- 1.4 This policy and associated guidance builds on a range of best practice and experience, it is intended that the Counter fraud response will evolve and develop with that best practice. The Council sets out as part of this policy the value in using research and experience to develop its approach. Examples incorporated include:
- Published best practice research and guidance – notably the “Fighting Fraud and Corruption Locally Strategy” (FFCLS) this is a wide ranging document adopted by many Councils and developed by CIFAS Fraud Prevention Service, CIPFA, Local Government Association and SOLACE.
  - Best practice as advised by Local Authority Counter Fraud advisory groups such as the Scottish Local Authority Investigators Group (SLAIG) and Scotland’s Serious Organised Crime Taskforce.(SOC)
  - Learned experience from the work of the ACC Counter-Fraud Team
  - Learned experience in partnership with other key stakeholders such as the External and Internal Audit functions, Governance Cluster and Chief Officers.
- 1.5 In providing that response this policy adopts the 5 key pillars of the “Fighting Fraud and Corruption Locally Strategy” (FFCLS) of *Govern, Acknowledge, Prevent, Pursue and Protect*. The performance in response to these pillars is measured against 6 themes of *culture, capability, competence, capacity, communication and collaboration*. The Policy Statement and Definitions sections of this policy provide more detail on how this will work in practice for the Council.
- 1.6 Adopting these measures is intended to result in the following specific outcomes to prevent risks identified and support positive outcomes:

- develop and maintain a culture in which fraud and corruption are unacceptable;
- understand the harm that fraud can do in the community;
- understand our fraud risk;
- prevent fraud more effectively;
- use technology to improve our response;
- share information and resources more effectively;
- better detect fraud loss;
- bring fraudsters to account more quickly and efficiently;
- improve the recovery of losses; and
- protect those at risk.

1.7 This policy is supplemented by Fraud Policy Guidance that provides additional detail in respect of Responsibilities (Section 3), Supporting Documentation (Section 4), Policy Statement (Section 5) and Definitions (Section 6).

## 2. Application and Scope Statement

- 2.1 This policy applies to all engagement with the Council in respect of decision making, employment, supply of goods and services, receipt of goods and services, financial transactions and any activity whereby there may be a benefit to an individual or interested party.
- 2.2 This policy provides measures to Counter all types of fraudulent activity against the Council (subsidiary holdings, partners and contractors) and covers both internal and external fraud committed against the council.
- 2.3 Responsibility for advocating the principles in this policy applies to all Elected Members, employees, including temporary staff, contractors, suppliers, secondees from other organisations, arm's length external organisations e.g., Bon Accord Care, Sport Aberdeen etc. and any organisation which receives funding or grants from the Council.
- 2.4 Responsibility for compliance with this policy applies to all parties that engage with the Council.
- 2.5 The Council is committed to working constructively with Police Scotland and other relevant agencies in relation to preventing any fraudulent activity.
- 2.6 The policy will be applied on a risk managed basis and activities and people involved in high value financial and asset transactions have a higher responsibility for advocating Counter fraud principles. Advice and training activity will assist with identification of risk and prevention measures to be put in place.

### 3. Responsibilities

#### General Responsibilities

- 3.1 It is the duty of all officers employed by the Council to fully comply with this Policy that forms an associated part of the Financial Regulations. Failure to comply with the requirements of this Policy and the associated guidance and procedures may result in an investigation under the Council's Conditions of Services Disciplinary and Appeals Procedure.
- 3.2 It is the duty of all Elected Members to fully comply with this Policy. Failure to comply with the requirements of this policy and the associated guidance and procedures may result in an investigation under the Councillors' Code of Conduct.

#### Responsibility of the Chief Officer - Finance

- 3.3 It shall be the responsibility of the Chief Officer - Finance, or designated officer, to ensure that this policy is kept up to date and is monitored for its effectiveness. The policy shall be reviewed every 3 years.
- 3.4 The Chief Officer – Finance has authority to lead and act in respect of the Council's Counter fraud response. The Chief Officer Finance is responsible for co-ordinating engagement with national fraud prevention initiatives such as the National Fraud Initiative.

#### Responsibility of the Chief Officer – Governance

- 3.5 The Chief Officer – Governance is responsible for the Whistleblowing Policy, the Annual Governance Statement and is the Chair of the Risk Board. There are associated responsibilities for ensuring that Counter Fraud activity is scrutinised and reported appropriately.

#### Risk Board

- 3.6 The Risk Board provides scrutiny, guidance and direction to the Counter Fraud response supplementing the role of the Chief Officer-Finance and making decisions delegated to Officers.
- 3.7 For the purposes of Counter Fraud activity, the Risk Board represents the Senior Management Board at Officer level for decision making and approval of actions.

#### Audit Risk and Scrutiny Committee

- 3.8 The Committee responsible for oversight of the Counter fraud function is the Audit, Risk and Scrutiny Committee. The Committee will review and approve the Counter Fraud Policy every 3 years and approve any significant changes to the policy during the interim period.
- 3.9 ARS will receive an annual report in relation to Counter Fraud activity of all types from the Chief Officer-Finance. The Committee should seek explanations and action where the Chief Officer – Finance has indicated that any aspect of Counter Fraud Activity requires special attention.

The Committee is entitled to seek explanations and actions for any matter which it deems require special attention subject to its Terms of Reference.

### Responsibility of Chief Officers

- 3.10 Chief Officers are accountable for ensuring the Counter Fraud policy and guidance is appropriately applied in their areas of responsibility.

### Responsibility of Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies.

- 3.11 The Head of Commercial and Procurement Services shall use reasonable endeavours to ensure that all Connected Bodies apply the policy in their organisations.

### Responsibilities in relation to Aberdeen City Health and Social Care Partnership (ACHSCP)

- 3.12 This policy as an associated document of Aberdeen City Council financial regulations is fully applicable to Council staff who are working to deliver integrated services under directions from the ACHSCP as defined in financial regulations.

### Internal and External Audit

- 3.13 The Council's Auditors shall have the right to access all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council. They will be able to receive such explanations as they consider necessary concerning any matter under examination.
- 3.14 Officers of the Council will ensure that these rights are given to the Council's External and Internal Auditors. These rights apply to any and all examples of fraudulent activity.

### Employees and Elected Members and Associated persons

- 3.15 Council employees, elected members, workers, agents and associated persons performing services on behalf of the Council are required to assist and to be vigilant in preventing, detecting and reporting acts of fraud, bribery and corruption. All employees and elected members have a duty to report fraud, bribery, corruption, money laundering or tax evasion in any form.

### Individuals and Third Parties

- 3.16 The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud, bribery and corruption.

## 4. Supporting Procedures & Documentation

4.1 Supporting procedures and documentation to this policy are wide ranging, since prevention of fraud relies on a combination of effective legislation, guidance, procedures and internal controls. Categories of supporting documents are as follows:

- Legislation relating to Financial Controls, Fraud prevention and Fraud in the context of specific activities in the Council
- Best practice guidance
- Counter fraud internal strategic and planning documents, additional procedures and guidance
- Council policies and procedures that set standards and controls that will support fraud prevention
- Statute and Common law

4.2 Since relevant supporting procedures and documentation may often change, they will be updated in the Counter Fraud Policy Guidance and on the Counter Fraud section of the Council's Intranet site without recourse to update the Policy. The Counter Fraud Policy will include references relevant at the time of approval.

## 5. Policy Statement

5.1 The Council will take a robust approach to countering fraudulent activity in any form using the five pillars identified under the Fighting Fraud and Corruption Locally Guidance:

**Govern** We will have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

**Acknowledge** We will acknowledge and understand fraud risks and commit support and resource to tackling fraud in order to maintain a robust anti-fraud response.

**Prevent** We will prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

**Pursue** We will recover losses through all available means, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

**Protect** We will protect against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. We will protect public funds, protecting our organisation from fraud and cybercrime and also protecting itself from future frauds.

The performance in response to these pillars is measured against 6 themes of *culture, capability, competence, capacity, communication and collaboration*. Measures to support these themes are set out throughout the policy and guidance in specific statements and directions and is further reflected in Section 8 – Policy Performance.

