

# Public Document Pack



To: Councillor Alex Nicoll, Convener; Councillor Yuill, Vice Convener; and Councillors Allard, Duncan, Graham, MacKenzie, Mason, Mennie and Reynolds.

Town House,  
ABERDEEN 22 June 2021

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet remotely on **WEDNESDAY, 30 JUNE 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.

### **BUSINESS**

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

- 1.1 Notification of Urgent Business

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

- 2.1 Determination of Exempt Business

#### **DECLARATIONS OF INTEREST**

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

#### **DEPUTATIONS**

- 4.1 Deputation Requests

## **MINUTE OF PREVIOUS MEETING**

- 5.1 Minute of Previous Meeting of 12 May 2021 (Pages 7 - 12)

## **COMMITTEE PLANNER**

- 6.1 Committee Business Planner (Pages 13 - 24)

## **NOTICES OF MOTION**

- 7.1 There are none at this time

## **COMMITTEE BUSINESS**

### **Internal Audit**

- 8.1 Internal Audit Progress Report - IA/21/04 (Pages 25 - 36)
- 8.2 Internal Audit Follow Up on Agreed Recommendations - IA/21/05 (Pages 37 - 68)
- 8.3 Climate Change - IA/AC2109 (Pages 69 - 82)
- 8.4 Financial Sustainability - IA/AC2104 (Pages 83 - 100)
- 8.5 Teachers Payroll - IA/AC2115 (Pages 101 - 118)

### **Annual Reports and Accounts**

- 8.6 External Audit Annual Report - to follow
- 8.7 Audited Annual Accounts 2020/21 - RES/21/160 - to follow

### **Scrutiny**

- 8.8 SPSO Decisions, Inspector of Crematoria Complaint Decisions - CUS/21/136 (Pages 119 - 128)

## **EXEMPT/CONFIDENTIAL BUSINESS**

- 9.1 Exempt items

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, 12 May 2021. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard (as substitute for Councillor Jackie Dunbar MSP), Duncan, Graham, MacKenzie, Mason (as substitute for Councillor Lumsden MSP), 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 Councillors Allard, Duncan and MacKenzie declared an interest in item 8.1 (ALEO Assurance Hub) by virtue of their position as Board Members of Aberdeen Performing Arts and considered that the nature of their interests did not require them to leave the meeting at that item on the agenda.

### MINUTE OF PREVIOUS MEETING OF 24 FEBRUARY 2021

2. The Committee had before it the minute of its previous meeting of 24 February 2021.

#### The Committee resolved:-

- (i) in relation to article 10 (Industrial and Commercial Property Rental Income and Void Control – IA/AC2017), resolution (i) to note that the link had been circulated and that the Chief Officer - Corporate Landlord would circulate the link again; and
- (ii) to otherwise approve the minute as a correct record.

### COMMITTEE BUSINESS PLANNER

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

#### The Committee resolved:-

- (i) to note that the audit report for item 4 (Financial Sustainability) was currently under review by the Service and that a report was expected in June 2021;
- (ii) to note that items 9 (Climate Change), 21 (Teachers Payroll) and 22 (Bon Accord Care – Budget Monitoring) had been delayed due to Internal Audit resource issues and that reports were expected in June 2021;

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12 May 2021

- (iii) to note that items 5 (Vehicle Replacement Policy and Procurement) and 24 (Capital Project Management) had been delayed pending the conclusion of other work and that reports were expected in September 2021;
- (iv) to note that items 10 (Consilium System – HRA Building Maintenance System), 18 (Timesheets and Allowances, 19 (Housing – Waiting List and Allocations), 20 (Health and Safety – Operations and Protective Services), 23 (Mental Health and Substance Misuse) and been delayed due to Internal Audit resource issues and that reports were expected in September 2021; and
- (v) to otherwise note the content of the planner.

**ALEO ASSURANCE HUB - GOV/21/105**

4. The Committee had before it a report by the Chief Officer – Governance which provided assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.

**The report recommended:-**

That the Committee -

- (a) note the level of assurance provided by each ALEO on risk management, financial management and governance;
- (b) note that Assurance Hub officers and ALEO Service Leads would discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting; and
- (c) note the intention to incorporate each ALEO into training on emergency response and recovery and PREVENT, to enable ALEOs to support the Council in meeting its statutory obligations.

The Assurance Manager advised that on page 42, Appendix F, under the Risk section the following text was not viewable "The level of assurance gained in respect to BAC's audit activities is "high" as programme of auditing is comprehensive and the three lines of defence are well established. There is visibility on audit recommendations through the Board".

**The Committee resolved:-**

- (i) to note the update provided in relation to the missing text at Appendix F within the Risk section;
- (ii) to note that the Assurance Manager would discuss with the ALEO's whether they found the Assurance Hub process to helpful and add the feedback to the next scheduled report to this Committee; and
- (iii) to otherwise approve the recommendations contained in the report.



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**INTERNAL AUDIT ANNUAL REPORT 2020/21 - AC/21/001**

5. The Committee had before it a report by the Interim Chief Internal Auditor which presented the Internal Audit Annual Report for 2020/21.

**The report recommended:-**

That the Committee -

- (a) note the Annual Report for 2020/21;
- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no limitation to the scope of Internal Audit work during 2020/21;
- (d) note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards; and
- (e) note the content of Internal Audit's Quality Assurance and Improvement Plan.

In response to a question relating to the current resourcing of Internal Audit, the Interim Chief Internal Auditor advised that the recruitment to various posts was underway and that the process was taking time to complete.

**The Committee resolved:-**

- (i) to note the update provided in relation to the current Internal Audit staffing situation; and
- (ii) to otherwise approve the recommendations contained in the report.

**INTERNAL AUDIT PROGRESS REPORT - AC/21/002**

6. With reference to article 6 of the minute of its previous meeting, the Committee had before it a report by the Interim Chief Internal Auditor which advised on progress against the approved 2019/20 and 2020/21 Internal Audit Plans.

**The report recommended:-**

That the Committee reviews, discusses and comments on the issues raised within the report and appendices A and B.

**The Committee resolved:-**

- (i) to note that some audit reports scheduled for the June meeting had been deferred until September due to the short timescales between this meeting and the June meeting; and
- (ii) to otherwise note the content of the report.

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**INTERNAL AUDIT - FOLLOW-UP ON AUDIT RECOMMENDATIONS - AC/21/003**

7. With reference to article 7 of the minute of its previous meeting, the Committee had before it a report by the Interim Chief Internal Auditor which advised on the progress made by Services with implementing the recommendations that had been agreed in Internal Audit reports.

**The report recommended:-**

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

In response to a question relating Audit AC2019 (Procurement Compliance) as to whether the actions would be complete by 30 June, the Interim Chief Internal Auditor advised that the work had been completed and that he needed assurance that the improvements were working before the actions could be closed off, which would be evidenced by the procurement workplans submitted to the Strategic Commissioning Committee in June 2021.

**The Committee resolved:-**

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

**HR/PAYROLL SYSTEM - IA/AC2025**

8. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to HR/Payroll which was undertaken to provide assurance that there was adequate control over the new CoreHR system and that issues raised in relation to the previous system had been addressed.

**The Committee resolved:-**

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

**VEHICLE USAGE - IA/AC2105**

9. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to Vehicle Usage which was undertaken to provide assurance that adequate procedures were in place to effectively manage the Council's vehicle fleet.

In response to a question relating to grey fleet and whether this area would always be a risk to the Council regardless of how good the system was to monitor the details, the Interim Chief Internal Auditor advised that it was a balance between the risk and the level of risk the Council were prepared to accept.

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In response to a question relating to business cases for the usage of vehicles out with normal working hours and whether the date of 31 October 2021 was too soon to have the actions completed, the Chief Officer – Operations and Protective Services advised that the business cases provided the justification for staff to take vehicles home, such as small vans, and meant that staff could start work from home and finish at home resulting in less depot space required. He further advised that the cluster were producing a standardised template for the business case and that he expected this to be complete by the dates provided.

**The Committee resolved:-**

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

**UNAUDITED ANNUAL ACCOUNTS 2020/21 - RES/21/120**

**10.** The Committee had before it a report by the Director of Resources which (1) provided an overview of the Council's 2020/21 unaudited accounts; (2) sought approval of the Annual Governance Statement; and (3) presented the unaudited Annual Accounts for those registered charities where the Council was the sole trustee.

**The report recommended:-**

That the Committee –

- (a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2020/21;
- (b) note the Council's unaudited Annual Accounts 2020/21;
- (c) note the unaudited Annual Accounts 2020/21 of the Council's registered charities;
- (d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts would be finalised, signed and submitted to the Council's external auditors, KPMG, and Audit Scotland;
- (e) note that the Audit, Risk and Scrutiny Committee on 30 June 2021 would receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Chief Officer - Finance, Chief Executive and a Council Leader;
- (f) note that the Audit, Risk and Scrutiny Committee on 30 June 2021 would also receive the external auditor's report on the annual accounts for debate and consideration and that this report will set out the auditor's findings and conclusions, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- (g) note that the Audit, Risk and Scrutiny Committee on 30 June 2021 would also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

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**The Committee resolved:-**

- (i) to note that the Chief Officer – Finance would reconsider the wording within Appendix A, page 149, 3<sup>rd</sup> bullet point to bring better clarity around the meaning of the statement;
- (ii) to note that the Chief Officer – Finance would consider whether it was possible to breakdown the risks to separate Brexit and Covid-19 risks within Appendix A; and
- (iii) to otherwise approve the recommendations contained in the report.

**RIPSA QUARTER 1 - COM/21/098**

11. The Committee had before it a report by the Chief Officer – Governance which was presented to ensure that Elected Members reviewed the Council's use of covert surveillance on a quarterly basis in order to provide assurance that it is used consistently in accordance with the Corporate Protocol and Procedure on Covert Surveillance.

**The report recommended:-**

That the Committee note the update within the report in respect of the Council's covert surveillance activity during quarter 1 of the current year.

**The Committee resolved:-**

to approve the recommendation contained in the report.

- **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>30 June 2021</b>								
4	Internal Audit Progress Report	To provide an update on progress for the 2019/20 and 2020/21 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	Best Value Audit	To present an update on the best value audit that has recently taken place.		Vikki Cuthbert	Governance	Governance		R	This report will be submitted to Full Council in August 2021.
7	RIPSA Quarterly Report	to present the quarterly Ripisa report		Jess Anderson	Governance	Governance	5.2	R	By the deadline for submission of reports to this Committee's meeting in June, there were no authorisations for surveillance operations made. Full training was delivered week commencing 17th May 2021 with refresher training in development and due to take place in June/ July 2021. A more detailed overview of the training delivered will be presented to Committee as part of the Q3 report considered at the September meeting.
8	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		
9	Audited Accounts 2020/21	To present the audited accounts	A report will be submitted	Lesley Fullerton	Finance	Resources	4.1, 4.2		
10	External Audit Annual Report	To present the annual report	A report will be submitted	Michael Wilkie	Governance	Governance	3.1		

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11	IT Infrastructure Systems	To obtain assurance over the procurement and adequacy of the Council's IT infrastructure Systems		Colin Harvey	Governance	Governance	2.2	D	This audit has been temporarily suspended pending the new Chief Officer - Digital and Technology commencing in post. Report expected in September 2021.
12	Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications		Colin Harvey	Governance	Governance	2.2	D	Work has commenced on this audit. Report expected in September 2021.
13	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.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
14	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.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
15	Teachers Payroll	to provide assurance that all aspects of payroll administration are adequately controlled and that payment is been made accurately to bona fide employees.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		

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16	Bon Accord Care - Budget Monitoring	to provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.		Colin Harvey	Governance	Governance	2.2	D	The assigned auditor has had sickness absences which have delayed progress. The report will also need to be considered by Bon Accord Care before this Committee.
17	<b>29 September 2021</b>								
18	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
19	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
20	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		
21	RIPSA Quarterly Report	to present the quarterly Ripisa report		Jess Anderson	Governance	Governance	5.2		
22	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		

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23	ALEO Assurance Hub	to present the findings from the latest ALEO Assurance Hub meeting.		Vikki Cuthbert	Governance	Governance	1.2		
24	Corporate Risk Register and Assurance Maps	to present the Corporate Risk Register and the Assurance Maps		Ronnie McKean	Governance	Governance	1.1		
25	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	1.3		
26	Commissioning	Review of plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan		Colin Harvey	Governance	Governance	2.2		
27	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.		Colin Harvey	Governance	Governance	2.2		
28	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.		Colin Harvey	Governance	Governance	2.2		
29	Vehicle Replacement Policy and Procurement	to provide assurance that the Council has an appropriate vehicle replacement policy and that procurement complies with policy and procurement regulations/governance.		Colin Harvey	Governance	Governance	2.2		



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30	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		
31	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		
32	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		
33	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		
34	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		

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35	Capital Project Management	to provide assurance that the management and reporting of on-going capital projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.		Colin Harvey	Governance	Governance	2.2		
36	<b>2 December 2021</b>								
37	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
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	Annual Accounts Key Dates	to advise on the key reporting dates for the annual accounts for 2021/22.		Lesley Fullerton	Finance	Resources	4.1		

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42	The Recruitment Process	To obtain assurance over adherence to the recruitment process, including pre-employment checks and document retention.		Colin Harvey	Governance	Governance	2.2		
43	Attendance Management	To obtain assurance over compliance with corporate policy and determine whether the Council's absence improvement plan is having a positive impact on attendance.		Colin Harvey	Governance	Governance	2.2		
44	Revenue Budget Monitoring	To ensure that robust procedures are in place for monitoring the revenue budget.		Colin Harvey	Governance	Governance	2.2		
45	Care Establishments Financial Administration	To obtain Assurance over financial administration including payroll, timesheets and purchasing.		Colin Harvey	Governance	Governance	2.2		
46	<b>February 2022</b>								
47	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
48	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
49	Internal Audit Plan 2022/23	to present the Internal Audit Plan for 2022/23		Colin Harvey	Governance	Governance			
50	External Audit Strategy	to present the external audit strategy		Michael Wilkie	Governance	Governance			
51	RIPSA Annual Report	to present the annual 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
52	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
53	Recovery Arrangements for Sundry Debt	To ensure that procedures for recovering debts are adequate, efficient and consistently applied		Colin Harvey	Governance	Governance	2.2		
54	Transport Arrangements for Education and Social Care	To obtain assurance over procurement, provision and management of transport for educational and social care needs.		Colin Harvey	Governance	Governance	2.2		
55	Grant Funding to External Organisation	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		Colin Harvey	Governance	Governance	2.2		
56	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.		Colin Harvey	Governance	Governance	2.2		
57	Health and Social Care Transformation	To provide assurance that the JB is continuing to make progress with delivery of its transformation agenda.		Colin Harvey	Governance	Governance	2.2		

	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
58	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.		Colin Harvey	Governance	Governance	2.2		
59	<b>May 2022</b>								
60	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
61	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
62	RIPSA Quarterly Report	to present the quarterly Ripsa report		Jess Anderson	Governance	Governance	5.2		
63	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		
64	Payroll and HR System Amendments	To obtain assurance over the accuracy and completeness of the payroll as a result of changes to the workforce		Colin Harvey	Governance	Governance	2.2		

	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	<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>
65	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.		Colin Harvey	Governance	Governance	2.2		
66	Inspections, Aids and Adaptions	To ensure that adequate control is being exercised over income and expenditure		Colin Harvey	Governance	Governance	2.2		
67	Financial Administration - Waste	To obtain assurance over financial administration including payroll, timesheets and purchasing.		Colin Harvey	Governance	Governance	2.2		
68	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.		Colin Harvey	Governance	Governance	2.2		
69	Care Management Recording and Transactions	To obtain assurance over coordination, recording and payment for care services.		Colin Harvey	Governance	Governance	2.2		
70	<b>September 2022</b>								
71	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
72	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
73	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	<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>
74	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		
75	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	1.3		
76	<b>December 2022</b>								
77	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
78	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
79	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		
80	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		
81	<b>TBC</b>								

	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
82	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		
83	School/Pupil Security	to provide assurance that the Council has adequate arrangements regarding school security.		Colin Harvey	Governance	Governance	2.2	D	Due to revised covid measures between December 2020 and February 2021, the Service did not have capacity to assist Internal Audit's review. The Service have been asked to provide a revised date for work to commence.



## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Progress
<b>REPORT NUMBER</b>	IA/21/004
<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 2020/21 and 2021/22 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 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, and changes to the Council's risk profile as a result, 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. Progress against the plan has been reported to each subsequent meeting of the Committee.
- 3.2 Appendix A to this report shows progress with audits contained in the 2020/21 plan which have still to be concluded and reported to the Committee. A summary is shown in the following table:

2020/21 Planned Audit Status	As at 31 May 2021					%
	by Original Target Committee Date					
	Oct-20	Dec-20	Feb-21	May-21	Total	
Complete	4	1	1	1	7	44%
Draft Report Issued	1	0	0	2	3	19%
Work in Progress	1	1	2	1	5	31%
To Start	0	0	0	1	1	6%
<b>Total</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>16</b>	<b>100</b>

- 3.3 The Internal Audit plan for 2021/22 was approved by the Audit, Risk and Scrutiny Committee on 24 February 2021. The plan included an indicative date by when it was planned to report each audit to Committee.
- 3.4 Appendix B to this report shows progress with audits contained in the 2021/22 plan. A summary is shown in the following table:

2021/22 Planned Audit Status	As at 31 May 2021						%
	by Original Target Committee Date						
	Jun-21	Sep-21	Dec-21	Feb-22	May-22	Total	
Complete	0	0	0	0	0	0	0%
Draft Report Issued	0	0	0	0	0	0	0%
Work in Progress	2	0	0	0	0	2	10%
To Start	0	3	4	6	6	19	90%
<b>Total</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>21</b>	<b>100</b>

- 3.5 The Internal Audit plan for 2021/22 also included elements of consultancy and support work. A summary of progress with these activities is set out in Appendix C to this report.
- 3.6 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 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 for 2020/21.
- 3.7 It is anticipated that the ongoing permanent Chief Internal Auditor recruitment process will be concluded in August 2021. In the interim, acting-up arrangements have been put in place within the team, recruitment of Assistant Auditors is nearing conclusion, and resources have been allocated in the 2021/22 Internal Audit Plan to conclude the remaining 2020/21 work.

**4. FINANCIAL IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

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

**6. MANAGEMENT OF RISK**

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

**7. OUTCOMES**

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

**8. IMPACT ASSESSMENTS**

Assessment	Outcome
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<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 2020/21 Internal Audit Plan
- 9.2 Appendix B – Progress with 2021/22 Internal Audit Plan
- 9.3 Appendix C – 2021/22 Internal Audit Consultancy Work

**10. REPORT AUTHOR DETAILS**

Colin Harvey, Chief Internal Auditor (Interim)  
[colin.harvey@aberdeenshire.gov.uk](mailto:colin.harvey@aberdeenshire.gov.uk)  
(01467) 530701

## APPENDIX A

### PROGRESS WITH 2020/21 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 31 May 2021	Red Amber Green	Comment where applicable
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#### Originally Planned for October 2020 Committee

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 tbc	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 29.09.21	Red	Work in progress.
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 Service response	03.12.20 18.02.21 26.05.21 tbc	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 30.06.21	Red	The report will need to be considered by BAC before AR&S. Content and scheduling tbc.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 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	<i>Commenced November 2020; the assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report due to be issued	28.01.21		
		Draft report issued	17.05.21		
		Service response	02.06.21		
		Final report agreed	18.06.21		
		Original Target Committee date	09.12.20	Amber	Complete
		Revised Target Committee Date	30.06.21		
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	Work in progress.
		Revised Target Committee Date	29.09.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 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	16.03.21		
		Draft report discussed with management	01.04.21		
		Final report agreed	17.06.21		
		Original Target Committee date	24.02.21	Amber	Complete.
		Revised Target Committee date	30.06.21		
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	<i>Commencement was delayed pending conclusion of other work.</i>
		Original Target Committee date	24.02.21		
		Revised Target Committee date	29.09.21		Work in progress

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 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 Draft report due to be issued  Original Target Committee date Revised Target Committee date	02.11.20 31.12.20  24.02.21 29.09.21	Amber   Amber	<i>Commenced November 2020, access and Service availability is restricted due to Covid 19.</i>  Due to revised Covid measures applicable between December 2020 and February 2021, the Service did not have capacity to assist Internal Audit's review.  The Service has been asked to provide a revised date for work to recommence.
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 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 Revised Target Committee date	12.05.21 29.09.21	Amber	Not yet commenced pending conclusion of other work.
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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.	Audit Commenced Draft report issued Service response Final report agreed  Original Target Committee date Revised Target Committee date	08.02.21 26.04.21 11.05.21 08.06.21  12.05.21 30.06.21	Amber	Complete
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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.	Audit Commenced Draft report issued  Original Target Committee date Revised Target Committee date	17.03.21 18.05.21  12.05.21 29.09.21	Amber	The draft report has been issued to the Service for comment.
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 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 Draft report issued</p> <p>Original Target Committee date Revised Target Committee date</p>	<p>19.01.21 31.03.21 12.05.21</p> <p>12.05.21 29.09.21</p>	Amber	The draft report has been issued to the Service for comment.
Timesheets and Allowances	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	<p>Audit Commenced Draft report issued</p> <p>Original Target Committee date Revised Target Committee date</p>	<p>29.01.21 01.06.21</p> <p>12.05.21 29.09.21</p>	Amber	Work in progress.

## APPENDIX B

### PROGRESS WITH 2021/22 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 31 May 2021	Red Amber Green	Comment where applicable
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#### Originally Planned for June 2021 Committee

IT Infrastructure Resilience	To obtain assurance over the procurement and adequacy of the Council's IT infrastructure systems.	Audit Commenced Draft report due to be issued Revised Target Committee date	02.05.21 23.07.21 29.09.21	Amber	Temporarily suspended pending the new CO – Digital & Technology commencing in post.
Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications.	Audit Commenced Revised Target Committee date	28.05.21 29.09.21	Amber	Work in progress.

## APPENDIX C

### 2021/22 INTERNAL AUDIT CONSULTANCY WORK

SUBJECT / SCOPE	OBJECTIVE	Progress as at 31 May 2021
Compliance with Procurement Regulations	To support the Commercial and Procurement Shared Service in developing its controls and approach to improving compliance with procurement requirements.	Initial discussions have commenced with Commercial and Procurement Shared Services.
Cyber Security	To support the Digital and Technology Service in obtaining assurance and further developing controls over the Council's Cyber Security arrangements.	Initial discussions have commenced with the new CO - Digital and Technology with a view to identifying areas where Internal Audit input might add value.
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.	Discussions have commenced with Digital and Technology and key service officers to highlight the key controls anticipated within the new system and obtain assurance these are being considered at appropriate stages of system development.

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 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/21/005
<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 2021 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.

**10. REPORT AUTHOR DETAILS**

Colin Harvey, Chief Internal Auditor (Interim)  
[Colin.Harvey@aberdeenshire.gov.uk](mailto:Colin.Harvey@aberdeenshire.gov.uk)  
(01467) 530701

# APPENDIX A – SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 31 MAY 2021

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

On 12 May 2021, the Committee was advised that, as at 29 April, there were 27 recommendations which were due to have been completed by 31 March 2021 which were not fully complete. This has now reduced to 20.

The total not fully complete, which had an original due date of before 31 May 2021, 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 March 2021	Confirmed complete by Service	New in April to May 2021	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
<b>Cross Service</b>	14	13	8	0	0	5	2	3	0
<b>Commissioning</b>	6	5	5	0	0	0	0	0	0
<b>Customer</b>	35	35	33	1	0	3	0	2	1
<b>Operations</b>	92	77	74	7	7	3	0	3	0
<b>Resources</b>	47	39	29	3	0	14	0	8	6
<b>Health &amp; Social Care</b>	0	0	0	0	0	0	0	0	0
<b>Total</b>	194	169	149	11	7	25	2	16	7



# 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 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2018</b>	<b>Workforce Planning</b>	August 2020	2	1	1	<b>0</b>	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2019</b>	<b>Procurement Compliance</b>	September 2020	12	12	7	<b>5</b>	2 Major 3 Significant
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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	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> 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.  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	
Commercial & Procurement	Services should ensure they comply with aggregation rules for procurement of similar goods / services. 2.1.5	Major	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> 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.3  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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	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	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> 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.  The latest update from the Service is that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This is anticipated to be concluded by June 2021.
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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	A clear and consistent method of recording contract details against each payment should be developed and implemented. 2.2.3b	Significant	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> 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.  The latest update from the Service is that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This is anticipated to be concluded by June 2021.
		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 had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> 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.  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	

**APPENDIX C**  
**COMMISSIONING**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2014</b>	<b>Civil Contingencies</b>	September 2020	6	5	5	<b>0</b>	N/A



# **APPENDIX D**

# **CUSTOMER**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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 June 2020	<p>The Committee was last advised that 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 was proposed to prepare a risk assessment format by October 2020 and that the action completion date was moved to January 2021.</p> <p>The revised risk approach and training is being rolled out from the new Counter Fraud Policy approved at Committee in February 2021 and it is proposed that this action completion date is moved to June 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC2012 – Customer Access Points and Service Centre – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
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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 Committee was last advised that 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 was proposed that the action completion date is moved to March 2021.  It is now proposed that the action completion date is moved to June 2021.
		June 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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 September 2020	<p>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.</p> <p>The Committee was advised in November 2020 that the draft document was being checked with the relevant Chief Officers and will then be shared with the Trade Unions for agreement and sign off.</p> <p>The Committee was advised in February 2021 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.</p> <p>The Working Time collective agreement detailing exclusions and modifications to the Working Time Regulations was issued to the trade unions for consideration and sign off. To date, seven of the eight unions have given their agreement, with a reply awaited from one. Follow up e-mails have been issued to this union, to seek a decision.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2102</b>	<b>Revenues &amp; Benefits System</b>	November 2020	4	4	4	<b>0</b>	N/A

**APPENDIX E**  
**OPERATIONS**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1817</b>	<b>Vehicle Usage</b>	January 2018	8	8	8	<b>0</b>	N/A
<b>AC1925</b>	<b>Music Service</b>	May 2019	22	20	20	<b>0</b>	N/A
<b>AC2007</b>	<b>Stock Control</b>	November 2019	16	16	16	<b>0</b>	N/A

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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	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.  Catering and Commercial and Procurement Service colleagues are engaged with Scotland Excel on the development of an online school payments framework. One of the lots which will be part of this framework is for Cashless Catering and Kitchen Management systems. It is expected that this framework will go live in Autumn 2021
		December 2020	



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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	<p>The Service previously 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.</p> <p>The last update from the Service was that Commercial and Procurement Shared Service will be applying the Council's standard terms and conditions which include arrangements for data sharing. It was anticipated a new contract would be in place in February 2021.</p> <p>Agreement of the contract, which includes the data sharing agreement, has been scheduled for June 2021. The Service has indicated that there will be no extension to this deadline. If it is not agreed, the system will be withdrawn.</p>
		April 2020	
Education	Required Data Sharing Agreements will be developed where not in place. (2.4.10b)	Significant	<p>The Service last 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 would now be completed by March 2021.</p> <p>Work continues to put this in place, however it has not progressed as quickly as hoped. Completion is now anticipated by the end of June 2021.</p>
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2028</b>	<b>Fostering, Adoption &amp; Kinship</b>	July 2020	12	8	8	<b>0</b>	N/A

**APPENDIX F**  
**RESOURCES**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 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	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	A register of specific grants should be developed and monitored regularly to enhance assurance over specific grant income. (2.1.11)	Important	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 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	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The level of grant funding available should be consistently recorded. (2.3.3)	Important	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	
Finance	Estimates and adjustments should be reviewed to ensure they are compliant with grant terms and conditions. (2.3.8b)	Significant	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Service should ensure revenue and capital expenditure is appropriately recorded against relevant grants. (2.3.10)	Significant September 2020	The Committee was last advised that 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 was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	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 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2017</b>	<b>Industrial &amp; Commercial Properties</b>	February 2021	14	13	9	5	2 Significant
							2 Important

The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The Service should update the Property Estates Strategy. (2.2.2)	Important	The property strategy is being updated and will be presented to the Performance Board in July 2023.
		April 2021	
Corporate Landlord	The Service should put in place Key Performance Indicators which will inform management's strategic development of the Investment Portfolio. (2.2.3)	Significant	Indicators have been agreed around property occupancy % (units and sq/ft), no. units available for let, Rental Income targets, No. of rent reviews outstanding (3 months after review date). These will be built into service standards in 2022/23.
		April 2021	
			Internal Audit is awaiting details of the indicators and how they are currently being used / reported.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

(AC2017 – Industrial & Commercial Properties – Continued)

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	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. (2.2.13)	Important	The Corporate Landlord has advised that management arrangements have been reviewed. A business case is being brought forward although not yet finalized as part of service re-design proposals which addresses resources around managing the developments. This is being reported as a transformation project. Job specifications are currently being developed.  Corporate Landlord has reviewed the Marischal Square Management with it's Development partner and does not propose any change at this time.  Internal Audit is awaiting details of the review undertaken.
		March 2021	
Corporate Landlord	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. (2.2.14)	Significant	The review of the commercial estate will be taken forward as part of transformational board activities later in 2021. It has been delayed at this time due to market uncertainties.
		April 2021	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.05.21	Confirmed Implemented by Service	Not implemented by original due date	

<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	The Service last reported it was working with the Health and Safety Team, however they have been busy with Covid issues so there would be a delay in completing this action, to February 2021.  The Policy has been updated and reviewed and will be implemented in June 2021.
		October 2020	

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2109 – Climate Change
<b>REPORT NUMBER</b>	IA/AC2109
<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 Climate Change.

### 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 Climate Change.

### 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

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2109 – Climate Change.