The Policy Guidance sets out detailed directions under these principles.

## 6. Definitions

- 6.1 The law associated with Fraud, Bribery & Corruption, Money Laundering and Tax Evasion is complex and thus this policy and associated guidance cannot provide a full and authoritative account of the relevant legislation. Any enforcement action being undertaken must take recognition of current legislation and associated case law.

### Fraud

- 6.2 The Accounts Commission for Scotland describes fraud as the use of deception with the intention of obtaining private gain, avoiding an obligation or causing loss to another party.

### Bribery

- 6.3 A bribe, as defined in the Bribery Act 2010, is a financial or other type of advantage that is offered or requested with the intention of inducing or rewarding improper performance of a function or activity. Acts of bribery are designed to influence an individual in the performance of their duty and incline them to act dishonestly.

### Corruption

- 6.4 Corruption is the unlawful offering, giving, soliciting or acceptance of an inducement or reward, which could influence the actions taken by the Council, its Elected Members or its employees. This also applies to business partners where a relationship is in place for them to undertake duties on behalf of the Council. Corruption can also include bribery which is not entirely removed from fraud either as offences may overlap between them.

### Money Laundering

- 6.5 Money laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange. The term is used for several offences involving the integration of “dirty money”, i.e. the proceeds of crime, into the mainstream economy. In addition to the offence of money laundering

## Tax Evasion

6.6 Tax evasion is the illegal non-payment or under-payment of taxes, usually resulting from the making of a false declaration or no declaration at all of taxes due to the relevant tax authorities, resulting in legal penalties (which may be civil or criminal) if the perpetrator of tax evasion is caught.

## 7. Risk

7.1 The policy and supporting documentation specified within Section 4 details how the council implements its counter fraud response and arrangements that will allow the Council to mitigate and manage the impact of risks arising from fraud risk:

Strategic Risk - That the Council is unable to provide services due the compromising impact of fraudulent activity. Were the Council to face an incidence of major fraud then that could cause financial losses which could be of impact to the Council's Strategic plans.

Compliance Risk - That the Council does not comply with relevant counter fraud legislation or financial compliance legislation and guidance

Operational Risk - That staffing, customer and other operational activities are negatively impacted by fraudulent activity. The impact of fraud by employees or citizens can disrupt culture, service delivery, and customer experience. That can either be directly or by diverting resources during investigations and because of follow up action.

Financial Risk - That fraudulent activity leads to misappropriated Council resources or lost income.

Reputational Risk - That fraudulent activity negatively impacts the reputation of the council.

Environment/Climate Risk – That the impact on Strategic Risk of fraudulent activity is enough to negatively impact the council's ability to response to climate change

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 counter fraud arrangements will be reviewed and monitored via the Council's Risk Management Policy arrangements – Assurance Maps and Risk Registers and also through Counter Fraud risk assessments set out in this policy.

7.4 The Counter Fraud policy and supporting documentation will support the Councils "PREVENT" obligations as part of the CONTEST framework. The policy and procedures in the "Protect" pillar of counter fraud response support protection of victims of crime and joint working with partners and identification of Serious Organised Crime threats that may be associated with terrorism. The identification of fraud risk under the "Prevent" pillar of counter fraud response support identification of Serious Organised Crime threats.



## 8. Policy Performance

8.1 The effectiveness of the policy and supporting documentation will be determined by the level of risk posed by fraudulent activity.

8.2 The risk posed can be reduced by meeting the outcomes of the five pillars of the FFCLS as follows:

### Govern

- developing and maintain a culture in which fraud and corruption are unacceptable;

### Acknowledge

- understanding the harm that fraud can do in the community;
- understanding our fraud risk;

### Prevent

- preventing fraud more effectively;
- using technology to improve our response;
- sharing information and resources more effectively;
- better detecting fraud loss;

### Pursue

- bringing fraudsters to account more quickly and efficiently;
- improving the recovery of losses; and

### Protect

- protecting those at risk.

8.3 The achievement of reducing fraud risk may be influenced by having good practice in relation to the 6 themes of the FFCLS in place:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

8.3 In order to determine the reduction in the level of fraud risk and meet the outcomes of good practice, performance will be monitored in several ways including:

- ✓ Governance arrangements clear and in place – maintain arrangements
- ✓ Compliance with best practice checklists – maintain and improve score
- ✓ Policy communicated to ECMT and Leadership Forum
- ✓ Increase in availability of training modules preventative advice provided
- ✓ Increase in preventative reviews undertaken
- ✓ Increase in risk assessments undertaken
- ✓ Positive trends in allegations made, evaluated and investigated
- ✓ Increase in horizon scanning and collaborative activities undertaken

8.4 Performance will be reported as part of the Annual Report to the Risk Board and Audit, Risk and Scrutiny Committee. Performance would be reported to the Performance Board on an

annual basis. Issues of non-compliance would be escalated to the Risk Board Performance will be reported to the Chief Officer Finance monthly and matters for urgent escalation will be reported to the Chief Officer Finance immediately.

## 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 Counter Fraud response protects the Council from risks and losses that may compromise the delivery of those outcomes.

9.2 The Counter Fraud service is part of the Finance cluster and the service design and service standards are subject to annual reviews by the Strategy Board.

## 10. Housekeeping and Maintenance

10.1 This policy updates and replaces the Fraud Bribery and Corruption Policy (2018) and the Anti-Money Laundering Policy (2019) it also addresses the response to Tax Evasion.

10.2 Unless otherwise required, this policy will be reviewed every 3 years.

10.3 The supporting documentation specified within this policy will be reviewed and updated as and when required.

10.4 The policy is an associated document of the Finance Regulations under the Scheme of Governance and will be subject to reviews if those documents change.

10.5 IT systems are not affected by the updated policy.

## 11. Communication and Distribution

11.1 This policy and contact information will be publicised on the council's website.

11.2 The policy and supporting documentation will be available for review on the organisation's shared areas on the Network.

11.3 This policy will be shared directly with Extended Corporate Management Team and the Leadership Forum to enable communication and distribution. Support and advice will be offered to assist with the implementation of the policy.

11.4 This policy will be shared directly with and monitored through the Risk Board and any relevant activities will be communicated and updated through its members as advocates. This is in accordance with the Terms of Reference for the Risk Board.

11.5 Regular information relating to anti-fraud initiatives will be published on social media.

## 12. Information Management

- 12.1 Information generated by the application of the policy will be managed in accordance with the Council's Corporate Information Policy and supporting Procedures.
- 12.2 Data flows covered by this policy will be mapped and assessed in a Data Protection impact assessment. Data flows relate to two categories of data:
- case management data held for the specific purposes of preventing and pursuing fraudulent activity
  - financial transactional data used for the purposes of identifying fraudulent activity – for example for the purposes of National Fraud Initiative data matching

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# Counter Fraud Policy Guidance

**Associated with Counter Fraud Policy to be Approved by Committee on  
24 February 2021 with an implementation date of 1 April 2021**

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## 1. Purpose Statement

- 1.1 The Counter Fraud policy defines the control environment and key principles adopted by the Council to counter all types of fraudulent activity. That includes fraud, bribery and corruption, money laundering and tax evasion. For the purposes of the policy where the term “Fraud” is used that is generically meant to include any of these activities.
- 1.2 This policy guidance provides additional detail and procedure guidance in relation to:
- Responsibilities
  - Supporting Procedures and Documentation
  - The Policy Statement and implementation of that policy
  - Definitions
  - Detailed appendices are provided of the Fraud Risk Matrix and checklists.

## 2. Responsibilities

### General Responsibilities

- 2.1 It is the duty of all officers employed by the Council to fully comply with the Policy that forms an associated part of the Financial Regulations. Failure to comply with the requirements of this Policy and the associated guidance and procedures may result in an investigation under the Council’s Conditions of Services Disciplinary and Appeals Procedure.
- 2.2 It is the duty of all Elected Members to fully comply with the Policy. Failure to comply with the requirements of the policy and the associated guidance and procedures may result in an investigation under the Councillors’ Code of Conduct.
- 2.3 Any breach or non-compliance with the Policy must, on discovery, be reported immediately to the Chief Officer – Finance. The Chief Officer - Finance may consult other relevant officers, including the Chief Executive, to determine the appropriate action.
- 2.4 Employees who deliberately obstruct or unreasonably fail to provide information to Auditors or Investigation Officers within the specified period may be subject to disciplinary action.
- 2.5 Any party or person committing fraudulent activity or behaviour against the Council may be subject to relevant measures as available to the Council and other relevant agencies under the law. These may include warnings, recovery of losses through legal action, fines, interest charges and custodial sentences.

### Responsibility of the Chief Officer - Finance

- 2.6 It shall be the responsibility of the Chief Officer - Finance, or designated officer, to ensure that the policy is kept up to date and is monitored for its effectiveness. The policy shall be reviewed every 3 years and Fraud Policy Guidance updated as required to take account of changes in statute, professional guidance or Council policy that impact upon the Regulations.
- 2.7 The Chief Officer - Finance, as the “Proper Officer”, in terms of Section 95 of the Local

Government (Scotland) Act 1973, shall be the adviser on financial matters to the Council and all its Committees. S/he shall be responsible for the proper administration of the Council's financial affairs.

- 2.8 Under this legal responsibility, the Chief Officer – Finance has authority to lead and act in respect of the Council's Counter fraud response. The Chief Officer Finance has the responsibility to ensure that appropriate capability and capacity is employed on a risk managed basis to enable prevention and pursuance of fraudulent activity.
- 2.9 The Chief Officer Finance is responsible for co-ordinating engagement with national fraud prevention initiatives such as the National Fraud Initiative.
- 2.10 The Chief Officer – Finance shall deal with reported irregularities in accordance with the Council's policies and procedures through the Fraud system at [www.report-fraud.co.uk/aberdeencity](http://www.report-fraud.co.uk/aberdeencity). S/he, may, following consultation with the Chief Executive and the Chief Officer - Governance, report matters to the Police, Crown Office and Procurator Fiscal where s/he considers it appropriate to do so.
- 2.11 Regulated financial services are required to appoint a Money Laundering Reporting Officer. Local authorities are not currently required to make such appointments. However, it is important that staff have a single point of contact to report any suspicion activity. The Chief Officer – Finance is responsible for receiving and actioning potential disclosures about money laundering activity which may include contacting the National Crime Agency and submitting a SAR (Suspicious Activity Report).
- 2.12 Records relating to Fraud, Bribery and Corruption, Money Laundering and Tax Evasion will be retained by the Chief Officer – Finance. A report on matters arising from the work of the Counter Fraud team will be presented to the Audit, Risk and Scrutiny Committee annually.

## Responsibility of the Chief Officer – Governance

- 2.13 Records relating to Whistleblowing will be retained by the Chief Officer – Governance.
- 2.14 It shall be the responsibility of the Chief Officer – Governance, following consultation with the Chief Officer - Finance, to incorporate any Counter Fraud issues in the Annual Governance Statement, incorporated into the Accounts and reported to Audit, Risk and Scrutiny Committee.
- 2.15 The Chief Executive has ultimate responsibility for the provision of the Internal Audit service to the Council. Internal Audit has a reporting line to the Chief Officer - Governance. The Chief Officer – Governance will seek to align the work of the Internal Audit service with that of the Counter Fraud service where appropriate in consultation with the Chief Officer – Finance.
- 2.16 The Chief Officer-Governance is the Chair of the Risk Board, and as such will scrutinise counter fraud activity as set out below.



## Risk Board

- 2.17 The Risk Board provides scrutiny, guidance and direction to the Counter Fraud response supplementing the role of the Chief Officer-Finance and making decisions delegated to Officers. That may include:
- Leading the Council's counter fraud culture and advocating the Council's response to the counter fraud Pillars and Themes in the policy;
  - Approving the Annual Counter Fraud plan;
  - Receiving recommendation summaries for review and action in cases of non compliance;
  - Reviewing compliance with the FFCL checklist and SOC checklists referred to in section 4.1 and 4.49 of this Guidance;
  - Making decisions on strategic activities and Counter fraud planning activities;
  - Ensuring that new policies reflect appropriate Counter fraud measures;
  - Providing consultation and advice and acting as the conduit to develop communication to Chief Officers and Employees.
- 2.18 For the purposes of Counter Fraud activity, the Risk Board represents the Senior Executive Board for decision making and approval of actions.

## Audit Risk and Scrutiny Committee

- 2.19 The Committee responsible for oversight of the Counter fraud function is the Audit, Risk and Scrutiny Committee. The Committee will review and approve the Counter Fraud Policy every 3 years and approve any significant changes to the policy during the interim period.
- 2.20 ARS will receive an annual report in relation to Counter Fraud activity of all types from the Chief Officer-Finance. The Committee should seek explanations and action where the Chief Officer – Finance has indicated that any aspect of Counter Fraud Activity requires special attention. The Committee is entitled to seek explanations for any matter which it deems require special attention subject to its Terms of Reference.

## Responsibility of Chief Officers

- 2.21 It shall be the duty of each Chief Officer to ensure that the Policy and all associated guidance is made known to appropriate staff members and shall ensure full compliance with them.
- 2.22 In preventing fraud and maintaining internal controls, Chief Officers will require to actively horizon scan to be aware of the wide range of Supporting Procedures and Documentation set out in Section 3 of this Guidance. For Chief Officers responsible for services highlighted as potential fraud risk in Appendix 1 that puts an additional responsibility for awareness of relevant best practice, legislation and guidance in those fields. A key responsibility in this remit is keeping appropriate records of operational, transactional and employment activity to enable effective prevention and pursuance of fraud.
- 2.23 Chief Officers are responsible for ensuring that risk management arrangements are in place in their Cluster to prevent, detect and prohibit fraud, bribery and corruption, money laundering and tax evasion. Risk assessments will be undertaken for each of the Council's key business

activities with individuals identified who may be at most risk of being exposed to bribery. Chief Officers will engage with relevant Service Managers and employees to undertake this responsibility. Special attention should be given in this risk assessment to any areas of manager's discretion applied to associated policies in section 3.2 of the Guidance and the definitions of bribery and corruption as set out in section 5 of the Guidance.

- 2.24 Chief Officers are responsible for communicating specific actions in relation to that risk assessment across the workforce and also to associated persons undertaking work on behalf of the Council. Training will be provided by the Counter Fraud service to appropriate employees who have been identified through risk assessment as being at potential risk of exposure to fraud.
- 2.25 Whenever any matter arises which involves, or is thought to involve, irregularities concerning funds, property or the exercise of the Council's functions, or that of any Connected Body, the relevant Chief Officer shall notify the Chief Officer - Finance in writing through the Fraud system at [www.report-fraud.co.uk/aberdeencity](http://www.report-fraud.co.uk/aberdeencity).
- 2.26 Chief Officers shall engage with the Counter Fraud service and Internal Audit in receiving advice and implementing recommendations and risk assessments where required.

#### Responsibility of Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies.

- 2.27 The Head of Commercial and Procurement Services shall use reasonable endeavours to ensure that all contracts with Connected Bodies will provide that:
- In the absence of their own equivalent policies and documents, Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies shall adhere to the policy.
  - Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies shall ensure that their organisation has appropriate Counter fraud arrangements in place, including internal audit arrangements.
  - Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies shall respond to recommendations and advice provided by the Council's Counter-fraud service.

#### Responsibilities in relation to Aberdeen City Health and Social Care Partnership (ACHSCP)

- 2.28 The ACHSCP oversees the delivery of integrated services that the Council has been directed by the ACHSCP to deliver.
- 2.29 The policy as an associated document of Aberdeen City Council financial regulations is fully applicable to Council staff who are working to deliver integrated services under directions from the ACHSCP as defined in financial regulations.

## Internal and External Audit

- 2.30 The Council's Auditors shall have the right to access all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council. They will be able to receive such explanations as they consider necessary concerning any matter under examination.
- 2.31 Officers of the Council will ensure that these rights are given to the Council's External and Internal Auditors. These rights apply to any and all examples of fraudulent activity.