## 10. REPORT AUTHOR DETAILS

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(01467) 530701



## **Internal Audit Report**

### **Place**

### **Climate Change**

**Issued to:**

Angela Scott, Chief Executive  
Rob Polkinghorne, Chief Operating Officer  
Gale Beattie, Chief Officer – Place  
Richard Sweetnam, Chief Officer – City Growth  
Mark Reilly, Chief Officer – Operations  
Fraser Bell, Chief Officer - Governance  
David Dunne, Senior Planner - Place  
Ronnie McKean, Corporate Risk Lead  
External Audit

## EXECUTIVE SUMMARY

### Background

Public Bodies Duties under Part 4 of the Climate Change (Scotland) Act 2009 require the Council, in exercising its functions to act: In the way best calculated to contribute to the delivery of the Scottish Government's emissions reduction targets. (Mitigation); In the way best calculated to help deliver any programme laid before the Scottish Parliament under section 53. (Adaptation); and in a way that it considers is most sustainable.

Under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 the Council must report greenhouse gas emissions data annually and demonstrate that it is contributing towards the achievement of national targets and adapting to climate change. The Council should also be influential in terms of emissions reduction and climate adaptation in a wider sense, seeking to modify the climate change behaviour and action of individuals and organisations across Aberdeen.

Outcome 14 of Community Planning Aberdeen's current Local Outcome Improvement Plan shows that Community Planning is aiming to reduce Aberdeen's carbon emissions by 42.5% by 2026 and to continue to adapt to the impacts of climate change. The Council's Net Zero Vision for Aberdeen, approved in 2020, goes beyond this to assist in contributing to meeting revised targets set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. In this, Scottish Government set a target for Scotland to be a Net Zero nation by 2045. The LOIP is undergoing a refresh and is likely to align with this new target. The Council is also developing and embedding two new Climate Change Plans which seek to achieve its Net Zero Vision for the council itself and the City of Aberdeen.

### Objective

The objective of this audit was 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.

This included consideration of whether new plans and governance arrangements which are still being developed and embedded, cover mitigating climate change risk, ensuring compliance with legislation and delivering the Council's Climate Change Vision for itself and the City.

### Assurance

In general it is evident that the Council is taking appropriate measures, and has put appropriate governance arrangements in place to monitor progress with their delivery.

### Findings and Recommendations

Climate change risks have been identified, and included on the Corporate risk register, but at the time of the audit these had not all been fully reflected in Services' consideration of the risks and assurance sources relevant to their activities. A recommendation graded as Significant within audited area has been made for these to be updated, and progress is being overseen by the Risk Board.

Climate change and adaptation plans are in place, with a route map / action plan to be reported back to Full Council by March 2022 in respect of Citywide Climate Change Plans.

Governance arrangements are in place and have recently been mapped out to demonstrate their interaction and provide assurance that key elements required to deliver planned outcomes are covered.



A net-zero project register is still under development. The Council Climate Change Plan Group reviews a dashboard indicating Project Leads, timescales, financial costs and the carbon impact for projects where these are known. More detail will become available as the nature and requirements of projects are more fully determined. The dashboard indicates that Council Climate Change Plan projects have been largely allocated. However, until the Council's expectations in terms of project timing, project costs and their carbon impact are fully documented, it will be more difficult to monitor and report on progress. A recommendation graded as Significant within audited area has been made to further develop this, and progress is being overseen by Group.

Carbon Budgeting is being piloted during 2021/22 and is scheduled for annual review and further roll-out in subsequent years.

The Council is meeting its duties to publish climate change data in line with the Scottish Government's standardised reporting methodology. Due to a change in systems used for recording data the Service was unable to retrospectively provide some supporting evidence for the detail for Internal Audit to verify the submission for 2019/20. This is now being retained.

#### Management Response

The Service is continuing to embed Climate Change governance, actions and responsibilities across the Council. While not all have yet been fully implemented, they already form part of Council plans and actions and are being implemented or programmed for implementation over the next 12 months. This will continue to support and where appropriate enhance assurance over their delivery.

# 1. INTRODUCTION

- 1.1 Public Bodies Duties under Part 4 of the Climate Change (Scotland) Act 2009 require the Council, in exercising its functions to act:
- In the way best calculated to contribute to the delivery of the Scottish Government's emissions reduction targets. (Mitigation)
  - In the way best calculated to help deliver any programme laid before the Scottish Parliament under section 53. (Adaptation)
  - In a way that it considers is most sustainable.
- 1.2 Under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 the Council must report greenhouse gas emissions data annually and demonstrate that it is contributing towards the achievement of national targets and adapting to climate change. The Council should also be influential in terms of emissions reduction and climate adaptation in a wider sense, seeking to modify the climate change behaviour and action of individuals and organisations across Aberdeen.
- 1.3 Outcome 14 of Community Planning Aberdeen's current Local Outcome Improvement Plan shows that Community Planning is aiming to reduce Aberdeen's carbon emissions by 42.5% by 2026 and to continue to adapt to the impacts of climate change. The Council's Net Zero Vision for Aberdeen, approved in 2020, goes beyond this to assist in contributing to meeting revised targets set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. In this, Scottish Government set a target for Scotland to be a Net Zero nation by 2045. The LOIP is undergoing a refresh and is likely to align with this new target.
- 1.4 The objective of this audit was 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.
- 1.5 Changing legislation and emissions targets, and new economic opportunities which climate change presents, have required a revised focus for the Council in terms of its own operations and infrastructure, and that of the City. Governance and planning is being refreshed to focus on the City's role in global Energy Transition as well as the Council's climate change legislative duties. Progress has already been made on emissions reduction and adaptation through the Council's Citywide Sustainable Energy Action Plan (SEAP) - Powering Aberdeen and the Aberdeen Adapts Framework.
- 1.6 This audit has additionally considered whether the new plans and governance arrangements which are still being developed and embedded, cover mitigating climate change risk, ensuring compliance with legislation and delivering the Council's Climate Change Vision for itself and the City.
- 1.7 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Gale Beattie, Chief Officer – Place, and Richard Sweetnam, Chief Officer – City Growth.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Climate Change Risk Assurance

- 2.1.1 The Corporate Risk Register identifies Climate Change as one of the most significant risks the Council faces, and in 2020 the Council's Climate Change Plan Leadership and Governance sub-group agreed to separate Climate Change Risks into two risks:
- 'Compliance' – the risk of not complying with statutory duties as a Council to reduce emissions, contribute to national targets, adapt to climate change in contribution to the national adaptation programme, and report annually on this work.
  - 'Place' – the risk of not contributing to a reduction in city-wide emissions and address strategic climate risks for the city where the Council has scope to influence. Including: heavy or reduced rainfall, flooding, higher temperatures and sea levels.
- 2.1.2 This change demonstrates the Council's clear appreciation of climate change risk and allows for strategies and plans to be more tailored to each specific element in order to meet statutory obligations.
- 2.1.3 The Risk Board is provided with monthly updates on progress with climate change action and annual updates are provided for the Audit, Risk and Scrutiny Committee.
- 2.1.4 The Council has several governance groups, as detailed at 2.3 below, which provide assurance over delivery of plans and the mitigation of climate change risks, however not all of these (i.e. the Net Zero Transition Delivery Unit) are included in the Strategic Place Planning Cluster Assurance Map. For completeness and to strengthen the assurance map these should be included.
- 2.1.5 The Council has a Control Action in the Corporate Risk Register which indicates that it intends to '*Integrate operational climate risks in the ACC Risk Management Framework*'.
- 2.1.6 A request for input was issued to Chief Officers by the Senior Sustainability Officer on 21<sup>st</sup> April 2021, and the action is being monitored by the Risk Board.
- 2.1.7 Where climate change mitigation and adaptation risk is identified at operational level, this will strengthen the Council's climate change risk management, increase compliance and improve the likelihood of achieving emissions targets and adaptation plans.

#### **Recommendation**

Climate change risks should be adequately embedded in Cluster and / or operational risk registers and assurance maps.

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

Agreed. The Assurance Map has been updated to include the Delivery Unit.

The need to embed climate risks is recognised by the Council; it is an action within the Council's Climate Change Plan Project Register. This collaborative work has been taking place across the Council over the past year. The Council's Risk Board have oversight of this ongoing work. It is anticipated that this will be completed in full by 1 July 21. Thereafter, relevant senior management teams will monitor the risks and associated controls to ensure they remain adequate.

**Implementation Date**

**Responsible Officer**

**Grading**

## 2.2 Climate Change Plans

- 2.2.1 In order to comply with climate change duties under the Climate Change (Scotland) Act 2009, and to contribute towards the Scottish Government's 'Net Zero by 2045' target set in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, and to deliver an adaptation programme, appropriate Climate Change plans need to be in place.
- 2.2.2 In May 2020, Urgent Business Committee approved the Council's Net Zero '*Vision and Prospectus for Aberdeen*' and the '*Strategic Infrastructure Plan - Energy Transition*', hereafter referred to as the 'Net Zero Vision'.
- 2.2.3 At the same meeting it approved a route map to work towards producing a new climate change plan with a refreshed focus on the Council's climate change intentions in respect of its own operations and infrastructure. This resulted in the '*Climate Change Plan 2021-2025: Towards a Net Zero and Climate Resilient Council*', hereafter referred to as the 'Council Climate Change Plan'. This was approved by Council in March 2021.
- 2.2.4 Council also instructed '*the Chief Officer – Strategic Place Planning to develop an Aberdeen Energy Transition and Climate Change Route Map...to meet our ambition to be a Net Zero city and report back to Council before March 2022*'. Hereafter this Route Map will be referred to as the 'Aberdeen Climate Change Plan'.
- 2.2.5 Both Climate Change Plans build on previous and ongoing Net Zero efforts but demonstrate a fresh appreciation of the need for different approaches to tackle 'Compliance' and 'Place' Risk. The Council has greater control over Compliance risk and the Council Climate Change Plan will be a key control in this regard.
- 2.2.6 The Place risk requires collaboration from key organisations and infrastructure within Aberdeen in a collective effort to contribute to Net Zero targets, in part by shifting Aberdeen's dependency from oil and gas to renewables energy. The Aberdeen Climate Change Plan is not a statutory requirement but is a key control to managing the Place risk.
- 2.2.7 To ensure a full appreciation can be gained of the Council-wide implications of Climate Change Action and its impact on the Local Outcome Improvement Plan and Net Zero Vision, the Plans' setting within the Council's wider Strategy Framework needs to be clear. Some of this is captured in the Annual Climate Change Report. The Council's Strategy Framework currently includes Climate Change mitigation at the Place level. The Framework is a live document as the Council's strategic priorities shift with changing contexts. It is anticipated that the Framework will be updated to reflect the new / revised Place based climate strategies currently in development, once agreement has been sought for these in March 2022.

## 2.3 Climate Change Governance

- 2.3.1 A clear governance structure is essential to provide assurance that climate change risk is adequately managed, and that associated planning and decision making is in line with the Council's vision and fulfils legislative requirements and desired outcomes.
- 2.3.2 The City Growth and Resources Committee (CGRC) has authority over the direction of Place based climate change plans. CGRC receives updates on progress with these plans, the associated delivery progress and the impact of this work. It also receives the annual statutory Climate Change Report, which is required to be signed off by a Senior Manager of the Council.

- 2.3.3 The Strategy Board as part of its remit facilitates the delivery of the Council's strategic priority 'Energy Transition and Net Zero'. It looks at internal and external factors which affect the Council's current and future environment and the impact this could have on the Council and Aberdeen City. The Board brings together Clusters and encourages a holistic approach towards climate change adaptation and mitigation.
- 2.3.4 The Oversight Group oversees delivery of the Council Climate Change Plan for its own infrastructure and operations which cover climate change related statutory duties in this context. It reports to Corporate Management Team through the Council's Performance and Risk Boards and oversees the progress against the Climate Change Plan through five Thematic Sub-Groups:
- Governance/Leadership,
  - Awareness/Behaviour Change,
  - Buildings,
  - Mobility, and
  - Other Operations.
- 2.3.5 The Thematic Sub-Groups identify projects and actions required to deliver the Council Climate Change Plan and which contribute to the Net Zero Vision. They develop and process any business cases via the Project Management Office (PMO) and Committee Process, and co-ordinate activity. Monitoring and reporting of progress and statutory data to the Oversight Group is done via the Thematic Sub-Group Leads.
- 2.3.6 The Oversight Group membership includes key personnel including the Chief Officer – Strategic Place Planning (the Risk Owner), the Chief Operating Officer, and the Programme and Projects Manager. The Climate Change Risk Lead, Team Leader Environmental Policy, Senior Sustainability Officer and other officers operate in an advisory capacity.
- 2.3.7 Development of the Aberdeen Climate Change Plan is being developed in consultation with the Net Zero Leadership Board. It is chaired by Aberdeen City Council and has membership of various influential external organisations which have the ability to drive the Net Zero Vision for Aberdeen City forward.
- 2.3.8 The Net Zero Leadership Board oversees the work of the Net Zero Transition Delivery Unit which will co-ordinate project work associated with the Net Zero and Energy Transition priority actions which it is anticipated will be identified in the Aberdeen Climate Change Plan. Its membership includes organisations which can facilitate the delivery of projects through city mitigation programmes and going forward, the new Aberdeen Climate Change Plans.
- 2.3.9 The revised governance arrangements aim to provide assurance over the Council's ability to deliver its Net Zero Vision for both the Council and the City.
- 2.3.10 The relationship between these governance groups and others, such as the Sustainable City Outcome Improvement Group, has recently been set out. This map of the climate change governance framework helps to ensure that it covers all of the elements required to deliver the planned outcomes.
- 2.3.11 In respect of project delivery, the Council's Project Management process has a Business Case template which includes an Environmental Management section which must be completed and give consideration to:
- A reduction in carbon dioxide emissions
  - Building city resilience to predicted changes in climate
  - Resource efficiency

- A reduction in impacts on the environment

2.3.12 The Environmental Policy team must be consulted on all business cases thus ensuring due consideration of climate change implications where this process is applied.

## 2.4 Climate Change Action Plans

2.4.1 The Council Climate Change Plan includes a summary Project Register which shows the projects it intends to deliver to address emissions and adaptation in the Council's own infrastructure and operations.

2.4.2 A project register for city-wide net zero and energy transition projects will also need to be developed as part of the Aberdeen Climate Change Plan which is being developed in collaboration with the Net Zero Leadership Board and Delivery Unit. Although projects within this could be more complex due to the involvement of other partners, once in place both the City and Council projects will be clearly identified, and progress can be monitored, in line with Scottish Government expectations that may be clarified in their updated Guidance, yet to be issued.

2.4.3 The Council Climate Change Plan Group (consisting of the Oversight and Thematic Sub-Groups) holds a more detailed list of the approved Council projects which are categorised according to the Thematic Sub-Groups which report to the Oversight Group. This 'dashboard' indicates Project Leads, timescales, financial costs and the carbon impact for projects where these are known. More detail will become available as the nature and requirements of projects are more fully determined. However, until the Council's expectations in terms of project timing, project costs and their carbon impact are fully documented, it will be more difficult to monitor and report on progress.

### **Recommendation**

The Service should ensure progress is made with recording the detail of project timescales, costs and impact on carbon emissions by Project Leads within the Project Dashboard.

### **Service Response / Action**

Agreed. The need to and value of capturing relevant project information is recognised in order to support ongoing monitoring of progress and outcomes for both specific projects and the overall Plan. The Project Register has been specifically designed to seek this outcome and Project Leads have been tasked with and are supported to provide this information for their projects. This work is ongoing with the support of the Council's Climate Change Officer and with oversight from the Council's Climate Plan Group and Performance Board.