## Employees and Elected Members and Associated persons

- 2.32 Council employees, elected members, workers, agents and associated persons performing services on behalf of the Council are required to assist and to be vigilant in preventing, detecting and reporting acts of fraud, bribery and corruption. That includes responding to instructions and actions required as a result of compliance with procedures and documentation, undertaking risk assessments and taking other preventative action as identified in sections 2.21-2.26 of this Guidance.
- 2.33 All employees and elected members have a duty to report fraud, bribery, corruption, money laundering or tax evasion in any form. Employees will report suspicions as soon as possible to the Chief Officer – Finance through the Counter Fraud system at [www.report-fraud.co.uk/aberdeencity](http://www.report-fraud.co.uk/aberdeencity). Employees are also expected to report any concerns of actual or suspected incidents to their line manager, and in the case of elected members, this should be the Chief Officer - Governance. If an allegation relates to a member of staff's line manager, then the matter should be escalated to the next most senior person who is not involved.
- 2.34 Any person making a report of actual or suspected fraud in good faith will be given appropriate support. As described in Section 4.5 of this Guidance, reports will be in strict confidence. Reports of any form of suspicious behaviour are encouraged as they can form a robust response to fraud prevention and detection measures.
- 2.35 Prompt action will be taken to gather appropriate information and risk assess the suspected activity in advance of undertaking an investigation if appropriate. An alternative route for employees and workers to report an act of bribery, fraud or corruption is through the use of the Whistleblowing policy.

## Individuals and Third Parties

- 2.36 The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud, bribery and corruption.
- 2.37 All individuals and third parties are asked to assist and to be vigilant in preventing, detecting and reporting acts of fraud, bribery and corruption. Individuals and third parties may report suspicions as soon as possible to the Chief Officer – Finance through the Counter Fraud system at [www.report-fraud.co.uk/aberdeencity](http://www.report-fraud.co.uk/aberdeencity).

### 3. Supporting Procedures & Documentation

3.1 Supporting procedures and documentation to the policy are wide ranging, since prevention of fraud relies on a combination of effective legislation, guidance, procedures and internal controls. Categories of supporting documents are as follows:

- Legislation relating to Financial Controls, Fraud prevention and Fraud in the context of specific activities in the Council
- Best practice guidance
- Counter fraud internal strategic and planning documents, additional procedures and guidance
- Council policies and procedures that set standards and controls that will support fraud prevention
- Statute and Common law

3.2 Key documents in the categories above are shown below:

#### Legislation

- S95 Local Government (Scotland) Act 1973
- Proceeds of Crime Act 2002
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017/692
- Sanctions and Anti Money Laundering Act 2018
- Bribery Act 2010
- General Data Protection Regulation 2016/679
- Data Protection Act 2018
- The Criminal Finances Act 2017
- Traffic Regulation Act 1984 (Blue Badge)
- Housing (Scotland) Act 1987 (False Homelessness)
- Pending Legislation - Non-Domestic Rates (Scotland) Act 2020

#### Best Practice Guidance

- Fighting Fraud and Corruption Locally
- Serious Organised Crime Taskforce strategy

#### Counter Fraud internal documents

- Counter Fraud Policy Guidance
- Counter Fraud Annual Plan
- Service Standards and Commissioning Intentions
- Training Materials
- Counter Fraud specific procedures and guidance

## Council Policies and procedures

- Managing Discipline
- Corporate Information Policy
- Financial Regulations
- Following the public pound policy
- Service Income policy
- Declaration of interests
- Whistleblowing policy
- Continuous Review and Development Scheme
- Recruitment and Induction Scheme
- Risk Management Policy

## Statute and Common Law

- The law associated with Fraud, Bribery & Corruption, Money Laundering and Tax Evasion is complex and thus the policy cannot provide a full and authoritative account of the relevant legislation. Any enforcement action being undertaken must take recognition of current legislation and statute and common law.
- Examples of statutes which would apply would be :
  - Criminal Justice and Licensing (Scotland) Act - references disclosure of exculpatory evidence to defence agents;
  - Criminal Procedure (Scotland) Act - necessary certification to enter documents as evidence;
  - Human Rights Act - incorporates the principles of ECHR and an individual's right to a fair trial, private life.
- Examples of common law would be:
  - the fairness of our investigation and how we collected evidence
  - the constituent parts of a common law offence we are reported to the Fiscal
  - the quality of our evidence in tying the accused to the offence.

3.3 Changes to this guidance will be updated on the Counter Fraud section of the Council's Intranet site without recourse to update the Policy. The Counter Fraud Policy will include references relevant at the time of approval.

3.4 Directed preventative advice by the Counter Fraud team will support services with horizon scanning and interpreting appropriate legislation, procedures and documentation.

## 4. Policy Statement/s

4.1 The Council will take a robust approach to countering fraudulent activity in any form using the five pillars identified under the Fighting Fraud and Corruption Locally Guidance:

**Govern** We will have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

**Acknowledge** We will acknowledge and understand fraud risks and commit support and resource to tackling fraud in order to maintain a robust anti-fraud response.

**Prevent** We will prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

**Pursue** We will recover losses through all available means, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

**Protect** We will protect against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. We will protect public funds, protecting our organisation from fraud and cybercrime and also protecting itself from future frauds.

The FFCL guidance provides a Counter Fraud Checklist for local authorities. That is attached at Appendix 2 to this document and the Risk Board shall review that annually.

The performance in response to these pillars is measured against 6 themes of *culture, capability, competence, capacity, communication and collaboration*. Measures to support these themes are set out throughout the policy and guidance in specific statements and directions and the Counter Fraud Checklist in Appendix 2 is intended as a comprehensive list of actions for performance assessment and that is further reflected in Section 8 of the policy – Policy Performance.

The below policy statements set out directions against each pillar, references are made to where policy statements are set out elsewhere in the Policy or this Guidance.

## Govern

- 4.2 The responsibilities set out in Section 2 of this Guidance are intended to set out a strong approach to Counter Fraud Governance. The strength of the responsibilities of the Audit and Scrutiny Committee, the Risk Board (underpinned by the role of the Chief Officer - Governance) and the Chief Officer – Finance and Internal and External Audit in that section are intended to provide a comprehensive governance approach.
- 4.3 The specific and practical requirements of Members, Chief Officers and all employees and parties set in place a breadth of responsibility for all across the organisation and its partners to prevent and enable pursuance of fraud.
- 4.4 The governance responsibilities set out in Section 2 will be supported by online training and development materials and supplemented by targeted advice where appropriate so that responsible persons comprehend fully their governance roles.
- 4.5 In maintaining appropriate governance of the counter fraud response, specific attention is drawn to the importance of fundamentals of governance such as confidentiality, data

protection, performance management and reporting. These principles and the application of relevant appropriate Council policies with complete integrity shall be deployed in the operation of all counter fraud activity. This provides assurance to protect those reporting fraud and further assurance to the Council and its stakeholders.

- 4.6 The operational activities of the Counter Fraud service will be planned and managed through the Counter Fraud Annual Plan, Service Standards and Commissioning Intentions. These will be reviewed for approval by the Risk Board and Strategy Board.

## Acknowledge

- 4.7 The responsibilities set out in Section 2 of this Guidance place a responsibility on the Chief Officer Finance to make appropriate resource available to maintain a robust anti-fraud response. The strength of responsibilities of Chief Officers (sections 2.21 to 2.23) to undertake horizon scanning and risk assessment with the support of the Counter Fraud service provides assurance in this regard.

## Prevent

- 4.8 A critical pillar in the counter fraud response is prevention, the Council intends to put in place measures to continuously strengthen its preventative action against fraud.
- 4.9 All new policies will be reviewed and scrutinised by the Risk Board Policy Group. The Counter Fraud team will be represented on that group in order to ensure suitable safeguards are reflected where appropriate to minimise the risk of fraud, bribery and corruption.
- 4.10 The Counter Fraud annual plan will include resource allocated to specific Counter fraud prevention activities. Fraud risk will be regularly reviewed based on experience and best practice. That will result in targeted preventative reviews, advice and enabling support from the Counter Fraud service. Material fraud prevention recommendations will be recorded for implementation and reported through the Risk Board.
- 4.11 The Council participates in National Fraud Initiative and regularly provides information for data matching purposes with the data of other public bodies. The Counter Fraud Service will work with Council Services to undertake proactive data matching exercises. Periodically testing for anomalies can highlight irregular transactions before other methods such as a routine audit. As well as acting as a deterrent, it also allows frauds to be stopped sooner.
- 4.12 The Counter Fraud Service and Internal Audit Service will share knowledge and understanding of the controls environment. The Counter Fraud Annual Plan and Internal Audit plan will be considered by the Risk Board at the same meeting annually. Where appropriate, joint Counter Fraud and Internal Audit preventative reviews will be undertaken.
- 4.13 The Counter Fraud service will receive regular updates from Internal and External Audit work through the Chief Officer – Finance and recommendations and will build their findings into the Counter Fraud Annual Plan.
- 4.14 The Counter Fraud service will liaise regularly with the People and Organisation Cluster in order

to provide advice for the development and implementation of any policies in relation to people or organisation. The Counter Fraud service will advise the People and Organisation Cluster on any matter or case where it is considered Counter Fraud advice would be relevant.

- 4.15 The Counter Fraud service may pro-actively use any data held by the Council for preventing fraud, subject to relevant data protection and confidentiality legislation. The Counter Fraud service will proactively work with Council services to improve the quality and scope of routinely captured information. Routine access is required to systems holding employee payroll and HR data, largely for the purposes of investigating matches generated through the National Fraud Initiative.
- 4.16 The Counter Fraud service will work with other services to have a comprehensive knowledge of data sets held across the organisation, so that they can be formally approached to disclose this for counter fraud purposes. The Counter Fraud service will work closely with Information Governance, Data and Insights and Digital and Technology services in sharing knowledge of available databases and IT systems and be given access to system owners who can be approached to access those systems.
- 4.17 The Counter Fraud service may pro-actively support any service or partner organisation where added value, skill or expertise may be applied. This may relate primarily to services identified in Appendix 1, and notably will relate to tenancy management, debt recovery and benefit administration. There is a considerable wealth of good practice information available from fraud prevention organisations that can support in the administration, good management practice and financial advice of many services.
- 4.18 The Counter Fraud service may initiate preventative reviews where indicators of possible fraud have been identified, but not to a sufficient level to lead to an investigation. The Counter Fraud service will advise services on potential issues and indicators of fraud to raise awareness.

## Pursue

- 4.19 When fraud has been identified the Council will seek to fully recover any losses. Where appropriate the Council will seek further redress through fines or criminal procedure, where appropriate.
- 4.20 The Counter Fraud function shares information, as permitted by data protection legislation, with internal and external partners in order to prevent and detect fraud, and to trace offenders.
- 4.21 The pursuance of fraud allegations is described in the below three sections of Reporting, Evaluation and Investigation, special reference is also made for Employee Investigations and Fraudulent use of ICT.

## Reporting

- 4.22 On receipt of a fraud allegation the details will be entered into the case management system. This is to ensure that all actions are recorded in the one location, and to enable reporting to management. Allegations may be received from two distinct groups: 1) employees, Members and those with a contractual or partnership relationship with the Council 2) individuals or third



parties including members of the public.

- 4.23 Automated reporting tools are available to both groups. The reporting detail for Group 1 is more extensive, that group are strongly encouraged to leave their names and contact details so that investigators can obtain further pertinent information. All details are held confidentially and will not be shared without consent. Allegations from group 2 are initially recorded in a simpler form to encourage reporting without prejudice.
- 4.24 Any allegations of fraud, bribery, corruption, or other serious criminal behaviour by an employee will be notified to the Chief Officers-Finance. Under no circumstances will the employee be notified, or an investigation under the Managing Discipline procedure commence, until counter fraud officers have completed their investigation and advised the Chief Officers of the facts.
- 4.25 As the Officer ultimately responsible for managing member-officer relations, allegations concerning elected members will be referred to the Chief Officer, Governance as relevant to the role as Monitoring Officer and in reference to the Councillor's Code of Conduct.

## Evaluation

- 4.26 Every fraud referral is initially assessed by the Counter Fraud service. That criteria includes whether the allegation does indeed relate to a matter within the counter fraud remit; the quality of the information; the likely detriment to the Council; and the nature of the alleged fraud. The details of the allegation are checked against Council records, and publicly held information. Thereafter the matter will either be raised as a case for investigation by the Counter Fraud Service, referred for internal investigation through the Service or People and Organisation Cluster, referred to a more appropriate agency (for example Police, DWP, HMRC) or disposed of through closure.
- 4.27 After assessment the considerations and reason for evaluation are recorded based on set guidelines. Any referrals where there may be discretion regarding the evaluation outcome will be referred to relevant Chief Officers for consideration. Where relevant joint investigations may be initiated between the Counter Fraud service, agencies and services.
- 4.28 When an allegation has been recorded by an officer in the undertaking of their work, It is imperative that records are kept in relevant client or service systems to capture the most accurate and specific information known, in addition to records kept by the Counter Fraud service. Any actions or conversations by staff must be timeously documented on the relevant system (e.g. iWorld when a housing officer has any interaction with a client).
- 4.29 Counter Fraud Officers should be afforded access to whatever information or records they consider necessary to pursue their investigation.
- 4.30 A written or emailed request by a Counter Fraud Officer is sufficient to obtain any internally made or held note, record, recording or other data which is not legally privileged information. The Chief Officer – Finance will receive regular updates of information requests.

## Investigation

- 4.31 Fraud investigations can result in legal action by civil or criminal procedure. The means of disposal depends on the type and quality of the evidence, as well as the specific nature of the alleged offence. As such, at all times evidence will be gathered to a criminal standard so that criminal disposal remains an option. Investigation records will be held confidentially on the case management system.
- 4.32 Counter Fraud Officers (CFOs), as designated by the Chief Officer – Finance, are authorised to:
- Enter freely and at all reasonable times any Council operated premises or land.
  - Have access to all records (electronic or manual), documents and correspondence relating to any financial or other transaction of the Council.
  - Require and receive such explanations as are necessary concerning any matter under examination.
  - Require any employee to produce cash, stores, or any other Council property under his or her control.
  - Examine financial records or assets of organisations in receipt of grant aid from the Council.
  - In the discharging of these duties, the CFO will present, upon request, a duly authorised certificate confirming the above provisions.
- 4.33 To allow the timely investigation of allegations of fraud requests for information from CFOs must be managed within the timescales advised. Any failure to respond or provide information will be escalated to Head of Service, and copied to the Section 95 Officer, to identify the reasons for delay.
- 4.34 When obtaining witness statements, counter fraud officers are permitted to audio record that statement with the prior express permission of the witness. The witness is permitted to obtain a copy of that recording when the investigation has concluded (or been dealt with in Court, if appropriate). At the conclusion of each interview the witness will be provided with a copy of the recording.
- 4.35 Where permitted by law, the Counter Fraud Team will share information and intelligence with internal and external partners and agencies for the purposes of crime prevention and detection, as well as tax and rates collection.
- 4.36 The Counter Fraud service will report regularly to the Chief Officer Finance and the Chief Officer Governance of investigations in progress and of any significant investigations initiated immediately.
- 4.37 Where information is received via the whistleblowing procedure the Chief Officer -Governance will refer relevant allegations to the Counter Fraud service.
- 4.38 On conclusion of an investigation appropriate closure and outcome records will be recorded in the case management system. Appropriate action will be taken and in addition to civil or criminal procedure, preventative actions and recommendations will be made. Confidential summary information of an appropriate nature will be provided to relevant stakeholders and

reported through the Risk Board and Audit, Risk and Scrutiny Committee. Risk registers will be updated where applicable.