Obtaining outline information on established matters, such as timescales and costs, etc. is relatively straightforward using well established industry standard methods. The challenge for all working in this field remains around developing, embedding and maturing the skills and methods required to provide reasonable estimates of carbon emissions and climate risks associated with projects, especially those at a very early stage. Efforts to develop, embed and strengthen these skills and capabilities in these areas are ongoing across the organisation and will take a little longer than for other information.

### **Implementation Date**

Basic data by August 2021

### **Responsible Officer**

Climate Change Officer

### **Grading**

Significant within audited area

Climate data by March 2022



- 2.4.4 To demonstrate that the wider importance of each project is recognised, it will also be beneficial to indicate where other strategies in the Council's Strategy Framework (e.g. Hydrogen, Nestrans, Local Housing) are pertinent to each project. The Thematic Sub-Groups which report to the Oversight Group will also reduce the risk of 'silo' working.
- 2.4.5 Climate change is already a major consideration in the Council's activity, as exemplified through the Net Zero Vision and Strategic Infrastructure Plan and Aberdeen (evolving Net Zero Routemap) and Council Climate Change Plans. The Council Climate Change Plan dashboard indicates that Council Plan projects have been largely allocated. Officers have also noted that the majority of projects form part of, and are delivered by, existing capital and transformation programmes of work, as well as through strategic implementation plans. A similar exercise will be necessary to allocate activities once they have been identified in the Aberdeen Climate Change Plan, where relevant, acknowledging that the involvement of external partners and ALEO's will vary the extent and nature of the Council's involvement.
- 2.4.6 A sample of 10 projects was reviewed to determine progress and to establish whether the Dashboard is complete and up to date. Although the list of projects was only approved in March 2021 three projects had target end dates of 31 March 2021, and another was due for completion by February 2021. The Performance Dashboard provided by the Service indicated their status as 'On Target', suggesting that they were still ongoing. Finished projects should be flagged as 'Completed'. However, the last Dashboard update was on 9 March 2021, with the next update due on 10 May 2021, therefore it could only be determined that one of the projects had not completed on time. More regular updates to the Dashboard, e.g. promptly following target dates, would ensure the information is up to date where it is to be used to present information and updates to various parties.
- 2.4.7 The Dashboard is new, and the Council Climate Change Plan is only now moving into the implementation phase, it is therefore too early to draw conclusions on the Dashboard's effectiveness. The format of the Dashboard is however a familiar tool used across the Council and is endorsed by the Project Management Office.
- 2.4.8 The Performance Board, Oversight Group, and the Thematic Sub-Groups have access to the Dashboard and it is intended for progress with both Plans to be reported to the Council's Performance Board each quarter and to City, Growth and Resources Committee annually alongside the Climate Change Report.
- 2.4.9 It is intended that the same progress monitoring and reporting approach will be used for the Aberdeen Climate Change Plan. This will help standardise climate change monitoring and reporting. The implications of the involvement of Partners and ALEO's in the Aberdeen Climate Change Plan will however need to be considered.

## **2.5 Carbon Budgeting**

- 2.5.1 In the development of the Council Climate Change Plan, the Council Energy and Climate Plan Routemap included an indicative action to '*Consider carbon budget and accounting options, in parallel to our financial systems, to facilitate robust data and measurements of change towards net zero.*'
- 2.5.2 A Carbon Budget is effectively the cumulative amount of carbon emissions that an organisation has agreed it will emit over a period of time (e.g. a year). It allows forward planning and decisions to be made with climate change in mind and improves the understanding of energy consumption and the cost of carbon expenditure.

- 2.5.3 The Council began implementing Carbon Budgeting following an options appraisal in 2020 which considered different approaches which could be taken. Themed budgets, longer term emission reduction targets, and commissioning an external consultant were all explored but the ability to link carbon emission reductions with financial budgets, investment decisions and service planning, and to identify potential savings were deemed priorities.
- 2.5.4 In October 2020 City Growth and Resources Committee gave approval for the Service to develop an in-house methodology for calculating an overarching carbon budget for the Council Climate Change Plan which involves carbon (tCO<sub>2</sub>e) allocations based on ability to influence relevant policy and action.
- 2.5.5 A pilot commenced in 2021-2022 involving carbon emission budgets being allocated to selected Council Functions for the financial year. Allocations were set with the national net zero target in mind and an indicative linear trajectory aligned to one of the Scottish Government's 2019 Act interim targets has been established (i.e. a reduction of at least 75% by 2030 from the 2015/16 reporting baseline). This will require reported Council emissions to be at least 48% lower by 2025. According to the Statutory Climate Change Submission submitted in November 2020 (see 2.6 below), the Council recorded emissions of 30,563 tCO<sub>2</sub>e for 2019/20 – a 34% reduction from the 2015/16 reporting baseline (46,371 tCO<sub>2</sub>e).
- 2.5.6 The Oversight Group intends to review the process annually and to establish allocations for all Clusters and Functions from 2022/2023.
- 2.5.7 The process has not been examined in detail given that it is just at a pilot stage but it is vital that the basis for Carbon Budget allocations is clear and appropriate and that going forward, carbon budget allocations are rolled out across the Council.
- 2.5.8 The Oversight Group is responsible for ensuring this is done and intends that the Carbon Budget will improve understanding of energy consumption and corporate carbon emissions, improve awareness of the costs of carbon expenditure and result in greater accountability for the delivery of climate change actions.

## **2.6 Statutory Reporting**

- 2.6.1 In line with the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015, the Council submits climate change data using the Scottish Government's standardised reporting methodology. This provides the Scottish Government with an indication of the Council's commitment to climate change and monitors the Council's performance against legislative requirements, Council Plans, Policies and Strategies.
- 2.6.2 Strategic Place Planning is responsible for submitting the Council's statutory Climate Change Report to Scottish Government following the approval of the City Growth and Resources Committee and sign off by the Chief Executive by 30 November each year. The 2019/20 Report was submitted on time and indicated a 34% reduction in Council Carbon emissions as noted at 2.5.5 above.
- 2.6.3 The report has two main sections for 'Required' and 'Recommended' climate change reporting. Strategic Place Planning draws on datasets and information held by various internal and external parties to complete these. Chief Officers must sign off any data submitted by their Cluster on templates provided. These are checked for reasonableness by the Sustainability Officer and included in the Report. A further final confirmation of the detail and figures in the report is obtained in the course of the Committee Reporting process.



2.6.4 Supporting evidence for a sample of data in the 2019/20 Climate Change Report was requested from the Sustainability Officer in respect of various returns. Figures for Fleet Mileage, Street Lighting electricity consumption, and WEEE and Paper Board Recycling collections were not available to check retrospectively, reducing assurance over their accuracy.

<b><u>Recommendation</u></b>		
The Service should ensure that data within the Climate Change Report is adequately supported with evidence.		
<b><u>Service Response / Action</u></b>		
Agreed. Evidence gathering from Services underpins the content of the annual climate change reports submitted. Information is currently collated on templates from key officers. Following this, Chief Officers or their representatives, send a trigger requesting verification of the information that has been supplied by the officers. A log of all information and verifications is usually retained. The data requested for 2019/20 is the only data inaccessible, due to a changeover in information management systems in that reporting period. Going forward, the verified data submissions will continue to be retained for all years as supporting evidence. These verified data submissions are input annually on the public bodies climate change reporting template.		
Further, services are collaborating to develop a more robust technological solution to request, input, collate and monitor all this information for future years.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
November 2021	Sustainability Officer	Important within audited area

2.6.5 There are common challenges in this field in terms of producing and collating accurate and robust climate data for monitoring and reporting purposes..

2.6.6 In response to the need for more frequent and better quality data:

- The 'Place Data Forum' has been formed and will manage cross-service climate change data and reporting.
- A shared data platform and performance dashboard is being worked on in a bid to improve the communication, collation and scrutiny of data on a more regular basis.
- Energy and Climate Plan data indicators and measures are being developed to align with the new Council and Aberdeen Climate Change Plans.

2.6.7 These revised arrangements are intended to improve progress and outcomes monitoring across projects and themes throughout the year, to support carbon budgeting and to facilitate statutory reporting. They should provide greater insight for the Groups responsible for overseeing climate change planning and delivery.

2.6.8 Progress with this is the responsibility of the Place Data Forum which itself is directly accountable to the Information Governance Group.

**AUDITORS:** C Harvey  
D Henderson  
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

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2104 Financial Sustainability
<b>REPORT NUMBER</b>	IA/AC2104
<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 Financial Sustainability.

**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 Financial Sustainability.

**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

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2104 – Financial Sustainability.

## 10. REPORT AUTHOR DETAILS

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(01467) 530701



## **Internal Audit Report**

### **Resources**

### **Financial Sustainability**

**Issued to:**

Steven Whyte, Director of Resources  
Jonathan Belford, Chief Officer – Finance  
Fraser Bell, Chief Officer – Governance  
Carol Smith, Accounting Manager  
Vikki Cuthbert, Assurance Manager  
Ronnie McKean, Corporate Risk Lead  
External Audit

## **EXECUTIVE SUMMARY**

### Background

The Council's management of Financial Sustainability risks could impact on its ability to meet its statutory obligations, commissioning intentions and transformational agenda. These risks are included in the Corporate Risk Register (CRR), which reflects the most significant risks faced by the Council.

### Objective

The objective of this audit was to provide assurance that the Controls and Assurance Actions are operating as expected in ensuring that the identified risk is adequately mitigated. Where controls had been examined by Internal Audit recently, assurance was taken from that previous work. The scope of the audit was extended to include the measures which have been put in place as a direct result of the Covid-19 pandemic to protect the Council's balance sheet, revenue, and financial management reputation.

### Assurance

Generally controls and assurance actions in respect of Financial Sustainability are comprehensive, and operating as expected. Whilst evidence-based, the level of assurance provided is largely based on professional judgement. Internal Audit has highlighted to Finance that there is a risk of gaps in the level of assurance available due to a lack of measurable actions and outcomes against which progress towards a reduced target risk score can be measured, and the detail in respect of some sources of assurance is not comprehensive. This has implications for the Council's wider Risk Management activity.

### Management Response

The evidence presented in the report provides a high level of assurance that a great deal of activity is focused on financial sustainability, and that actions are generally in place to mitigate the risk of the Council failing to protect itself. The report highlights that a few important improvements could be made to the overall approach to managing the risk and these have been accepted and one already completed. The Council continues to maintain a strong focus on its financial obligations and in demonstrating its robust approach to managing and evidencing its financial sustainability.

# 1. INTRODUCTION

1.1 The Council includes within its Corporate Risk Register:

***The failure to deliver financial sustainability due to:***

- *Failure to align resources to commissioning intentions and service standards*
- *Inadequate financial reporting and planning*
- *Failure to respond to external factors*
- *Failure of partners, businesses, or the 3rd sector*
- *Failure of transformation plans, projects, or service redesigns*
- *Inadequate financial stewardship or capability*

1.2 The objective of this audit was to provide assurance that the Controls and Assurance Actions in relation to the risk of Financial Sustainability 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.

1.3 In discussion with management the scope of the audit was extended to include the measures which have been put in place as a direct result of the Covid-19 pandemic to protect the Council's balance sheet, revenue, and financial management reputation.

1.4 The Corporate Risk Register (CRR) reflects the most significant risks faced by the Council. In October 2020, a revised format was presented to Audit, Risk and Scrutiny Committee (ARSC) and included Assurance Maps which provide a visual representation of the sources of assurance associated with each risk contained within the CRR. These are shown as three defence lines which are Service based, Council based and External – also referred to as Doers, Helpers and Checkers. In February 2021, further revisions were approved by ARSC which reduce duplication of assurance sources across Assurance Maps. Assurance Maps are now associated with each Cluster rather than with the individual risks within the CRR.

1.5 Key reports to the Urgent Business Committee (UBC) regarding Financial Resilience were reviewed, and the opinions of external bodies including External Audit and Moody's were considered. In addition, because of the fundamental role played by Finance in mitigating the Corporate Risk, the Cluster's own risk register and Assurance Map were reviewed, updated versions having been presented to ARSC in February 2021. Report findings and recommendations should also be considered in terms of the wider Risk Framework.

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

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Risk Management**

- 2.1.1 The Risk Board is responsible for monitoring the Corporate Risk Register for Institutional and Place based risks and ensures this is updated regularly to show for each risk identified:
- the latest risk assessment
  - the control actions being implemented to enhance control
  - the progress made with these
- 2.1.2 Ownership of the Council's 'Financial Sustainability' risk has been allocated to the Director of Resources and the Risk Lead is the Chief Officer – Finance. They are responsible for reporting to the Risk Board to provide assurance in respect of mitigating measures and action being taken to manage risk relating to the Council's financial sustainability.
- 2.1.3 Four Executive Boards, which oversee Risk, Strategy, Transformation and Performance, were established in September 2020, each having Officer and Chief Officer membership. These Executive Boards play a significant role in 'Horizon Scanning' and have responsibility for planning, delivery and assurance. Each plays a role in risk identification and confirming that risk controls are operating effectively. The Risk Board takes the lead on risk and reporting as necessary to Corporate Management Team (CMT).
- 2.1.4 Ultimately matters concerning financial sustainability are reported to the City Growth and Resources Committee (CGRC) from where strategic decisions can be made or referred to Council to mitigate any risk posed to the Council's financial sustainability.
- 2.1.5 Any reports which go to Committees are considered by / on behalf of the Section 95 officer to ensure that the financial implications of these (if any) are fully considered and explained, so that Committee members are aware of the level of risk which decisions being made carry in relation to the Council's financial sustainability.
- 2.1.6 Risk Registers are reviewed as a Power BI report, which provides near-live data on the management of risks and can be reviewed by finance teams and the Extended CMT at any point. This is intended to facilitate the recording of progress with control actions and to record risk score changes, new risks which have been identified, and to de-escalate risks where appropriate.
- 2.1.7 Every risk across the Council's suite of risk registers is allocated with a category according to the nature of the most significant impact it will have. These currently include Strategic, Compliance, Financial, Reputational, Climate/Environmental, EU-Exit and Covid-19. The spreadsheet, which is updated via a Power App, allows risks in other Clusters to be filtered to "Financial", ensuring that those risks which could impact on the Council's financial sustainability are visible to anyone viewing the Power BI report. The Risk Owners in each case are accountable for those managing the risks and are open to challenge on the extent to which the control actions listed are supporting the financial sustainability of the Council. This helps Clusters to avoid taking a 'silo' or blinkered approach towards risk control.

### **2.2 Control Actions**

- 2.2.1 Control actions are intended to enhance the control environment where deficiencies are identified. Internal Audit sought evidence that the controls and actions are operating as expected in ensuring that the Financial Sustainability risk is adequately mitigated.



- 2.2.2 Finance provided evidence to demonstrate that each of the Control Actions it had identified in respect of Financial Sustainability are being progressed, and in some cases are complete:

**2021-23 and longer term financial planning**

- 2.2.3 The Medium Term Financial Strategy was approved by CGRC in October 2020 and is aligned to the Council Delivery Plan, which itself aligns to the Council's commitment to the vision and priorities of the Local Outcome Improvement Plan.