## Employee Investigations

- 4.39 For allegations relating to employees, fraud investigations may lead to internal action by Aberdeen City Council. Where that action appears to require the use of the Managing Discipline policy, counter fraud officers will notify People and Organisation immediately. If the referral to People and Organisation is of a matter of dishonesty, responsibility for investigating under the procedure will lie with an officer external to the employing service. This is to ensure that the matter is investigated impartially.
- 4.40 For employee allegations, it may be relevant for the Counter Fraud service to provide advice to investigating officers or to undertake an initial investigation of the fraudulent element of the allegation, dependent on the nature of the allegation. Such allegations will be considered where relevant jointly and with any decisions on approach being made by the Chief Officer – Finance and the Chief Officer – People and Organisation.
- 4.41 People and Organisation will advise the Counter Fraud service when a Managing Discipline case may have a fraud aspect in its nature. That case will be recorded using the Counter Fraud reporting process when required and will follow the protocol in 5.32.
- 4.42 If an investigation relating to an employee uncovers evidence that suggests that there has been a breach of criminal law, the Counter Fraud Officer will discuss the findings with People and Organisation and the final decision on whether the case is reported criminally will rest with the Chief Officer - Finance.
- 4.43 Where it has been established that an employee who, is or has been, in receipt of a state benefit or allowance or discount, and has failed to adhere to the terms of receiving the benefit, allowance or discount then consideration should be given as to whether there has been a breach in their terms and conditions of employment. People and Organisation will be notified and it will be that function's responsibility to initiate the Managing Discipline procedure.

## Fraudulent use of Information and Communications Technology

- 4.44 For allegations relating to employees, fraud investigations may lead to internal action by Aberdeen City Council. Where that action appears to require the use of the ICT policy, counter fraud officers will notify Digital and Technology immediately. Procedures would then follow the approach described for employee investigations.

## **Protect**

- 4.45 The nature of criminal activity continues to evolve and develop. The Protect pillar of the policy relates to protecting the Council, its partners and citizens from organised crime. Protecting the victims of crime, protecting public funds and protection from future frauds. The future nature of fraudulent activity consistently evolves as new technology and global structures change and allow for new crimes to emerge.
- 4.46 The Counter Fraud Service will horizon scan regularly to assess the latest available knowledge

on organised crime and evolving fraudulent activity.

- 4.47 Specific activities related to such evolving crimes are also captured within the high risk fraud areas identified in Appendix 1 and these become part of the ongoing risk assessment approach for all services. Examples that would be relevant to Council operations could be cyber crime, payment fraud, metal theft and bogus workmen.
- 4.48 The Council will work with relevant agencies to identify and address protection matters such as business organisations and has a responsibility to be alert to the risks of doing business with those involved in organized crime.
- 4.49 The Council will keep under regular review Scotland's Serious Organised Crime Strategy and the SOC checklist attached in Appendix 3.

## 5. Definitions

- 5.1 The law associated with Fraud, Bribery & Corruption, Money Laundering and Tax Evasion is complex and thus the policy cannot provide a full and authoritative account of the relevant legislation. Any enforcement action being undertaken must take recognition of current legislation and associated case law. This Guidance provides a more full description of the definitions in the policy and is expanded with examples.

### Fraud

- 5.2 The Accounts Commission for Scotland describes fraud as the use of deception with the intention of obtaining private gain, avoiding an obligation or causing loss to another party.
- 5.3 For the purposes of the policy, fraud is defined in its widest sense to describe any dishonest behaviour such as forgery, false representation and the concealment of material facts. The fraudulent use of Information & Communication technology (ICT) resources is included in this definition.

Examples of fraud include, but are not exclusive to:

- Distorting or concealing both financial and non-financial information; Knowingly and intentionally obtaining or attempting to obtain benefits to which there is no entitlement through;
  - Falsification or alteration of accounting records or other documents;
  - Misappropriation of assets or theft;
  - Suppression or omission of the effects of transactions from records or documents; Recording transactions that have no substance e.g., time recording records that do not reflect actual hours worked.
- Willful misrepresentations of transactions or of the Council's state of affairs, which may involve the misuse of funds or other resources, or the supply of false information.

## Bribery

- 5.4 A bribe, as defined in the Bribery Act 2010, is a financial or other type of advantage that is offered or requested with the intention of inducing or rewarding improper performance of a function or activity. Acts of bribery are designed to influence an individual in the performance of their duty and incline them to act dishonestly.

Examples of bribery include, but are not exclusive to:

- A direct or indirect promise;
  - Offering or authorisation of anything of value;
- The offering or receipt of a payment including a loan or fee or reward or any other advantage;
- The offer of aid or a donation.

The following would be regarded as unacceptable behaviour by employees, elected members, workers, agents and any associated persons performing services on behalf of the Council and must not occur:-

- Accepting, requesting a bribe, whether financial, or other reward, from any person or organisation in return for providing some favour.
- Offering a bribe, whether financial or other reward, to any person or organisation in return for providing some favour.
- The making or accepting of any facilitation payments, which are unofficial payments made to government officials (including Council officials) for carrying out or speeding up routine procedures.
- Dishonesty, theft, fraud or the deliberate falsification of records and / or benefit / or other claims administered by the Council.

- 5.5 In accordance with the Bribery Act 2010, the Council will conduct its activities honestly and will apply high ethical standards without the use of acts of bribery. The Bribery Act makes it illegal to offer or receive bribes and to fail to prevent bribery. The Act makes provision for both individual and organisational responsibility for bribery and creates offences that carry prison terms of up to 10 years and unlimited fines.

## Corruption

- 5.6 Corruption is the unlawful offering, giving, soliciting or acceptance of an inducement or reward, which could influence the actions taken by the Council, its Elected Members or its employees. This also applies to business partners where a relationship is in place for them to undertake duties on behalf of the Council. Corruption can also include bribery which is not entirely removed from fraud either as offences may overlap between them.

- 5.7 Examples of Corruption include, but are not exclusive to:

- Disclosure of information;
- Using a position of authority inappropriately;
- Altering contracts or official forms;
- Misuse of IT systems;
- Falsifying records;

- Making purchases of goods or services that are unnecessary or excessive.

## Money Laundering

- 5.8 Money laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange. The term is used for several offences involving the integration of “dirty money”, i.e. the proceeds of crime, into the mainstream economy. In addition to the offence of money laundering

## Tax Evasion

- 5.9 The Criminal Finances Act 2017 (“the Act”) came into force on 30th September 2017. Part 3 of the Act created two separate corporate offences:
- Failure to prevent facilitation of UK tax evasion, &
  - Failure to prevent facilitation of overseas tax evasion.
- 5.10 The Council would be guilty of an offence if a person commits a UK tax evasion facilitation offence when acting in the capacity of a person associated with the Council.
- 5.11 Under s45(4) of the Act a UK tax evasion offence means:
- An offence of cheating the public revenue, or
  - An offence under the law of any part of the UK consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.
- 5.12 Under s45(5) of the Act a UK tax evasion facilitation offence means an offence under the law of any part of the UK consisting of:
- Being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax by another person, or
  - Aiding, abetting, counselling or procuring the commission of a UK tax evasion offence, or
  - Being involved in the commission of an offence consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.
- 5.13 Tax evasion is the illegal non-payment or under-payment of taxes, usually resulting from the making of a false declaration or no declaration at all of taxes due to the relevant tax authorities, resulting in legal penalties (which may be civil or criminal) if the perpetrator of tax evasion is caught.

## Identified sources of Fraud Risk for Councils

## Fraud, Bribery and Corruption risks associated with Council Services

Tenancy	Fraudulent applications for housing or successions of tenancy, and subletting of the property
Benefits(responsibility of DWP)	False entitlement
Social care fraud	Personal budgets and direct payments Overstatement of needs through false declaration, multiple claims across authorities, third party financial abuse by carer, family or organisation, posthumous continuation of claims
Commissioning of services including joint commissioning, joint ventures, commercial services, third sector partnerships	Conflicts of interest, collusion
Procurement	Tendering issues, split contracts, double invoicing
Payroll	False employees, overtime claims, expenses
Identity fraud	False identity/fictitious persons applying for services/payments
Council tax	Discounts and exemptions, council tax support
Blue Badge	Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
Grants	Work not carried out, funds diverted, ineligibility not declared
Business rates	Fraudulent applications for exemptions and reliefs, unlisted properties
Insurance fraud	False claims including slips and trips
Disabled facility grants	Fraudulent applications for adaptations to homes aimed at the disabled
Concessionary travel schemes	Use of concession by ineligible person
No recourse to public funds	Fraudulent claims of eligibility
Right to buy	Fraudulent applications under the right to buy/acquire Money laundering exposure to suspect transactions
Schools	Issues relating to other risk areas can apply to schools
New responsibilities/ Partnership working	Can lend themselves to procurement fraud, grant fraud.
Immigration	False entitlement to services and payments, sham marriages
Cyber-dependent crime	Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.
Employee	Misappropriation of money, equipment, expenses; time recording irregularities

## Serious Organised Crime Threats – may be associated with Council Services – please also refer to Appendix 3

- Kidnap and extortion
- Metal theft
- Bogus workmen
- Smuggling
- Payment fraud
- Cyber Attack
- Psychoactive substances
- Drug addiction
- Human trafficking

## Money Laundering

Indicators of Money Laundering activity:

- Cash payments over £5,000
- Use of cash where other means of payment are normal
- Overpayments by a customer <sup>?</sup>
- Unusual request for cancellation or reversal of an earlier transaction
- Requests for release of customer account details
- Customer requesting refunds to be transferred overseas, particularly to a highrisk country or tax haven <sup>?</sup>
- Payments of lower amounts where cash is not the usual means of payment <sup>?</sup>
- Use of new/shell companies
- A secretive customer for example one who refuses to provide requested information without a reasonable explanation <sup>?</sup>
- Illogical customer transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts <sup>?</sup>
- Involvement of an unconnected third party without logical reason or explanation
- Absence of an obvious legitimate source of funds <sup>?</sup>
- Concern about the honesty and integrity of the customer <sup>?</sup>
- Unusual transaction or way of conducting business without reasonable explanation <sup>?</sup>
- Unusual transactions or ways of conducting business
- Individuals and companies which are insolvent yet have funds <sup>?</sup>
- Transaction at substantially above fair market value
- Funds received for deposits or prior to completion from unexpected sources
- Movement of funds to/from overseas particularly from a higher risk country

## Tax Evasion

Value Added Tax (VAT):

- Suppliers adding VAT to invoices when not registered for VAT, or the Council paying fraudulent VAT-only invoices. The VAT would be recovered from HMRC so it would not fall as a cost to anyone's budget. There would have to be collusion between Council officers and the supplier for there to be a criminal offence of tax evasion.



Construction Industry Scheme:

- Suppliers submitting artificially low labour breakdown on their invoices to avoid tax being deducted on the labour element or no tax being deducted at all.

PAYE – Income Tax / National Insurance:

- Failure to deduct income tax and NI at the correct rate.

Off payroll working – IR35:

- Failure to identify workers/contractors that should be paid via the payroll.

Direct payments:

- Failure to ensure deduction of Income Tax and National Insurance from payments made to personal assistants by recipients of Direct Care Payments.

Grants:

- Failure to ensure that Grant funding is used for its intended purpose.

## Section 4: The Local Response

### Appendix 1

*What should senior stakeholders do?*

#### *The chief executive*

1. Ensure that your authority is measuring itself against the checklist for FFCL.
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

#### *The section 151 officer*

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

#### *The monitoring officer*

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

#### *The audit committee*

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

#### *The portfolio lead*

**Receives a regular report that includes information, progress and barriers on:**

- The assessment against the FFCL checklist
- Fraud risk assessment and horizon scanning.

### Appendix 2

#### *FFCL Checklist*

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
  - register of interests
  - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

in FFCL 2020 to prevent potentially dishonest employees from being appointed.

- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
  - prevention
  - detection
  - investigation
  - sanctions
  - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

Awareness, Strategy, Guidance and Training,	Have you made your senior management team and Elected Members aware of Scotland's Serious Organised Crime Strategy? If so, how did you do this?
	Do you think that the messages in the Strategy are well embedded across the leadership of your Council?
	What role has your SOC Single Point of Contact had in raising awareness across your Council?
	Do you have an Anti-Fraud and Corruption Strategy and associated Anti-Fraud / Crime procedures? If so, are these up to date, well embedded, and followed in practice?
	How have you disseminated your Council's understanding of the risks of SOC to other stakeholders? For example, across your Community Planning Partners, and to local businesses via your Business Gateway / Economic Development arrangements?
	What training is available to your Council's Officers and Members on the risks associated with SOC?
Risk Management	Have the risks posed by SOC and Corruption been reflected within your Community, Corporate, Service and, where appropriate, Project Risk Registers?
	Has the inclusion of SOC risks within relevant Risk Registers led to any behavioural or process changes within your Council?
	Have you considered the risks posed SOC from a Business Continuity perspective? How would your Council deal with / recover from a scenario involving loss / harm as a result of SOC?
	Does your Council have anti-crime guidance that incorporates arrangements for SOC / corruption related Business Continuity Planning?
Communication and Information / Intelligence Sharing	Do you make any use of technology (e.g., your Council's website, Twitter feed, or Facebook page) to disseminate information on the risks posed by SOC?
	What arrangements do you have in place for both internal and external data sharing? Do you have arrangements in place to share information / intelligence with Police Scotland?
	Do you and / or your SOC Single Point of Contact have regular meetings with Police Scotland to discuss the sharing of information / intelligence?
	What steps has your Council taken to develop minimum standards in relation to data security and online processes to mitigate the threat of cyber-crime?
	Have you made your staff aware of the risks of cyber-crime? If so, how?
	Does your Council's Business Gateway / Economic Development Department provide guidance and information to local businesses on how to protect themselves from the risks of SOC?
	Does your Council's Trading Standards service take an active role in promoting consumer awareness, particularly in relation to the sale of illicit and counterfeit goods (e.g. via website / Twitter, door stop selling initiatives, Trusted Trader Scheme, Scottish Scambusters, etc.)?

Whistle-blowing and Staff Support	Do you have whistle-blowing / confidential reporting arrangements in place? Are these available to staff and other stakeholders (such as suppliers and members of the public)?
	Are your whistle-blowing / confidential reporting arrangements effective (e.g., how many positive outcomes as a result of information received via this channel in the last 12 months)?
	What arrangements do you have in place to protect and support staff who may be working under duress?
Assurance	How do you provide assurance to your Elected Members that you and your management team are aware of, and are managing, the risks posed by SOC?
	What role does your Internal and External Audit teams, and your Monitoring Officer, play in this assurance process?
	Do you capture your arrangements for managing and monitoring the risk of SOC within your Annual Governance Statement?
Licensing (Liquor and Civic)	How confident are you that your Authority has not granted a licence (liquor or civic) to an individual or organisation linked to SOC in the last 12 months? On what basis have you reached this conclusion? Could you please highlight any particularly innovative practice?
External Funding (to 3rd party organisations)	How confident are you that your Authority has not provided funding (cash or 'in kind') to a 3rd party organisation with links to SOC in the last 12 months? On what basis have you reached this conclusion? Could you please highlight any particularly innovative practice?
Development Management (Planning)	How confident are you that no Planning or Development Management decision made by your Council over the last 12 months has been exploited by any individual or organisation with links to SOC? On what basis have you reached this conclusion?
Commercial Property	How confident are you that no property within your Council's Commercial Property Portfolio is being used by, or sub-let to, an individual or organisation with links to SOC? On what basis have you reached this conclusion?
Council Housing	How do you obtain assurance that no properties within your Council's Housing stock are being used for the purpose of furthering SOC (e.g., cannabis cultivation, prostitution, sub-letting, people trafficking, counterfeiting)? If your Council's Housing stock has been transferred to another Registered Social Landlord, how do you obtain this assurance?
	Who maintains and repairs your Housing stock?
	If this is done in-house, how do you know that work is not being sub-contracted to organisations with links to SOC?
	If outsourced (or a mix of in-house / out-sourced), how do you know that the organisations you are paying to do that work have no links to SOC?
	How do you make your tenants aware of the risks posed by SOC in the community? How would tenants report their concerns to you?
	How do your Housing Allocations and Homelessness Policies assist with deterring inappropriate use of your Housing stock?
Procurement	Is your Council at risk of purchasing goods or services from organisations with links to SOC? Please explain your response to the question above.