**Covid: Business Grants and liquidity for businesses; supply chain finance support**

- 2.2.4 The S95 Officer provided the Urgent Business Committee (UBC) with details of involvement in the administration and distribution of business support grants on behalf of the Scottish Government. Financial Resilience Reports were provided to Urgent Business Committee on 20 March 2020, 6 May 2020, 30 June 2020, which gave assurance that the Council was delivering support for businesses where required. In addition to the grants, debt recovery action was suspended, NDR billing delayed and payment term flexibility was increased for businesses.

**Covid: Financial Support to Citizens**

- 2.2.5 The Financial Resilience Report to UBC on 20 March 2020 highlighted that funding was being made available to support existing hardship funds, and additional support would be available through increased provision from the Scottish Government for the Food Fund, Wellbeing Fund, Supporting Communities Fund. The report on 6 May 2020 noted the use of the Food Fund to support children entitled to free school meals and food provision / delivery for people in poverty.

**Covid: Balance sheet/going concern and valuations analysis**

- 2.2.6 The Council's Treasury Advisor and External Audit have provided assurance over the strength of the Council's balance sheet. The Financial Resilience reports to UBC detailed various scenarios as the financial implications of the pandemic position developed, considering how to maintain this strength, in light of lost income, uncertain government support and additional costs whose value was difficult to determine.
- 2.2.7 On 6 May 2020 UBC was assured that 'even during these unprecedented times, [the Council] continues to exhibit strong financial management of its financial affairs and evidence our ability to continue as a going concern.' Controlling the revenue position of the Council was key and the report identified the risks to the revenue and capital budgets and on 30 June 2020, proposals on how it intended to do so were put forward.

**Covid: Revenue and Capital programme implications additional assurance**

- 2.2.8 As noted above, Financial Resilience Reports to Urgent Business Committee provided detailed budget scenarios which took into account the potential budgetary impact in terms of lost income, additional costs, and Government funding uncertainties and which were mindful of how prolonged and severe the pandemic could be. Committee was informed on 6 May 2020 that major capital projects in progress would likely be affected in terms of increased costs and contractor time extensions meaning budgets and completion dates would not be met.
- 2.2.9 The budget and resource allocations approved in February 2020, prior to the UK outbreak, were reset in the Financial Resilience report presented to UBC on 30 June 2020. Financial monitoring and business advice has been maintained throughout the pandemic to support

services and ensure the Committee receives the latest position. Financial Monitoring continues to be presented to CGRC.

### **Covid: Financial stewardship of operational changes and controls**

- 2.2.10 On 4 December 2019, the Public Protection Committee approved a Generic Emergency Plan in light of the threat of Covid, and a recent report to CGR on 3 February 2021 notes that all action taken by officers to ensure compliance with the law and relevant government guidance, were taken in accordance with the Council's approved Scheme of Governance, approved Generic Emergency Plan and the decisions of the Urgent Business Committee.
- 2.2.11 In accordance with the Financial Resilience report to UBC on 6 May 2020, the S95 officer was instructed to prioritise Council resources for critical services and to minimise all other expenditure, stopping non-essential or non-critical spend where possible. The Quarter 2 Financial Reporting provided to City Growth and Resources Committee on 28 October 2020, forecast the financial impact of the pandemic on the Council's General Fund as a deficit of c.£5m for the year. This was reduced to £2.6m according to Quarter 3 reporting and the unaudited outturn for the year was confirmed in May 2021 as a £0.4m surplus.

### **Covid: Reporting and responding to consultations and data collection**

- 2.2.12 Appendix 2 of the Financial Resilience report to UBC on 6 May 2020 shows the initial COSLA information request submitted in April 2020 to capture costs and savings associated with the pandemic. This was required periodically thereafter and demonstrates the Financial review of the organisation wide, workforce and non-workforce costs, lost income, fees and charges, the impact on ALEOs, impact of customer behaviour changes, savings not realised as well as cost reductions due to reduced services.

### **Covid: Review financial support to ALEOs**

- 2.2.13 The ALEO Assurance Hub reported to ARSC on 09 October 2020 to provide assurance regarding the financial management, governance and risk management support provided to ALEOs. Cash flow forecasts, draft annual accounts and other financial data were scrutinised by the S95 Officer and the Head of Commercial and Procurement throughout the pandemic. Discussions included ensuring that appropriate grants were applied for, that staff were furloughed in appropriate numbers, that updated forecasts and financial positions were provided, and potential savings / cost reduction opportunities were considered.

### **Digital programme for financial stewardship and use of resources**

- 2.2.14 A Finance Review completed by Price Waterhouse Coopers in 2017 identified the need to shift from manual, spreadsheet based budget setting and to consider more efficient integrated digital tools which facilitate budget setting and reduce the need for rework.
- 2.2.15 While there is an intention to use Sharepoint and Teams more effectively in budget setting, there is no clear digital programme for financial stewardship and use of resources. However, the S95 Officer is engaged with the Council's Digital Transformation, and developments outlined below show progress in this area.

### **Integrated real time data and decision making**

- 2.2.16 The Service has sought to make budget holders more accountable for the use of their budgets and has provided real time financial monitoring reports which, in addition to monthly budget monitoring reports, allows them to review their budget position at any time. This will assist them in their service delivery and give them greater control and responsibility for their spending decisions.

## **Improvements to financial transaction stewardship**

- 2.2.17 Although the Covid pandemic has impacted to some extent efforts to centralise, re-organise and better resource the Transaction Team, there is now a clear direction to develop a two-team approach. Monitoring of this improvement project is on-going and recruitment has begun. Following a period of significant corporate restructure, this is an evident response to the findings of the Price Waterhouse Coopers Finance Review which was completed in 2017.

## **Capability framework development**

- 2.2.18 The Staff Governance Committee approved the Council's Capability Framework on 18 June 2019 which is being embedded throughout the Council including within the Finance Cluster. The Capability Framework indicates that achieving outcomes, early intervention, considering service demand reduction, understanding service costs, and intelligent use of resources are all integral to Council staff's 'Purpose'. From those responsible for leading only themselves to those who lead the organisation, an appreciation of the skills and knowledge they need are critical to maintaining the Council's Financial Sustainability.

## **Counter Fraud**

- 2.2.19 The Council's Fraud, Bribery and Corruption Policy was replaced by the Counter Fraud Policy which was approved by ARSC on 24 February 2021. This incorporates the Council's Money Laundering Policy and now reflects the requirement to address Tax Evasion.

## **Control Actions – Overall Assessment**

- 2.2.20 The risk environment is fluid, and new control actions may be added (e.g. the Counter Fraud action plan in February 2021), and others are completed, reflecting the Council's response to changes in the risk environment. The most up to date version of the CRR indicates that overall, the financial sustainability Control Actions are 80% complete.
- 2.2.21 This position is subject to regular review, and Internal Audit considers that this is a reasonable indication. However, it requires a substantial degree of professional judgement from the Risk Lead, and the basis of this needs to be clear.
- 2.2.22 As at February 2021, the Corporate Risk Register showed risk in terms of the *Current Risk Score* (12) and a *Target Risk Score* (8). The former indicates the Council's exposure to risk, and the recommendation made above would help the Service to better demonstrate the accuracy of its *Current Risk Score*.
- 2.2.23 A Target Completion Date of 29 June 2021 has been set in the Corporate Risk Register by when the Service intends to have met its Target Risk Score. However, the contribution of each action to reducing the Current Risk Score has not been clearly set out. This would aid in prioritising and evidencing progress towards the Target.
- 2.2.24 Assurance over progress and the level of contribution provided by each control action could be improved by setting clearer separate actions which are specific, measurable, achievable, relevant and time-bound (SMART) and ranking these by priority. These could then be more easily measured.

### **Recommendation**

The Service should ensure that progress with implementing Financial Sustainability risk control actions, and the extent to which each action contributes to reducing risk scores, is clearly supported.

**Service Response / Action**

Agreed. Whatever 'score' or percentage is given to the degree of progress is always going to be judgemental at some level and therefore it risks a level of administration that is not proportionate with the benefit that will be achieved.

It is agreed that actions could be smarter to improve the assessment of completeness and will be reviewed on that basis.

**Implementation Date**

September 2021

**Responsible Officer**

Chief Officer - Finance

**Grading**

Significant within audited area

**2.3 Sources of Assurance**

2.3.1 As part of regular review of sources of assurance, in February 2021 the Audit, Risk & Scrutiny Committee considered Cluster Assurance Maps set out in line with the 'three lines of defence' model. Internal Audit has reviewed the content of the Finance Cluster Assurance Map, which broadly aligns with the previously reported Financial Sustainability risk Assurance Map, to consider the level of assurance these sources provide:

**First Line of Defence:**

**Annual statements of accounts and quarterly reporting**

2.3.2 The unaudited Accounts are normally considered by ARSC in the first instance and Audited Accounts are reviewed by the Committee in May / June each year. Due to the Covid pandemic the review of the 2019/20 accounts was undertaken by the Urgent Business Committee in May (unaudited accounts) and June 2020 (audited accounts). Quarterly Financial Reporting is considered by CGRC.

**Medium Term Financial Strategy (MTFS) and Budget setting**

2.3.3 Short term (2021/22) and longer-term funding and expenditure assumptions (to 2026/27) were set out in the MTFS approved by CGRC in October 2020. Statute requires a balanced budget to be set for the General Fund Revenue and Capital Programme Budgets, Housing Revenue Account (HRA) and Common Good Fund. The budgets and related decisions proposed by officers are considered by Council in March each year. Previous (AC1719) and upcoming Internal Audit work provides additional assurance.

**Monthly and Quarterly monitoring and reporting of budget including contingent liabilities**

2.3.4 Quarterly Financial Reporting has been provided to CGRC, or UBC where appropriate during the pandemic, in addition to financial resilience reports which detail specific action taken to mitigate the impact of Covid on the Council's Financial Sustainability. Further assurance can be taken from previous budget monitoring Internal Audit reports (AC1610) and 'real time' reporting has been developed in addition to monthly and quarterly reviews.

**Financial protocols in Scheme of Governance, Financial Regulations and associated financial procedures and practices**

2.3.5 The revised Scheme of Governance including Financial Regulations was approved by Council in March 2021 and documents are available to staff via the intranet. This was also reviewed previously by Internal Audit (AC1604) as part of a general review of Council Policies and Procedures.

- 2.3.6 The associated Procurement Manual was initially unavailable for staff, presenting a risk to compliance, but access to this on the intranet has now been restored.
- 2.3.7 Examples of operational procedures reviewed show due consideration being given to financial protocol, including the Staff and Members Travel Policies approved by CGRC and Council in 2019 which were recently reviewed by Internal Audit (AC2009).

#### **Financial policies and procedures including Fraud Prevention and Money Laundering, Following the Public Pound and Service Income**

- 2.3.8 Key financial policies have been approved: including: Treasury Strategy (Council, December 2020); Treasury Management Policy (Council, March 2021); Reserves Policy (Council, March 2021); Corporate Debt Recovery Policy (CGR, November 2018); Service Income Policy (CGR, November 2018); Counter Fraud Policy (ARSC, February 2021).
- 2.3.9 Adherence to these and Financial Regulations is considered as a matter of course in Internal Audit work. More Specific Audits have covered Fraud (AC1916), Following the Public Pound (AC1704) and the VSER Policy (AC1913).

#### **Financial Implications review of all committee reports**

- 2.3.10 The Committee Reporting Guide requires that the S95 Officer ensures that the financial implications of Committee reports are considered prior to being presented to Committee for decisions being made. Compliance is evident in items within meeting agendas.

#### **Treasury Management reviews with our treasury consultants**

- 2.3.11 Regular meetings with and reports from the Council's Treasury Consultant indicate adequate balance sheet monitoring is in place and investment risk being considered. Treasury Management was reviewed recently by Internal Audit (AC2103).

#### **Monitoring of Finance Cluster and Institutional risks**

- 2.3.12 The Finance Cluster Risk Register and the Corporate Risk Register are reviewed each month by the Cluster's Senior Management Team and the Risk Board respectively. Both include the Risk Owner, and the Risk Lead for Finance is a member of the Risk Board which oversees Risk Management on behalf of CMT. Risk management was recently reviewed by Internal Audit (AC2004).

#### **Pension fund management protocols and procedures**

- 2.3.13 Pension Policies are in place and are available on the NESPF website. These are reviewed by the Pensions Committee and Board and are given consideration in Internal Audits of the Pensions scheme. Recent examples include the Pensions Investment Policy (AC2105) and the Pensions Payroll (AC2107).

#### **Task plans, CR&D and Succession Plans**

- 2.3.14 Examples of the Transactions Team Task Plans were reviewed and found to be adequate, although the function is still being reorganised since the need to centralise transaction processing to improve control being identified. The Continuous Review & Development process ensures there is reflection on performance of tasks. The Council's Workforce Planning was addressed in Internal Audit Report AC2018 and succession planning is evident in the Finance Cluster.

#### **Horizon Scanning reviews**

- 2.3.15 Horizon scanning is ultimately the Finance Cluster Service Management Team's responsibility in respect of Financial Sustainability, but is also a key activity of the Strategy, Performance, Transformation and Risk Boards. Membership of these Executive Boards ensures that Finance is made aware of matters which impact on financial planning and could carry risk for the Council's financial sustainability. The Council has a Horizon Scanning dashboard which facilitates this.

### **Second Line of Defence:**

#### **Policy Documentation**

- 2.3.16 Due consideration is given to financial sustainability in the setting of Council Policies and authorisation of these is obtained from relevant Committees.

#### **City Growth and Resources Committee scrutiny of all financial decisions**

- 2.3.17 The CGRC provides scrutiny over the way the approved budget set by Council is used through Clusters' commissioning plans. Thresholds are set within Procurement Regulations which regulate the authorisation of expenditure and require best value to be demonstrated through obtaining quotes or tendering for goods and services. Appropriate authorisation to proceed must be received for contracts, including that of CGRC where the value exceeds that delegated to Officers. The Committee is also responsible for authorising grant distribution, debt write offs and other transactions which could impact on financial sustainability.

#### **Pensions Committee scrutiny of pensions decisions**

- 2.3.18 Pensions decisions are overseen by the Pensions Committee and guided by Pensions Policy. The S95 officer gives due consideration to the financial implications of decisions proposed to the Pensions Committee through the Committee reporting process. In addition, NESPF is regulated by The Pensions Regulator, although this is not detailed among the 'Checkers' within the Finance Cluster Assurance Map.

#### **Audit, Risk and Scrutiny Committee oversight of risk management system**

- 2.3.19 The Risk Management System Policy, Guidance and the Council's Risk Appetite are reviewed by ARSC annually where significant changes have been made. The Corporate Risk Register is reviewed annually - most recently in October 2020. Revised Cluster Assurance Maps were approved by ARSC in February 2021 and demonstrate the sources of assurance which the Finance Cluster relies upon to mitigate the financial sustainability risk.

#### **Audit Risk and Scrutiny oversight of Internal and External Audit reports**

- 2.3.20 ARSC is responsible for approving the Internal Audit Plan and receiving Audit Plan progress updates, reviewing Internal Audit Reports, and considering progress with the implementation of report recommendations. Many reports cover subjects which underpin the Council's financial sustainability. The factual accuracy of these is agreed with relevant Officers prior to issue to the Director and the Committee.
- 2.3.21 ARSC's annual review of the External Audit report provides the Council with assurance over the financial position declared in the annual Accounts. It ensures that lessons learned in one year are acknowledged by Officers and are adopted going forward. In 2019/20, these included risks associated with the valuation of some property assets and of the valuation of additional retirement cost liabilities associated with the McCloud Judgement.

- 2.3.22 The review provided assurance over matters such as the Council's correct treatment of Capital Expenditure and its prompt planning and action to mitigate the impact of the Covid Pandemic on financial stability. External Audit recognised the Council's prompt submission of the accounts despite the pandemic and noting the Council's strong balance sheet indicated that the Going Concern assumption was appropriate.

#### **Council and specific Charitable Trust Boards**

- 2.3.23 The Charitable Boards provide assurance of the correct administration of the Charitable Trusts in accordance with their Terms of Reference.

#### **Other Committees as applicable**

- 2.3.24 Terms of Reference indicate the scope of other Committees' remits, which include considering the financial impact of the decisions they make.

#### **CMT and ECMT**

- 2.3.25 Corporate Management Team (CMT) is provided with assurance by the Risk Board, which undertakes a monthly review of the Corporate Risk Register including the financial sustainability risk. CMT and ECMT receive updates from the Risk Board on a monthly basis.
- 2.3.26 Senior Management Teams (SMT) undertake a monthly review of Cluster Operational Risk Registers. Mitigation of the risks within the Finance Cluster Risk Register is critical to the Council's Financial Sustainability.

#### **Risk Board**

- 2.3.27 The Risk Board oversees the Council's control environment ensuring identified risks are adequately managed through robust controls and monitoring and that new risks are identified and mitigated. Finance is represented on this Board so any matters which present a significant increase in risk to the Council's Financial Sustainability, whether established by the Service itself or through the work of the other Executive Boards. In addition, the Risk Board reviews inspection reports and agrees corrective action where necessary.

#### **Strategy Board**

- 2.3.28 The Strategy Board considers all internal and external factors and changes which impact on Council strategy. The Council's strategy is the basis for financing and directing operations to deliver outcomes and to comply with statutory responsibilities. The Board ensures the link between strategy and medium-term financial planning is maintained to achieve objectives sustainably within available resources.

#### **Transformation Board**

- 2.3.29 The Transformation Board ensures that transformation programmes, projects and staffing redesigns are appropriate and that progress and impact is in line with expectations. Any deviation from plan is reviewed including the financial impact which is built into the Medium Term Financial Strategy. The Board plays a role in ensuring savings are identified, programmed and planned for implementation.

#### **Performance Board**

- 2.3.30 The Performance Board monitors the Council's progress in achieving its strategic outcomes and how efficiently and effectively it does this. This includes Key Performance

Indicators and other standards which should be delivered in accordance with the Council's Delivery Plan and within the resources available as indicated by the Medium Term Financial Strategy which it is responsible for approving. Any performance issue which may significantly impact the Council's Financial Sustainability would be reported to the Risk Board.

- 2.3.31 The ALEO Assurance Hub reports to ARSC annually, however is not indicated as a Helper in the Assurance Map. Assurance over ALEO's has been obtained from Internal Audit Reports AC1621 (Governance Arrangements) and AC1722 (Performance and Payments) in addition to the annual accounts and external audit which their finances undergo.

### **Third Line of Defence:**

#### **Annual External Audit and report of ACC Accounts, Pension Funds and Group Accounts**

- 2.3.32 Statutory financial reporting requires transparency and detail which allows reasonable assurance to be drawn in terms of the Financial Sustainability or otherwise of the Council and its partners. The External Audit report provides feedback regarding the Council's financial sustainability and any risks identified which may compromise it.

#### **Annual Internal Audit Plan based on risk and approved and overseen by Audit, Risk and Scrutiny Committee.**

- 2.3.33 ARSC has oversight of the Internal Audit Plan. The Plan is risk based and developed in conjunction with Senior Management Teams and the Risk Board.

#### **Annual credit rating review**

- 2.3.34 Assurance has been taken from Internal Audit's Bond Governance Report (AC1824) and Bond Trust Deed Compliance Report (AC1921) which considered the safeguarding of the Council's credit rating.

- 2.3.35 Moody's gave its latest annual credit rating opinion on 18 January 2021 and CGR received a report on this in February 2021. The rating of A1 with a stable outlook was unchanged and was in line with the recent downgrade to the UK's rating from Aa2 to Aa3.

- 2.3.36 The report was positive on matters which contribute to the Council's financial sustainability and its credit rating, including the strength of the balance sheet. Credit rating risk exposure was however highlighted by the Treasury Consultants in respect of Investment Property i.e. Marischal Square, TECA and its associated hotels. Although significant, the Council was deemed to have sufficient reserves to compensate for lost income. This was evident in the balancing of the budget for 2020/21.

#### **London Stock Exchange compliance checks**

- 2.3.37 The Bond Governance Report (AC1824) also reviewed the arrangements in place to ensure compliance with the London Stock Exchange requirements.

#### **National Audit reports and Best Value Audit**

- 2.3.38 Aberdeen City Council's Best Value Audit started in November 2020 and is due to report to Council in June 2021. This Audit is informed by External Audit Reports on matters including Financial Sustainability and itself reviews performance in terms of achieving strategic outcomes efficiently through the resources available.



- 2.3.39 Other national audit reports enable the Council to consider its risk and performance in the wider context through for example the Local Government in Scotland Financial Overview. Some national reports address key themes such as Scotland's City Region & Growth Deals, the National Fraud Initiative, Digital Progress in Local Government and the Impact of Equal Pay, which all have transformation and financial sustainability implications.

#### **Her Majesty's Revenue and Customs Inspections**

- 2.3.40 HMRC inspections and advice mitigates the risk of errors associated with the collection and payment of taxes. HMRC intends to provide risk ratings where it carries out inspections which will provide additional assurance and inform the risk register and control actions. Internal Audit also reviews the Council's application of VAT rules, most recently in report AC1906.

#### **Treasury, Director of Finance and other bodies reports and advice**

- 2.3.41 As detailed earlier the Council's Treasury Advisor provides assurance over the balance sheet, its investments, and its ongoing exposure to certain aspects of financial sustainability risk. The wider network of Directors of Finance and bodies such as COSLA provide relevant updates and guidance and enables inter-authority discussion of issues which may impact on the Council's Financial Sustainability.

#### **Scottish Charity Regulator (OSCR) reports and advice and reports on Charitable Trust Accounts**

- 2.3.42 The OSCR is the regulator for registered charities like those operated by the Council. Their charitable status requires them to operate in accordance with a governance framework which mitigates the risk which improper practice would pose towards the Council's financial sustainability.

#### **Scottish Government Returns e.g. budget and outturn data, grant claim criteria**

The duty to submit financial returns of varying nature to the Scottish Government increases the accountability of those responsible for ensuring that the data sources used (commonly the financial systems) are accurate. Input accuracy is tested in the course of various Internal Audits which cover income and expenditure.

- 2.3.43 The duty to submit returns compels local authorities to consider the figures submitted and the performance and control they portray, including trends which may indicate a deterioration in the Council's financial sustainability.

#### **Data required by other grant funders and stakeholders of ACC**

- 2.3.44 Similarly, the requirement for data by other organisations increases the accountability for the accuracy of data provided which helps maintain a culture which is suitable for maintaining the Council's financial sustainability.

#### **ICAS and CIPFA trainer accreditations**

- 2.3.45 Finance staff are required in their Job Description to have the competency, experience and qualifications (where necessary) for the responsibilities of their posts. Maintaining professional standards and having to demonstrate these to external Professional Institutes reduces the risk of financial sustainability being jeopardised due to poor judgement, lack of training or malpractice.

#### **Benchmarking – LGBF and Directors of Finance**

2.3.46 Some Local Government Benchmarking Figures and CIPFA Performance Indicators are helpful in making comparisons between the Council and other Local Authorities in terms of finance and other matters. These give the Council opportunity to review its efficiency and financial sustainability in terms of the of the Council.

**Sources of Assurance – Overall Assessment**

2.3.47 In general the foregoing provides a complementary suite of assurance sources, through which the Council has the opportunity to consider, and where appropriate act to mitigate, risks to its financial sustainability.

2.3.48 Overall consideration was given to each financial sustainability *Risk Description* (i.e. risk cause / source) in the Corporate Risk Register which needs to be mitigated through the risk control framework. The Assurance Maps provide adequate assurance that the *Three Lines of Defence*, in conjunction with the *Control Actions* being progressed and the governance in place (for which enhancements have been recommended in this report) provide reasonable assurance over the Council’s control of Financial Sustainability risk.

2.3.49 In respect of the measures in place to monitor and manage the Council's balance sheet, revenue and financial management reputation, the control elements within the Assurance Maps and Committee reports associated with the Council’s financial resilience and sustainability give assurance that these are robust. This has been confirmed by external bodies including Moody's and External Audit in addition to Internal Audit's testing and review of available documents and controls.

2.3.50 Confirming that the controls are in place and operating effectively is more difficult where general statements of the controls in place are made such as ‘*associated financial procedures and practices*’ and ‘*Scottish Government Returns*’. The lack of detail makes controls, and the extent to which they provide assurance, less identifiable and addressable.

2.3.51 For example, for a period staff could not access the online Procurement Manual because of intranet links which did not work. Although an alternative measure has now been put in place by the Shared Commercial and Procurement Service, the risk of incorrect procurement practice was increased which increases the Council’s exposure to financial sustainability risk. And when evidence of the London Stock Exchange Compliance Checks was requested, there was a lack of clarity on what these were, what they demonstrated and how they could be evidenced. Finance was subsequently able to provide supporting detail.

2.3.52 It must be clear to those responsible what each control involves and how it can be checked and evidenced as being effective.

<b><u>Recommendation</u></b>		
The Service should ensure that the control elements referred to in the Finance Cluster Assurance Map are adequately understood and can be easily referenced.		
<b><u>Service Response / Action</u></b>		
Agreed. Appropriate detail to support the control element should exist, and this should not be at the expense of the clear and concise nature of the Assurance Map, to avoid it becoming unwieldy and unreadable. Documentation of the assurance map control elements will be produced to improve understanding and referencing.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2021	Chief Officer - Finance	Significant within audited area

2.3.53 The Finance Cluster Assurance Map does not currently include the following sources, which provide further assurance over Financial Sustainability:

- Doers: Budget Holder training
- Helpers: Senior Management Team (Monthly Cluster Risk Register review)
- Helpers: ALEO Assurance Hub
- Helpers: IJB Risk, Audit and Performance Board
- Checkers: Pensions Regulator
- Checkers: Bond Trustee

<b><u>Recommendation</u></b>		
The Service should consider documenting further assurance sources in the Finance Cluster Assurance Map.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Chief Officer - Finance	Important within audited area

## 2.4 Risk Management

2.4.1 As part of this review of the Financial Sustainability risk, areas where the Council's Risk Management approach could be improved have been identified as set out above. As the process owner, Governance is well situated to develop guidance and practice to promote consistency of approach across the Council.

<b><u>Recommendation</u></b>		
Governance should review the consistency of Clusters' approach to documenting control actions and sources of assurance.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2021	Chief Officer - Governance	Significant within audited area

**AUDITORS:** C Harvey  
T Wight  
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

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2115 Teachers Payroll
<b>REPORT NUMBER</b>	IA/AC2115
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2

### 1. PURPOSE OF REPORT

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

### 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 Teachers Payroll.

### 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

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2115 – Teachers Payroll.

## 10. REPORT AUTHOR DETAILS

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## **Internal Audit Report**

### **Customer**

### **Teachers' Payroll**

**Issued to:**

Andy MacDonald, Director of Customer Services  
Rob Polkinghorne, Chief Operating Officer  
Jacqui McKenzie, Chief Officer - Customer Experience  
Graeme Simpson, Chief Officer - Integrated Children's and Family Services  
Isla Newcombe, Chief Officer – People and Organisational Development  
Kirsten Foley, Employee Relations and Wellbeing Manager  
Eleanor Sheppard, Chief Education Officer  
Neil Yacamini, HR and Payroll Service Centre Manager  
External Audit

## EXECUTIVE SUMMARY

### Background

The Council employs over 1,700 full time equivalent teachers. In the financial year 2020/21, over £71.38 million was paid to permanent teachers in gross salary and wages payments, including £1.58 million maternity pay, £1.2 million sick pay, £211,200 in allowances and £169,000 of recruitment and retention incentive payments, but excluding employer's national insurance and superannuation contributions. During this same period, over £2.15 million was paid for over 108,000 supply hours worked by either supply or permanent part time teachers. A further £499,000 was paid in accrued holiday pay for supply teachers.

### Objective

The objective of this audit was to provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees, covering new starts, changes of circumstance, and leavers along with the payment of additional hours and allowances.

### Assurance

Payroll calculations for supported changes to the Council's payroll were accurate and measures were found to be in place to ensure payments are only made to bona fide employees. Changes to employee bank details were also supported. In addition, payments to employees with changes in circumstances; leavers final pay; sick pay; and maternity pay were accurate and supported.

However, improvements have been recommended as noted below, to ensure decisions relating to fixed term contracts, and temporary and timesheet payments, are always suitably supported and authorised.

### Findings and Recommendations

Teachers with previous experience may join the Council above the base grade for the post, however the extent of documentation supporting this position varied. A recommendation, graded Significant within the audited area, was raised with the Service to ensure suitable evidence is held on file.

A teacher occupying a promoted post for two years will receive 3 years cash conservation (the same wage as the promoted post) if they return to their substantive teaching post. Furthermore, any teacher occupying a temporary post beyond two years with satisfactory continuous service is entitled to transfer to a permanent post. Monthly reports enable Head Teachers to monitor the requirement for fixed term contracts. However, the reports rely on contract end dates being recorded in the system, which was not always the case. In addition, a sample of fixed term contracts reviewed had been extended without recorded justification, increasing the risk of financial pressures. Recommendations graded Significant within the audited area were raised with the HR & Payroll Service Centre to regularly review missing contract end dates, and with Education to ensure contract extension requirements are adhered to.

In 2020/21, thirteen staff were paid approximately £12,000 in additional Temporary Responsibility Payments. Scottish Negotiating Committee for Teachers (SNCT) rules indicate any post expected to be required beyond 3 months should have a fixed term contract. Within a sample of staff receiving this allowance in 2020, there were two staff who had been receiving it continuously since April 2016. A recommendation graded Significant within the audited area was raised with People and Organisation to formalise a procedure in consultation with Education, on the use of Temporary Responsibility Payments as an alternative to a fixed term contract.

29% of December 2020 timesheets reviewed had been dated by the claimant or the Head Teacher prior to the last day worked, or not dated by either. Should claim forms be completed prior to the last date worked, and the teacher become unable to work all dates claimed, this could result in an overpayment being made. Recommendations graded Significant within the audited area were raised with Education to ensure claims are only submitted and approved after hours have been worked,



and with Payroll to review the process for payment of timesheets where employee and authoriser dates are omitted.