	<p>What steps have you taken to minimise the risk of your Council buying goods and services from organisations with links to SOC?</p>
	<p>What policies or protocols does your Council have in place to ensure that supplier checks aimed at minimising the risk of contracting with an organisation linked to SOC are completed as part of the procurement process?</p>
	<p>To identify (and seek appropriate scrutiny of) high risk contracts, does your Council participate in the National Procurement Portal Notification System and associated Information Sharing Protocol with Police Scotland?</p>
	<p>What have you done to ensure that those members of your staff with purchasing responsibilities are aware of the risks of transacting with an organisation linked to SOC?</p>
	<p>How would staff with purchasing responsibilities raise any potential concerns about organisations with which your Council transacts?</p>
	<p>The Scottish Government launched Scotland's Serious Organised Crime 'Strategy in 2015. Have you made any changes to your Council's procurement arrangements as a result of that?</p>
Insider Threat	<p>Is your Council at risk from employees who have links to SOC? Please explain your response to the question above.</p>
	<p>Listed below are various control mechanisms aimed at minimising the 'Insider Threat' risk. Could you please summarise your Council's arrangements for each (capturing Policies Procedures, and practices)?  Officer / Member Vetting (on recruitment and thereafter)  Officer / Member External Interests (Extra Mural Employment / Interest) Declarations of Officer / Member Gifts and Hospitality (offered and received)  Officer / Member Notifiable Associations (e.g. associations with persons linked to SOC</p>
	<p>How do you know that the arrangements you have set out above are working effectively (e.g., by linking Extra Mural data to absence data) and that records are up to date? Who is responsible and accountable for the effective operation of these processes?</p>
	<p>How would a member of your staff, or another Council stakeholder (e.g., member of the public, supplier, etc.) report suspected or alleged malpractice to you?</p>
	<p>Does your Council have a group tasked with developing, maintaining, and monitoring the corporate Integrity Framework, including the identification of emerging threats, vulnerabilities, risk, opportunities, and relevant mitigation measures to reduce the threat posed by SOC Groups</p>
	<p>How do you challenge and deal with any emerging integrity issues, and how are the outcomes of these fed back into your continuous improvement process?</p>

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny
<b>DATE</b>	24 February 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions
<b>REPORT NUMBER</b>	CUS/20/136
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jacqui McKenzie
<b>REPORT AUTHOR</b>	Lucy McKenzie
<b>TERMS OF REFERENCE</b>	6.4

### 1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately.

### 2. RECOMMENDATION(S)

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

### 3. BACKGROUND

- 3.1 A report detailing all Scottish Public Services Ombudsman (SPSO) and/or Inspector of Cremations decisions relating to Aberdeen City Council is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints and Scottish Welfare Fund decisions are being handled appropriately. The last report on this matter was submitted to the 8 October 2020 Committee.

#### **Scottish Public Services Ombudsman (SPSO) Complaint Decisions**

- 3.2 The Scottish Complaints Handling Procedure (CHP) followed by Aberdeen City Council is outlined by the SPSO. Details of the CHP can be accessed at [www.aberdeencity.gov.uk/complaints](http://www.aberdeencity.gov.uk/complaints)
- 3.3 The SPSO publish all decision reports on their website at [www.spsso.org.uk/decision-report-search](http://www.spsso.org.uk/decision-report-search)

- 3.4 There is one SPSO decision relating to an Aberdeen City Council complaint to notify Committee of since the last reporting period. The complaint was not upheld. Further information is detailed in Appendix A.

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

- 3.5 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers two types of grants – Crisis Grants and Community Care Grants. Further information is available at [www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund](http://www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund)
- 3.6 From 12 October 2020, the Scottish Welfare Fund also administer the Scottish Government Self Isolation Support Grants. Further information is available at [www.aberdeencity.gov.uk/services/coronavirus-covid-19/self-isolation-support-grants](http://www.aberdeencity.gov.uk/services/coronavirus-covid-19/self-isolation-support-grants)
- 3.7 There have been two SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period. Further information is detailed in Appendix B.

### **Inspector of Cremations Decisions**

- 3.8 The Inspector of Cremations responds to complaints or queries from the public about cremations. There have been no decisions by the Inspector of Cremations in relation to Aberdeen City Council cremations to date.

## **4. FINANCIAL IMPLICATIONS**

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

## **5. LEGAL IMPLICATIONS**

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

## **6. MANAGEMENT OF RISK**

<b>Category</b>	<b>Risk</b>	<b>Low (L) Medium (M) High (H)</b>	<b>Mitigation</b>
<b>Strategic Risk</b>	If we do not handle complaints or Scottish Welfare Fund applications correctly then there is risk that we do not meet our objectives in relation to	L	



<b>Compliance</b>	The (SPSO) is the regulatory body for public services in Scotland. If we are non-compliant in our handling of a complaint or Scottish Welfare Fund application then there is risk that this is highlighted by the SPSO.	L	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications receive full training to ensure they have the necessary knowledge to undertake assessments.
<b>Operational</b>	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	L	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.
<b>Financial</b>	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.	L	The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.
<b>Reputational</b>	Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and Scottish Welfare Fund applications are not handled correctly.	L	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are handled correctly and there

			is a robust procedure in place to review decision making when necessary.
<b>Environment / Climate</b>	There are no environment / climate risks associated with this report.	N/A	Not applicable

## 7. OUTCOMES

<u><b>COUNCIL DELIVERY PLAN</b></u>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	Complaints are a vital part of organisational learning and improvement therefore enabling the Council to realise its aims across its policy statement. The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Place Stretch Outcomes	The Scottish Welfare Fund supports the delivery of the LOIP stretch outcome 13 as it can provide short term financial assistance to help with food costs which can relieve the pressure on use of food banks. It also works with partner agencies to identify citizens and signpost them for budget management, debt advice and benefit maximisation.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	Not required
<b>Data Protection Impact Assessment</b>	Not required

## 9. BACKGROUND PAPERS

N/A

## 10. APPENDICES (if applicable)

Appendix A – SPSO Complaint Decisions  
Appendix B – SPSO Scottish Welfare Fund Decisions

## 11. REPORT AUTHOR CONTACT DETAILS

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01224 346976

## Appendix A – SPSO Complaint Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Cluster	SPSO Decision	SPSO Decision Report	Date Recommendations Implemented
26 April 2020	16 Oct 2020	<ol style="list-style-type: none"> <li>1) The planning service failed to provide an appropriate opportunity for the community to express views on the proposals.</li> <li>2) There was no opportunity to comment on changes to the proposals.</li> <li>3) The Council failed to ensure that the application referred to the correct class use before community were notified of the proposals.</li> <li>4) There was no opportunity to comment on the revised landscaping plan.</li> <li>5) The Council did not provide an appropriate response to the complaint about the consultation with the Flooding team.</li> <li>6) It was inaccurate for the Council to state that the Flooding team based their comments on a plan which did not denote a detention basin.</li> </ol>	Strategic Place Planning	Complaint not upheld, no recommendations	<a href="http://www.spsso.org.uk/decision-reports/2020/december/decision-report-201905237-201905237">www.spsso.org.uk/decision-reports/2020/december/decision-report-201905237-201905237</a>	Not applicable

**Appendix B – SPSO Scottish Welfare Fund Decisions**

<b>Crisis Grant Application Received Date</b>	<b>Application Type</b>	<b>Aberdeen City Council 1<sup>st</sup> Tier Review Decision Date</b>	<b>SPSO 2<sup>nd</sup> Tier Review Decision Date</b>	<b>SPSO Decision</b>
6 November 2020	Self Isolation Support Grant	17 November 2020	23 November 2020	Aberdeen City Council decision upheld (Council's decision unchanged)
19 December 2021	Self Isolation Support Grant	23 December 2020	6 January 2021	Aberdeen City Council decision upheld (Council's decision unchanged)
20 January 2021	Self Isolation Support Grant	22 January 2021	26 January 2021	Aberdeen City Council decision upheld (Council's decision unchanged)

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