#### Management Response

The HR&PSC, Education and People & Organisation have agreed actions in response to the recommendations made, to: support new start salary scale point decisions; improve monitoring and control of fixed term contracts and Temporary Responsibility Payments; enhance monitoring of overpayments; and to ensure timesheet hours are approved after they have been worked.

## 1. INTRODUCTION

- 1.1 According to the 2020 Scottish Government Teacher Census, Aberdeen City Council employs 1,753.5 full time equivalent teachers (890.5 primary, 751 secondary, 36 special, 28 early learning and 48 peripatetic / visiting specialist).
- 1.2 In the financial year 2020/21, over £71.38 million was paid to permanent teachers in gross salary and wages payments, including £1.58 million maternity pay, £1.2 million sick pay, £211,200 in allowances and £169,000 of recruitment and retention incentive payments, but excluding employer's national insurance and superannuation contributions.
- 1.3 During this same period, over £2.15 million was paid for over 108,000 supply hours worked by either supply or permanent part time teachers. A further £499,000 was paid in accrued holiday pay for supply teachers.
- 1.4 Teachers' payroll payments are administered by the Payroll Team in Human Resources and Payroll Service Centre (HR&PSC) using the corporate payroll and employee management system. Administration of Teacher contracts and the personal data held within the Council's payroll and employee management system is carried out by the Human Resources and Payroll Service Centre.
- 1.5 Supply staff covering a fixed period of over 6 months are set up within the payroll system to be paid a monthly salary automatically; the remainder must submit timesheets for the hours actually worked. Part time permanent teachers must also submit timesheets for additional hours worked.
- 1.6 It is a legal requirement for Scottish school teachers to be registered with the General Teaching Council (GTC) for Scotland. The Pay and Conditions of Service for teachers and associated professionals employed by Scottish Councils is set out in the Scottish Negotiating Committee for Teachers (SNCT) Handbook of Conditions of Service. SNCT is a tripartite body comprising members from teaching organisations, Local Authorities, and the Scottish Government. Certain matters, including maternity leave procedures and short term supply guidance, are devolved to Local Negotiating Committees for Teachers (LNCT) for local agreement and are Council specific.
- 1.7 The objective of this audit was to provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees, covering new starts, changes of circumstance, and leavers along with the payment of additional hours and allowances.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer Experience, Eleanor Sheppard, Chief Education Officer, Isla Newcombe, Chief Officer – People and Organisational Development, Neil Yacamini, Payroll and HR Service Centre Manager and Kirsten Foley, Employee Relations and Wellbeing Manager.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Scottish Negotiating Committee for Teachers (SNCT) Pay Formulae**

2.1.1 Under Scottish Negotiating Committee for Teachers (SNCT) conditions of service, teachers receive 1/235th of their annual salary for each working day. A working day is defined as each pupil and in-service development day (195 days). Teachers further receive paid annual leave at 0.20513 of a day's pay for each day worked i.e. 40 days paid annual leave if 195 days worked (0.20513 being 40/195). Due to annual leave and closure days being determined at a local level, if a teacher changes local authority, it is possible for such a teacher to work more or less than 195 days in the period of a year. In such a case, the salary they receive in that particular year could be more or less than the annual rate of salary.

2.1.2 Specified new start and leaver calculations should be used when an employee:

- joins the Council for the first time;
- leaves the Council;
- moves to a post with a different annual rate of salary;
- moves from part time to full time or vice versa;
- increases or decreases their part time hours; or
- commences or returns from a career break.

2.1.3 It should be noted that a different calculation is used if the change to salary/new start/leaver payment is at the beginning or end of the academic session, in order to ensure, over the course of an academic session, the employee is paid the same amount in August in each authority irrespective of the start and end date of the session.

2.1.4 Payroll use a spreadsheet to undertake the required calculations, with the Human Resource and Payroll Service Centre (HR&PSC) providing the number of working days to be used. The audit reviewed random samples of ten new starts, ten leavers and ten changes in circumstance, between October 2020 and January 2021. No errors were found.

### **2.2 New Employees**

2.2.1 When a teacher is appointed, following receipt of a new start memo from the recruiting manager, the Human Resource and Payroll Service Centre (HR&PSC) directly input relevant data into the payroll and employee management system including salary point, continuous service details, working days, and annual leave entitlement. Payroll use these details for the first pay calculation to be completed and entered onto the payroll system.

2.2.2 The SNCT Handbook requires that any newly appointed GTC registered teacher, who has not previously worked for a Scottish Local Authority, be placed on Point 1 of the Teachers Main Grade Salary Scale. Probationary teachers have a provisional GTC registration and are placed on Point 0. Additional salary points may be added for relevant qualifying experience.

2.2.3 Where a teacher joins the Council from another country, a salary assessment must be carried out by HR&PSC. Probationer teachers are placed on point 0 while newly graduated teachers are placed on point 1. Salary assessments are not required for promoted posts, such as Principal Teachers, Depute Head Teachers or Head Teachers, as these are job-sized posts relating to the school pupil numbers. Teachers appointed from other local authorities have their salary points matched; this should be verified by email from the previous employing authority. Should a teacher dispute the salary point they are placed upon there is a comprehensive appeals process to determine any changes

required.

- 2.2.4 Of six non job-sized new starts reviewed, placed on a salary scale above point 0 / point 1, two were supported by confirmation of salary by the previous local authority, however the remaining four were not supported by a salary assessment or assurance from the previous employer. A documented record of how the assessment was arrived at would provide assurance that higher starting salary scale points are appropriate.

**Recommendation**

Evidence supporting salary placement above standard scale points should be held in teachers' personnel files.

**Service Response / Action**

Agreed. Evidence supporting this will be held in teachers' personal files where teachers are not probationer teachers or coming from another Scottish local authority. In the case of another Scottish local authority email confirmation will be retained from the previous employer.

**Implementation Date**

Implemented

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area

- 2.2.5 The first month salary payments for ten new teachers, who took up post between October 2020 and January 2021, were reviewed to ensure the SNTC formulae had been correctly applied and payment was accurate. Nine of the teachers' first salary payments were calculated and paid correctly. The remaining payment had been calculated correctly however when checked to the payment made, it was found to have been input incorrectly by Payroll staff into the payroll system, resulting in an overpayment of £1,095.89. Payroll have contacted the teacher to arrange repayment. A recommendation has been made at paragraph 2.10.4 to ensure records of overpayments with reasons are maintained for monitoring purposes to help avoid future overpayments.
- 2.2.6 The objective of this Internal Audit included ensuring payment was being made to bona fide employees. All staff reviewed in the new starts testing had evidence of a recruitment and selection process which included confirming the employees' identities.

## **2.3 Leavers**

- 2.3.1 When a teacher leaves their post, a Termination Form is completed by schools / Education and forwarded to the Human Resource and Payroll Service Centre (HR&PSC), to calculate the days worked and accrued holiday entitlement, before passing to Payroll for final salary calculation and input.
- 2.3.2 The final salary payment entitlements for ten teachers who left their post in the period October to December 2020 were reviewed to ensure the correct end date had been applied, Payroll had been notified timeously and the payment made matched the calculation supplied by HR&PSC. All notified leavers were processed correctly by Payroll. However, in one case a school had not notified the HR&PSC promptly. An overpayment was avoided because the teacher received a payroll notification and advised the HR&PSC, which allowed Payroll to recall the Bacs payment. Payroll reminded all Services, during the course of the audit, of the importance of reporting employee changes of circumstance in a timely manner to ensure staff are paid correctly and overpayments are avoided.

## **2.4 Changes to Employee Details**

- 2.4.1 Changes to an employee's payroll information are notified via the employee and payroll management system, which are authorised by the HR&PSC and then checked by Payroll prior to processing. Where the change requires, an amended contract will be produced and the working days and annual leave entitlement calculated then forwarded to Payroll, who calculate the salary for the month in which the change was made and input to the payroll system. Additionally, the employee can notify a change of address or amendment to bank details via the mandate attached to their payslip, or through the employee self-service portal within the payroll and employee management system.
- 2.4.2 A sample of ten changes processed between October 2020 and January 2021 was reviewed, of which eight required calculations to be carried out, whilst the remaining two were contract extensions which did not require a recalculation. The salary payment entitlements for the eight teachers which required a salary adjustment were calculated and compared to the salary payments made and no errors were found.
- 2.4.3 A sample of ten changes of bank details processed by Payroll staff was reviewed to ensure a supporting bank mandate form, signed by the employee was present and the details had been accurately input to the payroll system. All were found to be fully supported and input correctly.
- 2.4.4 Employees within this sample had been employed prior to 2020/21 and the personnel files had identity documentation similar to the new starts. Further assurance over employee existence is provided through the staffing budget monitoring process. Budget Managers, normally Head Teachers at a school level, receive monthly staffing budget reports which detail all the staff at an establishment. It is budget managers' responsibility to review the report and notify HR&PSC and/or Finance should they have any queries regarding the staff they are being charged for, or the allowances being paid. Provided this review is completed timeously then any issues should be corrected within a month of their occurrence. Internal Audit confirmed the staffing reports were issued in March 2021 as expected.

## **2.5 Fixed Term Contracts**

- 2.5.1 As well as permanent full or part time posts, schools use temporary positions for flexibility in workforce management and to meet school specific curriculum requirements.
- 2.5.2 Normal recruitment processes apply to any post required for more than 3 months. The SNCT Handbook Use of Temporary Contracts for Teaching Staff states "fixed term contracts will be issued to cover the following circumstances: maternity leave; parental leave; adoption leave; career break; long term sickness absence; secondment; sabbaticals; staffing from time limited funding; and cover for Trade Union facility time".
- 2.5.3 Under SNCT cash conservation rules any teacher occupying a promoted post for two years will receive 3 years cash conservation (receive the same wage as the promoted post).
- 2.5.4 Under a Local Negotiating Teachers Council agreement, any teacher occupying a temporary post beyond 2 years is entitled to "*apply for a transfer to the permanent staff, and the application shall not normally be refused, where the teacher has given satisfactory continuous service for a period of two years or two school sessions.*" While under Fixed Term Employees Regulations 2002 any temporary contract extended beyond four years will be made permanent unless the authority can objectively justify not doing so.
- 2.5.5 As at 12 February 2021, there were 96 staff filling 61.3 full time equivalent temporary posts, according to the payroll system. Eleven of these staff were supply teachers and should have been designated as relief within the system rather than temporary. Of the

remaining 85, 10 had no end date entered into the system and of the remainder with an end date, 15 had already gone beyond that date, four of which had also gone beyond four years in post.

- 2.5.6 HR&PSC provide monthly reports to schools detailing any fixed term contract which is due to expire in the following month, enabling the school to review the requirement for the contract and inform HR&PSC whether to extend or terminate the contract. If HR&PSC receive no response regarding these contracts then the contract simply continues, with no requirement for contract extension paperwork to be raised. The report relies on an end date being recorded in the system otherwise the employee will be excluded. Therefore, the ten mentioned in paragraph 2.5.5 will not have been reported to the relevant line manager. Details of these staff have been supplied to HR&PSC; the records have been updated.

**Recommendation**

HR and Payroll Service Centre should arrange for an exception report to be run regularly for staff records with missing data.

**Service Response / Action**

Agreed. An initial report has been run and the necessary remedial action will be undertaken. Further reports will be run on a quarterly basis.

**Implementation Date**

August 2021

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area.

- 2.5.7 Payments of approximately £2.34 million were made to 95 temporary staff teaching staff (61.3FTE) in the financial year 2020/21. A review found twelve beyond their contract end date of which eight have gone beyond two years and are filling promoted posts. Should these staff return to their substantive posts, and the higher graded post be filled by another member of staff, or removed from the workforce, this will result in an annual extra cost to the Council of approximately £49,000. As indicated in paragraph 2.8.3 below, the Council is already paying approximately £50,000 in cash conservation charges annually.

- 2.5.8 The monthly reports from HR&PSC detailing fixed term contracts, allows schools to make a conscious decision to review their temporary posts and decide, within their local requirements, whether to extend or terminate. Fixed term contracts have continued beyond their end dates, with no justification provided to HR&PSC, by the respective Head Teachers, increasing the risk of financial pressures.

**Recommendation**

Head teachers should justify fixed term contract extensions and where appropriate the reason the post is not subject to the appropriate recruitment and selection process.

**Service Response / Action**

Agreed. Head Teachers have been reminded of fixed term contract extension requirements and a regular reminder to schools of this requirement has been scheduled.

**Implementation Date**

Implemented

**Responsible Officer**

Quality Improvement  
Manager

**Grading**

Significant within audited  
area.

**2.6 Maternity and Adoption Pay**

- 2.6.1 An employee with less than 26 weeks continuous service at the beginning of the eleventh week before the Expected Week of Childbirth (EWC) or week of notification of being

matched with a child for adoption, will have no entitlement to maternity / adoption pay. Where applicable, Occupational Maternity / Adoption Pay (OMP & OAP) and Statutory Maternity / Adoption Pay (SMP & SAP) are paid at the appropriate rates for the first 13 weeks. Taken together, these payments will be equal to the employee's regular salary. SMP / SAP for a further 26 week period is paid, this was set at £151.20 per week for 2020/21 following which point the employee will go onto zero pay. Employers are entitled to reclaim 92% of SMP / SAP paid to employees from HMRC.

2.6.2 The payroll system records normal basic pay for employees on maternity and adoption pay, with a separate entry for SMP / SAP and a corresponding deduction through an OMP / OAP heading to the value of the SMP / SAP paid. This ensures the employees calculated entitlement is processed correctly and SMP / SAP is separately identifiable for reclaiming from HMRC.

2.6.3 The forms and supporting information for ten teachers who started maternity leave after 1 January 2020, together with the amounts paid, were reviewed. All of the sample had returned to work at the time of review, with three returning earlier than their statutory end date. The required forms had been submitted for each of the sample tested. Each of the maternity sample reviewed had been paid the correct salary throughout the period of their entitlement, with the required SMP offsets (no SAP offsets occurred in period of review).

## **2.7 Sick Pay**

2.7.1 All schools record teacher's sickness absences through the Council's employee self-service system, which provides an automated process for submission to Payroll. The Payroll system then automatically calculates the payments due based on these dates.

2.7.2 After eighteen weeks of continuous qualifying Local Authority service, a teacher is entitled to Occupational Sick Pay (OSP). The entitlement is on a sliding scale, up to 5 years continuous employment when the level of OSP entitlement becomes 6 months full pay followed by 6 months half pay. This is cumulative over a rolling twelve month period.

2.7.3 The payroll system automatically calculates the end dates for the entitlement to full and half pay and applies this to the employee's payment. A sample of teachers who had been on long term sickness absence (January 2020 to February 2021) were reviewed; all had their salary adjusted correctly.

## **2.8 Allowances**

2.8.1 Along with normal salary payments there are a number of allowances which are paid to teachers including: first aid; recruitment and retention incentive; cash conservation; twilight classes; and temporary higher duty allowances. Samples were taken from the three highest value allowances paid in December 2020. Testing looked to ensure the allowance was approved, the value was in line with the SNCT agreement and had been accurately paid.

### Cash Conservation

2.8.2 The SNCT handbook states at 1.67 "*Where a teacher has occupied a promoted post, on a temporary basis, for two years and that temporary appointment ceases, then the teacher shall receive a three-year period of cash conservation*". Paragraph 1.63 states "*The application of cash conservation will commence at the date at which the downgrading of the salary for the post, transfer or cessation of temporary appointment takes effect. During*

*the period of cash conservation, the post holder will continue to receive his/her previous salary but will not receive any increase resulting from pay awards”*

- 2.8.3 In the financial year 2020/21 sixteen staff were paid a total of £49,950 under cash conservation. Testing of a sample of three such payments found each of the members of staff had been covering a promoted post for a period exceeding 2 years and when the contract ended HR&PSC each issued Variation of Contract of Employment notifications detailing the salary to be conserved. The figures and calculations in the sample were correct.

#### Temporary Responsibility Payments (TRPs)

- 2.8.4 The SNCT handbook states under Acting Appointments para 1.61 *“Where a teacher is appointed on a temporary basis to carry out the duties of a promoted postholder in a school, education establishment or education team, pending a permanent appointment to the promoted post or in place of a teacher who is temporarily absent, the council shall increase the teacher’s salary to the salary for the post”*. Based on details supplied by the School/Education, HR and Payroll Service Centre will issue a Temporary Payment for Post of Higher Responsibility letter notifying the member of staff the post, date starting and the rate of pay for the post.
- 2.8.5 Unlike a fixed term contract, the member of staff must submit a monthly claim form indicating which days they have worked within the month, which must be approved by the Head teacher, Quality Improvement Officer or Service Manager. The form is submitted to the HR and Payroll Service Centre who then calculate the extra payment due based on the difference between the substantive wage and the higher level post grade. The form is then passed to payroll for updating in the payroll system.
- 2.8.6 In the Financial Year 2020/21, thirteen staff were paid a total of £11,874 in TRP. It is paid for acting appointments where a fixed term contract has not been issued. Currently there is no policy governing how long such a payment will be made, without requiring a fixed term contract being issued. However as noted in paragraph 2.5.2 above, any post expected to be required beyond 3 months should have a fixed term contract arranged. Within the sample tested of staff receiving this allowance in December 2020, there were two staff who had been receiving a TRP continuously since April 2016.
- 2.8.7 In the sample of three payments made in December only one had a copy of the letter notifying the member of staff. All had approved claims forms which had the HR and Payroll Service Centre calculation recorded along with the name of the member of staff completing the calculation.
- 2.8.8 When reviewing the paperwork for two of the staff, it was noted the claim forms for February 2021 were for the same days and indicated they were covering the same person full time, which is not possible. On contacting the QIM who had approved both claim forms it was confirmed one of the teachers was covering the specified post while the other was covering a different vacancy within the same area and it was an administrative error on the claim forms.
- 2.8.9 Personnel files reviewed did not have supporting documentation showing how decisions were made to make TRP payments instead of undertaking the recruitment and selection process for longer vacancies. As is indicated in paragraph 2.8.2 above, once this allowance is paid for a period exceeding two years, cash conservation will apply in the same way as a fixed term contract. Unlike the fixed term contracts there is no system report which can alert staff when the two years continuous period of receiving the allowance is approaching. In the absence of adequate Council guidance on how TRPs



should be applied, there is a greater risk of financial pressures due to cash conservation costs

<b><u>Recommendation</u></b>		
People and Organisation in consultation with Education should specify the procedure for using Temporary Responsibility Payments rather than fixed term contracts.		
<b><u>Service Response / Action</u></b>		
Agreed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2021	Employee Relations and Wellbeing Manager	Significant within audited area.

### Recruitment and Retention Incentive Payments

2.8.10 Recruitment and Retention Incentive Payments of £5,000 are used by schools to attract appropriate candidates to teaching posts when it has proven difficult to recruit to the sector, subject area or school itself. As per the Councils Recruitment and Retention Incentive Payments Protocol they should only be offered if one or more of the following criteria are met:

- It has not been possible to recruit to the vacancy through a number of recruitment cycles;
- the vacancy is in a subject that has been identified as hard to fill;
- there are no other options available in terms of resourcing;
- there is a risk the school will not be appropriately staffed;
- there is a risk that the school will not be able to comply with class size maxima as per SNCT terms and conditions.

2.8.11 The payment of £5,000 is made in instalments. The first £3,000 is paid on commencement of employment. The remaining £2,000 is paid on completion of 3 years of satisfactory service. Those in receipt of the payment must remain employed by Aberdeen City Council for three years and must have 'satisfactory service'. Unsatisfactory service is when, within the first 3 years of employment, an employee is managed under formal competence, conduct or capability processes, in which case the remaining £2,000 will not be paid. Where an employee leaves before the 3 years is achieved, the employee will have to pay back part of the payment given to them. The schedule for payback is as follows:

- Less than 6 months' service = 100%
- 6 – 12 months' service = 75%
- 13 – 24 months' service = 50%
- 25 – 36 months' service = 25%

2.8.12 In the current financial year twelve second payments of £2,000 were made to staff, a sample of three was tested and found to have written approved from the Chief Education Officer. In the financial year 2020/21 no staff who had received an initial payment, left Council employment before their 3 years of service had passed.

## **2.9 Supply Teacher Timesheets**

2.9.1 Each supply teacher is required to complete a monthly 'Casual Teachers Salary Claim Form' (S56) for hours worked. The form must include name, employee number, GTC number, claim month, school name and the daily hours worked. When cover has been provided for more than one school in a month, a separate claim form should be completed for each school. Administration staff within the school will provide the supply code which identifies the reason for the cover. The Head Teacher / Support Services Manager should

authorise the form once fully completed and forward to Payroll. Due to the impact of Covid-19 restrictions on Service delivery, Payroll has issued an instruction to staff, allowing managers to approve timesheets by email. Payroll manually input the hours into the payroll system, and the supply codes are mapped to accounting general ledger codes.

2.9.2 In December 2020, 165 claim forms were processed for payment. All were reviewed for accuracy of payment. The total hours recorded on the timesheets submitted were accurately paid to the teacher claiming.

2.9.3 The completeness of the timesheets was also checked; 48 timesheets (29% of the total claim forms reviewed) were submitted without supply codes. A further 32 claims had their cost centre incorrectly input by Payroll staff, resulting in these costs being charged to a general Education budget. Whilst this does not affect the payment calculation, when supply codes are left blank, or cost centres incorrectly processed, these supply costs are coded to a default accounting code and require remedial action by staff within Accountancy to ensure that budget monitoring information is accurate.

**Recommendation**

Education should ensure supply codes are recorded before forms are passed to Payroll.

Payroll should process supply timesheets using financial codes supplied by the Service.

**Service Response / Action**

a) Agreed. A reminder was issued to schools on the correct process to be followed in relation to S56 claim forms including the requirement to include supply codes.

b) Agreed. The S56 claim form has been amended and Payroll guidance has been updated.

**Implementation Date**

a) Implemented

**Responsible Officer**

a) Quality Improvement Manager

**Grading**

Important within audited area.

b) Implemented

b) HR and Payroll Service Centre Manager

2.9.4 Both the member of staff claiming and the authoriser should date their signature. This ensures that extra claim dates are not being added and paid without the authoriser being aware and checking their inclusion is legitimate. For December 2020 forty-four had been dated by the claimant prior to the last day worked while thirty-one had been dated by the approver in the same circumstance. In four instances no date had been recorded by either. Should claim forms be completed prior to the last date worked, and the teacher for any reason be unable to complete all those dates, this could result in an overpayment being made. Testing did not identify any such overpayments in this period.

**Recommendation**

Payroll should review the process for processing timesheets for payment where employee and authoriser dates are omitted.

Schools should ensure claims are only submitted and approved after the last date has been worked.

**Service Response / Action**

a) Agreed. The process has been reviewed.

b) Agreed

**Implementation Date**

a) Implemented

**Responsible Officer**

a) HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area

b) Implemented

b) Quality Improvement  
Manager

- 2.9.5 When approving a timesheet for payment, the authoriser is confirming the arithmetical accuracy of the information, and therefore Payroll do not check the summation of hours on timesheets. Ten claim forms with over 49 hours claimed were reviewed by Internal Audit and the addition checked, all were correct.

**2.10 Overpayments**

- 2.10.1 Paragraph 5.4.3 of Financial Regulations, Overpayment of Salaries and Wages, states “The Chief Officer - Customer Experience shall ensure that all reasonable steps are taken to recover any identified overpayments. Recovery will normally be made by deduction from future salary payments, or by raising a Debtors invoice in the case of former employees.”

- 2.10.2 Overpayments can occur for a number of reasons: late notification from schools; update errors by HR&PSC; input errors by Payroll; or system errors. Overpayments are not proactively sought out however Payroll typically identify these when Services report late changes concerning employee jobs and hours worked or when employees report identified overpayments in their payslip. When overpayments are identified, Payroll will calculate the resultant net overpayment made to the member of staff and issue a memo notifying the member of staff of the reason, the value and how the repayment can be made. Payroll record identified overpayments in a spreadsheet along with confirmation of repayment received or whether passed to the Revenues Section for an invoice to be raised and pursued through the sundry debt recovery process.

- 2.10.3 An analysis of the spreadsheet maintained by Payroll was undertaken to establish the reasons for overpayments arising and any remedial action which had been undertaken to try and reduce these occurrences; this is shown in the table below. It was not possible to identify reasons for all overpayments based on current Payroll records however it is clear Service delays reporting changes is the most common cause of overpayments.

Reason for Overpayment	2017/18		2018/19		2019/20		2020/21	
	No	£	No	£	No	£	No	£
Employee	0	0.00	0	0.00	1	3,370.92	0	0.00
HR	3	2,825.26	3	7,773.73	4	4,077.00	3	6,332.03
Payroll	3	1,547.76	3	8,872.73	0	0.00	3	2,203.82

Service	12	14,950.59	23	27,824.51	31	40,283.27	13	15,134.18
Unrecorded	5	3,881.14	4	8,980.77	10	11,615.30	0	0.00
<b>Grand Total</b>	<b>23</b>	<b>23,204.75</b>	<b>33</b>	<b>53,451.74</b>	<b>46</b>	<b>59,346.49</b>	<b>19</b>	<b>23,670.03</b>

2.10.4 The spreadsheet does not currently include a categorised source of the overpayment (as shown in the table above), or the school or area of Education involved. This would allow any pattern as to reason or establishment to be identified and enable specific follow up or training to be allocated.

**Recommendation**

The register of overpayments should provide sufficient data to make analysis of reasons and locations for overpayments to be identified and raised with Services to allow remedial improvement to be organised.

**Service Response / Action**

Agreed.

**Implementation Date**

August 2021

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Important within audited  
area.

**AUDITORS:** C Harvey  
A Johnston  
G Flood

**Appendix 1 – Grading of Recommendations**

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

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny
<b>DATE</b>	30 June 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/21/136
<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 24 February 2021 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)
- 3.3 There are three SPSO decisions relating to Aberdeen City Council complaints to notify Committee of since the last reporting period. One complaint was not upheld, one complaint was partially upheld, and one complaint was upheld. Further information is detailed in Appendix A.

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

- 3.4 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)
- 3.5 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)
- 3.6 There have been no SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period.

### **Inspector of Cremations Decisions**

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

## **4. FINANCIAL IMPLICATIONS**

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

## **5. LEGAL IMPLICATIONS**

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

## **6. MANAGEMENT OF RISK**



Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>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

<b>Category</b>	<b>Risk</b>	<b>Low (L), Medium (M), High (H)</b>	<b>Mitigation</b>
<b>Financial</b>	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.	L	The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.
<b>Legal</b>	There are no legal risks associated with this report.	N/A	Not applicable

<b>Reputational</b>	There is reputational risk to the council if complaints are not handled appropriately. Customer perception of the council could also be negatively impacted if complaints and Scottish Welfare Fund applications are not handled correctly.	L	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are handled correctly and there is a robust procedure in place to review decision making when necessary.
<b>Employee</b>	Staff morale may be lowered as a result of a 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>Customer</b>	There is a risk to the council's relationship with customers if a complaint or a Scottish Welfare Fund application is not handled correctly.	L	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications receive full training to ensure they have the necessary knowledge to undertake assessments.
<b>Environment</b>	There are no environmental risks associated with this report	N/A	Not applicable
<b>Technology</b>	There are no technological risks associated with this report.	N/A	Not applicable

## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<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

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

## 9. BACKGROUND PAPERS

N/A

## 10. APPENDICES (if applicable)

Appendix A – SPSO Complaint Decisions

## 11. REPORT AUTHOR CONTACT DETAILS

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## Appendix A – SPSO Complaint Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Cluster	SPSO Decision	SPSO Decision Report	Recommendations and Date(s) Implemented
11/09/19	02/10/20	1) The council failed to provide reasonable support to meet their child's educational and emotional needs at school (not upheld)	Integrated Children's and Family Services	Not upheld	<a href="#">Decision Report 201909307   SPSO</a>	Not applicable
13/02/19	02/12/20	2) The Council did not respond reasonably to the complaints raised between November 2015 and February 2019, (upheld) 3) The Council unreasonably failed to carry out the action agreed in their email of 13 May 2019 within a reasonable timescale, (upheld) 4) The Council did not respond reasonably to the complaint of 19 September 2019. (upheld)	Early Intervention and Community Empowerment	Upheld	<a href="#">Decision Report 201808479   SPSO</a>	1) Apologise to the complainant for the specific failings identified (complete) 2) Provide the complainant with detailed plans for the relocation and reinstatement works agreed to. These plans should show the current and planned locations, designs and dimensions of the fence, gate and bin store and their sites (complete) 3) Ensure contacts from the public are responded to within a reasonable timescale, that complaints are quickly identified and dealt with under the CHP, that complaints investigations are thorough, that the CHP is followed when timescales need to be revised and that complaint responses are accurate and provide meaningful explanations of how decisions were reached (complete)

						4) Arrange for the relocation and reinstatement works to be completed (due date TBC. Work to be completed 20 working days following complainant's agreement to the works, which is yet to be received)
31/10/19	16/03/21	<p>1) The council unreasonably delayed taking action to address the noise levels within the complainant's property. (not upheld)</p> <p>2) The council unreasonably failed to effectively communicate with the complainant, from around November 2019, with respect to the progress and agreed action to address the noise levels within his property. (upheld)</p>	Early Intervention and Community Empowerment and Operations and Protective Services	Partially upheld	<a href="#">Decision Report 201908295   SPSO</a>	<p>1) Apologise to for the failure to communicate effectively regarding the plans to progress agreed works. (complete)</p> <p>2) The council should communicate with the complainant regularly to agree the purpose and scope of any additional survey, and/or agree works to be undertaken (at present installation of acoustic underlay), and arrange to complete the work agreed as soon as reasonably practicable, once Scottish Government restrictions in response to Coronavirus allow. The council should communicate with the complainant to agree and arrange appropriate monitoring to robustly test the effectiveness of the acoustic underlay and/or any other works carried out. Should monitoring reveal that the works have not resolved the noise issues, the council should communicate with the complainant to agree further steps, including consideration of those set out in their complaints responses, to address the noise issues at the property (works arranged for 22 June 2021)</p>

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